11/2025

Market Snapshot

Equity Snapshot

United States

US equities managed a fractional gain in November. Markets tumbled early on as a tech-led sell-off sparked a bout of risk aversion, with the Nasdaq Composite Index recording its sharpest weekly decline since April. Equities partially recovered after the Senate agreed a deal to end the longest government shutdown in US history, with President Donald Trump signing a spending bill to fund the government until 30 January 2026. However, tensions persisted around delayed economic data releases and an increasingly cloudy economic outlook. Sentiment was boosted near month end as dovish commentary from Federal Reserve (Fed) officials sparked hopes of a December rate cut, while tentative optimism around President Trump's peace plan to end the war in Ukraine was a further tailwind.

Investors and policymakers alike breathed a collective sigh of relief after the 43-day US government shutdown drew to a close. However, tensions remained over operational disruptions and the backlog of economic data releases. Delayed non-farm payrolls data revealed that the US economy added 119,000 jobs in September – much more than consensus estimates. Less positively, the unemployment rate in the US ticked up to 4.4% in September, while retail sales growth slowed to a lacklustre 0.2% as consumers postponed purchases until the run-up to the Thanksgiving holiday. The Federal Reserve Bank of Atlanta's GDPNow running estimate of annualised economic growth slowed modestly to 3.9% for the third quarter. However, the protracted government shutdown weighed heavily on consumer sentiment, with the Conference Board Consumer Confidence Index sliding 6.8 points to 88.7 in November.

October's official headline inflation print was cancelled, with the US Bureau of Labour Statistics citing its inability to retroactively collect the data needed for the release due to the prolonged government shutdown. However, mixed labour market data for September and dovish commentary from several members of the Fed's rate-setting Federal Open Market Committee near month end sparked hopes of a rate cut at the next monetary policy meeting in December.

Europe

European equities moved higher in November. Markets tracked Wall Street losses as mounting concerns over frothy AI valuations and increased focus on AI spending by megacap technology names sparked a major market drawdown. However, European equities rebounded on improved sentiment near month end as expectations of a December rate cut from the US Federal Reserve (Fed) helped stabilise markets. Tentative hopes for a ceasefire between Russia and Ukraine provided an additional late-month tailwind, following peace talks in Geneva involving the so-called Coalition of the Willing, led by UK Prime Minister Keir Starmer, German Chancellor Friedrich Merz and French President Emmanuel Macron.

In its Autumn 25 Economic Forecast, the European Commission stated that GDP growth in the euro zone over the first three-quarters of the year had been stronger than anticipated against a challenging backdrop. However, European Central Bank President Christine Lagarde emphasised the importance of strengthening domestic demand to help safeguard against global volatility. The flash estimate of the HCOB euro-zone composite purchasing managers' index (PMI) edged fractionally lower to 52.4 in November from October's final reading of 52.5, with a slowdown in manufacturing activity broadly offset by an increase in services. Meanwhile, inflation in the euro zone nudged back down to 2.1% in the 12 months to October after ticking up to 2.2% in September.

Asia

Asia ex-Japan equities declined in November, caught in the global sell-off as concerns over stretched AI valuations triggered heavy foreign outflows early in the month. China was hit particularly hard, with tech-led risk aversion and escalating tensions with Japan driving a sharp drawdown. South Korea and Taiwan equities declined, as scrutiny of AI spending and stretched valuations prompted investors to rotate out of growth stocks, leaving their tech-heavy indices among the weakest performers. In contrast, ASEAN markets posted a modest aggregate gain, led by Indonesia, which reached a fresh all-time high, and the Philippines, while Singapore and Malaysia slipped as sentiment was rattled by the tech sell-off. Thailand lagged the region, pressured by foreign investor outflows. Indian equities moved slightly higher in October, with resilient fundamentals ultimately restoring investor confidence and supporting the market's rebound.

Bond

Global bonds eked out modest gains, supported by hopes that the US Federal Reserve (Fed) will cut interest rates again in December. US Treasuries were among the best performers, with 10Y Treasuries falling by 6bps and yields falling the most at the shorter end of the curve. In contrast, European bonds closed the month slightly lower, although UK gilts were supported by growing hopes that the Bank of England would ease borrowing costs in December. Japanese bonds underperformed, with 10-year JGB yields reaching a 17-year high of more than 1.8 %, after Prime Minister Sanae Takaichi's cabinet unveiled massive stimulus measures – the country's largest since the pandemic.

Outlook

Markets are oscillating between excitement about disruptive innovation and a renewed need for discipline. The pace of technological change remains extraordinary, yet recent volatility has reminded investors that not all disruption is investable, and not all innovation is durable. In this environment, we believe disciplined capital allocation, strong balance sheets, and proven pricing power matter more than ever. For our strategies, which are anchored in fundamental durability and pricing power, the key catalyst will be a renewed focus on Quality.

The recent AI selloff also introduced a welcome degree of rationality into markets. This encourages investors to revisit fundamentals and helps to bring Quality back into focus. In this context, we have already begun to see early signs of recovery in software names that sold off largely on disruption fears and sentiment rather than fundamentals. This dynamic could support a stronger fundamental and Quality-driven narrative next year, particularly in the global growth universe where valuations remain comparatively attractive. We may even see a similar pattern unfold in defence globally: despite recent volatility, outer-year growth visibility is strong, and we expect this to be increasingly recognised as stockpiles are replenished and multi-year procurement cycles gain traction.

In Europe specifically, fiscal programmes and industrial stimulus will gradually flow through in areas such as energy infrastructure, building efficiency, defence, and transportation, supporting a healthier backdrop for capital spending. Within the portfolios we have high exposure to Semiconductor equipment and AI enablers such as electrical suppliers to datacentres, while Luxury also regained strength lately and our conviction Medtech holdings are recovering. Encouragingly, we are also seeing green shoots in China demand emerging through Q3 earnings, and new growth drivers across our innovative leaders. This is all supportive for Growth as a style, which still faces strong headwinds from Value, led by banks.

Against this backdrop, we continue to position the portfolios toward companies able to compound earnings through economic cycles: global leaders with strong competitive moats, exposure to structural themes, and the ability to monetise AI adoption effectively. With valuations for European Growth still at appealing levels and our Global portfolios relatively attractive as well, we see a more compelling setup for our strategies next year as earnings outperformance continues.

Source: Allianz Global Investors, as of 30 November 2025 unless otherwise stated.

Issuer:
Hong Kong – Allianz Global Investors Asia Pacific Ltd.