Investment Insight
December 2025

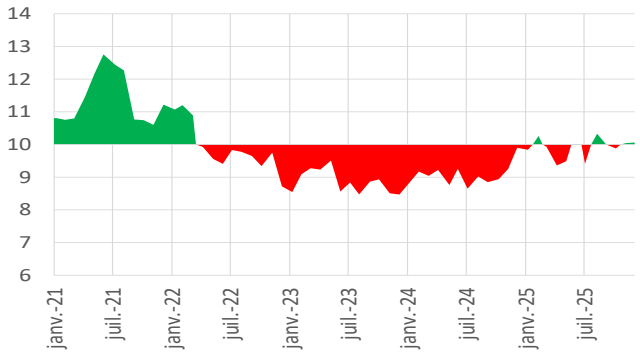
MACRO FOCUS

2025: A YEAR OF RESILIENCE FOR THE GLOBAL ECONOMY

Cyriaque DAILLAND

The overall score of the Sanso Macro Screening (SMS) [1] model remains stable, moving from 10.0 to 10.1 over the month. Both components of the score (trend and level) show no significant changes during this period. Among the underlying factors, stability is also observed. The global composite PMI confirms this stable environment, slipping slightly from 52.9 to 52.7. The global economy thus demonstrates its robustness in the face of headwinds such as tariffs and geopolitical tensions. In 2025, global growth is expected to reach 3.0%... a level close to the consensus forecast for 2026.

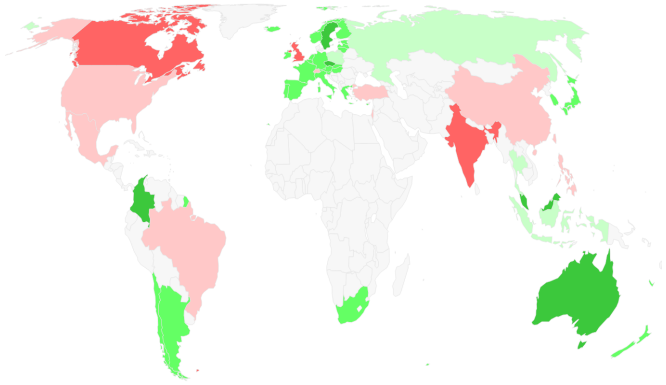
Overall Score of the Sanso Macro Screening (SMS)



Source : Sanso Longchamp AM

Within the major economies, the euro area stands out positively with a score rising from 11.0 to 11.8. This improvement comes almost exclusively from factors related to the real economy, such as consumption and trade. Japan also posts a score well above 10 (11.4), up 0.3 points compared to the previous month. The positive momentum of the "leading indicators" factor (13.4 versus 10.3 previously) fuels a certain optimism for the coming months. The United States and China show lower scores (between 9 and 9.5), but these remain stable and at levels far from concerning.

World Map of the Sanso Macro Screening (SMS)



Source : Sanso Longchamp AM

The Fed lowered its key policy rate from 4.00% to 3.75% at the December meeting. **FOMC estimates indicate that only one rate cut is anticipated for 2026. In this respect, the Fed currently appears less ambitious than investor expectations, which still foresee two to three rate cuts during the year.** The Fed's scenario is based on optimistic growth projections, with an expected increase of 2.3% in 2026 compared to 1.7% in 2025. At the same time, inflation and the unemployment rate are expected to remain relatively close to their current levels.

Table of the Month

FOMC Economic Forecast (December 2025)

Variable	Median[1]				
	2025	2026	2027	2028	Longer run
Change in real GDP	1.7	2.3	2.0	1.9	1.8
September projection	1.6	1.8	1.9	1.8	1.8
Unemployment rate	4.5	4.4	4.2	4.2	4.2
September projection	4.5	4.4	4.3	4.2	4.2
PCE inflation	2.9	2.4	2.1	2.0	2.0
September projection	3.0	2.6	2.1	2.0	2.0
Core PCE inflation[4]	3.0	2.5	2.1	2.0	
September projection	3.1	2.6	2.1	2.0	
Memo: Projected appropriate policy path					
Federal funds rate	3.6	3.4	3.1	3.1	3.0
September projection	3.6	3.4	3.1	3.1	3.0

Source : FED

The probability of the median scenario (moderate global growth) remains stable at 65%. The global economy continues to demonstrate resilience, with 2026 growth expected by consensus at 2.9%, a level close to potential growth. The probability of a negative scenario (marked slowdown) remains high (30%), but it has been reduced by 5 points, as the worst seems to be behind us regarding tariffs. The positive scenario (significant rebound) now carries a probability of 5%, as it is currently impossible to rule out this possibility.

[1] The Sanso Macro Screening model covers 1,200 economic data series across approximately 30 countries. The model enables monthly monitoring of the global economic environment through analysis of key economies. The scoring system, ranging from 0 to 20, aggregates statistically grouped data. Six factors are analysed based on both their levels and trends.

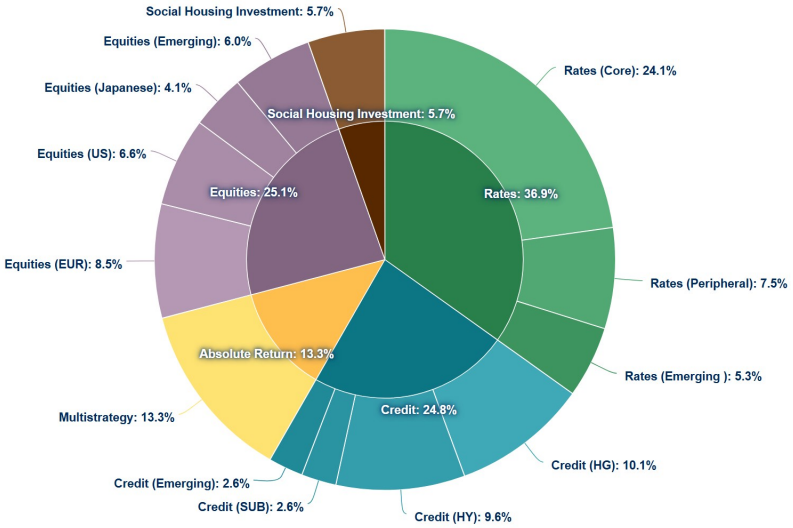
EQUITIES: A PREFERENCE FOR EMERGING MARKET

Cyriaque DAILLAND

After several challenging years for emerging market equities, particularly in China, performance improved significantly in 2025. This more favorable trend can be explained by two factors: a clear improvement in earnings momentum and a more positive investor sentiment, reflected in the acceptance of higher valuation levels. From our perspective, the upside potential for emerging market equities remains real. **Our strategic allocation therefore shifts from neutral to positive on this asset class**. In terms of investment, the MSCI Emerging Markets equity index is suitable as it allows investors to benefit from the favorable trend in China (29% of the index) while offering diversification with other countries such as Taiwan (20%) and India (16%). From a sector perspective, technology is the most represented sector, accounting for 27%. To maintain neutrality toward this sector, we have opted for an underweight position in U.S. equities, which also have a significant technology weighting.

Position as of 12.12.2025	Negative		Neutral	Positive		Evolutions	Strategies
	- -	-	=	+	+ +		
ASSET CLASS (Absolute)							
		Money Market				⇔	
			Bonds			⇔	
			Credit			⇔	
		Equities				⇔	No geographical preference
BONDS (Relative)							
			Core			⇔	United-States (10 years)
			Peripherals			⇔	Greece & Italy
			Emg Local			⇔	
			Emg Hard			⇔	
CREDIT (Relative)							
			Invest. Grade			⇔	
			High Yield			⇔	Cross Over, Eurozone
			Subordinated			⇔	
			Emerging			⇔	Latin America
EQUITIES (Relative)							
			Europe			⇔	
		United-States				⇘	Small Caps
			Japan			⇔	
				Emerging		⇗	No Country Bias
CURRENCIES vs EUR							
			USD			⇔	
				JPY		⇔	
			G10			⇔	
			Emerging			⇔	

This allocation is implemented in the **Sanso Convictions** fund. The portfolio is designed to follow a **flexible and diversified approach, with systematic consideration of extra-financial criteria.**



THE ENERGY BURDEN OF AI: A TAILWIND FOR UTILITIES

Michel MENIGOZ & Enzo PEREIRA

Equity markets continued their upward trend in 2025, supported by easing financial conditions and stronger-than-expected activity prospects.

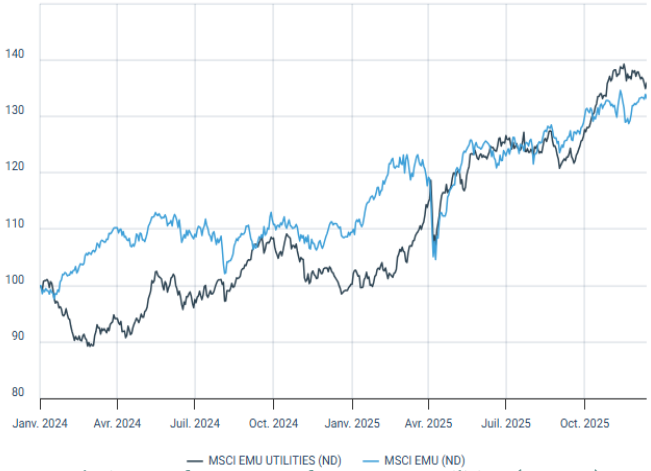
In this environment, attention remains largely focused on technology stocks linked to artificial intelligence, which continue to absorb a significant share of flows and market commentary. Yet, a more structural element, still barely reflected in allocations, is beginning to emerge: the question of the AI sector's energy capacity and its direct impact on the utilities sector.

The rapid expansion of data centers, driven by the multiplication of AI use cases and the increase in deployed computing power, is resulting in double-digit growth in electricity demand across several regions. According to the International Energy Agency, data centers could account for up to 13% of peak electricity demand in the United States by 2030, compared to around 6% today.

In the U.S., some states are seeing a doubling of grid connection requests from hyperscalers. In Europe, transmission system operators report local tensions, particularly near digital clusters. These developments are far from theoretical they now dictate the timelines for deploying AI infrastructure and, in some cases, delay the opening of new sites due to insufficient capacity.

This shift reshapes the outlook for the utilities sector. Long perceived as purely defensive and highly correlated to interest rate cycles, it now benefits from a set of dynamics: growing electricity demand, increased authorized capex for networks, favorable regulatory frameworks, and a key role in the energy transition. At this stage, the market is beginning to price in these factors.

For several months, utilities have shown relative performance that can no longer be explained solely by rate movements. The combination of regulated revenues, expanding asset bases, and identified investment needs is attracting investors in a context where performance concentration in a limited number of tech stocks is becoming an increasing concern. In other words, the sector is starting to be seen not just as a safe haven, but as an indirect way to gain exposure to AI-driven growth.



Relative Performance of European Utilities (YTD+1)

The phenomenon is also macroeconomic. Investments required to modernize power grids (integration of renewables, capacity reinforcement, development of storage and interconnections) are rising sharply. The IEA estimates that global spending on grids will need to increase by 50% to 100% over the decade to absorb demand growth and meet climate targets. This reality is reflected in regulatory cycles. Several European and U.S. regulators have raised admissible capex ceilings, enabling utilities to expand their regulated asset base and thus their volume growth.

For investors, the challenge is twofold. In the short term, the sector offers an attractive combination: visibility on growth and a defensive profile in a market dominated by a handful of concentrated tech names. In the medium term, it provides natural exposure to the infrastructure essential to the AI economy, a theme still underrepresented in portfolios. The main risk lies in execution capacity (project delays, regulatory constraints), but the overall framework remains favorable, especially in regions where public policies actively support networks.

The rise of AI reveals a simple reality: digital growth relies on physical infrastructure. As the energy constraint becomes more visible, the market's perception of utilities is evolving, though this shift is not yet fully reflected in allocations. This dynamic also brings environmental and social challenges linked to the development of data centers, including energy consumption, pressure on water resources, and territorial acceptability.

COP 30: A MIXED OUTCOME

Edmond SCHAFF, Yaël LE SOLLIEC & Léa CITERNE DEBAENE

COP 30, held in Belém, Brazil, was expected to be a pivotal moment to strengthen the momentum initiated since the Paris Agreement. Ten years later, and in a context of continuously worsening climate impacts, it was meant to address several major expectations: clarifying the global climate finance trajectory, reinforcing commitments on adaptation, accelerating the protection of critical ecosystems, and reaching a consensus on the gradual phase-out of fossil fuels, a central issue for several years.

On this last point, discussions failed to deliver. No global agreement was reached to regulate or reduce new fossil investments, which stands as one of the summit's main shortcomings. COP 30 is therefore marked by a minimal compromise on energy transition, despite increasingly alarming signals regarding global emissions trends.

Other topics did make progress, though results remain mixed. Climate change adaptation, long underfunded, took center stage. The tripling of dedicated financing, a flagship measure of COP 30, builds on the trajectory adopted at COP 29 in Baku, which aims to mobilize $1.3 trillion annually by 2035 for overall climate action.

In Belém, this global target was complemented by details on the allocation of funds, notably setting a goal of $120 billion per year exclusively for adaptation in developing countries by 2035, compared to roughly $26 billion currently mobilized. However, needs estimated between $310 and $365 billion per year by the United Nations Environment Program, nevertheless highlight the scale of the gap and the uncertainty surrounding the achievement of these objectives.

The roadmap adopted is not legally binding, and half of the expected amounts must come from the private sector, even though adaptation projects are often less profitable and require specific incentive mechanisms. Multilateral banks are also expected to see their role significantly strengthened, with a target of around $325 billion per year, far above their current ambitions.

Tropical forest protection was another key focus, notably through the Tropical Forest Forever Facility (TFFF). This Brazilian initiative aims to mobilize $125 billion in public, philanthropic, and private capital. These funds would be invested in financial markets, particularly the bond market, with the goal of redistributing part of the generated returns to countries that keep deforestation below a certain threshold.

Despite its ambition, the TFFF secured only $5.5 billion in public pledges at Belém, far short of initial targets. Several features of the project explain this caution. The final annual aid to forest countries, currently estimated at $4 per hectare, is widely considered insufficient to truly change the economic dynamics of deforestation.

Moreover, the mechanism relies on financial market performance, introducing additional uncertainty and limiting funding predictability. Many NGOs and analysts argue that, despite its positive intentions, the TFFF may prove inadequate to address the structural drivers pushing countries to exploit forest resources, and that other, more direct or more incentivizing instruments would be necessary to achieve credible results.

For investors and asset managers, these outcomes reflect a mixed landscape: the lack of consensus on fossil fuels reinforces regulatory uncertainty, while new financial commitments and mechanisms related to adaptation and biodiversity require a more detailed analysis of physical risks, national trajectories, and the credibility of emerging financing tools. These developments also underscore the importance of assessing the strength of institutional frameworks, the robustness of public guarantees, and the coherence of proposed instruments—particularly when they rely on weak or market-dependent financial incentives.

At Sanso Longchamp AM, we see in these insights the opportunity to remain fully aligned with our values by offering our clients sustainable investment solutions that are consistent and informed by the major climate and regulatory transformations underway.

Letter written on 17th December 2025