Global Equity Insights

USD EDITION

QUARTERLY REPORT | NOVEMBER 2025

YTD equity leadership moves away from the US

The global equity rally broadened within the Technology Industry, benefitting non-US names, and widened across sectors, giving other regions a chance to shine.

Global equity leadership rotation

YTD the FTSE Developed ex US index has outperformed the US by more than 10%, with leadership broadening away from US Tech. China has been the star performer, returning 36.8% in USD. Breadth widened through to August but has declined since.

Earnings, valuations and the currency matter

Decomposition of YTD returns had a similar pattern across regions, with a roughly equal balance between multiple expansion and improved earnings. China had the largest contribution from both multiple expansion and earnings growth.

Macro - Easing policy uncertainty globally

Weak US consumer sentiment and declines in the ISM Services PMI point to fragilities in the US economy. At the same time, economic policy uncertainty has declined in major economies from April's jump due to a reduction in trade tensions, except for the US where at the time of writing the government was still in shutdown.

Correlation breakdown – market fragmentation and tactical opportunities

Regional correlations declined, highlighting diversification potential. Sector dispersion widened, creating tactical opportunities across cyclical and policy-driven themes.

Spotlight 1 – Developed ex US: a new center of gravity

Aerospace, alternative energy, and industrial materials drove performance, with fiscal support, reshoring, and structural reforms encouraging allocations outside the US.

Spotlight 2 – Europe's north and south diverge in a role reversal

Southern Europe's cyclical strength contrasted with Northern Europe's restraint. Narrowing sovereign spreads, fiscal stability, and industrial recovery revived growth across Europe's periphery.

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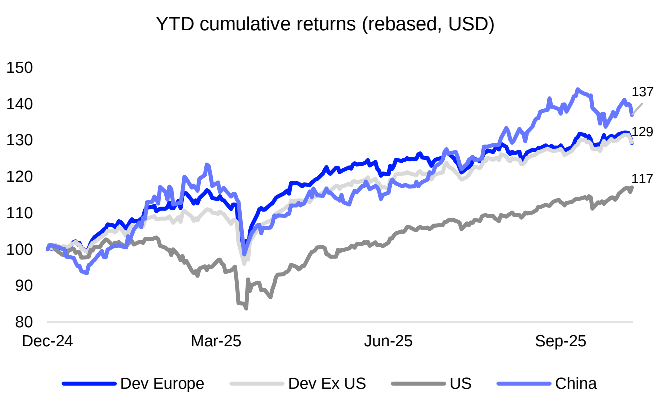
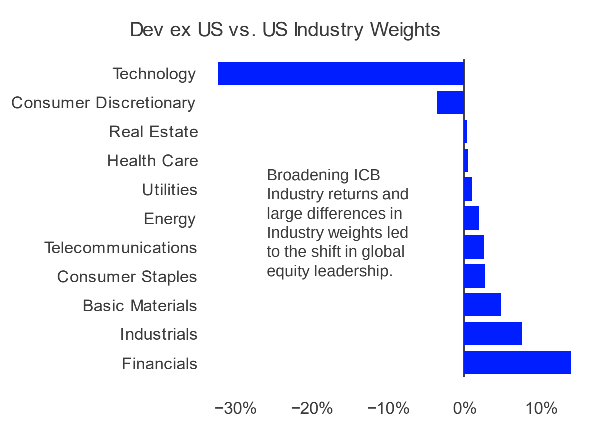




Source: FTSE Russell and LSEG. Data as of Oct 31, 2025. All returns in USD. Past performance is no guarantee of future results.

Fundamentals – Performance and Drivers

Performance YTD (Chart 1) has seen FTSE Developed ex US post a 29.4% total return in USD vs. FTSE US which returned 17.9%. Currency effects account for a significant proportion, with approximately 12% points of the relative outperformance of Dev ex US due to US dollar devaluation.

The star performer globally was China, posting a 36.8% return in USD (36.9% in local currency); contributions from China have helped drive the Emerging Markets index total return to 26.5% in USD; EM ex-China is up 20.1% (in USD).

Decomposing the equity returns (Chart 3), contributions have been relatively balanced. China's total return came 15% from multiple expansion, and 17% from earnings growth; the US grew 9% from earnings growth and 7% from multiple expansion. Amongst developed equities, Developed Europe stands out with a 13% increase in earnings.

However, return decomposition shows only part of the story; Chart 2 shows US forward PE multiples relative to 10-year averages, and despite all markets re-rating YTD, it is the US valuation which stands out as particularly rich.

Market breadth for the All-World (% stocks advancing vs. declining) increased in 2025 to around 70% during May - August, mirroring the broadening of the market away from the US; breadth has been declining again since September, despite higher returns for the index through September and October. This change in breadth comes as AI leadership has reasserted itself globally, while non-tech index constituents posted muted returns in October.

Chart 1: Dev Europe and Dev ex US outperformed US equities YTD, but the currency impact is material; China has been the top performer YTD irrespective of currency effects.

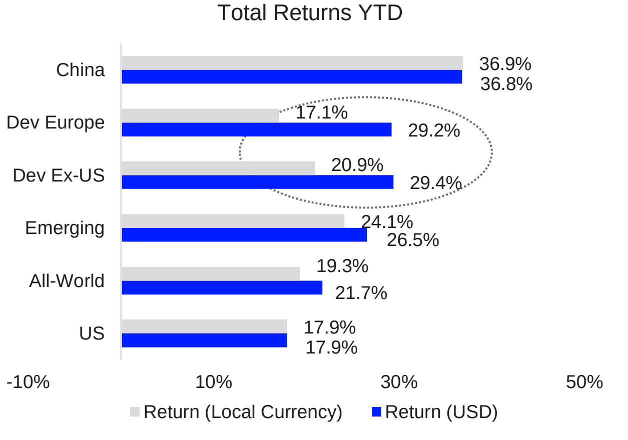


Chart 2: Price to forward-earnings multiples across key markets have increased, but the US is in the 99th percentile of richness over 10 years, limiting the room for further multiple expansion.

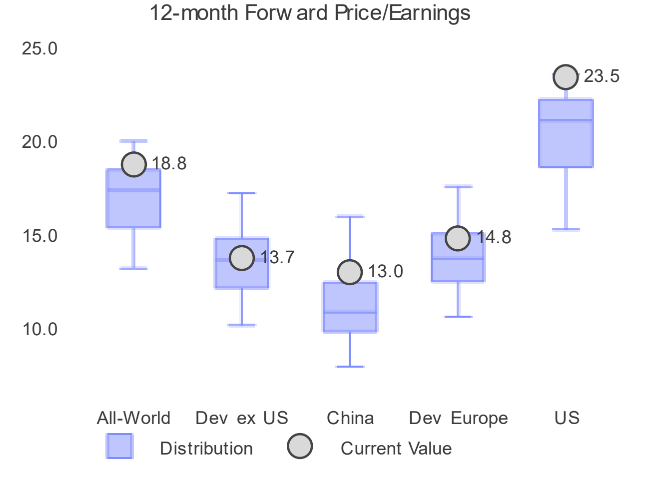


Chart 3: Return decomposition has been relatively balanced across markets. China has seen both the largest multiple expansion and the biggest increase in earnings.

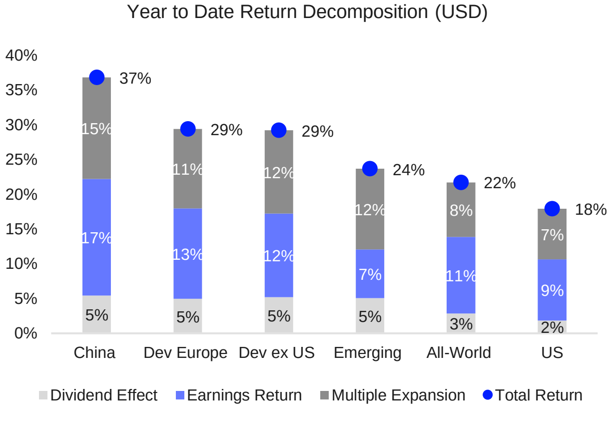
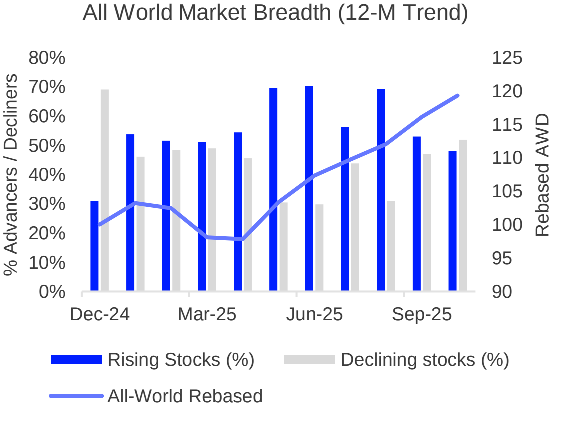


Chart 4: Breadth of the FTSE All-World had improved though to August, implying broader participation in the equity rally – although there was a notable decline in September / October.



Source: FTSE Russell and LSEG. Data as of Oct 31, 2025. All returns in USD. Past performance is no guarantee of future results.

Intra-equity correlations have been declining since mid-2024 and 12M rolling correlations between key markets and the US are relatively low (Chart 1), with China's correlation to the US being near zero. This breakdown in synchronisation underscores rising market fragmentation and strengthens arguments for increased regional diversification.

Reviewing longer-term industry performance through risk-adjusted returns, Chart 2 plots industries on their 3-year risk-adjusted returns. We observe Technology, Telecoms and Financials generating superior risk-adjusted returns with Real Estate, Healthcare and Consumer Staples lagging. These disparities point to dispersion in geographic equity leadership, and highlight the role of selective allocation within industries, in navigating shifting market dynamics.

A more granular review of the last 12 months (Table 1) highlights Precious Metals and Mining as the top-performing sector, returning 80.3%, acting as a geared play on physical gold; while it has had relatively high volatility, its correlation to All-World has been close to zero. Other notable performers were Alternative Energy at 63.4% annualised return and Aerospace and Defence sector at 51.0%; whilst markets focused on Technology, Leisure Goods has generated the highest risk-adjusted return.

Notable underperforming sectors have been Healthcare Providers (-20.0%), which were hit by policy uncertainty around drug pricing and margin pressure from wage costs, Industrial Materials (-11%) and Home Construction (-8.8%). These sectors have suffered from a combination of slowing demand and inflationary pressures.

Chart 1: Rolling correlations between the FTSE USA and other key markets have declined significantly, China currently having a -0.02 correlation. This implies portfolio construction benefits from more diversified equity allocations.

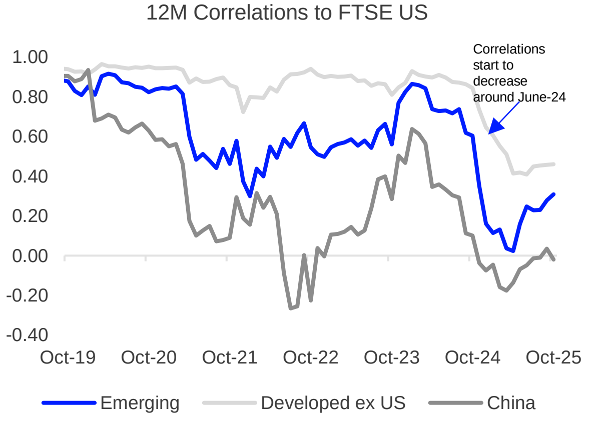


Chart 2: All-World Industry risk-return breakdown shows impact of higher interest rates, with Financials benefiting and Real Estate underperforming. AI progress helped Technology generate the highest returns.

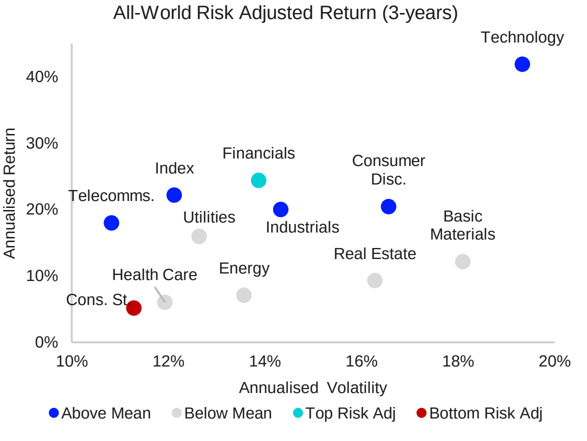


Table 1: FTSE All-World top and bottom sector performance over 12-Month in USD, sorted by returns.

Top and bottom sectors

Table 1: 12-month performance	Beta (Coefficient)	Correlation to Index	Annualised Return	Annualised Volatility	Return to vol.
All-World	1.00	1.00	22.2%	9.8%	2.26
Precious Metals and Mining	-0.03	-0.01	80.3%	33.8%	2.37
Alternative Energy	2.44	0.76	63.4%	31.1%	2.03
Telecommunications Equipment	0.84	0.61	51.7%	13.9%	3.73
Aerospace and Defense	0.97	0.65	51.0%	14.4%	3.54
Technology Hardware	1.66	0.72	46.0%	23.4%	1.97
Leisure Goods	0.41	0.36	44.9%	11.0%	4.08
Automobiles and Parts	1.56	0.49	44.6%	32.1%	1.39
Banks	0.86	0.86	37.5%	10.2%	3.66
Software and Comp. Services	1.58	0.88	32.3%	18.0%	1.80
Industrial Engineering	1.50	0.86	27.8%	17.0%	1.64
Real Estate Investment Trusts	0.57	0.54	1.5%	10.1%	0.15
Personal Goods	1.34	0.61	0.8%	20.3%	0.04
Pharmaceuticals	0.28	0.24	0.5%	11.5%	0.04
Waste and Disposal Services	0.20	0.11	-2.6%	19.6%	-0.13
Beverages	-0.11	-0.10	-3.0%	9.8%	-0.31
Food Producers	-0.21	-0.24	-3.9%	8.5%	-0.45
Chemicals	0.55	0.54	-5.7%	9.8%	-0.58
Home Construction	0.73	0.44	-8.8%	15.5%	-0.57
Industrial Materials	0.81	0.57	-11.1%	14.3%	-0.78
Health Care Providers	0.41	0.13	-20.0%	32.9%	-0.61

Source: FTSE Russell and LSEG. Data as of Oct 31, 2025. All returns in USD. Past performance is no guarantee of future results.

Key macro drivers

The biggest shift in global macro this year has been US trade policy, with ripple effects throughout the world. For that reason, we focus primarily on the US in this edition.

US consumer sentiment remained weak compared to the post-GFC period, while 5Y inflation expectations were elevated (Chart 1), pointing to increasing stagflation risks. The Feds dual-mandate potentially limiting policy flexibility.

The USD has devalued materially YTD; Chart 2 shows the change in the Real Effective Exchange Rate (REER). A 6% drop in REER is meaningful, but not out of the ordinary considering its history since inception. Current levels remain rich vs. the dollar's own 10-year history and the risk of further USD devaluation remains elevated. There are risks of trading partners diversifying away, central banks adjusting their reserve balance currency mix, and now with the Fed cutting, from a reduction in interest rate differentials.

In Chart 3, the ISM Manufacturing PMI has tracked below 50 (separating expansion from contraction) for most of 2025. With services making up 78% of the US economy, perhaps more relevant is the Services PMI which has dropped to 50.0, showing more signs of fragility in the economy.

Policy uncertainty stemming from tariff negotiations has been a recurring theme in 2025. Global economic uncertainty levels (Chart 4) are elevated vs. history across most markets but have come back down materially from their jump in April caused by US tariff announcements.

Whilst tariffs are a drag on global growth potential, the reduction in perceived uncertainty around tariffs does provide a relative improvement to earlier expectations, creating a potentially positive market dynamic for emerging and other developed markets.

Chart 1: Consumer sentiment is weak compared to most of the post-GFC era. At the same time consumer inflation expectations are elevated, pointing to a cautious view by US consumers and a potential drag on global demand.

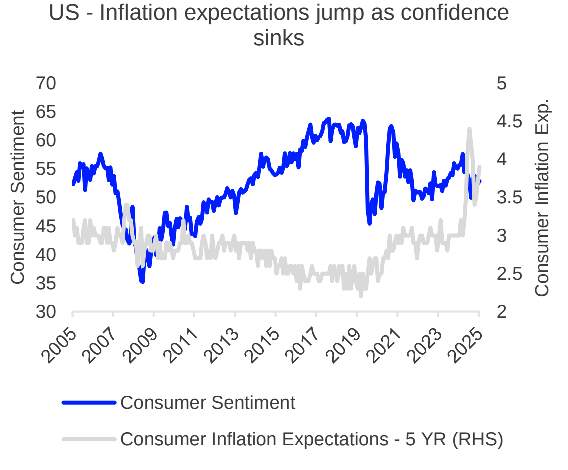


Chart 2: The 2025 fall in the USD REER is not out of the ordinary, in the context of falls since inception, and REER continues to look potentially overvalued vs. it's 10-year moving average, or it's since inception rolling-mean.

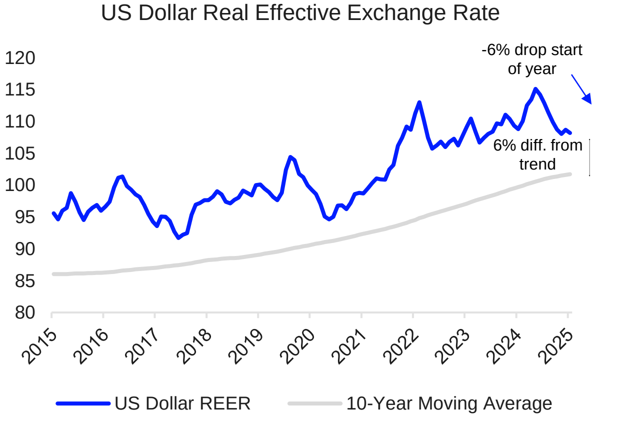


Chart 3: The ISM Manufacturing PMI has been below 50 for much of the post-2022 period, but the Services PMI, arguably more important given the size of the service sector, declined to 50.0 for the Sept print, with the shutdown delaying the October publication.

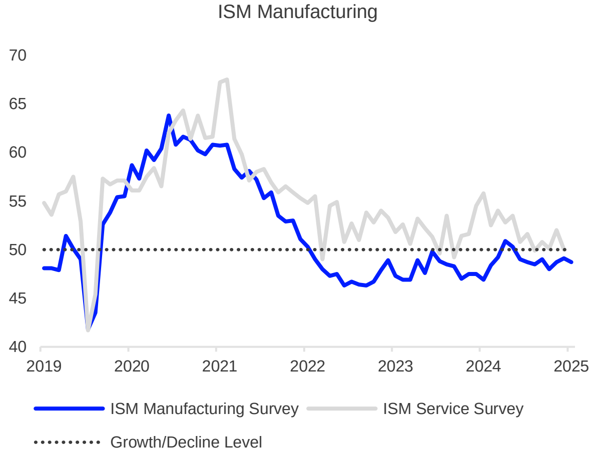
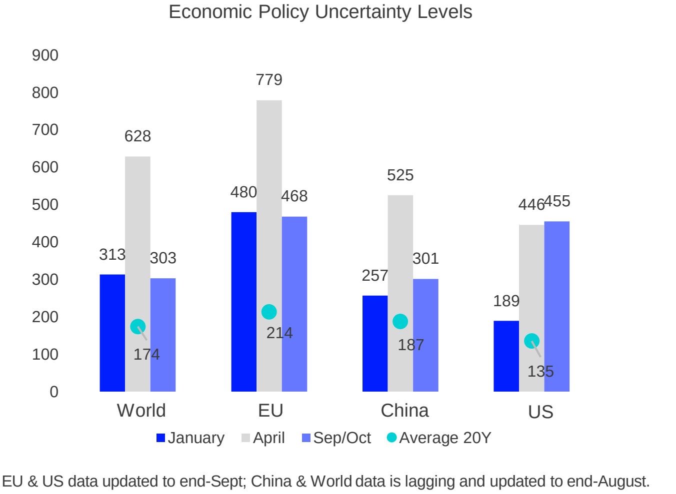


Chart 4: Global policy uncertainty has declined from April highs as trade tensions have eased. An important consideration is that there is the potential for policy uncertainty to rise again given recent Sino-US developments which aren't yet captured in the data.



EU & US data updated to end-Sept; China & World data is lagging and updated to end-August.

Source: FTSE Russell and LSEG. Data as of Oct 31, 2025. All returns in USD. Past performance is no guarantee of future results.

Spotlight 1 – FTSE Developed ex US; a new centre of gravity

The macroeconomic and political backdrop this year has facilitated a shift in leadership away from US equity market dominance, and towards Developed ex US. The transmission mechanism is via (a) a broadening of the Tech and AI theme outside of the US, benefitting tech-heavy markets like Korea, and (b) where the changing backdrop benefits sectors where Developed ex US is structurally overweight, relative to the United States.

In Chart 1 we can see how Aerospace and Defense has benefited from increased defense spending, as well as Precious Metals and Mining benefitting from increases in metal prices. While Financials, representing a greater than 10% overweight in Developed ex US, is benefitting from greater net interest margins from steeper yield curves. By contrast, the Healthcare industry, a large weight in the US index, continues to contend with policy risk around drug pricing and margin pressure. These changes are underpinned by stronger top-line resilience outside of the US (Chart 3), where revenue declines have been somewhat milder for Dev. Ex US compared to FTSE US constituents, which may have been impacted more by tariffs. Furthermore, at a country level (Chart 4), Southern and peripheral European indices have stood out, reversing a long-standing trend of Southern Europe's underperformance; we cover this in our 2nd spotlight.

Despite strong YTD performance, forecast earnings (2-year EPS growth) are double digits, at 10.3%, in Developed ex US, with analysts forecasting 5.7% EPS growth in the US. Valuations are also more favourable in Developed ex US (page 2), where at end-October the 12m forward P/E ratio was 13.7x and in the 50-60th percentile vs its own 10-year history; by contrast the US market is in the 99th percentile. This implies the US market may have less capacity for multiple expansion than Developed ex US and may be more vulnerable to multiple contraction in the event there is an equity downturn.

Chart 1: Alternative energy, Aerospace & Defense and Telecoms lead Developed ex US gains; Beverages, Pharmaceuticals & Bio-Tech and Consumer Services are the underperformers.

Top and bottom sectors

Chart 1: 12-Month FTSE Dev. ex US Performance	Beta (Coefficient)	Correlation to Index	Annualised Return	Annualised Vol.	Return to vol
Dev-Ex US	1	1	22.2%	7.3%	3.0
Alternative Eng.	2.31	0.52	102.9%	35.1%	2.9
Aerospace/Def	0.52	0.21	81.7%	19.2%	4.3
Telecomms.	1.55	0.34	72.8%	35.6%	2.0
Precious Metals	0.09	0.02	70.5%	31.4%	2.2
Tech. Hardware	3.11	0.68	56.1%	34.7%	1.6
Banks	0.88	0.75	48.6%	9.2%	5.3
Leisure Goods	0.02	0.01	48.0%	14.8%	3.2
Tobacco	0.00	0.00	45.1%	14.8%	3.1
Home Construction	0.53	0.49	-1.5%	6.3%	-0.2
Media	0.75	0.42	-2.0%	13.9%	-0.1
Chemicals	0.89	0.74	-2.1%	8.3%	-0.3
Finance & Credit Serv.	0.43	0.19	-3.4%	17.8%	-0.2
Waste/Disposal Services	0.19	0.08	-3.5%	18.9%	-0.2
Consumer Services	0.70	0.37	-4.2%	14.6%	-0.3
Pharma. & Bio Tech.	1.07	0.77	-7.9%	10.9%	-0.7
Beverages	0.33	0.18	-8.5%	12.6%	-0.7

Chart 2: Expected EPS growth is stronger outside the US, led by China and emerging markets. China expected growth is approximately 3x the US and 2x Developed Europe.

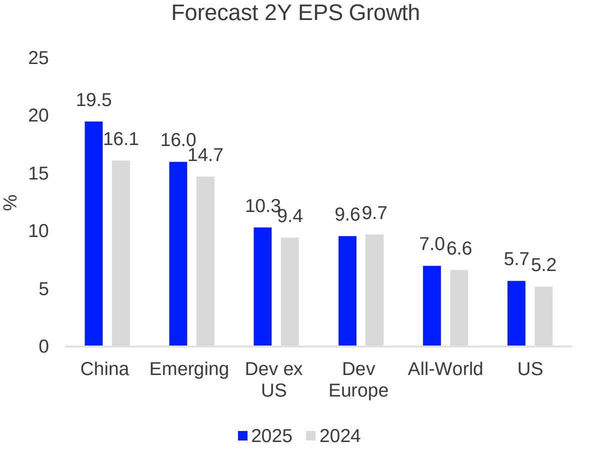
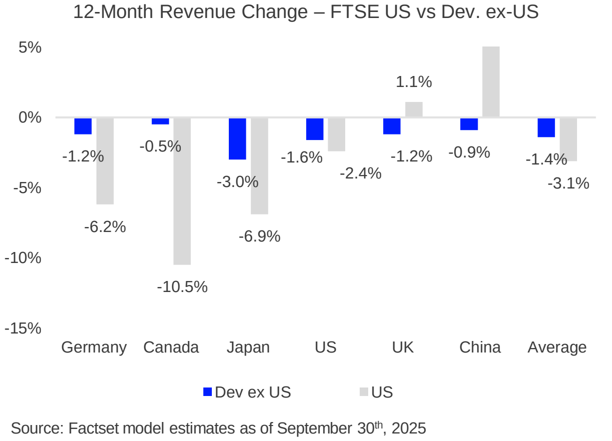
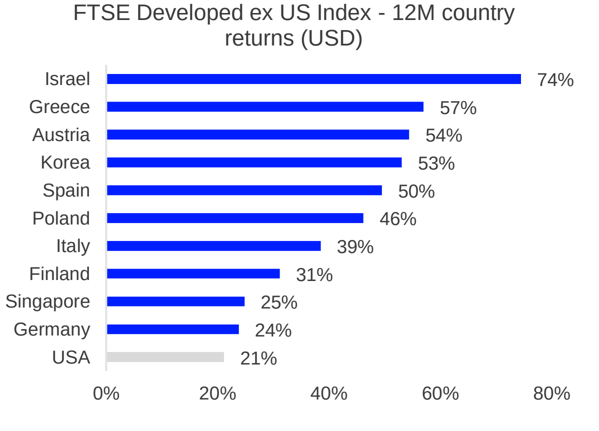


Chart 3: 1-year change in revenues across countries that are major revenue sources for Dev ex US and FTSE US constituents, highlighting softer external demand for US corporates.



Source: Factset model estimates as of September 30th, 2025

Chart 4: Periphery countries lead returns, with a growing cluster in Southern Europe showing renewed growth momentum.



Source: FTSE Russell and LSEG. Data as of Oct 31, 2025. All returns in USD. Past performance is no guarantee of future results.

Spotlight 2 – Europe: North and South diverge in a role reversal

As Europe emerged from the 2022 inflation shock, southern European economies have shown stronger cyclical momentum (Chart 1) than northern peers. On a relative basis, the South has seen improvement in electricity production, industrial production and unemployment, leading to better export volumes and ultimately GDP growth. The north has grown it's share of exports through their competitive high-value manufacturing sectors, which are deeply integrated into global supply chains. By contrast southern economies are more internally driven leaving them less exposed to external conditions.

Return dynamics (Chart 2) reinforce the divide. Three-year annualized returns in Spain, Italy and Greece all exceeded 30%, beating northern markets. Despite comparable volatility with peers across Europe (Chart 3), southern markets continued to trade at lower forward P/E multiples. And, although southern markets have rallied, their valuations remain below northern peers, indicating that improved performance is not yet fully priced in (Chart 4).

Sovereign risk perceptions are changing. Government bond spreads of southern economies have narrowed; spreads between Italian and German 10-year bonds tightened from 1.29% to 0.75% since April. This reflects firmer fiscal trajectories and improved reform credibility.

Risks and Opportunities: Rising defense spending in the North is a double-edged sword. While it can stimulate industrial production and job creation, higher borrowing costs may constrain fiscal space and increase debt burdens. The South is currently more dominant in equity performance, supported by cyclical drivers and credit dynamics, whereas the North remains vulnerable to a broader manufacturing slowdown given their reliance on external demand.

Chart 1: On the macro front, southern Europe shows stronger momentum in output, employment, and fiscal balance, while the North faces softer growth and weaker industrial activity.

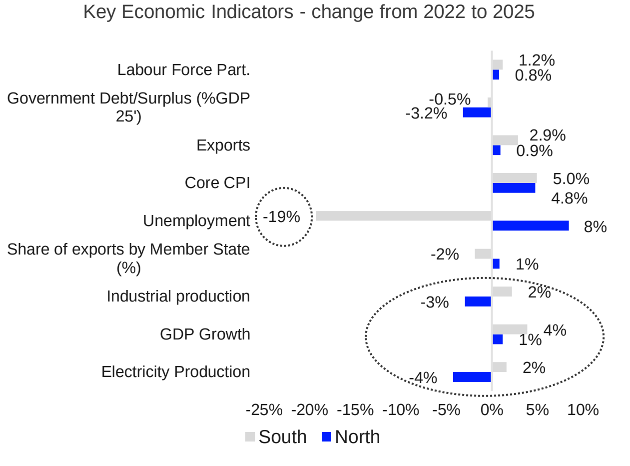


Chart 2: Southern markets have outperformed over the last three years compared to their 10-year historical performance, narrowing the long-standing return gap with northern peers.

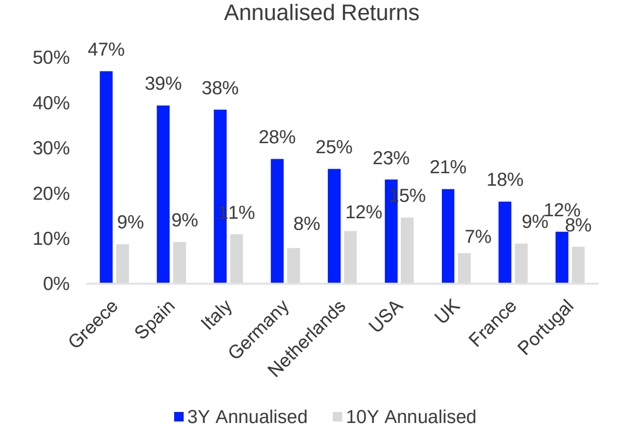


Chart 3: Risk reward analysis shows southern and peripheral markets (e.g., Greece, Spain, and Italy) have had higher reward for similar volatility levels over the past 3Y.

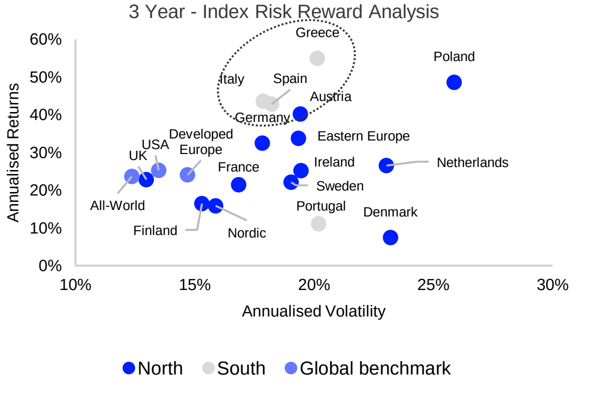
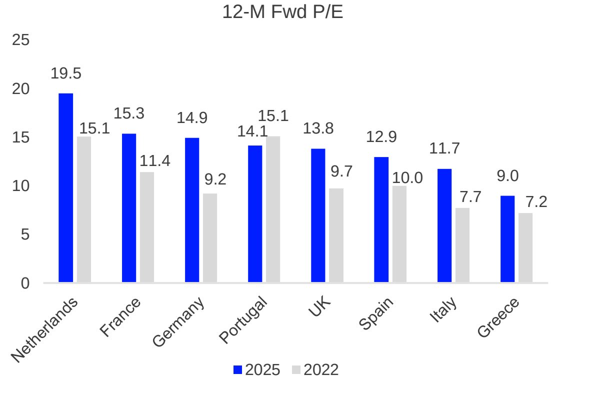


Chart 4: Valuations remain higher in northern Europe, while southern markets (apart from Portugal) trade at a relative discount, reflecting caution despite stronger performance.



Source: FTSE Russell and LSEG. Data as of Oct 31, 2025. All returns in USD. Past performance is no guarantee of future results.

Appendix: List of indices used in report

Name	Mnemonic/Code
FTSE USA Index	WIUSA
FTSE Emerging Index	AWALLE
FTSE All-World Index	AWORLDS
FTSE Developed Index	AWD
FTSE Developed Europe Index	AWDEURS
FTSE Poland	WIPOL
FTSE Hong Kong	WIHKG
FTSE Ireland	WIIRL
FTSE Singapore	WISGP
FTSE Italy	WIITA
FTSE Germany	WIDEU
FTSE Spain	WIESP
FTSE Austria	WIAUT
FTSE Greece	WIGRC
FTSE Israel	WIISL
FTSE China Index	WICHN
FTSE Portugal Index	WIPTL
FTSE Greece Index	WIGRC
FTSE Austria Index	WIAUT
FTSE Canada Index	WICAN
University of Michigan: Consumer Sentiment - Expectations	USUMCONEH
University of Michigan: Consumer Sentiment - 5 Year Inflation Expectations	USUMINM5R
Euro Short Term Rate – Eurostr	EUROSTR
United States, Policy Rates, Federal Funds Target Rate	USPRATE
Eurozone Unemployment - Labour Force Survey	EMTOTUN%Q
ISM Manufacturing Survey	USCNFBUSQ
ISM Service Survey	USCNFBUSQ
World Econ. Uncert.	WDEPUCUPR
European Union Econ. Uncert.	EUEPUNEWR
China Econ. Uncert.	CHEPUOTHR
US Econ. Uncert.	USEPUPO
US Dollar REER	USBISRXBR
German Exports	BDEXNGS.D
French Export	FREXNGS.D
Netherlands Exports	NLEXNGS.D
Portugal Exports	PTEXNGS.D
Spain Exports	ESEXNGSVE
Italy Exports	ITEXNGS.D
Greece Exports	GREXNGS.D
Spain GDP	ESCGDP..D
Netherlands GDP	NLCGDP..D
Germany GDP	BDCGDP..D
France GDP	FRCGDP..D
Greece GDP	GRCGDP..D
Italy GDP	ITCGDP..D
Portugal GDP	PTCGDP..D
Spain Gov. Debt	ESCGVX..A
Netherlands Gov. Debt	NLCGVX..A
Germany Gov. Debt	BDCGVX..A
France Gov. Debt	FRCGVX..A
Greece Gov. Debt	GRCGVX..A
Italy Gov. Debt	ITCGVX..A
Portugal Gov. Debt	PTCGVX..A
Spain CPI	ESCCPI..E
Netherlands CPI	NLCCPI..E
Germany CPI	BDCCPI..E
France CPI	FRCCPI..E
Greece CPI	GRCCPI..E
Italy CPI	ITCCPI..E
Portugal CPI	PTCCPI..E
Spain Ind. Prod.	ESCIND..G
Netherlands Ind. Prod.	NLCIND..G
Germany Ind. Prod.	BDCIND..G
France Ind. Prod.	FRCIND..G
Greece Ind. Prod.	GRCIND..G
Italy Ind. Prod.	ITCIND..G
Portugal Ind. Prod.	PTCIND..G
Spain Unemployment	ESCUNP..Q
Netherlands Unemployment	NLCUNP..Q
Germany Unemployment	BDCUNP..Q
France Unemployment	FRCUNP..Q
Greece Unemployment	GRCUNP..Q
Italy Unemployment	ITCUNP..Q
Portugal Unemployment	PTCUNP..Q
France Labour Prt.	FRLO0Y2TR
Germany Labour Prt.	BDLO0Y2TR
Greece Labour Prt.	GRLO0Y2TR
Italy Labour Prt.	ITLO0Y2TR
Netherlands Labour Prt.	NLLO0Y2TR
Portugal Labour Prt.	PTLO0Y2TR
Spain Labour Prt.	ESLO0Y2TR

All the country indices used above are from the FTSE GEIS index family.

For more details regarding Index Construction for these and related FTSE Russell indices, and for ETFs and Mutual Funds linked to these FTSE Russell Indices, please reach out to your FTSE Russell Sales contact.

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