

Weekly Market Snapshot

Small and Mid Caps stage a comeback

Weekly Recap

- On the geopolitical side, the Russia-Ukraine peace plan, put forward by the Trump administration, is being reviewed and modified by several European political leaders.
- US consumer confidence for November was below expectations.
- ABN-AMRO's share price rose by 6.4% following the promise of its CEO to cut jobs and take measures to boost profitability.

Snapshot

Following a loss of investor interest during the COVID pandemic, Small and Mid Caps (SMID Caps) are coming back to the fore, mainly in Europe. Indeed, European SMID Caps offer investors diversification when they are looking for alternatives outside the US.

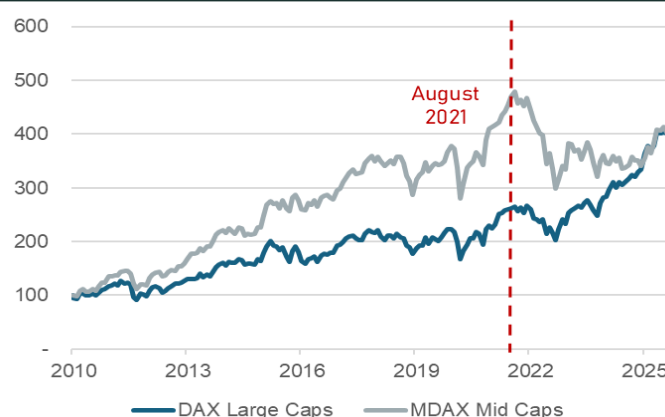
In Europe, the economy is currently boosted by two stimulus measures in Germany and at the EU level which should increase domestic demand which would drive SMID Caps. In addition, these companies, generating most of their revenues in the EU region, have not been as affected by the increase of tariffs imposed by the US in April 2025.

Finally, European SMID Caps have also benefited from the decrease of interest rates by the ECB's rate cuts, which are giving a fillip to the economy.

We hence advise investing in European SMID Caps through ETFs or Funds that provide exposure to European Small Caps or Mid Cap companies.

Market	25 November Level	% Chg 1 Wk	Return Trend	
			1 Month	1 Year
Stocks				
S&P 500	6766	+2,2%	↘	↗
Euro STOXX 50	5574	+0,7%	↘	↗
FTSE 100	9610	+0,6%	→	↗
Nikkei 225	49559	+1,8%	↗	↗
MSCI EM	1354	-0,5%	↘	↗
Bonds				
	Yield			
US 10Y	4,0	-3,0%	↗	↗
Gm 10Y	2,7	-1,0%	→	↘
UK 10Y	4,5	-1,3%	→	↗
Jp 10Y	1,8	+2,1%	↘	↘
IG Credit				
	Yield			
US	5,0	-2,4%	↘	↗
EU	3,1	-0,9%	→	↗
UK	5,2	-1,1%	→	↗
Alternatives				
Gold	4157	+1,9%	↗	↗
Copper	5,0	+0,4%	↘	↗
S&P Global Infra	3520	+1,0%	↗	↗
EU REITs	1610	-0,3%	↘	↗
BBG Hedge Fds	1786	-0,1%	↗	↗

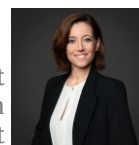
A STRONG OUTPERFORMANCE OF THE SMALL AND MID CAPS BETWEEN 2010 AND 2021



Source: BNP Paribas, Bloomberg

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Small and Mid Caps stage a comeback

Between 2001 and 2021, European Small and Mid Caps (SMID caps) have enjoyed a period of growth with the MSCI Europe Small Cap Net Return Index outperforming the Stoxx Europe 50 Net Return Index throughout this period. However, since the COVID pandemic, high interest rates and inflation have led to a loss of investors interest in SMID Caps.

This year, we are witnessing a reverse in this situation as SMID Caps in Europe are coming back to the fore. With Large Caps markets reaching all-time highs (especially in tech), and high valuations, investors are searching for more diversification in their portfolios. SMID Caps can offer diversification as they behave differently to Large Cap companies and follow the economic cycle. Moreover, there is a large diversity in the themes and industries of SMID Caps while lately Large Cap indices have been concentrated on a specific area, i.e. tech. However, as SMID Caps are very sensitive to the economy, especially the domestic economy, they can present more risk.

A growing interest in European Small and Mid caps

Currently, European Small and Mid Caps look attractive mainly because of a favourable European environment.

The German stimulus and the stimulus measures, announced at the EU level to earmark €800bn to ReArm Europe, could boost the economic growth of Germany and Europe in general and have a positive impact on SMID Caps.

These spending plans will support several sectors and will possibly increase the number of intra-European trades, hence boost the internal domestic demand. Being linked to the domestic economy, SMID Caps should benefit from this increase in domestic consumption.

Additionally, as European SMID Caps generate a large part of their revenues from European domestic markets, they have not been as affected by the US tariffs imposed in April 2025 as large companies. They provide more stability in today's uncertainty on the markets resulting from the US/European trade negotiations.

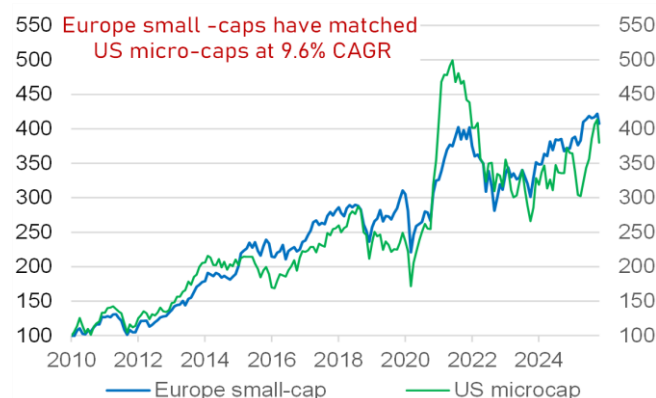
Also worth noting is that European SMID Caps have been driven lately by the ECB's low interest-rate policy to support the economy that has encouraged investments.

Finally European SMID Caps have a low P/E and trade at a discount to Large Caps, making them very attractive to investors for their upside potential.

Investment opportunities

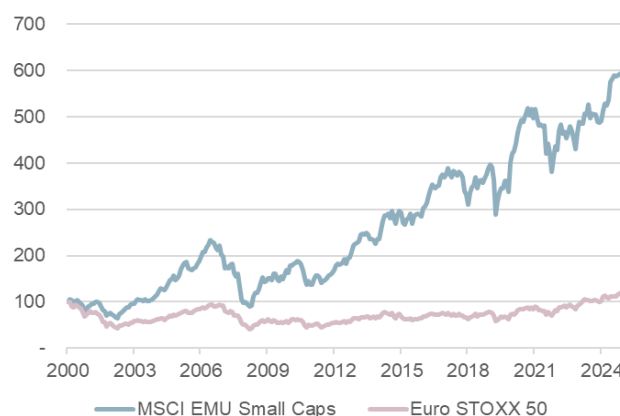
European Small and Mid Caps are attractive investments, and a way of diversifying in the World ex-US this year with growth prospects. So, we favour investing in Small and Mid Caps through ETFs and funds that provide exposure to either European Small Caps or Mid Caps or exposure to both.

OVER TIME, EURO SMALL-CAPS HAVE EQUALED US MICRO-CAPS



Source: BNP Paribas, Bloomberg

EURO MID-/SMALL-CAP STOCKS OUTPERFORMED THE EURO STOXX 50



Source: BNP Paribas, Bloomberg



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