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AZIMUT GLOBAL VIEW

23.09.25

Main Events

SNB MEETING – 25.09
Investors expect the Swiss National Bank to hold rates at 0%, after inflation came in slightly above forecasts

US PCE – 26.09
Bloomberg consensus expects Core PCE, the Fed's preferred gauge, to rise 0.2% m/m and 2.9% y/y

EUROPE CPI – 01.10
An indicator to watch closely, given the ECB's recent balanced tone.

US NFP – 03.10
Arguably the most important upcoming release, likely continue to steer the Fed's monetary policy until year-end

Azimut Global Network

- Milan
- Abu Dhabi
- Austin
- Cairo
- Dubai
- Dublin
- Hong Kong
- Estoril
- Istanbul
- Lugano
- Luxembourg
- Mexico City
- Miami
- Monaco
- New York
- Santiago
- São Paulo
- Shanghai
- Singapore
- St Louis
- Sydney
- Taipei

CENTRAL BANKERS GOT BACK TO SCHOOL

- **At its latest meeting, the ECB held policy rates as expected and struck a balanced forward tone in its statement, while the FOMC cut the federal funds rate by 25 bps to 4.00–4.25% and hinted that another cut in October is very likely**
- **The Bank of England also kept rates on hold, reaffirming its "gradual and careful" guidance and announcing a slowdown in QT and a reduction of long-end gilt sales**
- **The Bank of Japan surprised markets by outlining plans to begin unwinding its large ETF holdings**
- **The Trump administration announced a $100,000 fee to secure visas for new employees, intensifying supply-side constraints in the U.S. labor market.**

After a lengthy pause, at its latest meeting the Federal Reserve resumed its easing cycle in response to the deterioration in the labour market data, lowering the federal funds rate by 25 bps to 4.00–4.25% and indicating that another cut in October is highly probable.

Several indicators suggest this is the opening step in a broader sequence:

1. The dot-plot median forecast now points to three cuts this year, versus two previously.
2. The statement adopted more dovish language, consistent with September 2024 and Chair Powell's dovish tone at the Jackson Hole Symposium.
3. The description of labor market conditions—"job gains have slowed, and the unemployment rate has edged up but remains low"—echoes the setup that preceded three consecutive cuts last year.

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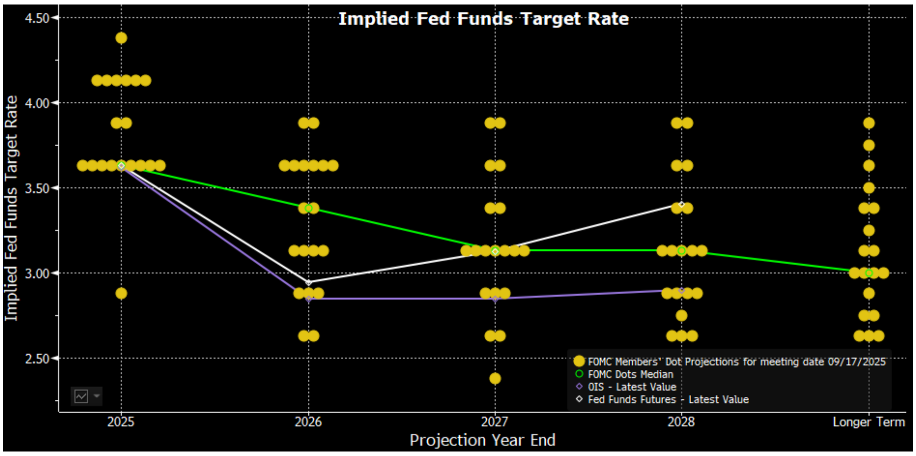
In the press conference, Chair Powell emphasized labour conditions softening beyond the uptick in the unemployment rate, noting, “we see that the labor market is softening and we don’t need it to soften anymore, and we don’t want it to,” reinforcing a message consistent with last year’s insurance-easing cadence. Powell framed the move as risk management, aimed at cushioning downside risks to employment, adding that the bond market’s pricing of the expected path of cuts can itself support activity, strengthening the case for following through.

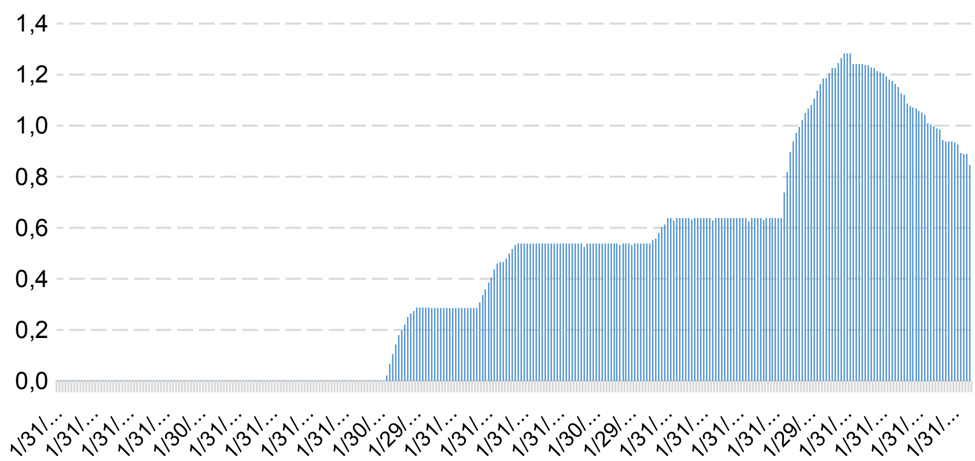


Source: Bloomberg

Across the Atlantic, the ECB Governing Council left policy rates unchanged and maintained a balanced stance, describing growth risks as “becoming more balanced” versus previously “tilted to the downside.” President Lagarde highlighted that economic resilience in the first half of the year was evident not only in exports but also in firm consumption and investment. She effectively sidelined additional rate cuts in the near term, adding that policy is appropriately calibrated as inflation is expected to remain at target.

Over the English Channel, the BoE’s Monetary Policy Committee voted 7–2 to hold Bank Rate at 4%, retaining its “gradual and careful” guidance. While supporters saw little change since the prior meeting, dissenters argued for a less restrictive stance given downside risks. The minutes leaned modestly hawkish, citing rising indicators of inflation expectations and still “prominent” upside risks to inflation. On balance sheet policy, the MPC will reduce the gilt stock by £70 billion over the year starting in October versus £100 billion in the current cycle, implying £21 billion in active sales (up from £13 billion this year) given notably lower redemptions.

Bank of England balance sheet in USD Trillion



Source: Bloomberg, Azimut Elaboration

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In Japan, asset-purchase policy took center stage as the BoJ unexpectedly decided to sell ETFs and J-REITs, initially matching the pace of legacy stock disposals: roughly ¥620 billion (market value) of ETFs annually and about ¥5.5 billion of J-REITs, with Governor Ueda indicating no plan to alter the cadence for now. At this pace, a full unwind would take more than a century.

BOJ proposed schedule for ETFs and J-REITs balance reduction

	Pre-disposal Holding		Annual Selling		Proportion of sales to trading volume (%)	Time to completion (years)
	Book (Y tn)	Market V (Y tn)	Book (Y tn)	Market V (Y tn)		
Stock purchase from banks	1.30	3.00	0.15	0.62	0.05	10
ETF	37.19	70.06	0.33	0.62	0.05	113
JREIT	0.66	0.71	0.005	0.006	0.05	131

Source: BOJ, Goldman Sachs Investment Resarch

Meanwhile, the Trump administration announced a $100,000 annual fee on H-1B visas effective September 22, 2025, adding a further headwind to U.S. labor supply on top of already restrictive immigration parameters. The H-1B is a non-immigrant visa that enables U.S. and U.S.-operating foreign employers to hire foreign professionals in specialty occupations on a temporary basis, subject to an annual cap of 65,000 plus 20,000 for advanced U.S. degree holders. India accounts for more than 70% of recent visa holders.

The announced fee increase has created operational and planning disruption among firms dependent on global talent pools, with particularly acute implications for California's tech-focused ecosystem.

Looking ahead, U.S. labor market developments are likely to remain a key catalyst in the coming weeks, with a fresh round of employment data due on October 3.

Further down the line, the new earnings season will kick off in mid-October, with investors expected to closely scrutinize AI-related capex and investment trends.

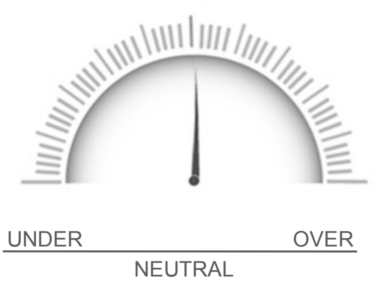
Asset Allocation View

	UNDER	NEUTRAL	OVER
Equity			
Developed Markets		■	
Emerging Markets		■	
Fixed Income			
Developed Markets Sovereign		■	
Developed Markets Corporate			■
Emerging Markets			■
Commodities		■	
Currencies	*Commentary below*		

UNDER NEUTRAL OVER

Equity

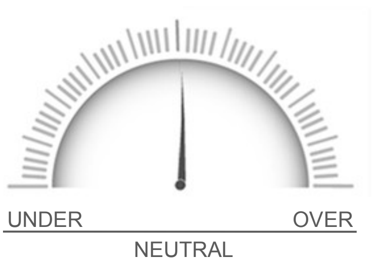
Developed Markets



We continue to maintain our **Neutral** stance on Developed Market equities. The economy continues to show resilience, while accommodative monetary policy provides conditions for markets to remain on an upward trajectory. The committee is mindful that seasonality is unfavorable and that a correction is long overdue. Should such a correction occur, it would represent an excellent opportunity to add to long positions. We continue to advocate broad diversification across sectors and regions, as high valuations remain concentrated in a handful of stocks that also carry the largest weights in major indices.

US	Neutral	**Europe**	Neutral	**Japan**	Neutral

Emerging Markets

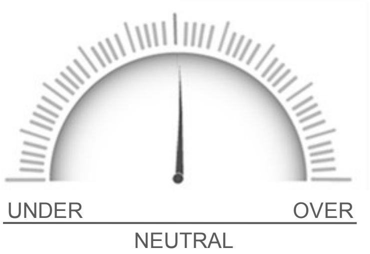


We maintain our **Neutral** recommendation on Emerging Market Equities with a positive bias. Despite the recent rally, valuations in emerging markets remain significantly lower than in developed markets, reinforcing our relatively more favorable stance as investors increasingly seek undervalued opportunities. Furthermore, emerging markets are expected to remain an attractive asset class as long as the U.S. dollar stays weak. Within this space, Emerging Asia ex-Japan remains a preferred allocation, supported by strengthening momentum in the China tech sector.

Asia ex-Japan	Over	**EEMEA**	Under	**LATAM**	Neutral

Fixed Income

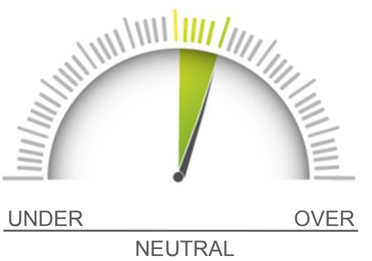
Developed Markets Sovereign



We have maintained our **Neutral** recommendation on Developed Markets Sovereign Bonds. Following the recent decline in market rates, the upside potential for sovereign bonds is now more limited, as curves have largely priced in a reasonable number of cuts. Conversely, in the current environment, a rebound in market rates also appears much less likely. Only at the very long end of the curve do some committee members maintain a cautious stance—either due to concerns about political interference in the Fed's independence or because the resilience of the U.S. economy could be further stimulated by a dovish monetary policy.

EU Core	=	**EU Periphery**	=	**US Treasury**	=	**Japanese JGB**	=

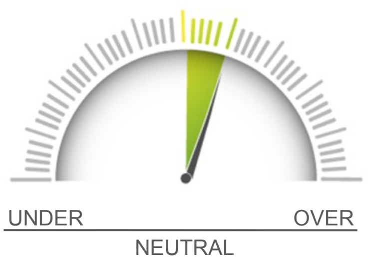
Developed Markets Corporate



We have maintained our **Slightly Overweight** recommendation on Developed Market Corporates. Demand for credit remains strong, and spreads have reached record lows. Although the U.S. labor market is showing some signs of weakening, remaining underweight in credit would be inadvisable given the resilience of the U.S. and European economies. However, with spreads at or near all-time lows, it is more important than ever to focus on high-quality bonds and avoid high yield.

IG Europe	+	**IG US**	+	**HY Europe**	−	**HY US**	−

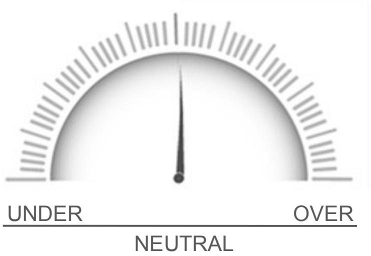
Emerging Markets



We have maintained our **Slightly Overweight** recommendation on Emerging Market Bonds. The rapid narrowing of spreads on developed market bonds makes emerging market bond spreads relatively more attractive than similarly rated bonds issued by developed markets. Additionally, U.S. dollar weakness and the ongoing diversification away from U.S. assets by international investors could further support capital flows into emerging markets.

Local Currency	=	**Hard Currency IG**	=	**Hard Currency HY**	=

Commodities



We have maintained our **Neutral** recommendation on Commodities. Within commodities, we maintain a strong preference for precious metals, supported by a weaker dollar. Over the longer term, demand for precious metals should remain resilient, underpinned by a potentially softer dollar, sustained central bank purchases, and persistent concerns about fiscal slippage in public finances globally. Conversely, we remain cautious on cyclical commodities given the risk of a global economic slowdown.

Precious	+	**Energy**	=	**Industrial**	=	**Agricultural**	=

Currencies

The consensus view on the U.S. dollar is **Neutral with a bearish bias**. The committee does not anticipate any near-term recovery for the dollar.

The view on the Euro is **Neutral with a bullish bias**, mostly as a reflex of the view on the U.S. Dollar.

We have maintained our **Neutral** stance on the **Chinese Renminbi**, awaiting more clarity on the outcome of the ongoing trade negotiations with the United States.

The outlook for other **emerging market currencies** has been confirmed as **Neutral with a bullish bias**. The massive YTD outperformance of emerging debt strategies has been gaining momentum among investors, despite the uncertainties still surrounding trade relationships.

Euro	=	USD	−	CNY	=	Other EM	+