

# Global Markets Overview

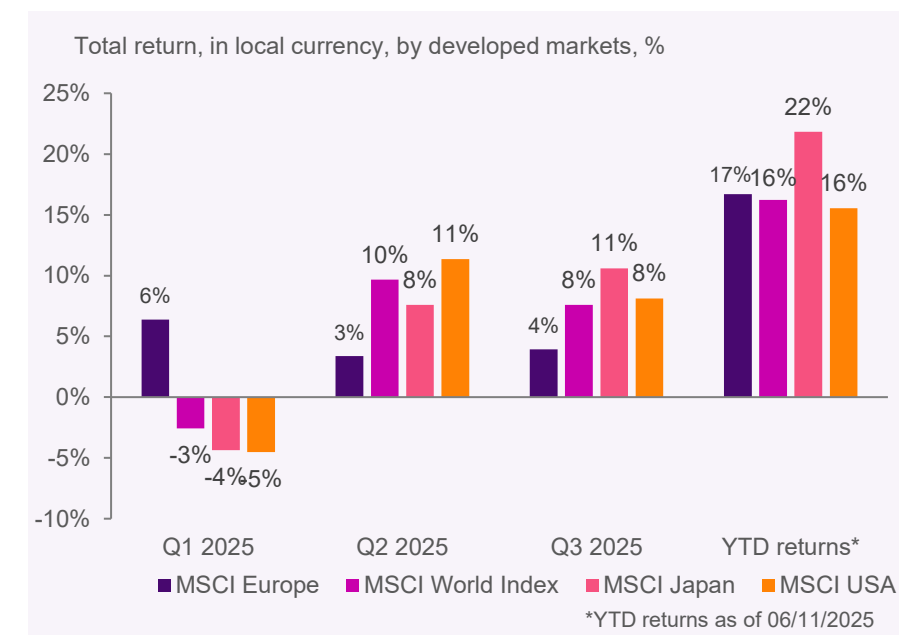
Asset Research Team

November 2025

## Equities maintain momentum while navigating crosscurrents

- Equity performance in 2025 has been shaped by multiple crosscurrents. High levels of geopolitical uncertainty and shifting US trade policy have triggered bouts of high equity volatility, while supportive fiscal agendas, easing monetary policy, strong corporate earnings, and AI-related optimism have supported risk sentiment. Overall, developed market equities have posted strong double-digit gains year-to-date, sustained by a resilient macro backdrop.
- Performance has varied by region and across quarters. Q1 saw rising investor fears over the outlook for US equities, with US policy both increasing trade tensions and causing debt and budget management concerns. European equities significantly outperformed on prospects of increased cross-Europe defense spending, fiscal expansion in Germany, and hopes for a Russia–Ukraine de-escalation.
- Q2 unfolded in two phases: an early sell-off on intensified US trade rhetoric and new country tariffs announced on 2 April, followed by a sharp rebound after a 90-day pause in enacting the announced tariffs. This lifted the markets which had lagged in the previous quarter, such as the US and Japan, and sectors including Technology and Communication Services.
- Through Q3 and into October, risk sentiment improved further with the announcement of framework trade agreements between the US and its major trading partners, an expansionary US fiscal package (which will offset the tariff drag on US economic growth in 2026), renewed expectations of US rate cuts, and strong corporate fundamentals. AI-driven corporate earnings strength (e.g., US mega-cap tech. companies are on track for c.30% y/y Q3 earnings growth) has boosted US and tech-focused Asian markets. This is despite sharply higher 2026 capex forecasts from the major US tech. firms. Japanese equities advanced further on firm economic growth, a US trade agreement, and newly elected PM Takaichi's pro-growth stance favouring fiscal expansion, accommodative policy, and targeted tax incentives.
- Looking ahead, we expect a constructive equity backdrop into 2026, supported by cyclical and structural tailwinds. Accommodative fiscal and monetary policy across developed economies underpins US and global cyclical economic momentum, benefiting growth-sensitive assets. Structural drivers, e.g., accelerating AI investment, corporate reforms in Japan and Germany, and government spending on strategic priorities like defense and manufacturing resilience, create opportunities across the equity universe.

## Equity performance year-to-date has been strong across regions



Sources: FactSet, WTW

# Government bonds

## At current yield levels we believe select bond markets offer value on a three-year horizon

### What happened over the past month:

Government bond yields have declined since September with notable dispersion across markets. UK 10-year gilts have witnessed the biggest shift, with yields falling 27bps, as of 3 November, while equivalent rates in other major markets saw smaller shifts between 2 and 7bps.

### Factors influencing market trends:

The decline in UK yields was driven by a lower inflation print and signs of weakening activity, including an uptick in unemployment to 4.8%, prompting investors to bring forward expectations for rate cuts. The Autumn Budget remains a key area of focus for the UK market given its impact on future debt dynamics.

Year-to-date, US yields have fallen the most, supported by a less restrictive Fed stance, while Eurozone and Japanese yields have trended up. In Europe, the rise partly reflects Germany's sizable defense and infrastructure spending package, marking a structural fiscal shift. In Japan, yields have moved higher amid

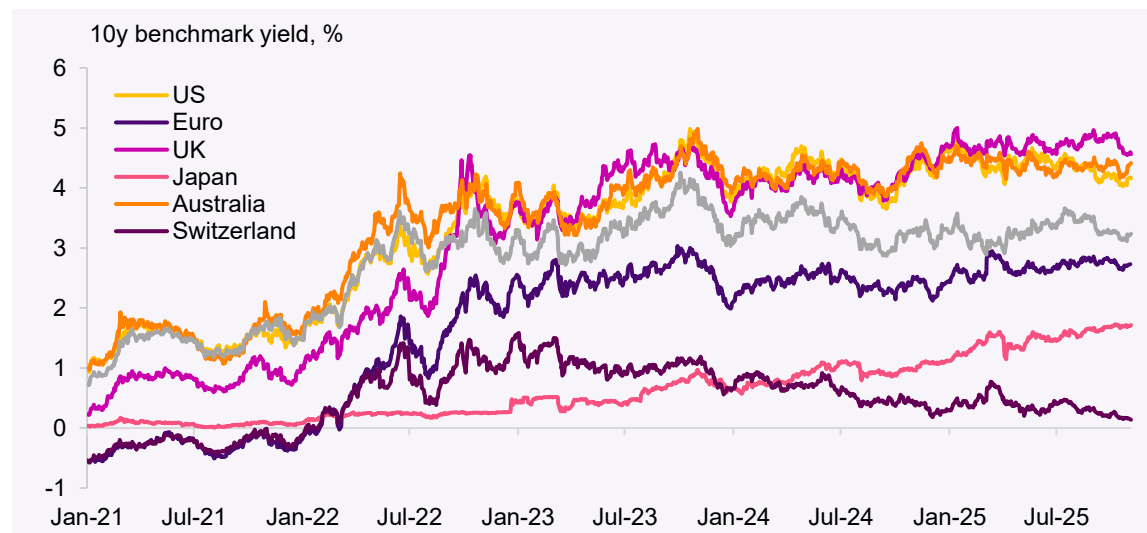
sticky inflation and fiscal support, reinforced by Takaichi's recent leadership win.

### Looking ahead:

US and global bond markets remain highly sensitive to US policy shifts and their impact on inflation and growth outcomes. Our base case for the remainder of 2025 is for most central banks to continue to ease policy, with the speed and depth of that easing cycle varying by country. Current bond pricing remains in a neutral range, although we continue to think that select bond markets (e.g., UK gilts) offer value over a three-year horizon.

Overall, it remains appropriate to maintain bond exposure for liability hedges, downside protection strategies or – for dynamic investors only – an overweight to select bond markets. However, the devil lies in the detail of wider portfolio context, starting points, and available opportunity sets, so we encourage investors to discuss the implications of this for their portfolio with their advisers.

### Global 10-year benchmark nominal bond yields



Sources: FactSet, WTW

### Divergences in bond markets since the end of September (as of 03 November 2025)



Sources: FactSet, WTW

# Credit

## Over five years we expect investment grade credit to outperform government bonds moderately

### What happened over the past month:

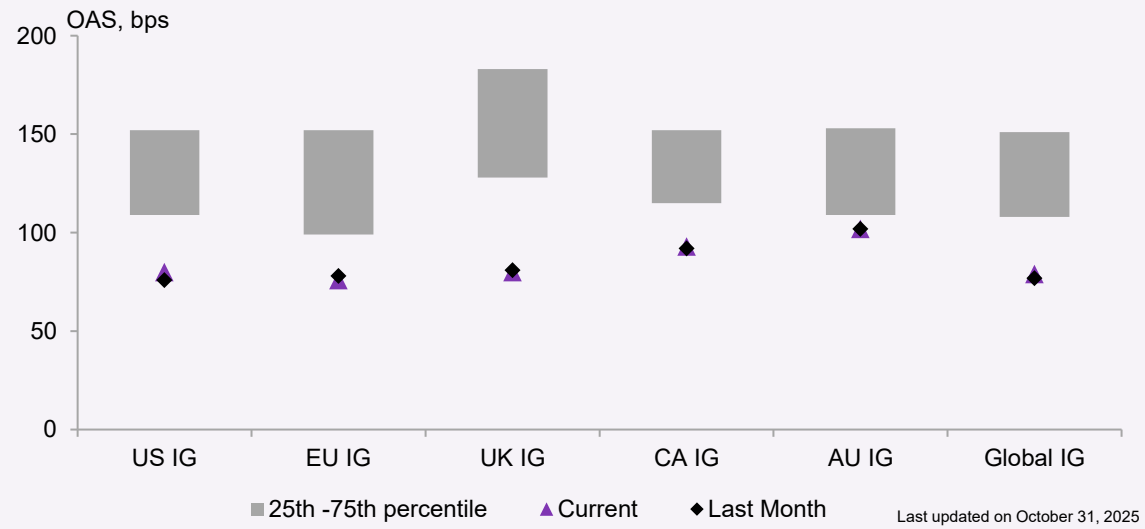
Generally, credit spreads widened only slightly in October despite the negative news headlines around credit events and bankruptcies. This price action is consistent with our view that there are stresses in specific sectors – such as auto loans – while overall credit conditions remain robust.

US investment grade (IG) spreads widened by 4bps, while Eurozone IG spreads narrowed by 2bps. The more pronounced moves were in lower-quality credit, with US high yield (HY) spreads widening by 14bps and Eurozone HY by 9bps..

### What has influenced recent market dynamics?

IG credit spreads, measured over government bond yields (OAS), are low relative to history. In contrast, spreads which are measured relative to swap rates (ASW) are not as compressed versus history. We think this is an important consideration when evaluating compensation for credit risk, particularly in US and UK

### Investment grade credit spreads relative to government bonds by country



Sources: FactSet, WTW

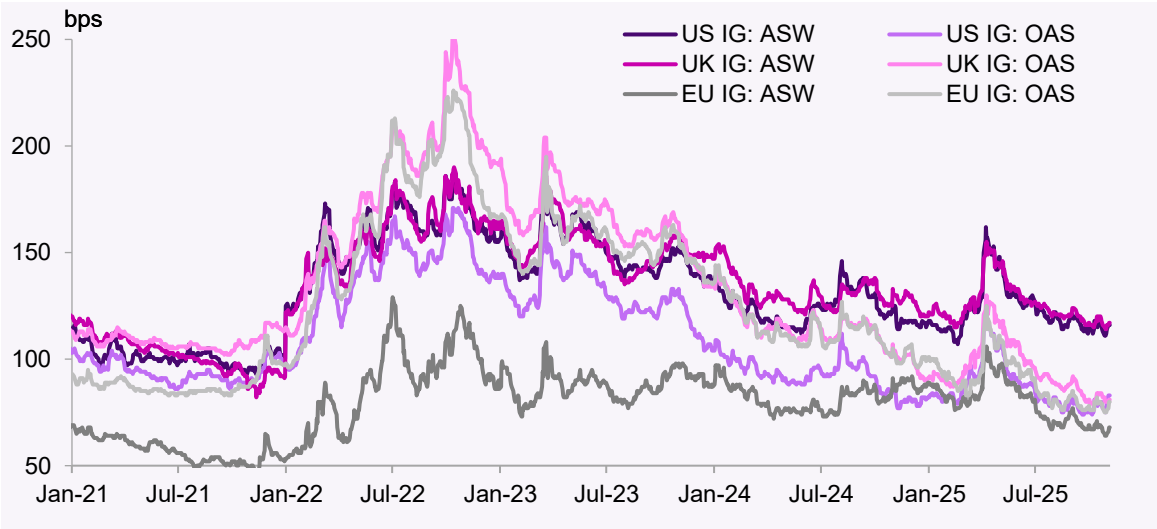
IG markets, where divergence between OAS and ASW based spreads is more pronounced. This means: (1) corporate credit is not as expensive as it might appear; and (2) high government deficits and sales of government bonds by central banks have increased the risk premium and yield on government bonds, compared with swap rates, making government bonds more attractive. That said, IG spread levels on both a government bond and a swap basis are discounting expectations of a low default and downgrade environment. We think this outlook is supported by relatively healthy interest coverage ratios and a notable phase of corporate issuers terming out their debt maturities prior to the recent rate hiking cycle.

### Looking ahead:

Over a three-to-five-year horizon, we expect global investment grade corporate credit to provide reasonable returns above government bonds. Similarly, we expect global high yield credit to outperform government bonds and investment grade credit over the medium-term.

### US and UK investment grade spreads over government bonds and swaps have diverged

Investment grade spreads: OAS (to government bonds) and ASW (to swaps)



Sources: FactSet, WTW

# Equities

## Overall, we remain neutral on equities over a five-year horizon

### What happened over the past month:

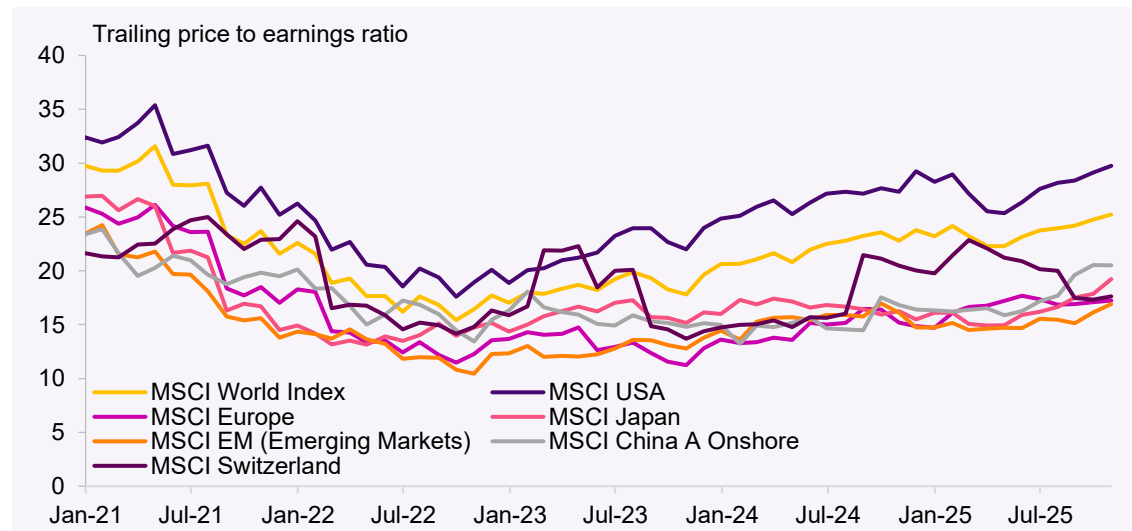
Markets posted positive returns in aggregate in October. Emerging markets outperformed developed markets, with total returns of 4.6% for MSCI EM versus 2.6% for MSCI DM. US equities gained 2.4% in total returns terms, rebounding from trade tensions over rare-earth metals early in the month and supported by strong Q3 earnings results released to date. UK equities rose by 4.2%, supported by falling gilt yields and a weaker sterling. Japan led with a 7.9% total return after Sanae Takaichi became Prime Minister, reinforcing expectations of pro-growth policies.

### Broad market trends:

Mega-cap US technology stocks continue to deliver strong earnings growth, supported by solid fundamentals and strategic exposure to high-growth themes such as A.I. and digital infrastructure. This growth continues to support a large, concentrated presence in equity indices, reflecting ongoing US leadership in innovation.

Tariffs and policy uncertainty still present some challenges to wider business investment and near-term

### Global equity valuations



Sources: FactSet, WTW

earnings momentum. However, these factors highlight the benefits of active management and careful risk assessment, rather than a risk of a major drawdown in equity prices.

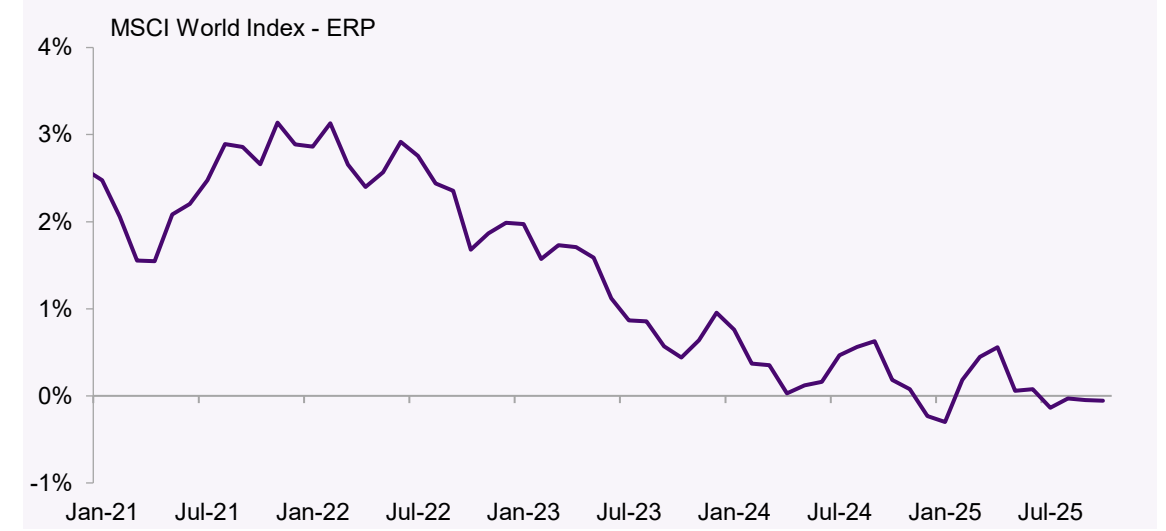
We expect monetary and fiscal policy to remain supportive near term, helping to underpin growth conditions and reinforce investor confidence. Rather than reacting to any short-term softness in economic data, markets appear to be focusing on the durability of earnings and the longer-term potential of innovation-led growth – which we expect to continue.

Our base case for any equity market corrections in the next 12 months is that they are likely to be limited and present selective opportunities for dynamic investors. Strong earnings, policy support, and innovation continue to shape a constructive investment environment.

### Looking ahead:

Overall, we retain a neutral view on equities over a five-year horizon. Over one-to-two years, we continue to see value in Japanese equities.

### The global equity risk premium remains low currently



Sources: FactSet, WTW

# FX

## We hold a positive view on most developed currencies relative to the US dollar over the long term

### What happened over the past month:

The US dollar has strengthened against most major currencies since end-September, especially against sterling and the yen, which have both fallen over 3%. This has been followed by the euro, which has declined c. 2%, while other major developed market currencies have fallen 1 to 2% versus the dollar.

### Broad market trends:

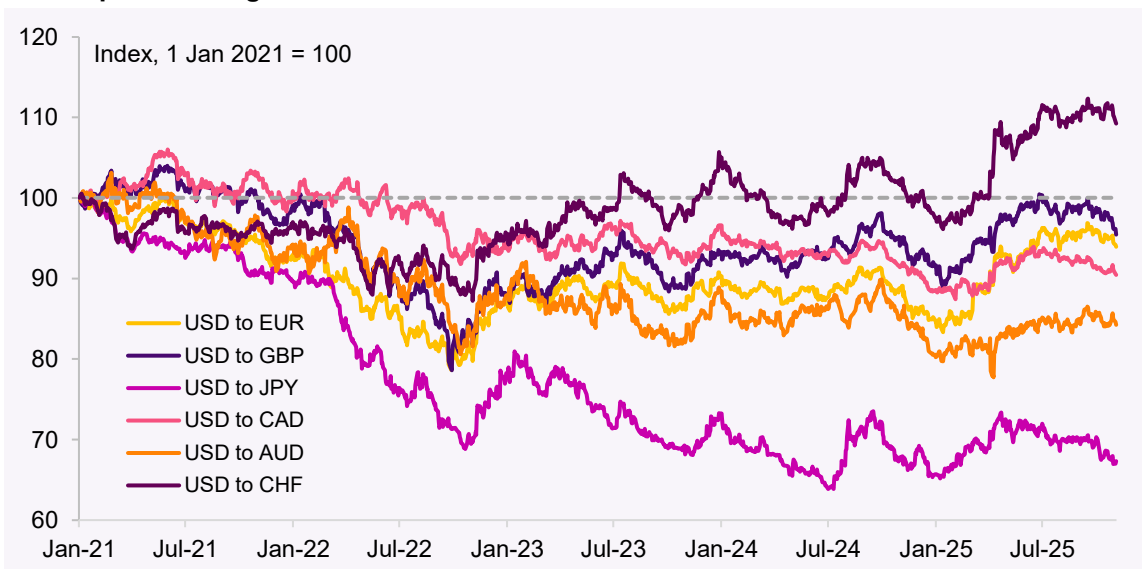
**Recent Events:** In 2025, higher macro uncertainty and elevated equity volatility, which would typically favour the US dollar have, instead, weighed on the currency. It is clear investors have been diversifying their currency exposure, given the US-centric nature of many policy risks, albeit some of these have alleviated following recent trade deals. The US dollar's interest rate advantage has also eroded, with US 2-year yields dropping roughly 57bps versus the Eurozone and around 100bps versus Japan, year-to-date.

**Longer term:** the US dollar has strengthened significantly versus most currencies over the past 15 years. Over this longer horizon, US interest rates have generally been higher than other countries. Additionally, economic and corporate earnings growth and innovation have also been consistently better than other economies, attracting investment and supporting dollar strength.

### Looking ahead:

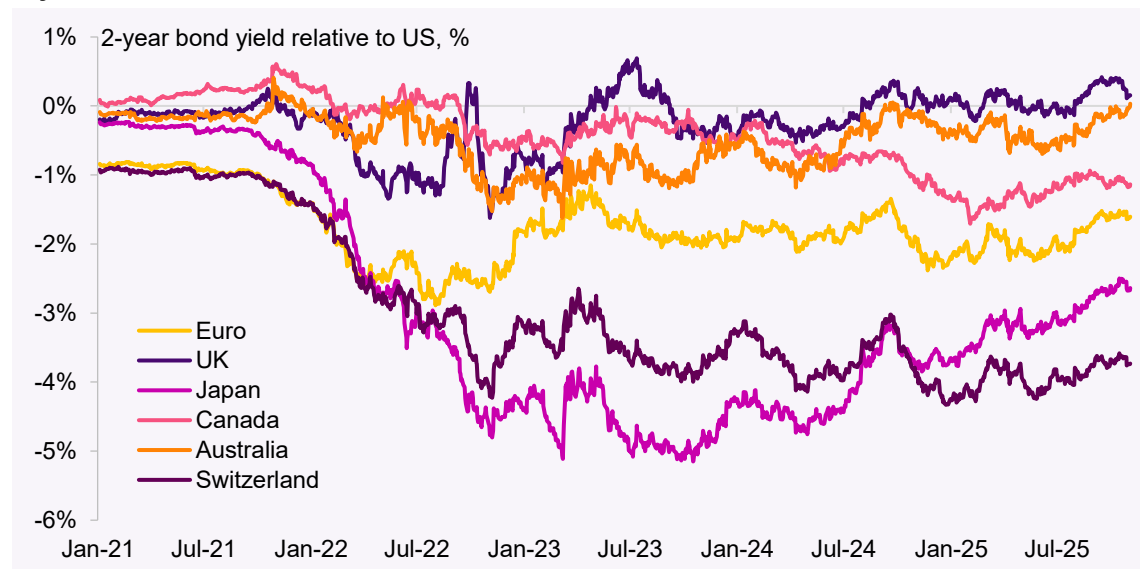
Following a sustained period of appreciation, the US dollar has become more expensive against most other major currencies on our preferred medium-term fair value metrics. This suggests downward pressure over a 3-to-5-year horizon and a positive view on most developed market currencies against the dollar. Shorter-term, we hold a neutral dollar view against most currencies, except for a more positive view on the euro and the Japanese yen. Both are net trade surplus currencies with significant holdings of dollar-denominated assets that stand to benefit from shifts in global capital flows.

### Developed exchange rates versus the US dollar



Sources: FactSet, WTW

### 2-year interest rate differentials



Sources: FactSet, WTW

# Disclaimer

WTW has prepared this material for general information purposes only and it should not be considered a substitute for specific professional advice. In particular, its contents are not intended by WTW to be construed as the provision of investment, legal, accounting, tax or other professional advice or recommendations of any kind, or to form the basis of any decision to do or to refrain from doing anything. As such, this material should not be relied upon for investment or other financial decisions and no such decisions should be taken based on its contents without seeking specific advice.

This material is based on information available to WTW at the date of this material and takes no account of developments after that date. In preparing this material we have relied upon data supplied to us or our affiliates by third parties. Whilst reasonable care has been taken to gauge the reliability of this data, we provide no guarantee as to the accuracy or completeness of this data and WTW and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any errors, omissions or misrepresentations by any third party in respect of such data.

This material may incorporate information and data made available by certain third parties, including (but not limited to): Bloomberg L.P.; CRSP; MSCI; FactSet; FTSE; FTSE NAREIT; FTSE RAFI; Hedge Fund Research Inc.; ICE Benchmark Administration (LIBOR); JP Morgan; Markit Group Limited; Russell; and, Standard & Poor's Financial Services LLC (each a "Third Party"). Details of the disclaimers and/or attribution relating to each relevant Third Party can be found at this link: <https://www.wtwco.com/en-gb/notices/index-vendor-disclaimers>

This material may not be reproduced or distributed to any other party, whether in whole or in part, without WTW's prior written permission, except as may be required by law. In the absence of our express written agreement to the contrary, WTW and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any consequences howsoever arising from any use of or reliance on this material or any of its contents.

## About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organizational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at [wtwco.com](https://www.wtwco.com).



[wtwco.com/social-media](https://www.wtwco.com/social-media)

Copyright © 2025 WTW. All rights reserved.

[wtwco.com](https://www.wtwco.com)

