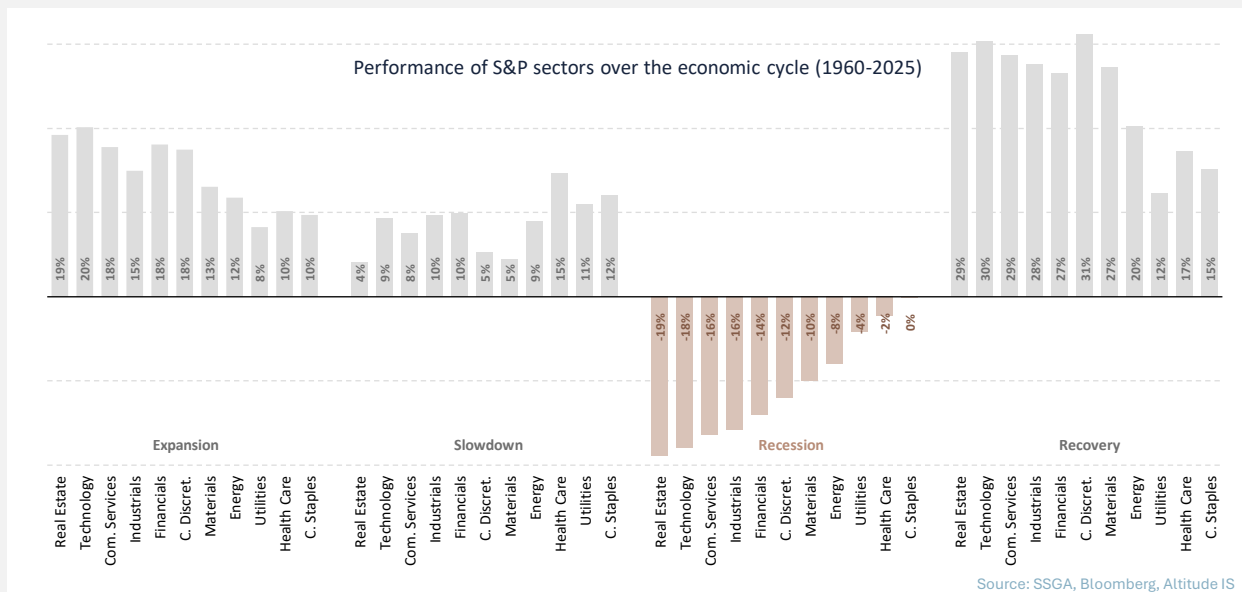


The flexiweekly that reaches new heights - published on 17 November 2025

"SPOTLIGHT ON THE LEAST VISIBLE SECTOR"

- The stock market rally is gaining momentum but could eventually run out of steam
- In times of crisis, households are forced to make choices about their spending
- Rationally, investors are therefore turning their attention to "defensive value" sectors
- The consumer staples sector should therefore return to the heart of asset allocation

CHART OF THE WEEK: "Staples are immune to the crisis"



FINANCIAL MARKETS ANALYSIS

Between April and November 2025, the main stock market indices experienced seven months of a historic bull market, gaining +40% on average. We have regularly highlighted the atypical nature of this bull market, which is built on an economy where job openings are slowing down (see Figure 2) and on earnings growth expectations that are euphoric (see Figure 3). **In reality, not many companies have seen their share prices soar.** Without Alphabet, Tesla, Apple, Amazon, Nvidia, Microsoft and Meta, the S&P 493 index would have risen only slightly. When comparing the performance of the Standard & Poor's index, traditionally weighted by the market capitalisation of each of the 500 companies that comprise it (SPX), with its counterpart where they are equally weighted (SPW), the difference is



striking. The former is up +13% since December 2024, while the latter is stable. This performance dichotomy is not new, as it dates back to 2023, but it has become more pronounced since April (see Figure 4).

Fig. 2 – US equities vs. job vacancies

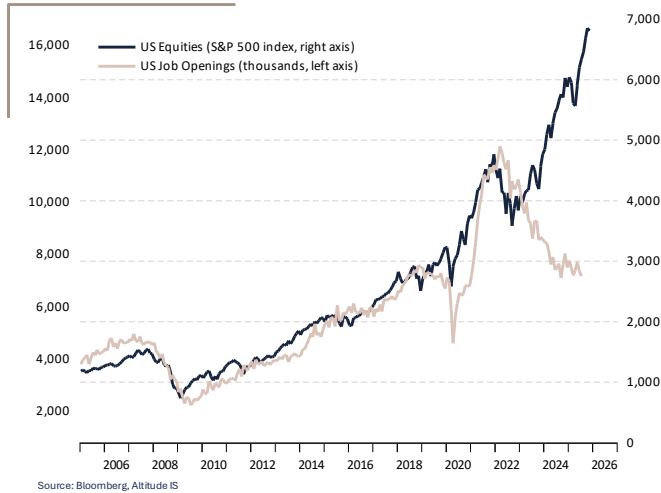
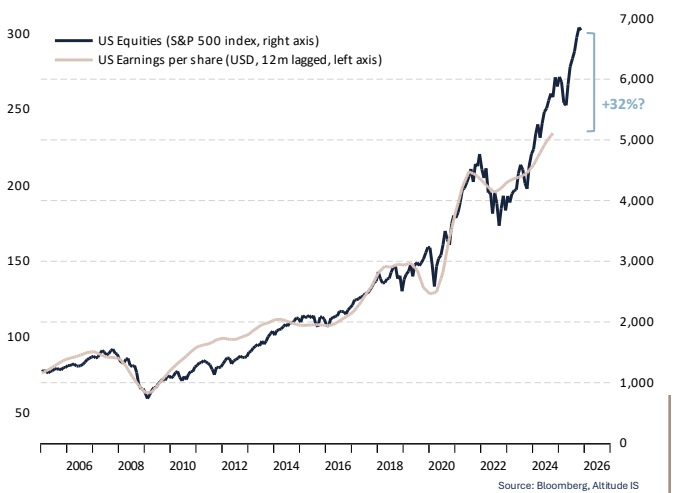


Fig. 3 – US equities vs. earnings



To take advantage of the bull market, investors had no choice but to hold these Magnificent Seven in their portfolios. They were able to do so either directly or passively, as these companies are heavily represented in exchange traded funds. Conversely, investors who opted for active and diversified management, including the most renowned banks and investment funds, suffered from their "poor" selection.

Fig. 4 – Index performance, by weighting

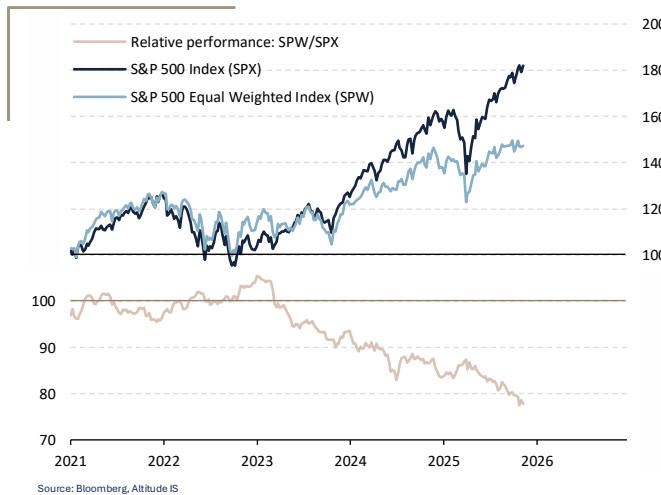
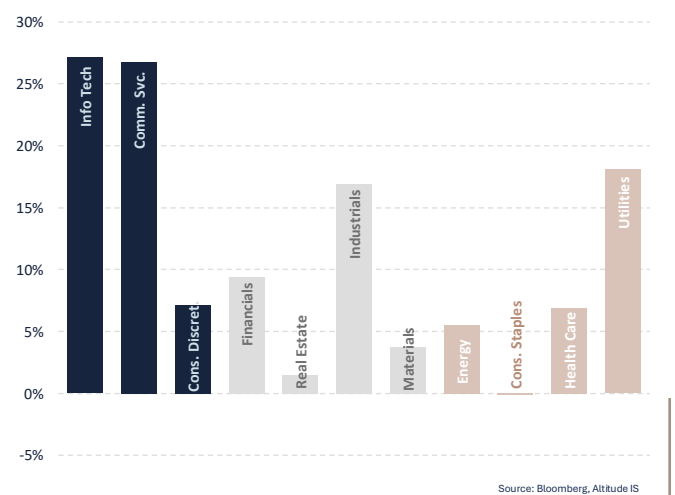


Fig. 5 – Sector performance in 2025



As these seven stocks belong to the three most cyclical sectors, it appears that most of the remaining eight segments did not perform well this year, particularly the defensive sectors (see Figure 5). Utilities, which include electricity, gas and water suppliers, still managed to do well. These capital-intensive companies benefited from lower interest rates, the predictability of their dividends and, above all, the significant electrification needs of artificial intelligence.



At the other end of the spectrum, the two worst-performing sectors are consumer staples and real estate. The property market has probably not yet come out of the woods, because even though interest rates have fallen, they remain high and are holding back REITs from deploying capital. For their part, consumer staples tend to underperform when the stock market relies on expanding multiples to grow, and 2025 was no exception to this rule. Investors shunned companies such as Nestlé, Pepsi, Mondelez and L'Oréal (see Figure 6). On the other hand, in a period of economic slowdown or even stock market correction, investors will be particularly attracted to their defensive characteristics (see Chart of the Week). **The time has come to take an interest in companies in the least fashionable sector at the moment, those offering everyday consumer goods.**

Fig. 6 – Consumer staples companies

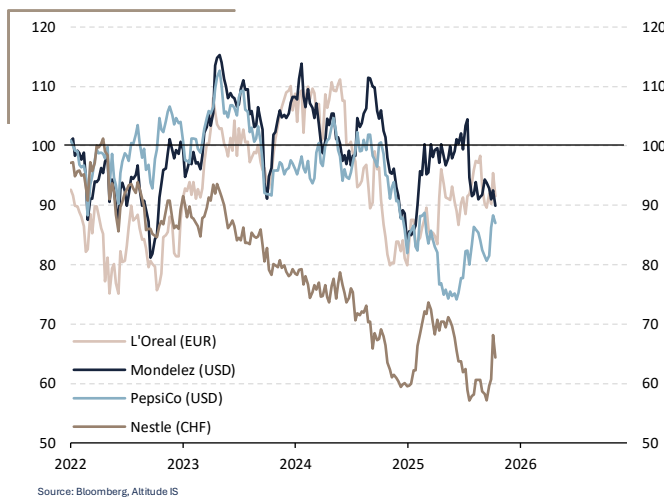


Fig. 7 – Performance of staples during corrections

	MSCI World	MSCI Staples	Spread
European debt crisis	-24.0%	-10.3%	13.7%
US credit rating downgrade	-13.3%	-5.5%	7.8%
Taper tantrum	-8.8%	-7.6%	1.2%
Oil price sell off	-9.3%	-6.1%	3.2%
Chinese stock market decline	-11.2%	-7.2%	4.0%
China growth concerns	-11.5%	-3.3%	8.2%
Volatility spike	-9.0%	-7.8%	1.2%
US-China trade issues	-16.7%	-8.9%	7.8%
Covid-19	-33.8%	-24.3%	9.5%
Ukraine war	-27.4%	-18.0%	9.4%
Higher for longer rates	-11.0%	-11.4%	-0.4%

As the economic crisis deepens, unemployment rises, household incomes and savings decline, and banks become reluctant to lend, **consumers are forced to make choices.** When it comes to spending, they prioritise food (and health), leaving other non-essential expenses aside. Thanks to this trade-off, 'defensive value' companies continue to generate profits in a highly predictable manner. Their share prices outperform the rest of the market. **During the last eleven stock market corrections, consumer staples stocks outperformed the MSCI World Index in all but one case** (see Fig. 7). This resilience makes them an attractive option for investors seeking to protect their portfolios during periods of uncertainty and shield them from spikes in volatility.

Usually, and although it may seem paradoxical, **the lower consumer confidence is, the better the stock market performance of the staples sector**, particularly relative to the rest of the market (see Fig. 8). This time around has been a little different, as consumer confidence has continued to decline, but equity investors have been focused solely on the theme of artificial intelligence. In addition, households tended to shift their consumption towards brands perceived as healthier. The roll-out of anti-obesity treatments (GLP-1) slowed spending on high-calorie products such as snacks, soft drinks and processed foods, locking the sector in last place.

Good news never comes alone, and valuations are very attractive. Usually, the sector's price earnings ratio is 20% higher than that of the market (see Fig. 9), reflecting the stable and predictable nature of consumer staple companies' earnings. Over the past six months, this premium has narrowed significantly, except for Walmart and Costco. In October, it even disappeared altogether. **This type of exaggeration is usually seen as a sign of a reversal.** By increasing their exposure to the staples sector during the next stock market correction, investors will help to rebuild this premium.



Fig. 8 – Relative return of staples in the US

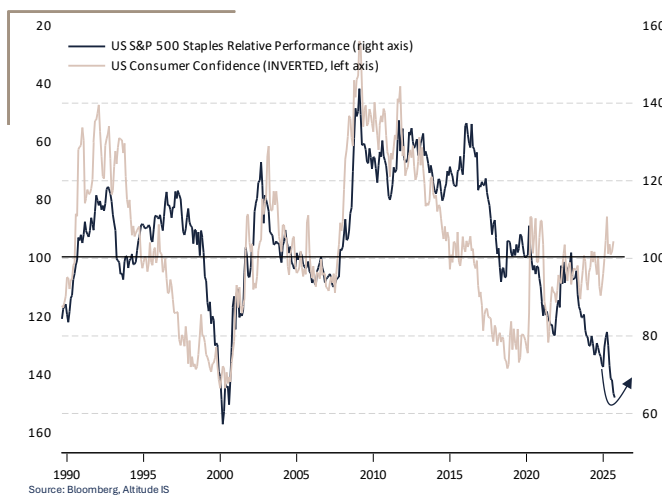
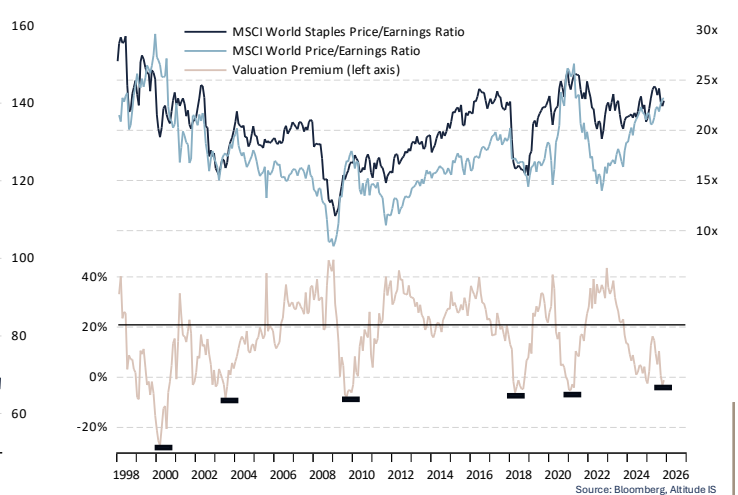


Fig. 9 – Valuation of sector leaders



Consumer staples companies are cheaper in Europe than in the United States. Some would argue that Europe will enter recession more quickly and more severely, boosting investor appetite for this sector via euro-denominated companies. Others, on the contrary, will argue that the valuation gap remains more visible in dollar-denominated indices, as technology companies are over-represented in them. Both analyses are correct. It is highly likely that all companies producing food, beverages and personal care products will benefit, regardless of whether they are based in the United States or Europe.

Investors usually gravitate towards the giants of the sector, such as Walmart, Costco, Nestlé, Coca-Cola, Pepsi, Procter & Gamble, Unilever, L'Oréal, Mondelez, Colgate and Danone. These companies are also the ones most heavily represented in index funds (ETFs) such as the iShares Global Consumer Staples ETF (KXI), the US Consumer Staples Select Sector SPDR Fund (XLP), and the Amundi Stoxx Europe 600 Consumer Staples UCITS ETF (FOO).

Conclusion:

The last bull market was driven by investor enthusiasm for artificial intelligence and their focus on a small handful of stocks. As is typically the case, companies operating in the consumer staples sector underperformed. When the next market downturn occurs, many who are first will be last. The bear market will favour consumer staples.



RETURN ON FINANCIAL ASSETS

Markets Performances (local currencies)	Last Price	Momentum Indicator (RSI)	1-Week (%)	1-Month (%)	2025 Year-to-Date (%)	2024 (%)	2023 (%)
Equities							
World (MSCI)	995.4	48.96	0.5%	1.9%	20.3%	18.0%	22.8%
USA (S&P 500)	6734	47.78	0.1%	1.4%	15.7%	25.0%	26.3%
USA (Dow Jones)	47 147	50.88	0.4%	2.0%	12.4%	15.0%	16.2%
USA (Nasdaq)	22 901	46.20	-0.4%	1.7%	19.3%	29.6%	44.7%
Euro Area (DJ EuroStoxx)	599.5	54.15	2.2%	2.3%	22.4%	10.2%	19.5%
UK (FTSE 100)	9 698	53.43	0.3%	2.9%	22.6%	9.6%	7.7%
Switzerland (SMI)	12 634	58.34	2.7%	1.6%	12.4%	7.5%	7.1%
Japan (Nikkei)	50 324	55.50	0.2%	7.5%	28.6%	21.3%	31.0%
Emerging (MSCI)	1 386	49.97	0.3%	3.6%	32.1%	8.0%	10.2%
Brasil (IBOVESPA)	157 739	84.05	2.4%	11.3%	31.1%	-10.4%	22.3%
Mexico (IPC)	62 329	49.72	-1.7%	2.8%	29.8%	-11.0%	22.4%
India (SENSEX)	84 859	62.55	1.6%	3.3%	9.7%	9.6%	20.5%
China (CSI)	4 598	49.81	-1.1%	2.2%	20.7%	18.2%	-9.1%
Com. Services (MSCI World)	156.8	42.70	-0.7%	0.3%	26.8%	31.9%	38.1%
Cons. Discretionary (MSCI World)	452.7	43.70	-1.2%	1.2%	8.5%	20.7%	29.5%
Cons. Staples (MSCI World)	288.9	50.74	0.8%	0.1%	8.4%	4.7%	3.2%
Energy (MSCI World)	269.7	67.64	2.7%	7.1%	16.5%	2.9%	6.0%
Financials (MSCI World)	215.2	51.29	0.5%	1.1%	22.9%	25.1%	16.4%
Health Care (MSCI World)	388.2	72.59	4.0%	5.4%	13.1%	1.5%	4.1%
Industrials (MSCI World)	458.2	44.61	-0.2%	0.5%	23.6%	12.8%	22.6%
Info. Tech. (MSCI World)	964.7	46.97	0.0%	2.8%	26.3%	31.9%	51.5%
Materials (MSCI World)	370.9	53.80	2.4%	-0.1%	24.0%	-7.6%	12.9%
Real Estate (MSCI World)	994	43.90	-0.2%	-0.4%	4.5%	-0.4%	5.3%
Utilities (MSCI World)	197.7	56.69	0.2%	0.5%	26.7%	13.0%	1.6%
Bonds (Bloomberg)							
World (Aggregate)	3.49%	43.66	-0.1%	-0.3%	7.5%	-1.7%	5.7%
USA (Sovereign)	3.94%	46.03	-0.2%	-0.4%	5.8%	0.6%	4.1%
Euro Area (Sovereign)	2.85%	45.76	-0.1%	-0.3%	0.9%	1.9%	7.1%
Germany (Sovereign)	2.47%	39.58	-0.3%	-0.6%	-0.9%	0.6%	5.6%
UK (Sovereign)	4.52%	45.09	-0.6%	0.5%	4.8%	-3.0%	5.6%
Switzerland (Sovereign)	0.38%	44.30	-0.4%	-0.1%	1.4%	5.4%	7.9%
Japan (Sovereign)	1.48%	44.35	0.0%	-0.3%	-2.6%	-2.1%	0.9%
Emerging (Sovereign)	5.99%	61.71	-0.1%	1.4%	11.9%	7.0%	11.0%
USA (IG Corp.)	4.89%	41.36	-0.3%	-1.0%	6.8%	2.1%	8.5%
Euro Area (IG Corp.)	3.16%	39.50	-0.2%	-0.4%	3.0%	4.7%	8.2%
Emerging (IG Corp.)	6.16%	49.14	-0.1%	0.2%	7.3%	7.0%	6.7%
USA (HY Corp.)	6.90%	47.04	-0.2%	0.1%	7.1%	8.2%	13.4%
Euro Area (HY Corp.)	5.50%	46.58	-0.2%	0.3%	4.5%	8.2%	12.1%
Emerging (HY Corp.)	7.44%	67.42	0.0%	2.5%	12.1%	14.9%	13.1%
World (Convertibles)	530.3	38.88	-2.0%	-2.2%	20.4%	9.4%	12.3%
USA (Convertibles)	692.4	36.98	-3.2%	-4.1%	15.7%	10.1%	14.6%
Euro Area (Convertibles)	289.4	51.71	0.4%	0.2%	24.4%	14.7%	7.3%
Switzerland (Convertibles)	279.4	63.27	1.0%	1.4%	16.0%	-10.5%	5.8%
Japan (Convertibles)	256.8	59.24	1.5%	2.6%	13.3%	6.4%	7.6%
Hedge Funds (Bloomberg)							
Hedge Funds Industry	1 788	90.64	n.a.	1.0%	11.1%	11.1%	7.8%
Macro	1 442	80.88	n.a.	1.3%	7.4%	7.4%	1.6%
Equity Long Only	2 443	82.51	n.a.	1.0%	10.5%	12.0%	15.9%
Equity Long/Short	1 927	90.28	n.a.	1.0%	14.9%	14.0%	7.7%
Event Driven	1 878	88.65	n.a.	0.4%	8.8%	8.7%	7.3%
Fundamental Equity Mkt Neutral	1 834	96.66	n.a.	1.2%	11.0%	12.4%	6.6%
Quantitative Equity Mkt Neutral	1 764	82.00	n.a.	-0.6%	6.0%	9.8%	7.8%
Credit	1 701	98.71	n.a.	0.6%	6.6%	8.5%	8.1%
Credit Long/Short	1 698	100.00	n.a.	0.7%	5.1%	10.0%	11.2%
Commodity	2 004	94.65	n.a.	1.6%	12.0%	14.7%	7.3%
Commodity Trading Advisors	1 382	65.66	n.a.	0.9%	3.0%	7.9%	-3.6%
Volatility							
VIX	19.83	56.59	3.9%	-4.7%	14.3%	39.4%	-42.5%
VSTOXX	19.20	54.81	-10.2%	-6.0%	12.9%	25.3%	-35.0%
Commodities							
Commodities (CRB)	536.1	n.a.	0.1%	-0.5%	-0.1%	5.1%	-8.0%
Gold (Troy Ounce)	4 086	n.a.	-0.7%	-3.9%	55.7%	27.2%	13.1%
Silver (Troy Ounce)	51.14	n.a.	1.2%	-1.5%	76.9%	21.5%	-0.7%
Oil (WTI, Barrel)	60.09	n.a.	0.6%	2.4%	-16.2%	0.1%	-10.7%
Oil (Brent, Barrel)	63.74	n.a.	-0.1%	2.0%	-14.0%	-4.6%	-4.5%
Currencies (vs USD)							
USD (Dollar Index)	99.32	52.43	-0.3%	0.9%	-8.5%	7.1%	-2.1%
EUR	1.1613	51.47	0.5%	-0.4%	12.2%	-6.2%	3.1%
JPY	154.71	36.07	-0.4%	-2.7%	1.6%	-10.3%	-7.0%
GBP	1.3172	43.23	0.0%	-1.9%	5.2%	-1.7%	5.4%
AUD	0.6536	50.83	0.0%	0.6%	5.6%	-9.2%	0.0%
CAD	1.4020	48.18	0.0%	0.0%	2.6%	-7.9%	2.3%
CHF	0.7937	59.59	1.4%	-0.1%	14.3%	-7.3%	9.9%
CNY	7.1037	59.14	0.2%	0.3%	2.8%	-2.7%	-2.8%
MXN	18.302	59.47	0.5%	0.4%	13.8%	-18.5%	14.9%
EM (Emerging Index)	1 838.2	47.79	0.2%	0.3%	6.4%	-0.7%	4.8%
XBT	95 774	n.a.	-6.0%	-10.5%	2.2%	120.5%	157.0%

Source: Bloomberg, Altitude Investment Solutions

Total Return by asset class (Negative | Positive Performance)



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