

PROBUS  PLEION

# Monthly Newsletter

December 2025

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# Contents

2	Editorial	4	Financial markets during the month	6	Performance summary
3	Assessment of the economic situation	5	Comments on investment decisions	7	Contacts & disclaimer

## EDITORIAL

### Electricity is the new black gold

#### Future demand expected to rise (very) sharply

While media attention on AI initially focused on semiconductors (Nvidia, Broadcom, AMD, and Micron) and hyperscalers (Alphabet, Amazon, Meta, Microsoft, and Oracle), the question of how to power this ecosystem 1) with financing and 2) with electricity has returned to the forefront in recent weeks.

While we addressed financial issues last month, with growing concerns about Oracle's balance sheet in particular, electricity supply could well become the central investment theme in the coming months. This is not because the financial markets have “neglected” the main players in the sector, but because capital expenditure (capex) to finance production expansion could now become a priority.

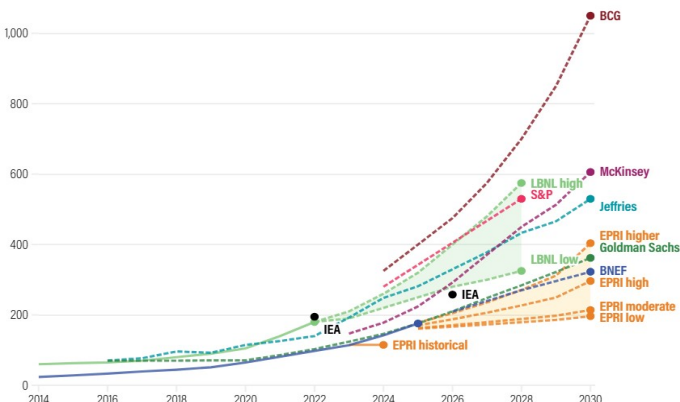
What is the point of having major computing capacity if you cannot power it?

#### Expected growth in electricity demand by 2030

##### Comparison of US data center electricity demand forecasts

Data center electricity demand estimates vary widely

Terawatt-hours (TWh)



Source: Adapted from Bloomberg NEF, US Data Center Outlook: The Age of AI Data from Bloomberg NEF; Lawrence Berkeley National Lab (LBNL); International Energy Agency (IEA); Boston Consulting Group (BCG); Electric Power Research Institute (EPRI); Jeffries; Goldman Sachs; McKinsey; S&P



### From nuclear to gas, including renewables

Given the expected growth in demand over the coming years, even if it varies greatly from one study to another, it is certain that all additional sources of electricity supply will be welcome. None of them provides an ideal solution, so it will be necessary to use all of them according to specific needs.

Large nuclear power plants are expensive and take a long time to build, while smaller SMRs take between two and seven years to set up but produce less energy. Gas-fired power plants face waiting times of several years for turbines, while renewables suffer from intermittency and the cost of storage solutions.

### A true revival of the industrial sector

While in the West, industry had been in decline for decades in favor of services, with the notable exceptions of Germany and Japan, we are now witnessing a major revival of the sector to meet the rapidly growing demand for electrical energy, whether for AI, transportation, or more generally, the decarbonization of our economy.

### What consequences can we expect for the markets?

The technology sector, which has recently experienced a slowdown in market momentum, could well cede its “yellow jersey” to the industrial sector in 2026. A less “glamorous” sector, but one that is more predictable and resilient.



Kim Muller

CIO (Switzerland)

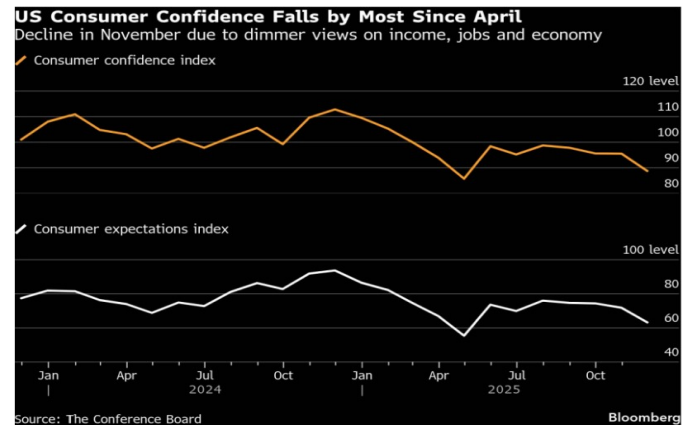


## Assessment of the economic situation

The U.S. economy is showing some signs of weakness in certain areas. Leading indicators are pointing upward, while consumer confidence is waning, despite record spending on Black Friday.

### US consumer confidence is crumbling

While Black Friday sales figures broke new records, with an overall increase of 4.1% and as much as 9.1% for online sales, it appears that the wealthiest 10% of the population now accounts for 50% of total consumption, a level never before reached. Furthermore, with inflation still above 3%, most of the increase in sales is essentially the result of price increases. Added to this is a job market that continues to show signs of weakness, which only reinforces the dependence of consumption on the wealthiest households, whose purchasing power is driven by the performance of the financial markets.



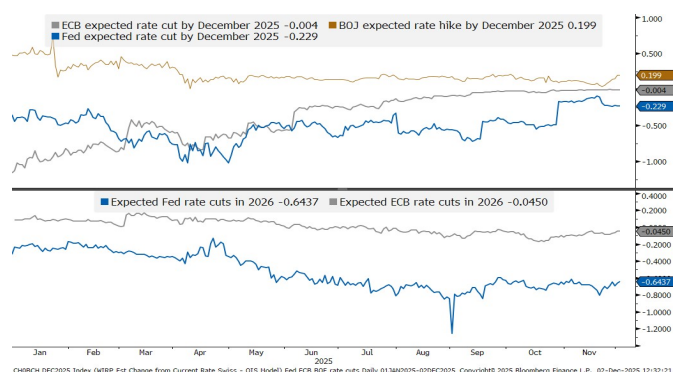
### Gold is also available in limited quantities.

There is regular talk of the scarcity effect of Bitcoin, the available quantity of which is de facto limited to a maximum of 21 million units. But if we look at gold, several studies estimate its maximum quantity at around 350,000 tons, of which 216,000 have already been mined. Due to its density, the entire available quantity of gold would take the form of a sphere barely taller than the White House! But let's return to the evolution of the gold price, where we can see that the current consolidation phase, which began six weeks ago, is continuing quite normally. Silver, meanwhile, has managed to start a new upward trend, with some investors expecting the Fed to be more accommodative in 2026.



### A rate cut by the Fed and a rate hike by the BoJ?

As expected by the markets, the Fed proceeded with its second rate cut in 2025, but the surprise came from its message for the end of the year. While the market was pricing in a (very) high probability of another rate cut at the December 9-10 meeting, Fed Chair Jay Powell tempered these expectations, saying that another cut in December was far from a foregone conclusion. In short, this marks the end of "preemptive" rate cuts, and the Fed will now base its decisions on upcoming economic



### What about the SNB's monetary policy?

After briefly breaking through the psychological threshold of 0.92 in November, the EUR/CHF pair rebounded to close the month above 0.93, a more "acceptable" level at present. Some suspected that the SNB intervened at that point to prevent the franc from

appreciating further, but there is currently no evidence to support this hypothesis. Since the SNB only publishes its transactions with a quarter's delay, the question remains so far unanswered. We will soon know for sure...



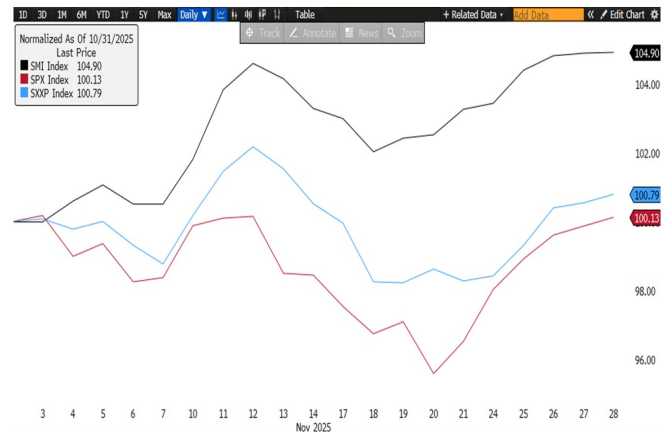
## Financial markets during the month

Investors appear to be showing signs of “fatigue” with AI, while the healthcare sector made a marked comeback in November. Unsurprisingly, the SMI index was the “star performer” this month.

### SMI outperforms in November thanks to healthcare

For once, our national index stood out in November, outperforming all the major international indices. Several factors contributed to this movement, namely valuations that had become attractive again, a certain “lag” in annual performance, but above all a marked return to favor for the healthcare sector. Buoyed in particular by the remarkable performances of its two heavyweights, Roche (up 18.7%) and Novartis (up 5.2%), not to mention Alcon (up 6.8%), the Swiss flagship index took advantage of this to return to annual performances more in line with those of European indices. More broadly, almost all of the major pharmaceutical stocks posted remarkable performances, with the market now considering that the sector has passed the trough of its cycle.

### SMI (black), Stoxx600 (blue), and SP500 (red) in 1 month

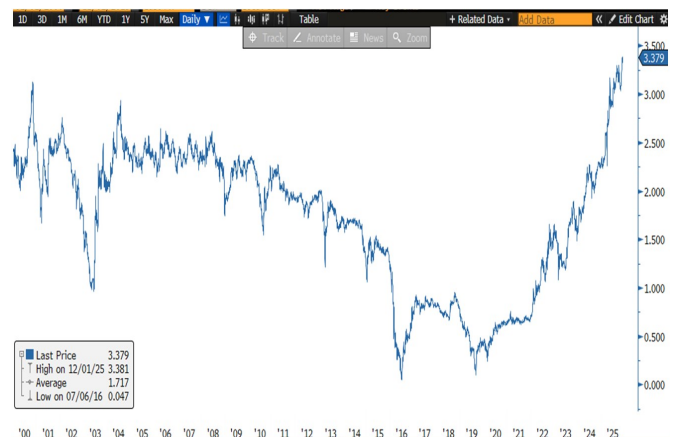


Source: Bloomberg

### Oracle's massive debt growth raises questions

For many years, and especially since 2015, JPY yields have embodied virtually “free” access to liquidity, with the entire curve trading below 1%. For investors, financing themselves in yen to invest in all kinds of assets was the absolute panacea, with the consensus being that rates would be controlled by the Bank of Japan (BoJ) and would remain close to 0% indefinitely. Since 2022 and the emergence of inflation in the Japanese economy, the BoJ has gradually abandoned its control over yields and allowed them to be set according to market rules. A first threshold was crossed in 2024, but more recently yields have reached levels not seen since the beginning of the century. At current levels, the risk of seeing countless positions unwound to repay these loans becomes a reality in 2026.

### The 30-year yield on Japanese debt since 2000

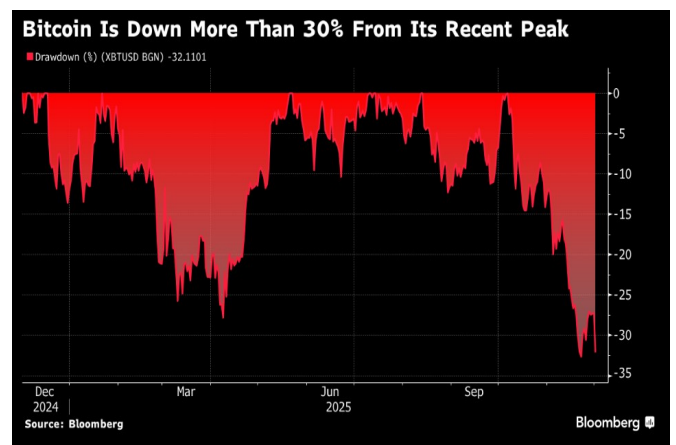


Source: Bloomberg

### The myth of “digital gold” takes a beating

For several years, and until recently, Bitcoin supporters have systematically attempted to “convert” new followers by promoting the concept of “digital gold.” According to them, Bitcoin has the same intrinsic qualities as physical gold, while offering much greater upside potential. While Bitcoin has unique qualities in terms of investment, calling it “digital gold” is like calling a vegetable patty (the official name under French law) a “Simmental rib steak.” There are several reasons behind this rough patch for the crypto ecosystem, notably the proliferation of leveraged investors. As soon as the trend reverses, they find themselves trapped and become forced sellers. Among them are leveraged ETF holders and “Microstrategy-type” companies, whose business model consists of borrowing to finance the purchase of Bitcoin.

### Bitcoin drawdowns in 2025



Source: Bloomberg



## Our convictions

	Least attractive	Unattractive	Neutral	Attractive	Very Attractive	Comments
Equities	US Equities		●			Solid trend, careful on valuations
	EU Equities			●		Defense sector consolidates, value in force
	Swiss Equities		○	●		Positive trend on pharmas confirmed
	Japan Equities			●		Favor Topix over Nikkei 225
	China Equities		●	○		Market needs to take a breathe
	Asia ex-Japan & China		●			Favor India
Fixed Income	Cash & short term debt			●		Favor 3-5 y maturities in EUR, 2-3 y in USD
	US long term debt	●				Risk / return unattractive
	EU long term debt	●				Avoid French government debt
	High Yield US & EU	●				Credit spreads are very tight
	Emerging debt local currency			●		Rate cuts are supportive
	Emerging debt hard currency		●			
Alternatives	Precious metals & gold miners			●		Mid-term trend intact
	Commodities			●		Favor industrial metals
	REITs (EU + CH)		●			Swiss residential real estate richly valued
	Private Markets		●			

● Current conviction ○ Previous conviction

## Comments on investment decisions

A certain degree of “AI fatigue,” coupled with several sector rotations, particularly in favor of the healthcare sector, left most indices unchanged. Bond yields rose very slightly, while precious metals performed well. Cryptocurrencies are entering a difficult phase.

### Equities

After a particularly buoyant October, equity markets treaded water in November, while several sector and intra-sector rotations (GOOG vs. NVDA) took place. We welcome these latest developments, which (finally) shine a spotlight on certain market segments that have been completely neglected in recent months. Overall, market conditions remain fairly favorable for the end of the year, thanks in particular to the end of the Fed's balance sheet reduction and the prospect of rate cuts and tax cuts (OBDD) in the US in 2026.

### Bonds

Yields rose very slightly during the month, prompted by a slight increase in inflation in both the US and Europe. The capital market has been under considerable pressure over the past two months, particularly due to massive bond issues by giants in the AI ecosystem. Overall, credit spreads remained low, with the exception of a few specific issuers, such as Oracle, which saw market yields on its debt increase further.

### Precious metals, listed real estate (REITs)

Although gold remains technically in a consolidation phase, its price has nevertheless risen over the month. No new historic high (yet?) in November, unlike silver, which has reached a new upward milestone. Is silver a leading indicator of the future trend for gold, or is it simply further closing the gap in its relative discount? It is difficult to say at this stage. For its part, publicly traded real estate is more or less treading water, torn between reasonable valuations and slightly higher bond yields.

### Currencies

While the market was uncertain about the likelihood of a Fed rate cut in December, the latest positioning in favor of a cut thwarted another attempt by the Dollar Index to break out of its six-month trading range. At this stage, the US dollar is neither bullish nor bearish, with the various market forces in equilibrium. However, if the Fed were to take an overly conciliatory stance in 2026, there is no doubt that the greenback would come under pressure again.





## Performance summary

### Equity performance

Equity Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SWISS MARKET INDEX	12834	4.9	10.6	9.1
STXE 600 (EUR) Pr	576.4	0.8	14.2	13.0
CAC 40 INDEX	8123	0.0	11.1	12.3
DAX INDEX	23837	-0.5	19.7	21.5
FTSE 100 INDEX	9721	0.0	19.7	17.3
Euro Stoxx 50 Pr	5668	0.1	16.4	18.0
DOW JONES INDUS. AVG	47716	0.3	12.1	6.2
S&P 500 INDEX	6849	0.1	15.9	13.5
NASDAQ COMPOSITE	23366	-1.5	19.9	21.6
RUSSELL 2000 INDEX	2500	0.8	12.2	2.7
TOPIX INDEX (TOKYO)	3378	1.4	21.3	26.0
FTSE CHINA A50	15111	-1.1	11.2	14.6
Global Index	1005.14	-0.1	19.1	16.5

### Performance of bonds, currencies and commodities

Fixed Income Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SBI AAA-BBB	139.8	-0.2	0.9	0.7
Euro-Aggregate	248.0	-0.1	1.7	0.7
U.S. Aggregate	2352.3	0.6	7.3	5.7
Global Aggregate	500.0	0.2	7.8	5.6

Currency	Last	1m Change (%)	YTD Return (%)	1y Return (%)
CHF	0.804	-0.1	-11.0	-8.7
EUR	1.160	0.5	11.4	9.7
DX	99.46	-0.3	-8.0	-5.9
GBP	1.324	0.6	5.5	3.9
JPY	156.180	1.4	-0.4	4.3
CNY	7.074	-0.6	-3.1	-2.4
CAD	1.398	-0.2	-2.6	-0.2
AUD	0.655	0.1	5.3	0.6
BRL	5.335	-0.8	0.0	-10.7
INR	89.458	0.8	4.6	5.9
MXN	18.296	-1.4	-11.4	-10.2
EURCHF	0.932	0.4	-0.9	0.0

Commodity	Last	1m Change (%)	YTD Return (%)	1y Return (%)
Gold	4239	5.9	62.6	60.4
Silver	56.50	16.0	95.2	84.5
WTI	58.55	-4.0	-17.5	-13.9
Copper	518.55	1.9	26.7	27.1
Industrial Metals	154.04	0.2	8.8	6.1
Agriculture	56.69	1.4	0.3	0.2

## Contact for Switzerland

Rue François-Bonivard 12 ♦ 1201 Genève  
t +41 22 906 81 81

Schauplatzgasse 9 ♦ 3011 Berne  
t +41 58 404 29 41

Boulevard de Grancy 1 ♦ 1006 Lausanne  
t +41 22 308 18 50

Chemin du Midi 8 ♦ 1260 Nyon  
t +41 22 906 81 50

Rue Pré-Fleuri 5 ♦ 1950 Sion  
t +41 27 329 00 30

Rue du Centre Sportif 22 ♦ 1936 Verbier  
t +41 27 329 06 83

Seidengasse 13 ♦ 8001 Zurich  
t +41 43 322 15 80

info@probuspleion.ch ♦ www.probuspleion.ch

## Contact for Luxembourg

2A rue Jean Origer ♦ L-2269 Luxembourg  
t +352 262 532 0

info@probuspleion.lu ♦ www.probuspleion.lu

## Contact for Mauritius

Suite 301 ♦ Grand Baie Business Quarter  
Chemin Vingt Pieds ♦ Grand Bay 30529

Republic of Mauritius  
t +230 263 46 46

info@probuspleion.mu ♦ www.probuspleion.mu

## Contact for Dubai

DIFC ♦ Emirates Financial Towers

South Tower ♦ Office 1101  
P.O Box 9519 ♦ Dubai ♦ United Arab Emirates  
t +971 4 305 8000

info@probuspleion.ae ♦ www.probuspleion.com

## Contact for Thailand

283/78 15th Floor ♦ Home Place BLDG

Sukhumvit 55 (Soi Thong Lor 13) ♦ Klongton Nua  
Wattana ♦ Bangkok 10110 ♦ Thailand

t +66 27 129 660

info@probuspleion.com ♦ www.probuspleion.com

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