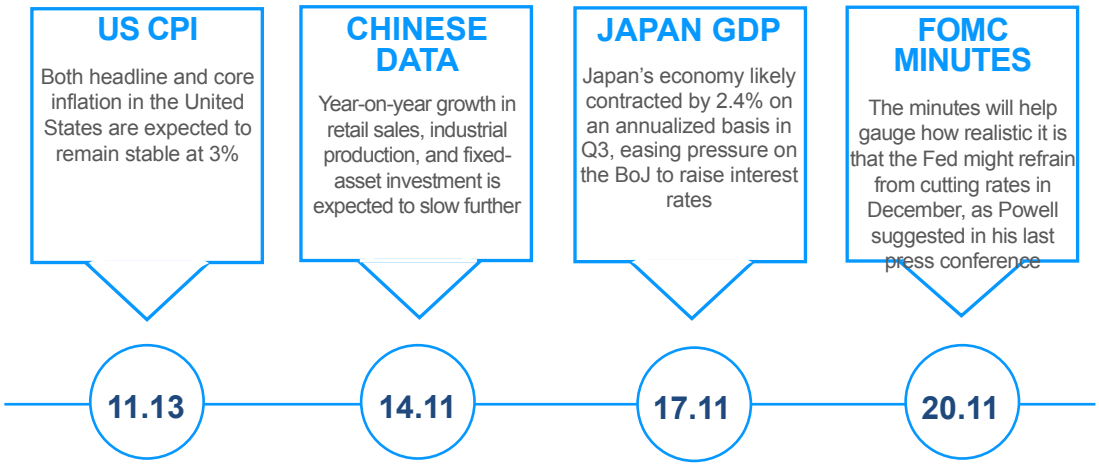
azimut

AZIMUT GLOBAL VIEW

10. 11. 25

Main Events



Developed Markets: Q3 2025 Earnings Season Monitor

- **This earnings season is coming in stronger than consensus expected, particularly in the US. Reported EPS growth is +16% YoY in the US versus +1% YoY in Europe, translating into EPS surprise factors of +9% and +2%, respectively.**
- **In both Europe and the US, the bulk of YoY EPS growth is being driven by Technology, Financials, and Communication Services sectors**
- **Earnings call transcripts for Q3 2025 show that margins, FX headwinds, AI benefits, and demand remain the dominant themes. Outlook and demand commentary improved slightly, and firms are much more constructive on the margin outlook than in Q2**

As of this writing, more than half of the companies have reported in the US and in Europe. In summary, this earnings season is coming in stronger than consensus expected, particularly in the US. Reported EPS growth is +16% YoY in the US versus +1% YoY in Europe, translating into EPS surprise factors of +9% and +2%, respectively. In the US, Tech, Financials, and Communication Services are driving the bulk of earnings, while consumer-related sectors are weaker. In Europe, consumer and commodity sectors are weighing on overall delivery.

United States (S&P 500)
For the July - September quarter, U.S. companies have posted 9% sales growth and a 16% rise in EPS. Notably, 68% of companies are beating sales estimates, with an overall sales surprise of 3%. All sectors are delivering positive sales growth. On the earnings side, 83% of companies have exceeded consensus estimates, with a positive surprise of 9%.

The bulk of EPS growth is being driven by Technology, Financials, and Communication Services, while the consumer sectors, both Discretionary and Staples, are seeing negative or flat earnings growth this quarter. Stock price reactions this quarter have been unusual; companies that beat estimates saw a median negative reaction of -40bps, while misses were heavily penalized with a median decline of -270bps.

Following a steady decline through mid-2025, consensus EPS estimates for both 2025 and 2026 have recently inflected and moved higher.

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

(continued)

S&P: Q3 2025 summary

	No. of cos reported / Total	% reported	% cos beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
S&P500	**257 / 499**	**52%**	**83%**	**13%**	**9%**	**16%**	**68%**	**14%**	**3%**	**9%**
Energy	9 / 22	41%	89%	0%	12%	27%	78%	11%	5%	5%
Materials	12 / 26	46%	75%	17%	11%	17%	83%	8%	2%	4%
Industrials	53 / 79	67%	83%	17%	0%	8%	51%	25%	2%	7%
Discretionary	23 / 50	46%	74%	22%	6%	-7%	65%	9%	5%	6%
Staples	15 / 36	42%	87%	0%	4%	0%	53%	7%	1%	2%
Healthcare	30 / 60	50%	90%	7%	11%	14%	83%	7%	3%	12%
Financials	50 / 75	67%	88%	12%	8%	22%	80%	12%	3%	10%
IT	21 / 68	31%	86%	10%	13%	34%	81%	0%	3%	15%
Com. Services	9 / 21	43%	67%	22%	13%	17%	33%	22%	1%	11%
Utilities	13 / 31	42%	77%	23%	6%	14%	69%	31%	1%	9%
Real Estate	22 / 31	71%	77%	14%	3%	8%	64%	14%	2%	8%
Ex-Financials & Real Estate	**185 / 393**	**47%**	**82%**	**14%**	**9%**	**14%**	**65%**	**14%**	**3%**	**9%**
Ex-Energy	**248 / 477**	**52%**	**83%**	**14%**	**9%**	**16%**	**68%**	**14%**	**3%**	**9%**
Cyclicals	**109 / 223**	**49%**	**81%**	**17%**	**8%**	**15%**	**63%**	**15%**	**3%**	**8%**
Defensives	**67 / 148**	**45%**	**84%**	**10%**	**10%**	**13%**	**67%**	**13%**	**2%**	**10%**

Source: JP Morgan

Big Tech

Alphabet reported a strong quarter, marking its first-ever $100 billion revenue quarter, with total revenue up 16% YoY (15% ex-FX). Search, previously seen as most at risk from AI, accelerated to 14.5% growth, suggesting that AI integration is enhancing monetization rather than cannibalizing it. Google Cloud revenue also accelerated to 34%, driven by robust enterprise AI demand. Overall, the results highlight that AI-enhanced search and cloud adoption are proving complementary, reframing the AI narrative from a risk to an opportunity.

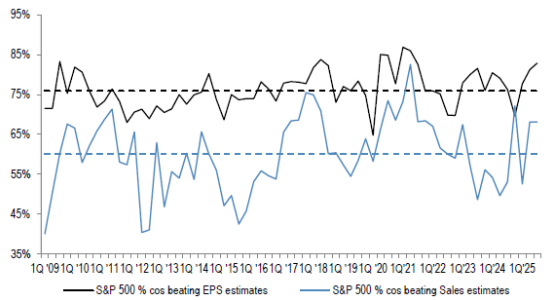
Meta delivered 26% revenue growth, 3.5% above consensus, while operating income came in 5% ahead of expectations. Although Q4 guidance (16–22% YoY) implies a deceleration, it appears conservative. Management raised FY25 CapEx guidance to $70–72 billion and signaled a "notably higher" increase for FY26. Total expenses are also projected to rise significantly faster in 2026, which could pressure margins. The market reacted cautiously, penalizing Meta for its aggressive investment pace, even though spending is directed toward long-term AI infrastructure.

Amazon also posted impressive results, driven by a reacceleration in AWS and a confident tone on AI leadership. AWS revenue growth strengthened, while margins and profitability exceeded expectations. Management emphasized that AI-related demand is fueling incremental workloads and revenue growth. The combination of stronger AWS profitability and expanding CapEx underscores Amazon's central role in the AI infrastructure cycle.

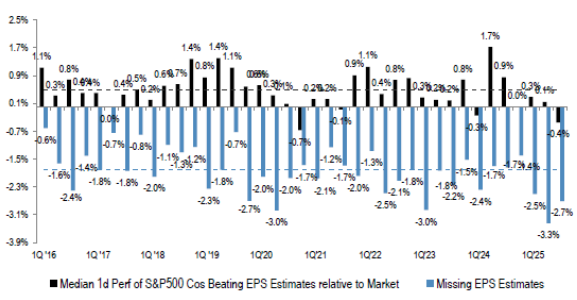
Microsoft delivered outstanding results for its Q1FY26, with revenue up 18.4% YoY to $77.7 billion. Azure and other cloud services grew 40%, accelerating from 39% last quarter. Management acknowledged that demand remains so intense that growth is constrained by available capacity, which is unlikely to normalize before the end of FY26. A new $250 billion order from OpenAI further underlines the depth of cloud demand and Microsoft's entrenched position as the backbone of AI infrastructure.

Apple posted solid September-quarter results, with revenue at $102 billion (up 8% YoY) and gross margins at 47.2%, both beating consensus. EPS exceeded estimates by 4%, helped by cost control. The company guided for an 11% YoY revenue increase in the December quarter, implying a 4–5% beat versus consensus, driven by double-digit iPhone growth. Supply constraints emerged for some new iPhone models, not due to manufacturing issues, but because demand outstripped Apple's initial forecasts.

S&P: % of companies beating quarterly EPS / SALES



S&P: price reaction to beats and misses



Source for both charts: JP Morgan

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STOXX 600: Q3 2025 summary

	No. of cos reported / Total	% reported	% cos beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
Stoxx600	224 / 413	54%	56%	44%	2%	1%	43%	38%	1%	-1%
Energy	13 / 20	65%	69%	31%	5%	-11%	38%	62%	3%	-8%
Materials	18 / 35	51%	47%	53%	-7%	-10%	17%	61%	0%	-2%
Industrials	53 / 92	58%	58%	42%	-1%	6%	45%	38%	3%	7%
Discretionary	20 / 38	53%	29%	71%	-77%	-83%	28%	56%	1%	-1%
Staples	19 / 29	66%	29%	71%	2%	-2%	11%	39%	-1%	-2%
Healthcare	14 / 37	38%	50%	50%	7%	0%	57%	29%	1%	3%
Financials	42 / 81	52%	69%	31%	8%	14%	72%	15%	2%	1%
IT	17 / 23	74%	73%	27%	5%	12%	47%	35%	0%	2%
Com. Services	11 / 24	46%	29%	71%	-2%	11%	30%	20%	0%	-18%
Utilities	7 / 18	39%	43%	57%	3%	0%	33%	67%	-3%	2%
Real Estate	10 / 16	63%	33%	67%	-18%	28%	43%	29%	0%	-6%
Ex-Financials & Real Estate	172 / 316	54%	53%	47%	-2%	-8%	36%	43%	1%	-1%
Ex-Energy	211 / 393	54%	55%	45%	1%	4%	43%	36%	1%	1%
Cyclicals	108 / 188	57%	56%	44%	-11%	-12%	38%	44%	1%	2%
Defensives	51 / 108	47%	39%	61%	5%	0%	31%	35%	0%	-2%

Source: JP Morgan

Nvidia will report on November 19.

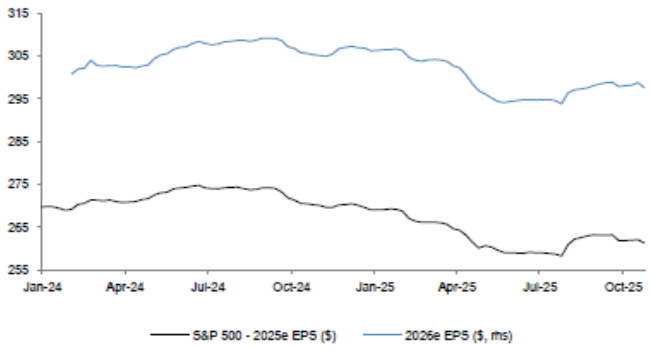
Europe (STOXX 600)

With 54% of companies reported, Q3 earnings are showing muted growth. STOXX 600 companies reported a 1% revenue decline, though this was 1% ahead of estimates. On the top line, 43% of companies are beating sales estimates, but 6 out of 11 sectors are down on a year-over-year basis.

On the earnings side, EPS growth is at +1% YoY, with a positive surprise of 2%. 56% of companies have beaten EPS estimates. Commodity and consumer sectors have been particularly weak, with Energy, Materials, Discretionary, and Staples all printing negative EPS growth. Excluding the weak Discretionary sector, European EPS growth would be +6% y/y.

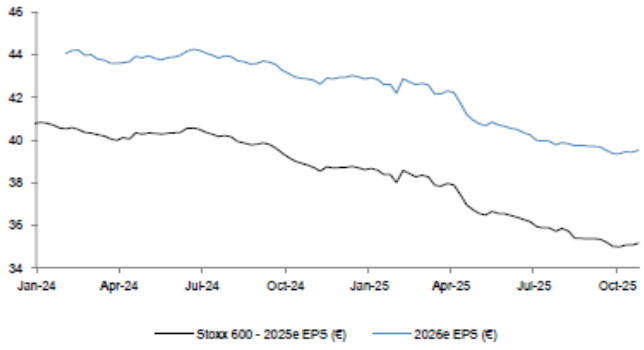
Stock price reactions in Europe have been strong for beats (median +140bps). Positively, misses have seen a relatively muted reaction (median -50bps), suggesting resilient market sentiment. In contrast to the US, consensus EPS estimates for both 2025 and 2026 in Europe have continued their steady downward trend.

S&P: 2025 and 2026 EPS estimates evolution



Source: JP Morgan

STOXX 600: 2025 and 2026 EPS estimates evolution



Source: JP Morgan

Japan (Topix)

With 20% of Topix companies having reported Q2 FY26 results (for the July-Sept quarter), 58% are beating EPS estimates. Aggregate EPS growth stands at +14% YoY, with 2 out of 10 sectors reporting negative growth.

On revenues, 49% of companies have beaten estimates, delivering overall sales growth of +2% YoY, with 7 out of 11 sectors recording positive growth. 2025 EPS estimates for Japan have remained broadly resilient and are ticking up, while 2026 estimates appear to have bottomed out and are also moving slightly higher.

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TOPIX: Q2 '26 summary (July- September quarter)

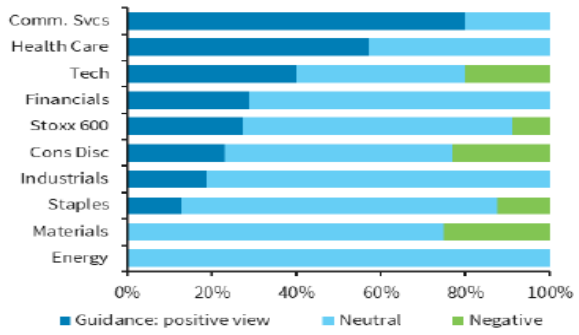
	No. of cos reported / Total	% reported	% cos beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
Topix	330 / 1662	20%	58%	42%	2%	14%	49%	40%	1%	2%
Energy	1 / 15	7%	-	-	-	-	-	-	-	-3%
Materials	20 / 160	13%	40%	60%	-30%	5%	36%	50%	-1%	-4%
Industrials	74 / 448	17%	60%	40%	2%	22%	48%	45%	2%	6%
Discretionary	72 / 291	25%	57%	43%	8%	8%	60%	31%	0%	3%
Staples	44 / 145	30%	46%	54%	11%	45%	30%	45%	-2%	0%
Healthcare	19 / 86	22%	50%	50%	3%	-39%	25%	56%	-1%	1%
Financials	19 / 127	15%	60%	40%	15%	-1%	38%	63%	10%	9%
IT	54 / 250	22%	64%	36%	2%	24%	47%	40%	2%	8%
Com. Services	10 / 79	13%	100%	0%	16%	82%	75%	13%	3%	25%
Utilities	10 / 23	43%	80%	20%	29%	59%	100%	0%	7%	-3%
Real Estate	7 / 37	19%	33%	67%	-21%	5%	67%	33%	-5%	15%
Ex-Financials & Real Estate	304 / 1497	20%	59%	41%	2%	15%	48%	39%	1%	2%
Ex-Energy	329 / 1647	20%	58%	42%	2%	14%	49%	40%	1%	2%
Cyclicals	220 / 1149	19%	59%	41%	-3%	17%	50%	39%	1%	5%
Defensives	83 / 333	25%	59%	41%	11%	12%	44%	38%	0%	-1%

Transcript Analysis, Capital return and Guidance

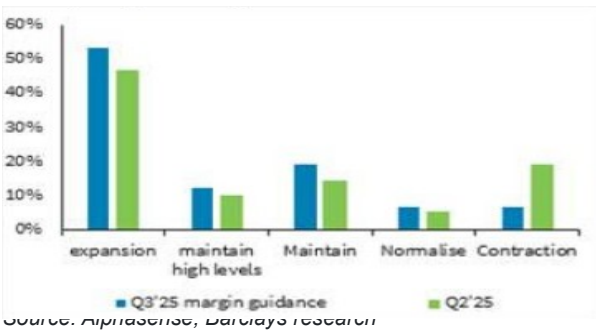
Earnings call transcripts for Q3 2025 highlight that margins, FX headwinds, AI benefits, and demand remain the dominant themes. FX was once again a major headwind, with 87% of firms referencing a negative impact from currency moves. In sharp contrast, 'Artificial Intelligence' was an overwhelmingly positive theme, with 94% of positive mentions, led by Technology, Financials, and Industrials sectors. Commentary on the broader 'Economy' remained a key concern, with 58% of mentions being negative, while 'Tariffs' also persisted as a headwind (45% negative).

Outlook and demand commentary improved slightly. Overall guidance sentiment was mostly neutral (64% of mentions) with a low 9% negative sentiment. Demand sentiment saw a small improvement compared to Q2, with 50% of firms citing positive demand. Margin commentary was a key positive, with 63% of mentions being positive. Firms are much more constructive on the margin outlook than in Q2, with a majority of companies now expecting further expansion. By sector, Communication Services, Health Care, and Tech were the most positive on guidance, while Discretionary (Autos) and Materials were the most negative.

Guidance



Guidance



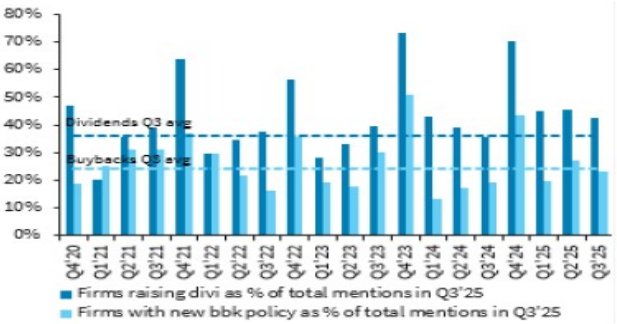
Source: Alphasense, Barclays research

Finally, capital return programs remained robust. Dividend announcements continued at elevated levels, well above the historical average. New buyback announcements were close to average levels, though they were lower than the strong levels seen in Q2.

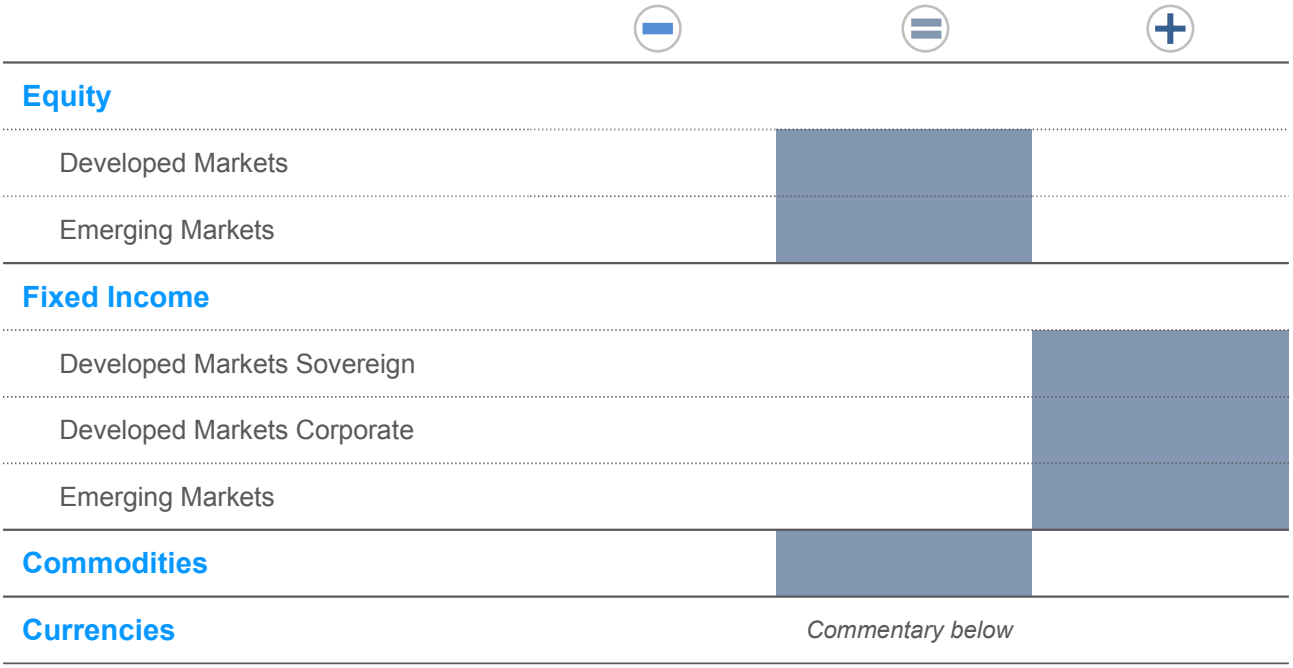
Transcript takeaways

Q3 2025	Positive	Neutral	Negative	mentions as % of total
Margins	63%	20%	17%	70%
FX	5%	8%	87%	54%
Guidance/Outlook	27%	64%	9%	52%
Demand	50%	26%	24%	43%
Economy	10%	32%	58%	40%
Artificial Intelligence	94%	6%	0%	32%
Tariffs	2%	52%	45%	28%
Capex	33%	47%	21%	28%
China	36%	21%	44%	25%
Dividends	94%	6%	0%	21%
Inventory	19%	52%	29%	20%
Buybacks	90%	10%	0%	19%
Inflation	29%	38%	29%	15%
Layoff	5%	20%	75%	13%

Dividend/Buybacks

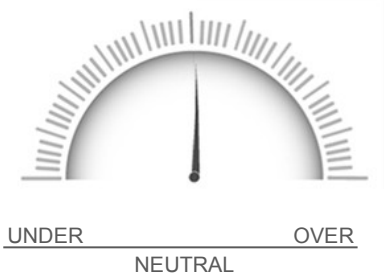


Asset Allocation View



Equity

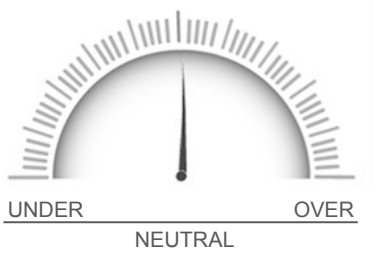
Developed Markets



We maintain a **Neutral** stance on Developed Market equities. Valuations remain elevated and the strong rally since April still argues for periods of volatility, yet near-term seasonality is supportive. The potential resolution of the government shutdown in US could add a constructive impulse into year-end. The majority of committee members prefer not to reduce exposure yet in a market that remains consistently strong, despite valuations. Any softening in economic data could also give the Federal Reserve room to step in, which would likely be taken positively by risk assets. We continue to recommend broad diversification across sectors and regions since high valuations remain concentrated in a narrow group of index-dominant stocks.

US	Europe	Japan

Emerging Markets

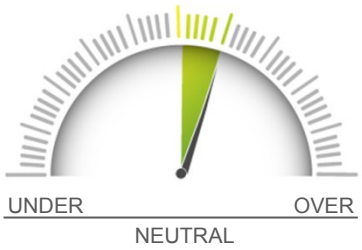


We confirm our **Neutral** recommendation on Emerging Market Equities. Valuations in emerging markets remain significantly lower than those in developed markets, which reinforces our relatively more favorable stance as investors increasingly seek out undervalued opportunities. China remains central to the outlook. A further slowdown in its economy could prompt sudden and sizable fiscal support from the government, creating additional upside potential for the asset class. Even though a truce between China and the United States has eased tensions, geopolitical risks still require careful monitoring.

Asia ex-Japan	EEMEA	LATAM

Fixed Income

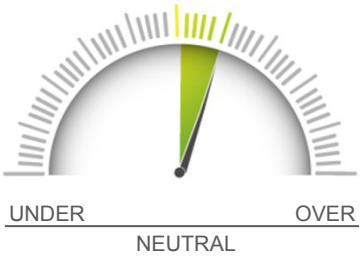
Developed Markets Sovereign



We maintain our **Slightly Overweight** recommendation on Developed Market sovereign bonds. Rate volatility has declined sharply, and the current trading range appears unlikely to shift meaningfully before year-end. The 10-year U.S. Treasury yield is also unlikely to move sustainably above the 4.25% area, which supports maintaining duration as a stabilizing element in portfolios. In this context, government bond exposure continues to serve as a natural hedge should market volatility pick up again in response to an unexpected catalyst. With most of the yield-curve steepening already priced in, we continue to see room to extend duration in a measured way, focused on maturities up to 10 years while avoiding longer tenors.

EU Core	EU Periphery	US Treasury	Japanese JGB

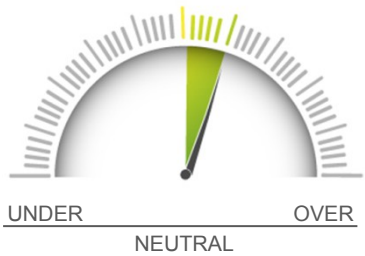
Developed Markets Corporate



We maintain our **Slightly Overweight** recommendation on Developed Market corporate bonds. Demand for credit remains robust, and spreads have tightened to record lows. Although the U.S. labor market is showing some early signs of softening, it is not advisable to remain underweight credit given the continued resilience of the U.S. and European economies. We continue to recommend a focus on high-quality issuers, while avoiding excessive exposure to high-yield instruments.

IG Europe	IG US	HY Europe	HY US

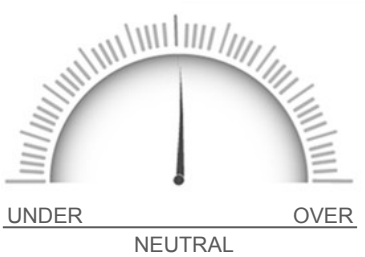
Emerging Markets



We have maintained our **Slightly Overweight** recommendation on Emerging Market Bonds. The rapid narrowing of spreads in developed market bonds leaves emerging market spreads comparatively more attractive versus similarly rated developed issuers. U.S. dollar weakness and ongoing diversification away from U.S. assets by international investors can further support capital flows into emerging markets. Valuation remains compelling across much of the asset class and still offers a higher source of yield for investors seeking income without taking on excessive credit risk.

Local Currency	Hard Currency IG	Hard Currency HY

Commodities



We have maintained our **Neutral** recommendation on Commodities. Within the asset class, recent price action has been marked by unusually strong volatility over the past few weeks after the huge increase over the past months. We therefore prefer to wait for the asset class to settle before raising our recommendation back to overweight, as our medium- to long-term outlook remains positive.

Precious	Energy	Industrial	Agricultural

Currencies

We acknowledge the possibility of a continuation of the short-term rebound in USD, driven by temporary shifts in market sentiment or adjustments in interest rate expectations; therefore, we maintained our **Neutral** recommendation on the greenback.

The view on the Euro remains as **Neutral.**

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, as well as on the potential announcement of futher stimulus.

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
=	=	=	+