November 14, 2025

# Weekly Investment Insights

*The longest federal government shutdown in US history finally came to a close after President Trump signed the new funding package - which was narrowly passed in the House of Representatives - into law. The bill reopened the government after a 43-day long freeze during which thousands of federal workers were furloughed, and keeps its funded until the end of January. The reopening temporarily boosted the mood on markets, but by the end of the week, nervousness creeped back in to stock markets, with investors worried that the Federal Reserve might not be able to deliver another rate cut in December. Questions about elevated AI valuations and potentially some window dressing as the year-end approaches did not help. US government bonds gained.*

*Even though the Government institutions are back online, the data vacuum persists, with the White House press secretary noting that the shutdown 'may have permanently damaged the federal statistical system with October [consumer price index] and jobs reports likely never being released.'*

*This leaves the US central bank driving in the dark as it walks the fine line between keeping inflation in check and preventing further weakening in the labour market. In futures markets, a December cut is seen as a coin toss. Around 50 basis points worth of cuts are priced in by June.*

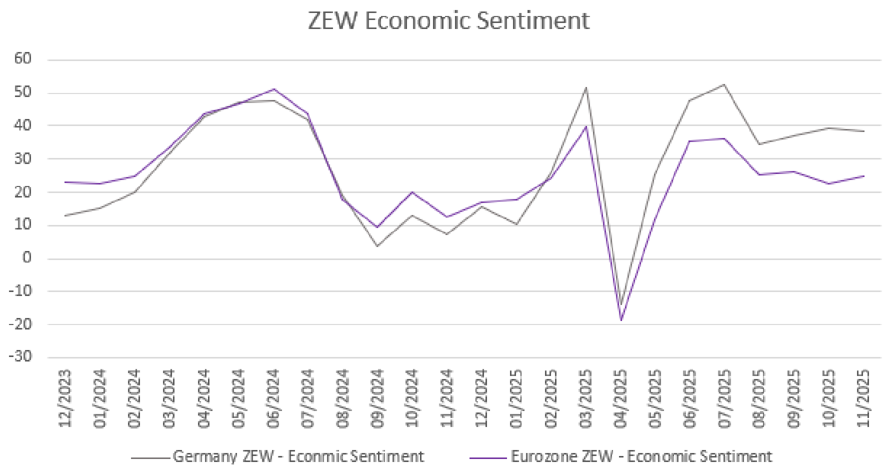
MACRO SNAPSHOT

Analysts grow more optimistic on the Eurozone outlook, less so on Germany

The latest ZEW Index, which measures the sentiment among analysts and economists, implied a brightening in the outlook for the Eurozone, rising from to 25 points in November from 22.70 points in October.

However, sentiment in the bloc's largest economy seems to be receding, as scepticism grows over government spending plans. The Germany-specific ZEW Index slipped to 38.5 in November, down a three-month high of 39.3 and below market expectations of 40. On a sector-by-sector basis, the outlook is particularly weak for the chemical and metal industries. Household spending provided a silver lining, rising by 13.3 points.

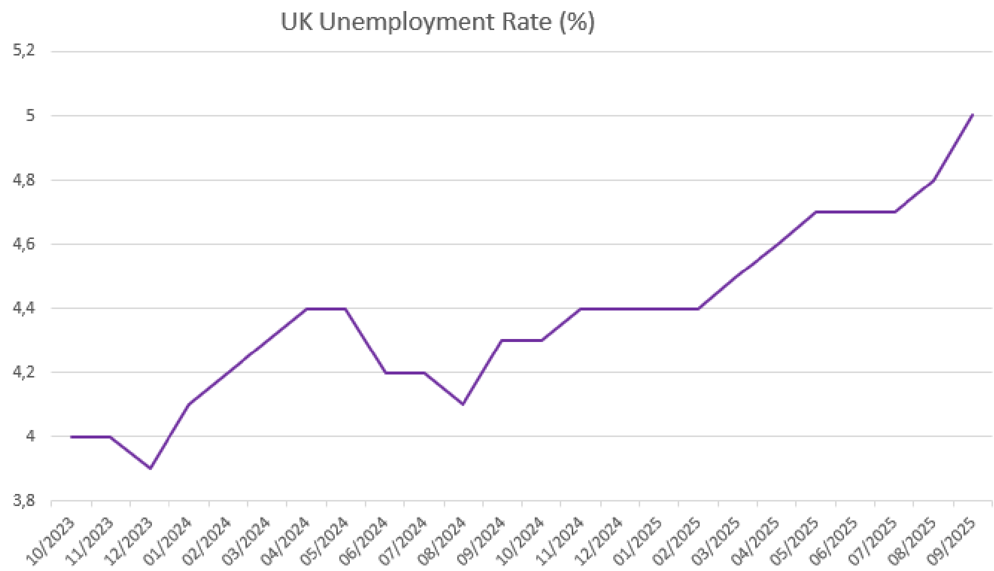
Commenting on the release, ZEW President Prof. Achim Wambach said, "the investment program should provide an economic stimulus, but structural problems persist." In recent days, German Chancellor Friedrich Merz has been accused of funneling billions of euros of new debt earmarked for defence and infrastructure to fund a higher welfare budget and other ongoing expenditures.




Source: Bloomberg, BIL

UK economy contracts, Reeves drops plans to hike income tax rates

The UK economy contracted by 0.1% in September. A shutdown at Jaguar Land Rover due to a cyber attack was highlighted as one of the factors weighing on activity, but undoubtedly, the overall economic backdrop remains fragile. Business sentiment has weakened due to the increase in payroll taxes and the unemployment rate reached 5% in Q3. Official statistics also showed that wage growth slowed to 4.6% in the three months to September, down from 4.8% in the previous period. As such, there is renewed speculation that the Bank of England will cut interest rates next month.




Source: Bloomberg, BIL

The British economy indeed remains vulnerable as Chancellor Reeves prepares to deliver the Autumn Budget on 26 November. Last week, she backtracked on income tax hikes after revised forecasts from the UK's fiscal watchdog showed the country's fiscal hole is closer to GBP 20 Bn, vis-à-vis an expected GBP 30 Bn. Sterling fell on the news and Gilt yields rose, as investors fretted about how the Labour Government will cover its fiscal shortfall given this U-turn on taxes.

### Scotland unveils "kilt bonds"

Up north, **Scotland** revealed plans to issue its first bonds as it strives for greater financial sovereignty. The country recently received its first credit ratings by S&P (AA) and Moody's (Aa3), and the so-called "kilt" bonds are expected to be issued within the next two years.

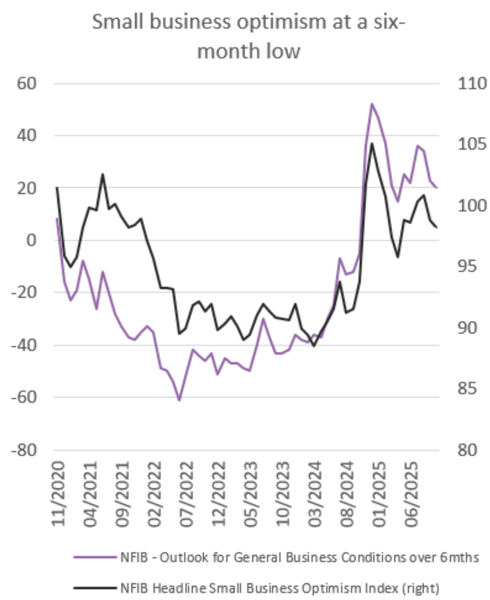
### US lowers tariffs on Swiss goods to 15%

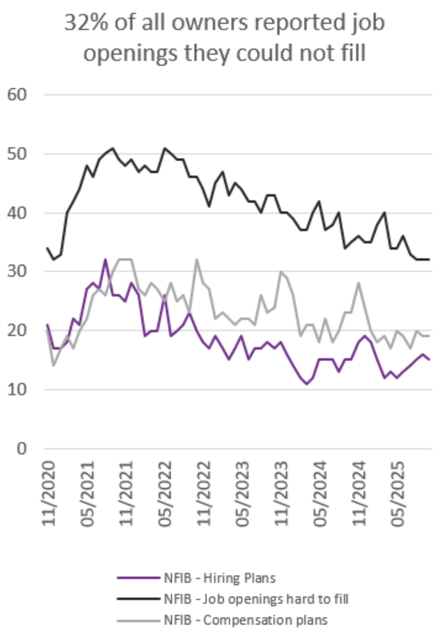
After months of negotiations, **Switzerland** reached a deal with the US to reduce tariffs on Swiss goods from 39% to 15%. In August, the US imposed the highest levy on any developed country, accusing Switzerland of "not doing enough" to address its trade deficit with the US. This came as a shock to politicians who had been working on an agreement that they expected would lead to tariffs of around 10%.

With trade negotiators having had little success in reaching a deal to lower tariffs, business leaders had begun to involve themselves directly in discussions with Trump in an attempt to reach a better agreement. In the end, in exchange for the lower tariffs, Switzerland committed to investing USD 200 Bn in the US, including USD 70 Bn next year, in industries like pharma and gold smelting.

### US small businesses less optimistic, with labour shortages the key concern

Small businesses in the US struggled with lower sales and reduced profitability in October, leading the NFIB Small Business Optimism Index to fall to 98.2, the lowest level in six months. Many firms note difficulties in finding high quality applicants for open positions. 27% of small business owners cited labor quality as their single most important problem, up 9 points from September.




Source: Bloomberg, BIL

Economists are still struggling to grasp the health of the labour market overall, given the data blackout caused by the US government shutdown. Even though Government workers are returning to their desks, there is still a lot of uncertainty as to when the data flow will get underway. While we hope to see the September jobs report around November 18-19, there is a chance we might never have the October report as data collection was disrupted by the shutdown.

CALENDAR FOR THE WEEK AHEAD

**Monday** – Japan & Switzerland GDP Growth Rate (Prel, Q3).

**Tuesday** – Switzerland Industrial Production (Q3). US Industrial Production (October), NAHB Housing Market Index (November).

**Wednesday** – Japan Balance of Trade (October). **UK Inflation Rate** (October). Eurozone Inflation Rate (Final, October). US Building Permits, Housing Starts (October), FOMC Minutes.

**Thursday** – Switzerland Balance of Trade (October). Eurozone Consumer Confidence (Flash, November). US Jobless Claims.

**Friday** – Japan Inflation Rate (October). UK Consumer Confidence (November), Retail Sales (October). **Eurozone, France, Germany, UK, US Composite, Manufacturing & Services PMI** (Flash, November). US Michigan Consumer Sentiment (Final, November). Eurozone Negotiated Wage Growth (Q3).

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