

Caplign Market Perspectives

December 2025



**At the Intersection of
Innovation
and geopolitical
Fragmentation**



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Summary

Resilience Amid Transformation: Markets Between Shocks and Supercycles

Between U.S. Tariffs, De-Globalization, AI, and the Gold Supercycle

2025 has once again demonstrated the **resilience of global markets in the face of political intervention and geopolitical risks**. The tariff shocks in April triggered a brief sell-off but left no lasting fundamental impact. Within weeks, major indices reached new highs – a clear sign that markets today **differentiate** more sharply than ever between short-term uncertainty and structural trends.

Structurally, the artificial intelligence (AI) investment complex remains the dominant engine of growth, driving an unprecedented global surge in capital expenditure, while Europe stands out primarily for its comparatively stable interest-rate and credit environment. At the same time, the gold price has recorded one of its strongest increases in decades – not driven by speculation, but by declining trust in many traditional fiat currencies, burdened by high debt levels, expansionary monetary policy, and concerns over long-term devaluation. In parallel, stablecoins are quietly but steadily transforming from a crypto niche into a functional component of global USD payment infrastructure – still largely overlooked, yet financially highly relevant.

Markets remain **constructive**, but not blind. Valuation risks are real, and dispersion is increasing. Investors will increasingly be rewarded for **global diversification** and for consistently **avoiding extreme valuations**.

Key Takeaways:

- **Fundamental structure outweighs events:** markets are absorbing shocks more efficiently and orienting themselves around long-term trends.
- **AI Supercycle:** the most powerful technology-driven investment and productivity impulse in decades.
- **Regional divergences:** Europe provides stability, while the U.S. and Asia deliver growth – but also higher volatility.
- **Gold gains importance** as a “safe haven,” supported by structural debt risks and declining confidence in major fiat currencies.
- **The commodity-energy complex is moving back into focus:** de-globalization, strained supply chains, and geopolitical rivalry are creating structural shortages – especially in critical metals and rare earth elements essential for manufacturing, electric vehicles, semiconductors, and the expansion of energy infrastructure, increasingly turning them into strategic bottlenecks.

2025 demonstrated the market's resilience amid tariffs, de-globalization, and geopolitical risks, with investors increasingly guided by structural forces such as the global AI investment cycle.

At the same time, gold, critical metals, and emerging USD payment infrastructures gained importance as debt burdens, currency risks, and supply-chain constraints intensified.

Market Perspectives

Equities – V-Shaped Recovery, Structural AI Drivers and Clear Valuation Contrasts

Equity markets digested the escalation in trade policy in April not only quickly but with remarkable determination, reaching new highs shortly thereafter. This dynamic would not be possible without a fundamentally sound backdrop: earnings are rising, margins are expanding, and liquidity remains ample.

AI as a Global “Booster” for Capital Expenditure

The AI investment wave is not a “theme” – it is a macroeconomic fact.

In 2025, global spending on AI infrastructure is expected to reach **USD 350–450 billion**, driven primarily by large cloud and platform providers whose capex budgets have expanded significantly relative to 2024 and now exceed those of the entire global telecommunications sector. Medium-term estimates from leading institutions suggest that annual AI investment could continue rising in the coming years and may stabilize at **over USD 1 trillion per year** by the end of the decade [1].

Equity markets staged a V-shaped recovery in the spring, reaching new highs despite trade tensions.

At the same time, the global AI investment cycle is acting as a powerful structural driver, with rapidly growing spending on data centres, infrastructure, and technology that could exceed one trillion USD annually by the end of the decade.

Capex surge of the large US-platforms*
in \$bn

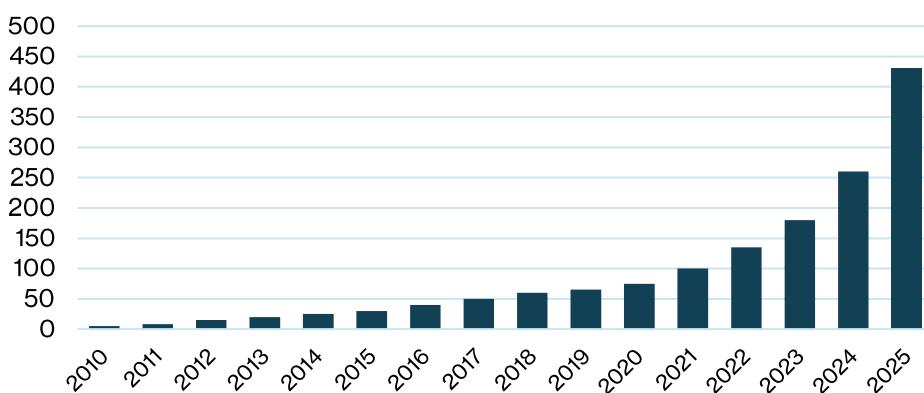


Fig-1: Capex in USD billion, Source: Citigroup; JP Morgan.

(*) Microsoft, Amazon, Alphabet, Meta, Oracle, Coreweave

This level of investment now exceeds annual global solar-industry capex and surpasses typical multi-year oil and gas exploration budgets. The scale of expansion highlights one of the most capital-intensive technology phases since the

smartphone cycle. Demand extends far beyond semiconductors and includes data centers, energy supply, networking, cooling, and full software stacks – a complete industrial value chain.

These dynamics are reflected in several concrete examples across the industry. Nvidia, for instance, is growing its high-performance computing (HPC) segment by roughly **85% year-on-year**. TSMC is expanding its HPC capacity at double-digit rates and planning investments exceeding **USD 32 billion**. At the same time, technological demand pressure is evident in semiconductor manufacturing equipment: companies such as ASML benefit from sustained, long-term demand for their most advanced lithography systems, which are essential for producing high-performance chips.

These developments clearly show that this is a structural, long-term wave of investment. It is not cyclical and not driven by one-off effects, but rather the expression of a deep technological shift that will shape global industry and capital markets for years.

But: early signs of speculative excess are emerging

Parallel to strong fundamentals among the core players of the AI value chain, **speculative pockets are becoming visible**. While profitable industry leaders continue to grow strongly, some unprofitable AI “satellite” companies have entered valuation territory that is historically difficult to justify. Palantir, for example, at times traded at a higher valuation than Cisco at the peak of the dot-com bubble – driven primarily by **highly optimistic forward earnings expectations**.

Risks are also emerging from a rapid rise in leverage across parts of the software and cloud ecosystem. Several firms – including those with large AI investment programs, such as Oracle – are **financing significant parts of their expansion through large-scale bond issuance**. As a result, leverage is rising, while other players – such as Google – fund infrastructure expansion almost entirely from operating cash flow. This **divergence** creates substantially different risk profiles within the AI world: some companies increase their dependency on capital markets, while others grow organically.

At the same time, the AI boom is creating early pockets of speculation, with unprofitable firms entering stretched valuations and rising leverage widening risk dispersion across the sector.



Fig-2: Performance of the Google Complex vs. OpenAI Complex in 2025,

Source: Coattue.

Past performance is not a reliable indicator of future results.

In addition, several smaller or still unprofitable AI software providers currently trade at **20-30x revenue**, despite negative operating margins and unclear paths to sustainable profitability. This pattern – strong narratives, weak profitability, extreme multiples due to a lack of earnings – is characteristic of classic risk zones. The structural importance of AI remains undisputed, but it is not a guarantee of success for every company featuring “AI” in its pitch deck. Early phases of technological supercycles often produce valuation excesses – a factor investors must monitor closely.

Regional Shifts: Asia & Japan as Structural Winners

The eurozone is likely to see a mild cyclical improvement in 2026, supported by a gradual recovery in the credit impulse and delayed fiscal programs finally reaching the real economy. Corporate earnings may rise moderately, supported by margin recovery, lower financing costs, and relatively attractive valuations. However, Europe remains a region of stability rather than a leading global growth engine. Structural momentum continues to come from the U.S. and Asia, while Europe’s strength lies in balance-sheet quality and stability rather than dynamism.

Medium- to long-term structural impulses clearly come from **Asia**, particularly the Asia-Pacific region and **Japan**:

- **Asia (ex-Japan)** is the industrial core region of the global AI cycle. Taiwan and South Korea are indispensable to global computing capacity, while India continues to expand dynamically, driven by massive investment in infrastructure, digitalization, and a resilient domestic market
- **Japan** is experiencing a renaissance in corporate quality: profitability, corporate-governance reforms, and share buybacks have reached levels not seen in decades.

Structural growth momentum is increasingly shifting toward Asia and Japan, driven by strong semiconductor and industrial ecosystems, robust domestic markets, and improving profitability and corporate governance—positioning the region as a key driver of the global AI and investment cycle.

Europe will remain solid, but without the structural drivers that are set to shape Asia in the years ahead.

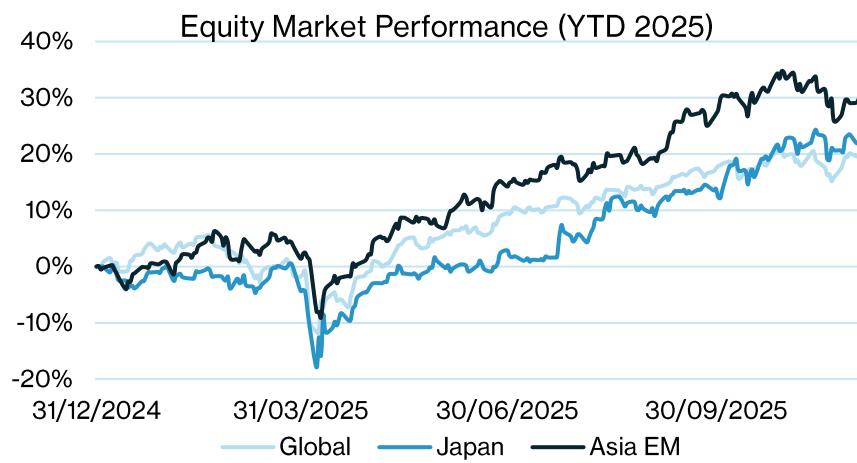


Fig-3: Equity Market Performance Global vs Asia and Japan.

Source: Bloomberg, Caplign Wealth GmbH, own calculations.

Past performance is not a reliable indicator of future results.

Equities: Summary & Outlook

Global equity markets continue to be shaped by profound structural trends – particularly the AI investment cycle, regional divergence, and widening valuation dispersion.

Outlook at a Glance:

- **Structural AI cycle:** USD 350–450 billion in AI infrastructure investment in 2025 (Bank of America, Goldman Sachs), potentially rising to over USD 1 trillion annually by the decade's end.

- **Sustainable growth drivers:** strong, broad-based demand in semiconductors, data centers, manufacturing technology, and specialized equipment.
- **Valuation risks:** clear overheating in pockets of the AI ecosystem.
- **Regional dynamics:** Asia and Japan benefit from stronger profitability, capital discipline, and their essential role in global tech and manufacturing supply chains.
- **Implication for investors: global diversification, quality focus, and caution** toward extreme valuations remain key.

Interest Rates – Fiscal Pressure and Higher Volatility; Europe: More Stable and Predictable

The United States remains the center of global rate volatility. The country now runs a chronic deficit exceeding **6–7% of GDP**, total debt above **120% of GDP**, and annual interest costs exceeding **USD 1 trillion** – a figure greater than the U.S. defense budget. These numbers explain why 10-year Treasury yields briefly rose to 4.8% in spring.

By year-end 2025, however, this issue had calmed significantly: yields stabilized around 4.0%, and fiscal uncertainty was no longer priced in daily. A key reason: markets increasingly expect the strong AI-driven investment and productivity cycle to help the U.S. “grow out of” its high debt burden over time. This confidence in future growth and revenue expansion functions as a counterweight to short-term fiscal concerns.

Europe presents a contrasting picture: the 10-year Bund has traded in a narrow 2.4–2.9% corridor for months, reflecting fiscal discipline and institutional credibility. The ECB communicates slowly, clearly, and predictably. Europe is not the most dynamic rate market, but it is the most stable. After policy rates fell from 4% to 2% between June 2024 and June 2025, the bank has adopted a wait-and-see stance. Inflation has normalized, while the long-term effects of higher debt on growth remain to be seen.

The U.S. remains the more volatile rate market due to high deficits and larger yield swings, while Europe offers a more predictable environment with stable Bund yields and clear monetary communication; after currency hedging, U.S. bonds are often less attractive for European investors.

Rates: Summary & Outlook

- U.S.: Debt/GDP >120%, interest costs >USD 1 trillion.
- 10Y Treasury: normalized around ~4.0%.
- 10Y Bund: stable around ~2.8%
- Investment implication: prefer short/medium duration; manage long-duration tactically

Corporate Bonds – Europe Offers an Attractive Mix of Yield, Quality, and Stability

The **European corporate bond** market currently stands out as the most reliable globally. Europe's structural advantage is based on healthier balance sheets, more cautious payout policies, and a more robust banking sector. Issuers are far less dependent on opportunistic refinancing – a crucial benefit in a higher-rate environment.

Why Europe is Fundamentally Strong:

- More robust capital structures, moderate debt levels, longer maturity profiles.
- Conservative dividend and buyback policies preserving liquidity.
- Well-capitalized banks (CET1 >14%).
- Lower reliance on high-risk financing than U.S. peers

Europe remains attractive in both the investment-grade and high-yield segments, with strong balance sheets, stable margins, and comparatively lower default risks offering a compelling risk-return profile—especially relative to the U.S., where tighter spreads and high hedging costs reduce overall appeal for European based investors.

In the European investment-grade segment (AAA to BBB-), credit spreads remain historically tight at around 0.8 percentage points, while yields of 3.0 to 3.4% still offer an attractive return profile. On average, issuers exhibit strong balance sheets, stable margins, and conservative leverage, making this segment one of the most resilient in the global credit universe.

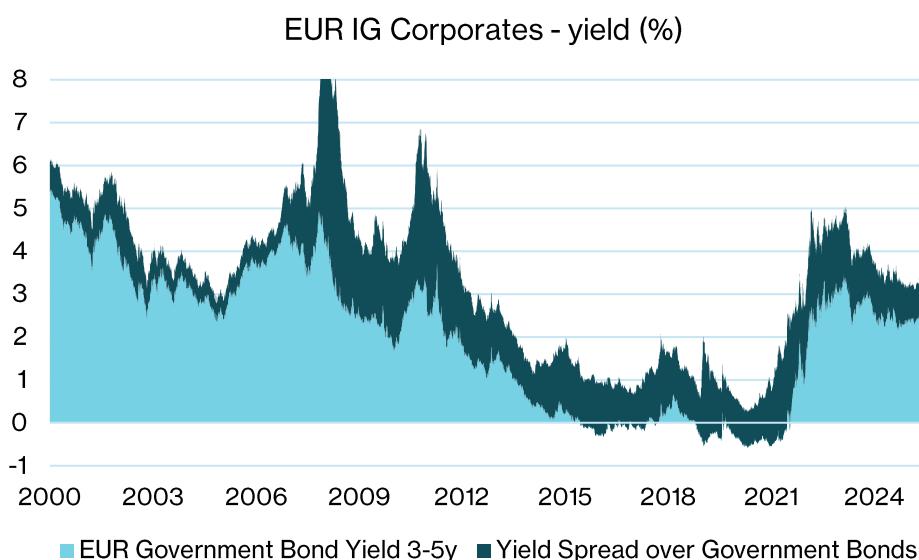


Fig-4: Yield Development of EUR Investment-Grade Corporate Bonds (IG),
Source: Bloomberg, Caplign Wealth GmbH, own calculations.

Past performance is not a reliable indicator of future results.

In the European high-yield segment, total returns reach **up to 5%**, with spreads of around 3 percentage points that still offer a premium over default rates expected by Moody's and S&P. A notably lower concentration of CCC-rated

issuers compared with the U.S. makes European high-yield structurally more stable and less vulnerable to shocks.

In contrast, U.S. credit spreads remain historically tight, while companies rely more heavily on aggressive refinancing and higher leverage, leaving them with less buffer against negative surprises—such as AI-related investments that may not convert into earnings as quickly as anticipated. As a result, the risk–return profile is clearly asymmetric, and once USD hedging costs are taken into account, U.S. corporate bonds become even less attractive from a European investor’s perspective.

Corporate Bonds – Summary & Outlook

- Europe continues to offer a compelling combination of yield, balance-sheet quality, and stability.
- U.S. corporate bonds are more expensive and, after USD hedging costs, significantly less attractive.
- Implication for investors: Favor EUR investment grade and selective EUR high yield, particularly with medium- and shorter-dated maturities.

Currencies – After a 15% USD Decline: Limited Tactical Momentum, Structural Trends Intact

The US dollar has lost roughly 15% against the euro since its peak—a rapid, pronounced, and fundamentally justified depreciation. After such a strong move, however, there is little short-term momentum for further declines: positioning has normalized, technical indicators are weak, and interest-rate differentials between the US and the euro area have narrowed significantly. As a result, immediate downward pressure on the USD has eased.

Medium term, though, the trend remains negative. The US government is increasingly signalling tolerance for a weaker dollar to support competitiveness and alleviate fiscal strain. At the same time, there is a growing global push to reduce USD reliance in reserves and payment systems—creating structural headwinds for the currency. Narrowing rate differentials reinforce this trend: as the US yield premium becomes less compelling, the balance shifts further in favour of the euro.

From the perspective of the US dollar, the combination of a diminishing rate advantage, growing political tolerance for a weaker currency, and a global shift toward reducing dollar dependence points to a continued structural depreciation trend, even if near-term pressure remains limited.

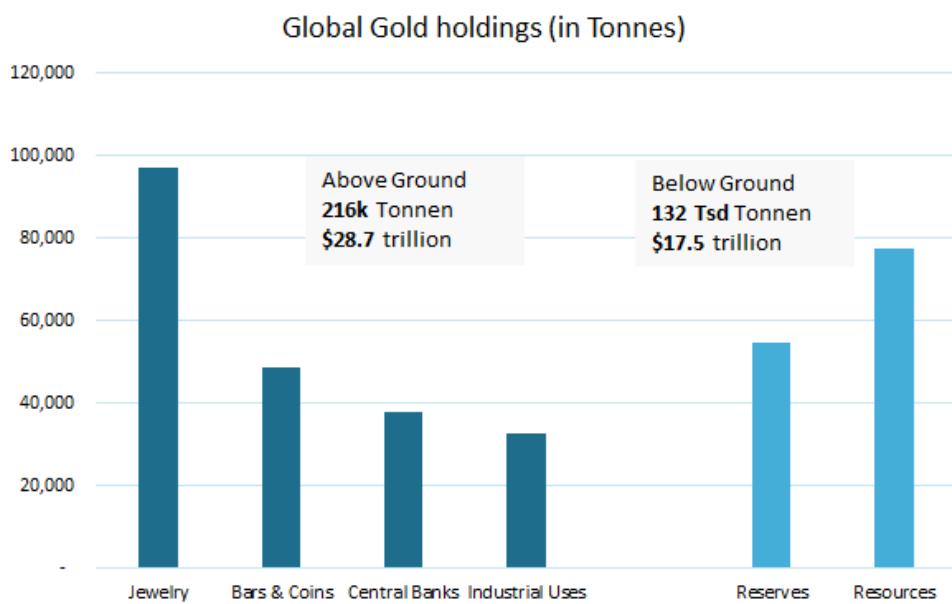
Currencies: Summary & Outlook

- USD ~15% weaker vs. EUR from its peak
- Limited near-term momentum due to positioning and tighter rate differentials
- Medium-term factors argue for continued structural USD weakness; partial FX hedging may therefore be prudent—especially in fixed income, and selectively for gold or equity positions if the trend persists.

Gold: A Strategic Anchor and Hedge Amid Declining Currency Stability

In 2025, gold surpassed the USD 4,000 per ounce mark for the first time and has remained firmly above this level following a brief correction in October. After last year's exceptional rally—during which gold ranked among the strongest global asset classes—the market is now consolidating at elevated levels without diminishing the importance of its underlying structural drivers. At the core, gold is increasingly viewed as **protection against the structural debasement of sovereign currencies**.

The combination of historically high U.S. debt levels, chronic fiscal deficits, and growing political influence over monetary policy and Federal Reserve independence is prompting investors—especially sovereigns—to systematically expand their allocations to hard, non-debasable reserves. Emerging-market central banks are driving this trend most aggressively: with annual purchases exceeding 1,000 tonnes, we are witnessing the strongest and most sustained accumulation cycle since the 1960s. As a result, gold is shifting from a tactical risk-management tool to a **structural component of global multi-asset portfolios**, explicitly aimed at hedging against currency debasement, geopolitical fragmentation, and fiscal instability.



Gold remains in a structurally robust uptrend, supported by accelerating currency debasement, record central-bank demand, and a limited global supply base—all of which reinforce its role as a strategic reserve asset.

Fig-5: Global Gold Holdings: Where the World's Gold Is Located — Bars and Coins incl. Gold ETFs, Source: World Gold Council, USGS.

With more than 216,000 tonnes, the vast majority of the world's gold stock already exists above ground—primarily in jewellery, investment gold, and central-bank reserves, together representing a value of around USD 28.7 trillion. In contrast, only about 132,000 tonnes remain underground in reserves and resources, whose economic extraction is becoming increasingly costly—an imbalance that reinforces **gold's structural scarcity** and its **role as a strategic store of value**.

Gold: Summary & Outlook

- **Price level:** Gold is trading above the USD 4,000 mark and remains in a structural uptrend with the potential to surpass previous highs on a sustained basis.
- **Key driver:** Structural currency debasement and geopolitical fragmentation.
- **Central-bank demand:** More than 1,000 tonnes per year—the strongest accumulation trend in over 60 years.
- **Investor relevance:** A strategic, long-term hedge against currency erosion—not merely a tactical allocation in periods of uncertainty.

Excursus: Stablecoins – The Emerging Next-Generation USD Infrastructure

Stablecoins are rapidly evolving from a niche topic within the crypto sector into a credible **competitor to traditional payment and settlement systems**. This shift represents a structural challenge for banks and established payment providers such as Visa, Mastercard, and PayPal—reason enough for a brief look at this emerging development.

By **2025**, stablecoins **exceeded a market size of USD 250–300 billion** and are increasingly becoming a functional component of the global USD payment infrastructure. Banks, fintechs, and multinational companies are using them more frequently for fast, programmable, and cost-efficient USD transactions—especially in areas where conventional payment rails are slower and more expensive.

This evolution is far more than a crypto phenomenon; it marks a strategic transformation across the broader payments industry. Visa and Mastercard are already integrating stablecoins into their networks to enable **real-time blockchain-based settlement**. PayPal has launched its own fully backed USD stablecoin (PYUSD), signaling that major payment providers view the technology as **complementary infrastructure** rather than competition.

Regulatory clarity is accelerating this trend: the **U.S. Genius Act** brings stablecoin issuers closer to the traditional financial system, while **EU MiCA** introduces binding standards for reserves, transparency, and supervision. As a result, stablecoins are undergoing a fundamental shift—from speculative crypto assets to a new form of USD settlement that is potentially faster, cheaper, and more global than today's payment systems.

Stablecoins: Summary & Outlook

- **Market size:** Market size: USD 250–300 billion
- **Momentum:** Rapid adoption in B2B and cross-border corporate payments
- **Industry relevance:** Visa, Mastercard, and PayPal integrating stablecoin settlement as core infrastructure
- **Shift in nature:** From speculative crypto instruments to regulated financial market infrastructure

Outlook

Stay Invested, Stay Diversified

Opportunities remain abundant—but require selectivity

The market environment is **rich in opportunity, but far from homogeneous**. Several structural megatrends offer long-term potential: the global **AI investment cycle** remains the dominant driver of growth, generating deep and persistent demand across the entire technology and infrastructure value chain. At the same time, **gold** is gaining importance as a strategic hedge in an era of accelerating currency debasement, supported by large-scale central-bank purchases and its rising role as a global store of value. In addition, the **revaluation of energy and infrastructure systems** is triggering an unprecedented wave of investment in power grids, data-center energy supply, renewable energy, and storage—driven by AI, electrification, and decarbonization. Parallel to this, the regionalization of global supply chains is reshaping economic blocs and redirecting capital flows, as companies increasingly shift production and sourcing toward resilience, nearshoring, and geopolitical diversification. Together, these four forces will shape capital markets for years to come—creating opportunities wherever structural strength outweighs short-term noise.

At the same time, the other side of the market is becoming more visible: segments such as unprofitable AI software, highly valued thematic tech exposures, U.S. high yield with historically tight spreads, and parts of the private U.S. credit market appear vulnerable. Valuation risks are rising, safety margins are narrowing, and the risk-return distribution is becoming more asymmetric. As a result, diversification and selective positioning are critical for long-term success.

Conclusion and Investor Outlook

- **Diversify globally** to avoid regional excesses
- **Quality over Momentum:** in 2026, cash flows, balance-sheet strength, and pricing power will matter more than narratives.
- **Europe** remains attractive in credit (IG and selective HY), while equity markets call for patience; much will depend on fiscal and economic policy execution and on whether geopolitical developments—including potential easing in the Ukraine conflict—unlock additional upside.
- **Asia** continues to be a key **structural growth region**, with significant **catch-up potential in equities** after years of lower valuations. Falling local rates,

strong earnings momentum, attractive valuations, and improving corporate governance provide a constructive backdrop, supported by resilient global growth that benefits export-oriented economies.

- **Gold** should remain a strategic hedge within multi-asset portfolios and overall wealth.
- **Avoid extreme valuations** in both equities and credit—excesses could unwind in 2026.

Uncertainty is inherent to markets; what matters most is not reacting to every signal, but acting with conviction, discipline, and a long-term perspective.

Christian Tobias Hille & Your Caplign Team

References

[1] Bank of America, Goldman Sachs, Q4-2025

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