Raiffeisen
Investiční společnost

Commentary on the Financial Markets

11/25

Global stock markets strengthened again in October

October brought further growth to global stock markets. The US S&P 500 index rose by a solid 2.3%, while the more diversified MSCI World gained a similar 2.2%. Volatility, as measured by the VIX index, remained below the long-term average this time as well, which indicates the relative stability of the market. As the third quarter 2025 earnings season peaks in the U.S. and Europe, data shows companies are beating expectations, with 83% of S&P 500 companies reporting better earnings per share and 79% beating revenue estimates.

The technology and healthcare sectors showed the greatest momentum in October, gaining 6.7% and 3.7%, respectively. Shares of tech giants such as Apple, Amazon, AMD, NVIDIA, IBM and Broadcom recorded strong results. In healthcare, Eli Lilly excelled. On the other hand, the materials (-4.4%), communications (-3.0%) and real estate (-2.9%) sectors lost the most. The communications sector was dragged down by Meta, which disappointed investors with lower earnings due to higher tax deferrals and larger investments, leading to a significant double-digit decline in its shares.

The US Fed cut the key interest rate from 4.25% to 4.0% p.a. as expected at the end of October. Another reduction to 3.75% is expected as early as December 2025, although Fed Chairman Jerome Powell warned at a press conference that this is not certain. The European Central Bank (ECB) has so far kept the deposit rate at 2.0% and is unlikely to cut it until the end of the year. The Czech National Bank (CNB) maintains the repo rate at 3.50%, a further cut is unlikely for the time being. The yield on ten-year German government bonds is around 2.6% p.a., while Czech bonds offer about 4.4%. Gold corrected after the previous growth and fell below USD 4000 per ounce at the end of October. Its long-term growth is supported by geopolitical uncertainty, higher inflation, rising global debt, and even questions about the independence of the Fed.

In September, analysts raised their estimates for corporate earnings and sales growth in the S&P 500 index – they expect earnings to grow by 11.2% and sales by 6.6% this year. For 2026, they even predict a growth in profits of 14% and sales of 6.8% (source: FactSet, 31/10/2025). The combination of earnings growth and expected interest rate cuts could continue to support stock markets.

The main risks include the higher inflation, which could slow down economic growth. In addition, the "government shutdown" is still underway in the US, which, if extended, may increase unemployment and trigger a correction in the markets.

Transactions in RIS funds

In October 2025, the trading activities of RIS funds in the bond segment dominated. We have repeatedly participated in the primary auctions of Czech government bonds organized by the Ministry of Finance of the Czech Republic. We purchased bonds maturing in 2031 and 2033 for more than half a billion crowns with a yield exceeding 4% p.a. The selected funds also invested in the primary issue of a CZK corporate bond with a maturity in 2030. Positions in euro and dollar corporate bonds with a five-year maturity were slightly increased. On the other hand, longer US corporate bonds with a maturity of over 8 years, inflation-linked government debt and riskier bonds from emerging markets were sold. On the equity side, we slightly reduced our exposure to emerging market and financial sector stocks, while investments went to industrial companies focused on robotics and autonomous driving.

Transactions in RIS funds

From the point of view of RIS funds, September was marked by a slight collection of profits from equity positions, which took place before the US Fed meeting in the middle of the month. However, the transfer of the risk component to the funds remains. It was sold across world regions and individual sectors. In a similar vein, i.e. a slight reduction in risk, positions in US corporate debt were also reduced. On the other hand, RIS funds repeatedly participated in auctions of Czech government bonds during the month, and bonds with maturities in 2030 and 2033 were thus purchased into their portfolios.

Investment Strategy

As part of our investment strategies, we also predominate stocks over bonds. Regionally, we weigh North America, we weigh Europe and emerging markets, and we slightly underweight the Pacific. In sectors, we outweigh growth sectors such as technology, communications, industrials, finance and dividend stocks. In bond strategies, we maintain a slightly weighted duration on koruna and euro bonds and an underweighted duration on US dollars.

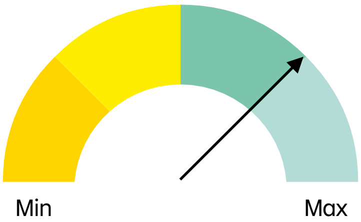
We wish you a lot of success in the next period!

Michal Ondruška
CIO, Member of the Board

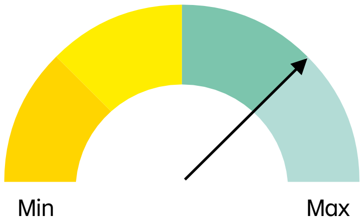
Investment Strategy Summary

Tactical Allocation
Overweighting of stocks in portfolios

Current

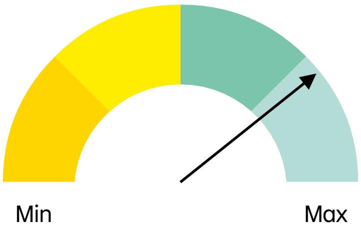


3-month outlook

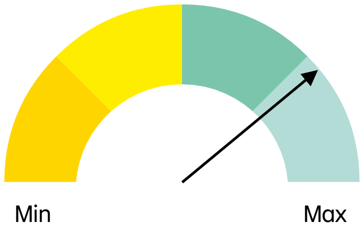


Interest Rate Risk
Average duration of bonds

Current

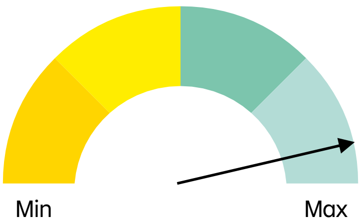


3-month outlook

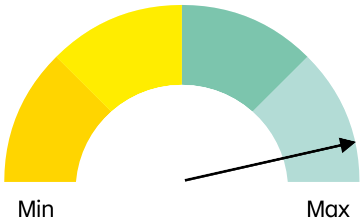


Credit Risk
Share of corporate bonds

Current

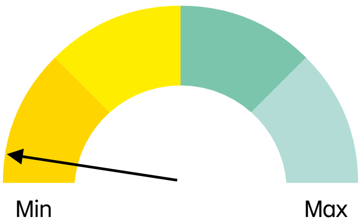


3-month outlook

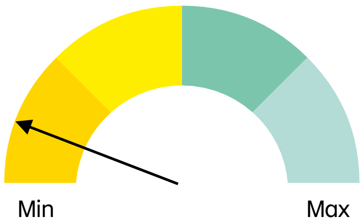


Currency Risk
Unhedged positions in foreign currency

Current



3-month outlook



source: Raiffeisen investiční společnost, a. s., as of November 3rd, 2025

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