



Investment Research

Global Outlook

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MARKETS REVIEW

Macro Outlook

United States:

Following Trump's presidency in January 2025, the U.S. has been engaging in aggressive tariffs and modified the country's international relations, mostly with Ukraine and Russia. The primary objectives of tariffs are to reduce trade deficits, and pressure other countries into more favourable agreements. Secondary objectives include bringing jobs back to the U.S. and counter economic competition from China and other global rivals. So far in 2025, the US has introduced a 25% tariff on all steel and aluminium imports from around the world. Furthermore, Trump has threatened to impose a 200% tariff on alcohol from EU countries unless the bloc takes away its "nasty 50% tariff on whisky". Lastly, Trump has imposed 25% tariffs on imports from Mexico and Canada and a 20% levy on Chinese goods. On "Liberation Day", Trump delivered a speech announcing the tariffs as patriotic economic weapons, vowing to protect American industry, workers, and strategic autonomy at all costs.

As of March 2025, U.S. GDP growth is projected at 1.7%, down from 2.1%, reflecting a slower expansion. Unemployment is expected to rise to 4.4% by year-end. The Federal Reserve has kept interest rates steady at 4.25%-4.50% while adjusting core inflation projections to 2.8%, balancing economic growth with price stability.

Trump has largely influenced international relations by receiving President Zelensky and Macron at the White House, leading to some concerns of European countries regarding the US' intentions.

Canada:

Canada's economy is expected to grow by 1.8% despite monetary policy support. Core inflation is projected at 2.2%, with risks from U.S. tariffs. The Bank of Canada has cut rates to 3% and may lower them further by 50 basis points. Unemployment sits at 6.8% after job gains, with stability depending on trade and immigration. Rate cuts should boost investment and consumption, aiding economic recovery.

Euro Area:

High geopolitical and policy uncertainty is expected to weigh on EU economic growth, slowing down its recovery. Although the projection only includes the impact of new tariffs on trade between the United States and China, the negative effects of uncertainty regarding the possibility of further changes in global trade policies are assumed to weigh on euro area exports and investment. Regarding trade, global trade growth is projected to slow in the context of elevated trade policy uncertainty and the impact of US tariffs on China. The euro area is also facing subdued domestic demand, with household consumption remaining weak due to persistent inflation and cautious wage growth. While inflation is expected to gradually ease, it remains above target, limiting the European Central Bank's policy flexibility. As a result, although rate cuts are anticipated later in the year, monetary conditions are likely to remain tight in the near term, slowing the pace of recovery.

United Kingdom:

The UK economy weakened in the second half of 2024, marking a second consecutive year of negative GDP per capita growth. Consumer spending remains steady amidst the strong growth of wages, with business investment decreasing due to weak confidence. Inflation was higher at 3.0% in January and will continue rising in the near term due to higher employer National Insurance Contributions and National Living Wage hikes. Yet, in the medium term, slack household demand and a slowing labour market will prevent inflation from rising, enabling the Bank of England to reduce interest rates slowly, to 3.25% by the end of 2025. Meanwhile, government expenditure is performing a bigger role in driving growth, yet private sector activity is still weak. Last but not least, the uncertainty over US tariffs and financial market volatility is affecting investor sentiment and trade expectations.

China:

We expect China's GDP growth to slow to 4.0% in 2025 with the assumption that the US increases tariffs on China's exports starting in September 2025. China threatened the US that it is prepared for "any kind of war" following Trump's increased tariffs on Chinese imports. In turn, China imposed 15% tariffs on US farm products. Additionally, China enforced a retaliatory 34% tariff on all U.S. imports and expanded export restrictions on rare earth elements, targeting key American manufacturing sectors. Chinese Premier Li Qiang also committed to increasing defence expenditure by 7.2%, and the nation underscored its readiness in light of global changes. The government wants to stimulate domestic demand by resorting to sale of bonds as well as allowing local governments to borrow more funds. Chinese import tariffs can considerably influence growth and push China to rely more heavily on domestic consumption. China is also focusing on "high-quality development" in renewal technologies like AI, though U.S. tariffs could dampen investor sentiment. The government also pledged to create tens of millions of jobs and support high-tech industries in order to drive recovery. Jack Ma's appearance in the public, following a meeting with Xi Jinping, has sparked speculation about a shift in China's tech policies. His reappearance is seen as a possible easing of previous regulatory crackdowns on tech companies.

Japan:

Japan's recovery in 2025 remains stable, with real GDP still just below its pre-pandemic level. Consumer spending has recovered, led by tax benefits, but household spending remains soft. Inflation remains to outpace wage growth, although recent wage negotiations suggest there are more bumps ahead. Inflation is also expected to drift downward. Actually, core inflation in the west excluding food and energy was just 1.6% year on year, about where it has been for six months. Export and tourist boosts from a falling yen have helped but also contributed to import-driven inflation. The Bank of Japan has so far been fairly prudent on monetary policy, raising rates from -0.1% to 0.25% in 2024. It raised rates by another 25 basis points in January 2025.

Even after multiple hikes, the policy rate in Japan is still much lower than the majority of developed nations. The Bank of Japan will keep on raising rates but in a conservative way in the short term. Export growth is decelerating as the world decelerates, led by the United States and China, and protectionist risks in the United States are rising. Manufacturing indicators are pointing towards a slowdown with declining production and weak new orders. The government will persist with fiscal support to assist in keeping domestic demand in motion.

Emerging Markets:

India is expected to expand at 7%–7.2% in 2025. The first quarter of 2025 experienced 6.7% GDP growth, slightly lower due to reduced government capital expenditure. Private Final Consumption(PFCE) expanded by 7.4% during the first quarter of 2025, with better rural and urban demand. Meanwhile, investment expanded by 7.5%. Nevertheless, India's growth could be affected by trade tariffs from channels including firstly a slowdown due to lower US and China growth but also a delay in India's capex due to the risk of China's excess capacity in the manufacturing sector. The Middle East economy is set to grow strongly in 2025 as GDP will increase to 4% from 1.8% in 2024. The oil sector will experience a rebound with 3.2% growth as OPEC increases supply. Inflation is stable at 2.3%, with Saudi Arabia running a 3% deficit through strategic expenditure. The economy of Bahrain will increase by 2.8%, even though its heavy debt burden is still a problem.

On “Liberation Day”, 2nd of April 2025, President Donald Trump announced new sweeping tariffs, setting a floor of 10% on virtually all imported goods entering the US. What may be the most dramatic shift, not only in US trade policy, but global trade as we know it, has led to the highest effective tariff rate in the US in over a century. Driven by Trump’s goal to “make America wealthy again” through increased domestic manufacturing sectors and correcting “unfair” trade practices, the escalating trade war has led to equities plunging and investors shifting towards safer assets such as fixed income and gold.

The scenario of a global trade war reflected into extensive losses in the stock market, as the fear for stagflation and global recession has risen. In the three days following Trump's announcement, the S&P 500 and the Nasdaq have fallen by 11%, Nikkei plunged by 8%, Euro Stoxx by 10% and Hang Seng by 13%, reflecting widespread investor concern, while the volatility index (VIX) spiked above 50, indicating significant market turbulence. Fixed Income markets reacted quickly as well, with the 10-year US Treasury yield falling below 4%, its lowest in months, as investors were escaping risky equities to get their hands on safer assets. Similarly, the German and Japanese 10-year treasury yields were down by 0.23 and 0.38 percentage points respectively on the week, as the effects of the US equity sell-off spread to global markets at the end of the first day of trading post-tariff announcement.

The fear of stagflation in the US is only accelerating, with the market pricing in 3-4 25bps rate cuts by the end of 2025, with the hopes of the FED bolstering growth potential through lower rates. JPMorgan slashed its US economic forecasts two days post-tariff announcement and is now expecting a 0.3% contraction in the economy in 2025. To further add to the pain of US, high yield credit spread jumped by an entire percentage point to reach levels not seen since the pandemic, showcasing the lack of belief investors have in the US economy in the short- to medium-term, and by continuation, the ability of weaker companies to meet their debt obligations.

The EU, collectively the largest trading partner with the US, is facing a minimum 20% on all imports from the EU to the US. Europe is at an interesting crossroad, with short-term economic growth sentiment having been at all-time highs due to increased defence spending fuelled by Trump’s tariff threats. However, despite this, the long-term prospectus is poor. To add to this, the new wave of “Liberation Day” tariffs is likely to significantly damage European exports, with the Wines and Spirits producers alongside Luxury brands experiencing the most significant hits. The EU is already planning a response, as Ursula von der Leyen pledged that the EU is “prepared to respond”. One of the talking points in the bloc has been the Anti-Coercion Instrument, or simply the ACI, created by the EU in 2021. This tool would give the EU a wide range of possible countermeasures, most importantly the ability to restrict trade in services, but many argue that given the ACI is a last resort tool that would drastically escalate the trade war, it is too early to consider utilising it.

It took less than 2 days for China to roll its retaliatory tariffs of 34%, expected to take effect on the 10th of April. What is interesting to see is how China will manage to create alternative trade partnerships given the trade with US is expected to slow down drastically as a reaction to the tariffs. Europe is already preparing for an influx of cheap Chinese products by preparing potential emergency tariffs on China, meaning that the spill-off effects of Trump’s tariffs are already affecting third-party trade relations. Furthermore, an economy that has been essentially only carried by government spending and stimulus packages, China may see an opportunity in restricted trade opportunities to focus on the factors that have been slowing down growth domestically. The tariffs may allow China to focus on bolstering domestic private consumption, a component that has been severely below required levels in the last years, leading to potential growth in the medium to long term. However, this is only a rather shot in the dark in the midst of global trade chaos, but it is true that by being forced to reduce trade to the US, China needs to find new markets to sell its products to, one of them being the domestic one.

In the end, the tariffs are affecting essentially every potential aspect of the global economy, either directly or indirectly, making it particularly challenging to analyse individual relationships in a complex web of interconnected factors. What can be concluded however, is that the wave of tariffs introduced by the US, and the expected retaliatory tariffs from other large global players are reshaping what we know as global trade. The short-term effects seem to be clear with most countries, especially the US, seeing cuts in their economic outlooks, but the long-term is still clouded by uncertainty. Whether Trump is successful in reviving the manufacturing industries in the US, and where China will direct its trade are questions whose answers will determine the dynamics of the global economy for years to come.

Pre-Ukraine Spending

Prior to Russia's invasion of Ukraine in February 2022, military expenditure by European Union member states was slowly rising but remained comparatively low in terms of GDP. EU members spent roughly 1.5% of its GDP historically.

Current Defence Spending

The February 2022 Russian invasion of Ukraine was a turning point. EU nations responded by raising defence spending: EU defence spending was at about 1.9% of EU GDP as of 2024 – some partners invest significantly more for example Poland's 4%.

Europe's global players have stepped up their funding to Ukraine as a result of the risk imposed by Russia, and the pressure imposed by the Trump administration. The UK and France have both made checks to Ukraine in early-March, funded by either sanctioned or frozen Russian assets, showing their improved commitment. This recalibration balances global leadership with domestic needs, leveraging the U.S.'s massive budget—two-thirds of NATO's total (\$967.7 billion)—to sustain influence while nudging Europe toward independence, aligning with economic and strategic goals against rising competitors. The remainder of NATO spend around (\$506.7 billion).

The U.S. vs. EU comparison illustrates how much NATO's overall military capability is dependent on U.S. funding even though Europe gradually is raising defence spending to bear an increasing share of the burden. According to NATO's latest figures for 2024, total defence expenditure across all member countries is projected to reach roughly \$1.47 trillion (current prices). This represents a significant increase compared to a decade ago (up from about \$943 billion in 2014).

Drivers of Increased Spending

More recently, Europe's defence spending has surged recently, driven by multiple factors, with the Ukraine/Russia War being a primary trigger. Since February 2022, the conflict has exposed Europe's military weaknesses, pushing 23 of 32 NATO members to meet the 2% GDP target by 2024, up from six in 2021.

A significant driver has been U.S. policy under President Donald Trump, who demanded greater NATO contributions and ignited fears of a reduced U.S. NATO role, intensifying Europe's push for self-reliance. The EU's "ReArm Europe" plan, offering €150 billion in loans by 2030, and national pledges like the UK's 2.5% GDP target illustrate this shift. Noticeably, the need for increased defence spending in Europe amongst voters is considered to be an 80-20 issue. European leaders such as Macron have seen their polling numbers grow as a result of increased funding for Ukraine – Starmer saw a similar gain.

Impact on Equities

This spending boom has propelled European defence stocks upward. Companies like Rheinmetall (Germany), and Thales (France) have soared 85% to over 100% YTD, driven by record orders and initiatives like the EU's €800 billion defence plan and Germany's €500 billion fund. Four years ago, defence stocks were largely off-limits for ESG-conscious investors. Today, European defence stocks are top performers YTD.

Future Spending

European defence spending is expected to rise significantly in the future as nations are now preparing for a more unpredictable geopolitical landscape. While NATO is considering raising its official spending target from 2% to 3% of GDP by 2030, some European countries are already moving ahead with long-term military investments.

This trend is illustrated by Sweden which aims to reach 3.5% of GDP in defence spending, marking its most significant rearmament since the Cold War. Similarly, Germany's €100 billion defence fund signals a deeper modernization.

It is interesting to notice that Norway is also shifting its position, potentially allowing its sovereign wealth fund to invest in defence companies, reflecting a broader European trend of integrating military spending into national economic strategies and therefore potentially building a proper European defence. Looking ahead, European nations are expected to increase their focus on high-tech weaponry, with AI-driven defence systems, and strategic autonomy to reduce reliance on the US within NATO. Indeed, the US have recently sent clear messages stating America's interest will prevail in the future, pushing the EU to take action. While the alliance as a whole is gradually adjusting its targets, Europe's rapid militarization suggests that by the 2030s, the continent could be a far more self-reliant security actor within, or even partially independent from, NATO's traditional structure. As NATO appears increasingly questioned, it will be key to keep an eye on both European and US defence spending to understand the future strategic alignments of the different blocks.

Carry Trade

For many years, investors have taken advantage of Japan's historically low interest rates by borrowing yen at minimal cost and converting them into foreign currencies—typically US dollars—to invest in assets with higher yields. This approach, known as a carry trade, has been profitable when the interest rate difference outweighs any losses from exchange rate fluctuations. However, as Japan's monetary policy shifts and rates rise, the dynamics of carry trades are changing.

The carry trade involves borrowing in a low-interest-rate currency (like the yen) and investing in a currency with higher rates (such as the dollar). Profits come from the interest rate differential. However, if the yen suddenly appreciates, investors might incur losses when converting back.

Our detailed study shows that while the interest rate spread still appears attractive, recent data indicate that the USD/JPY exchange rate is highly volatile. Statistical tests reveal that despite both series being non-stationary, they are cointegrated—meaning they move together over the long term. Yet, short-term deviations can be sharp, and our Vector Error Correction Model (VECM) indicates that adjustments back to equilibrium are slow. Volatility modelling (using a GARCH approach) demonstrates significant day-to-day fluctuations, implying that rapid changes in the yen's value could quickly erode the expected benefits of carry trades. With the Bank of Japan now raising rates (currently at 0.5% and likely to rise further), the risk of a swift yen appreciation is real.

In Q1 2025, as Japan navigates a tighter monetary policy and global trade uncertainties persist, the traditional carry trade strategy faces renewed challenges. Investors who rely on these trades must now factor in the possibility that the yen might strengthen unexpectedly, reducing or even reversing their gains. This means that robust hedging strategies—such as using currency options or forward contracts—are becoming essential to manage risk.

Japan's Macroeconomic Outlook

As Japan approaches the end of the first quarter of 2025, its recovery remains fragile, although it is possible to notice slight improvements compared to historical stagnation.

From a macroeconomic perspective, figures from late-2024 suggest that real GDP barely grew, furthermore leading experts to revise their annual estimates from 0.9% to 0.7%, mainly because of modest export activity. Looking ahead, analysts expect a modest rebound in Q1 2025, pointing at an annualized growth of 1.2-1.5%, even though numbers remain lower compared to necessary data for historical recovery. On the other hand, consumer inflation increased rapidly, now in the range of 3.7-4.0% YoY; core inflation sticks at 3.0%, well above BoJ's 2% target.

In the context of monetary policy, the Bank of Japan achieves the goal of the century, bringing back the short-term policy rate to the highest level in 17 years (0.5%). BoJ's intentions for 2025 appear limpid, as many economists expect one or two additional rate hikes later this year—potentially 0.75% or even 1%—especially if inflation persists at high levels. However, Trump's moves on the matter of foreign policy remain of vital importance, as tariffs on Japanese exports may condemn the country to delay its shy recovery even further.

In this sense, Japan's export sectors continue to benefit from the competitive advantage of a weak yen, with export growth projected at 2.7% YoY. However, we have already seen high volatility: the yen received a slight upward impulse due to the US market's correction, while Trump threatening to introduce tariffs on Japanese cars is likely to exercise downward pressure on the JPY.

Japan's actions on accelerating economic recovery extend also to fiscal policy, as the government is putting an effort to alleviate the burden of rising living costs. It has finalized a supplementary spending package worth \$92bn, including subsidies to low-income households. While these measures aim at keeping consumption at desired levels, they increase the already enormous amount of Japan's public, which may undermine the project of a steady growth in the long run.

For investors, Japan presents a mixed picture. The export sector and certain high-technology industries may offer opportunities, given their resilience in a weak yen environment. However, the prospects for domestic consumption remain uncertain as inflation continues to outpace wage growth. With the BOJ expected to continue tightening monetary policy gradually, investors should be mindful of the risks associated with a slowing recovery and persistent fiscal challenges.

Political Background

After Germany's Traffic light coalition fell apart in November 2024, the Parliament was dissolved, and snap elections were announced for February 2025. The elections saw the former government parties lose many votes with the biggest loser being the SPD (centre left), almost losing 10% compared to last election's results. The clear winners of the election were the right wing AfD and the left-wing party Die Linke, although the centre right party CDU still reached a relative majority of 28.52%. The new government coalition is currently being formed between SPD and CDU after the CDU announced that it would never form a government with the second strongest force, the AfD.

Although the new government is expected to be more stable than the traffic light coalition, the compromises already betrayed many campaign promises made by CDU, particularly regarding immigration and the debt brake, which has now been amended to allow infinite debt for defence spending and for a special fund of €500 billion infrastructure and the fight against climate change.

Equities

The future of the government and Germany, though seen increasingly optimistic, is still uncertain and depends on the effective use of the new debts. The amendment raised stocks of European defence contractors and infrastructure companies - among others Rheinmetall, Strabag and SAAB which each tripled or doubled in market capitalization between November 2024 and February 2025.

This market euphoria, while supporting European manufacturers, did not change much for American manufacturers, although they will almost certainly receive a portion of the European defence spending, considering their lead in most modern warfare technology. This may imply future market corrections in the European and future support for the American defence industry.

To secure the required two-thirds majority in Parliament for amending the constitutional debt brake, potential future Chancellor Friedrich Merz made concessions to the Green Party. He gained their support by pledging €100 billion for green projects and climate change initiatives. This could benefit renewable energy producers in the short to medium term and may also define Merz's tenure as Chancellor. The Green Party, having played a key role in securing the majority, may push for further environmental policies in future government initiatives, laws, and amendments.

Macro Data

Impossibility to find a source of energy as cheap as Russian gas and fierce competition by Chinese auto producers, along with firm resistance to give the economy the fiscal boost it needed, have dragged the German economy into two years of technical recessions. This weakness was accompanied by a mild uptick in unemployment and subdued investment, although inflation pressures eased significantly. Inflation is revealing stubborn at 2.3% in February, but energy prices have decreased by 1.8% YoY and they might receive a great help from a possible end of the war in Ukraine. Amidst weak growth, Germany notably maintained sound public finances, with a 2024 budget deficit of 2.8% of GDP and debt around 63%, well below euro-area averages.

After the February 2025 snap election, the new coalition government has swiftly enacted a major fiscal shift by suspending the constitutional "debt brake" and launching a €500 billion infrastructure and defence fund. This marks a decisive departure from Germany's traditionally conservative fiscal stance and sparked a sharp market reaction in yields. The stimulus, aimed in part at meeting NATO's 2% defence spending target, is expected to lift GDP growth to 0.7% in 2025 and 1.3% in 2026, with estimates suggesting it could raise potential output by 1.5% by 2030.

As a result, Germany is entering a new economic phase—shifting from stagnation and austerity to modest recovery underpinned by higher public investment, increased borrowing, and a probable normalization of long-term interest rates above pre-pandemic levels.

Fixed Income

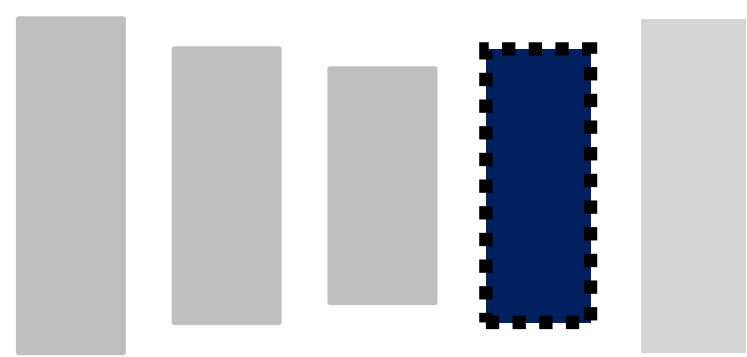
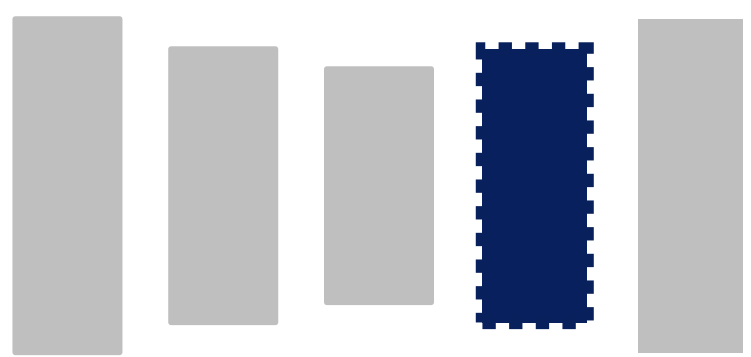
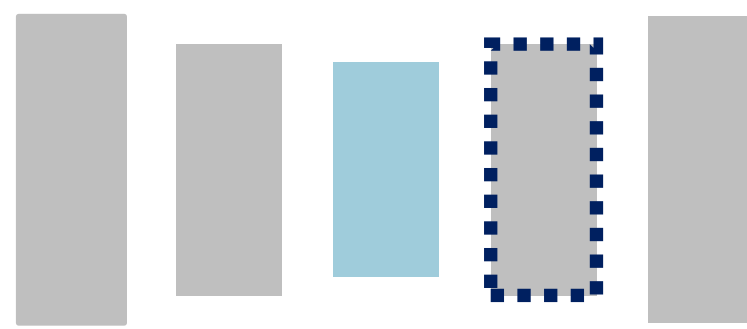
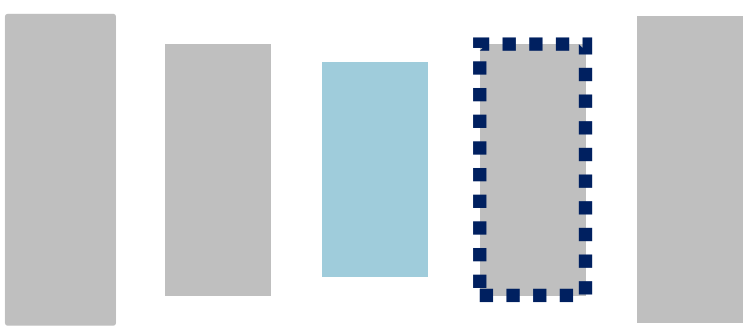
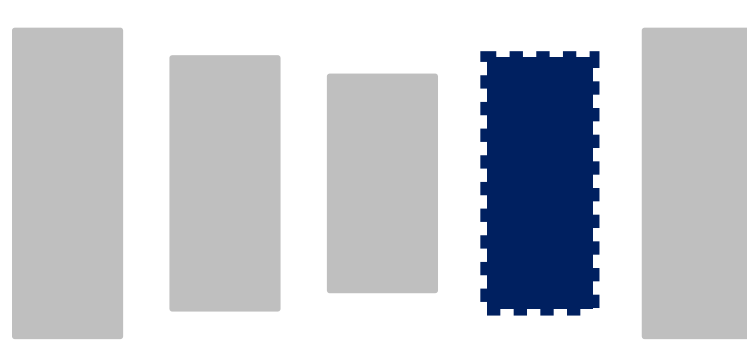
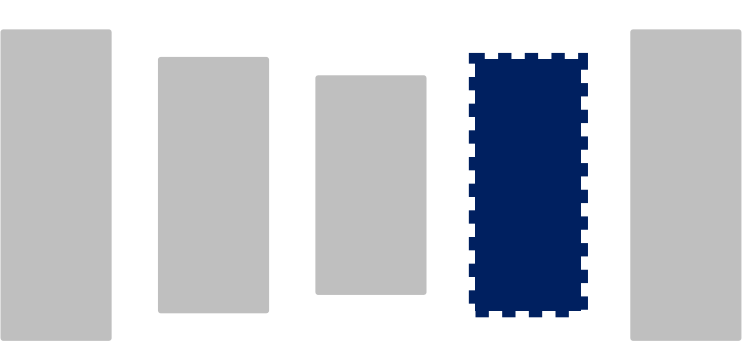
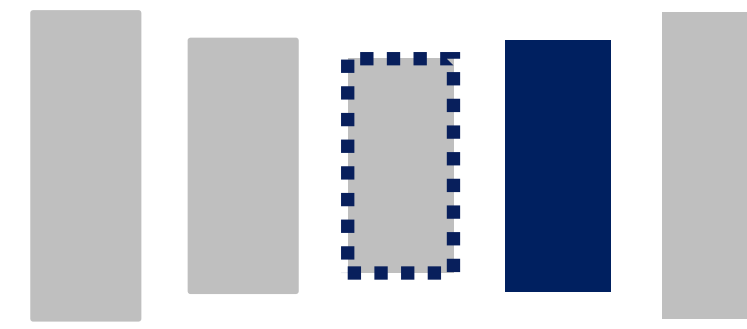
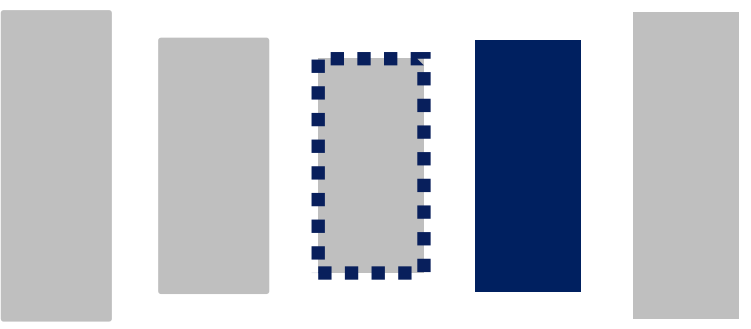
Evolving economic landscape, structural challenges and a shift in fiscal policy are reshaping yield dynamics in Germany. The recent upward revaluation in Bund yields, from around 2.40% to nearly 3% on the 10-year, signals that investors are searching for a new equilibrium amid expectations of both abundant supply and the growth-enhancing impact of increased fiscal spending. The current environment, characterised by a contraction in industrial output and elevated energy costs, has prompted market participants to recalibrate risk premiums. In anticipation of further fiscal expansion and an eventual reversion of the free float of German securities to mid-2016 levels, yield curves are expected to steepen, with short-duration instruments gaining appeal as they provide a buffer against near-term policy adjustments, while longer-duration Bunds offer a defensive haven.

The interplay of stock and flow effects is central to this dynamic. As the ECB's balance-sheet runoff reverses the previous compression of the term premium, the net supply of German debt, adjusted for ECB purchases, is projected to reach record highs, thereby supporting higher yields over the medium term. In the baseline scenario, the 10-year Bund yield is expected to trade around 2.70% in 2025 and potentially climb toward 3% in 2026. Although modest upside risks remain, a reversion to yields significantly above 3% seems unlikely unless robust growth and a substantial shift in the natural rate occur, while a return to pre-QE levels around 2.50% would require a pronounced disinflationary shock.

On the corporate side, the current economic headwinds are prompting a reassessment of credit risk, leading to a widening of spreads as the industrial sector continues to grapple with declining production and competitive pressures. Yet, high-quality corporate bonds are trading at attractive risk-adjusted yields, offering a differentiated opportunity relative to sovereign debt.

ASSET CLASSES PREFERENCES

OVERVIEW

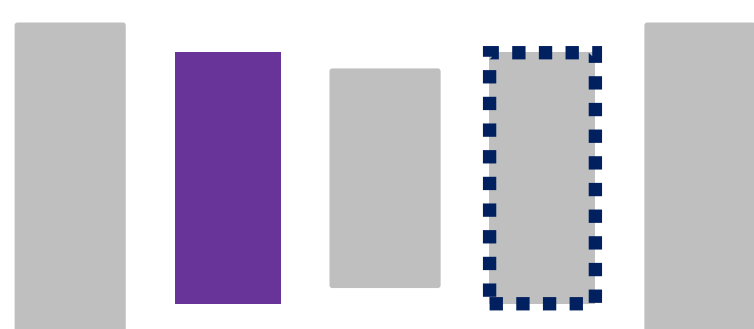
	STRATEGIC VIEW	TACTICAL VIEW	COMMENTS
FIXED INCOME			With equity market volatility remaining elevated and global yields still offering attractive levels, we maintain an overweight to global fixed income, which continues to provide a compelling combination of carry and income opportunities. In the U.S., rates may decline as the Fed begins easing in response to softening economic conditions, creating potential upside for duration. In Europe, while front-end yields have risen due to increased supply, persistent concerns over long-term growth should anchor yields on the long end. Corporate bonds remain appealing globally, particularly for their carry potential; in the current environment of heightened uncertainty, we favour high-quality issuers. Emerging market debt may provide diversification benefits, though we remain cautious given possible headwinds from evolving U.S. trade policy.
GLOBAL EQUITIES			We maintain a neutral stance on equity as markets exhibit huge volatility driven by escalating U.S. tariffs and potential retaliatory measures by other nations. Recent tariff announcements have triggered steep market drops, with fears of a global recession causing billions in market capitalization losses within days. However, a stabilization in trade policies could pave the way for a swift rebound and lead to possible gains. This balanced view reflects caution in the face of ongoing uncertainty, while keeping the flexibility to benefit from a potential rebound if trade negotiations bring greater clarity and stability to the tariff outlook.
COMMODITIES			Overall, geopolitical instability and potential supply chain disruptions suggest a positive outlook for the commodity market as a whole, in particular for metals and safe haven assets. In particular, the latter could benefit for lower investor confidence in the US and in the dollar. On the other hand, the former will be strongly impacted by tariffs both directly, through higher import costs for these metals, and indirectly, through variation in both trade routes and trade partnerships.
YEN			The Japanese yen strengthened against the US dollar during February, making it the second best performing G10 country for the month and the top performer year to date. The main key driver has been the hawkish BoJ stance following its first rate hike since 2007 (0.50% in January). Furthermore, a BoJ board member said that the pace of future rate hikes is set to increase. However, looking at future contracts of the USDJPY exchange rate, it seems that the value is set to stay around 150 JPY per US Dollar, which signals that the recent price instability may decrease. However, an unexpected shift in the pace of rate hikes and US tariffs towards Japan may cause the USDJPY instability to continue over the next months, and the odds are towards further price strengthening.

ASSET CLASS BREAKDOWN

6 to 12-month tactical views on selected assets vs. global asset classes, by level of conviction

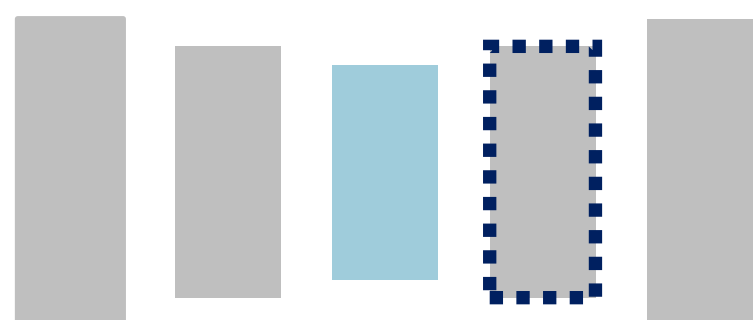
FIXED INCOME		
US Treasuries Short duration		The Fed’s decision to keep its policy rates unchanged and to slow the pace of quantitative tightening starting in April signals a dovish approach amid growing uncertainty. In this context, short-duration US Treasuries are expected to experience only a limited decline in yields, as any easing is likely to be restrained by persistent underlying risks. Although near-term inflation remains a concern, largely due to transient tariff effects, the outlook for further rate cuts supports their role as a liquidity buffer.
US Treasuries Long duration		Long-duration US Treasuries remain compelling primarily because they currently deliver robust real yields, offering a compelling carry benefit. While projections indicate a temporary rise in core inflation, largely due to one-off factors such as tariff impacts, the outlook remains stable, with the median dot plot still suggesting multiple rate cuts in the coming years. Overall, the underlying economic fundamentals continue to bolster the appeal of these treasuries amid ongoing uncertainty.
Euro Area Government Bonds Long Duration		Over the longer run, the euro area struggles to see economic growth with only a 0.8% increase in GDP in 2024. The fragmentation of European capital markets, the aging population, and the discordance of government and industrial policies are factors that contribute to this low growth. Growth concerns and the need to stimulate a stagnating economy might prevail over fears of excessive supply and bring long-term yields down, favouring capital appreciation.
Euro Area Government Bonds Short Duration		The Eurozone is seeing a large increase in public debt to prepare against upcoming US-EU trade tensions, potential tariffs and reduced support from the US regarding the Ukraine situation. Germany approved a €500bn military and infrastructure boost, citing Russian threats and the ECB has cut interest rates to 2.5% for the sixth time since June, aiming to boost weak eurozone growth despite high inflation. Yields might stay high briefly as market participants adjust to the expectation of increased future debt supply.
Global IG Credit		Coming off of historically low spreads, we see little room for improvement in IG markets both in the US and Europe, despite the latter having shown more resilience in 2025. The ambiguous effects of the tariffs mean that low sustained inflation is not guaranteed in either the US nor Europe, leading to an uncertain landscape for high quality credit. However, given higher carry for IG in the US, we prefer US IG over European.
Global HY Credit		Europe’s defence spending spree amongst other catalysts has fuelled growth in HY indices, showcasing the relative attractiveness of the continent’s HY market compared to the US, where recession fears and tariff-driven uncertainty with lowered economic growth forecasts have led to HY spread widening. Despite relatively low default risk compared to higher quality credit, there may be little room for capital appreciation in the HY market in the US. So, given relatively strong economic growth prospects and lower default risk, we prefer European high-quality credit over the US.
EM Government Bonds		With overall solid fundamentals, EM sovereign and corporate spreads are at historically tight levels. However, the current spreads offer minimal cushion against protectionist trade measures, global growth concerns and monetary policy risks. Yields well above post-GFC average provide attractive carry opportunities but we prefer being oriented towards safer fixed income classes amongst the current global uncertainty.

United States



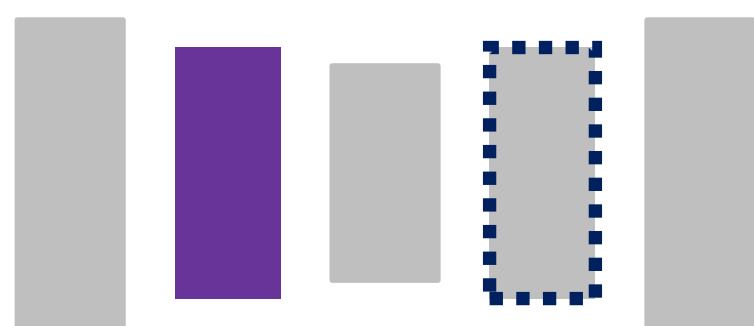
The US stock market and its S&P 500, soared with 24% and 23% gains in 2023 and 2024, driven by robust earnings, but 2025 dropped off due to high valuations and policy uncertainty under the new administration. Tech and consumer discretionary stocks, past leaders, now face pressure under the newly implemented tariffs. Tariffs on imports – 20% implemented on Europe and 34% on China’s exports to the US – raise fears over consumer costs and corporate margin pressure; combined with the uncertainty they create, predicting negative impacts of US equities. The increased probability of rate cuts promotes recovery in the long run.

Europe



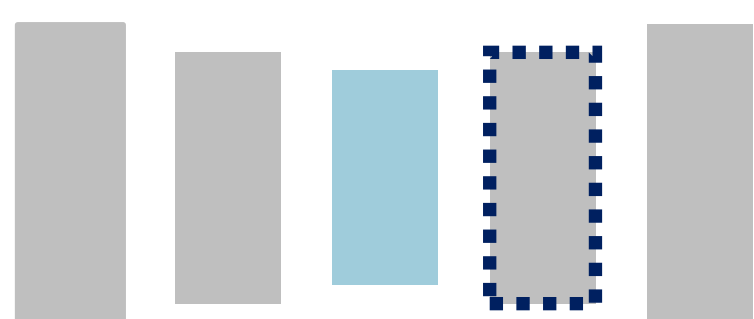
We hold a neutral view on Europe, as the region is showing signs of stabilization. GDP is only expected to expand by 0.9% in 2025. This shows that structural problems are still weighing on the economy. Also, inflation ought to ease to around 2.0% by the end of the year, and the ECB can lower interest rates once more, possibly bringing the policy rate down to 1.75%. Together, these should render the economic backdrop more supportive. Furthermore, fiscal policy may turn out to be another engine of growth, with higher EU defence spending and German infrastructure investments offering room for improvement. However, the introduction of U.S. tariffs on EU goods following Liberation Day presents a serious threat to European exports and adds further pressure to Europe.

United Kingdom



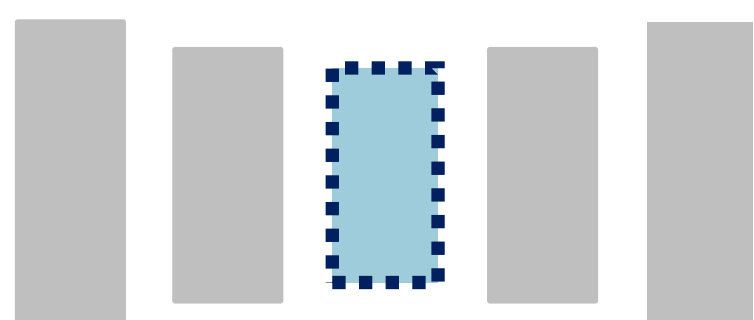
The UK displays persistent inflation, remaining above the 2% target fixed by the Bank of England, impacting negatively on their forecast. The Bank rate is expected to be reduced gradually, reaching 3.75% by the end of 2025 to boost the economy. Despite the expected increase in consumer spending supposedly reaching 1.8% in 2025, the British situation appears weak in an international context very uncertain. Overall, the UK economy should experience modest growth in the near future, and the recent US tariffs going up to 25% are not there to help. While certain sectors show resilience, the overall economic outlook suggests an insufficient GDP growth of around 1% for 2025.

Japan



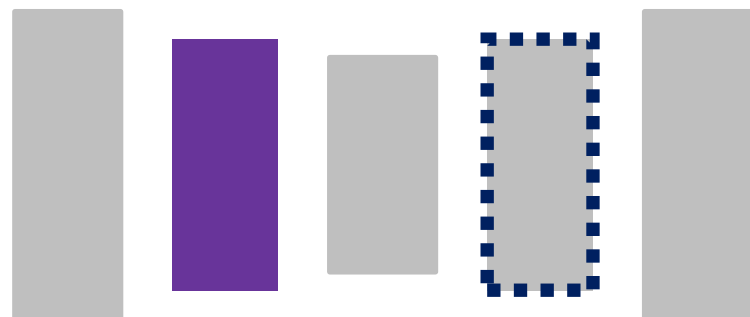
Japan’s domestic fundamentals remain supportive—wage growth, corporate reforms, and global interest in semiconductors and financials continue to underpin investor confidence. However, the recent U.S. tariffs, including a 24% rate specifically targeting Japanese imports, pose a material threat to key export sectors, particularly for automotive industry which heavily rely on exports to the US. In parallel, the Bank of Japan’s tightening path—projected to lift rates to 0.75% by July 2025—could strengthen the yen, further weighing on export competitiveness. Given these external headwinds, a neutral stance is now appropriate despite resilient domestic dynamics.

China



We hold a neutral position on China, as weakness in domestic consumption continues to suppress overall consumption, and net FDI (Foreign Direct Investment) is leaving the country at record rates. Even in light of the current budget proposal by the CCP, a stimulus package amounting to 786 billion USD, it is uncertain whether the government will be able to address the root issue of the lack of consumer confidence. Additionally, the risks posed by U.S. tariffs continue to loom over the export-dependent Chinese economy. In the short term, China may be an attractive market, but the overall risks associated with China’s global positioning lead us to doubt a significantly positive development of the Chinese economy.

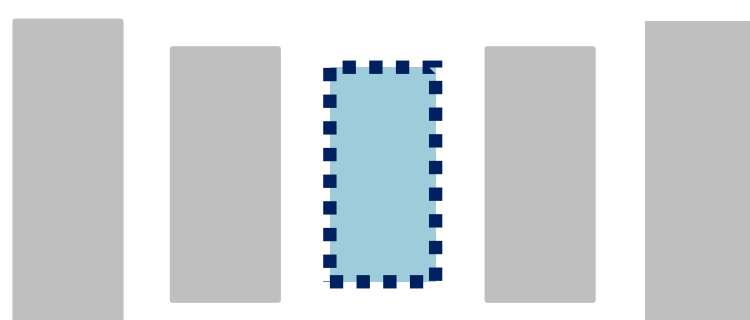
Emerging Markets
(excl. China)



We hold an underweight position in emerging markets. In India, inflation will likely ease but uncertainty regarding food price volatility and the falling rupee continue to pose a risk to price stability. In the Middle East, expansion will likely recover to 3.6% in 2025. Nevertheless, the region remains unstable. In addition, smaller demand from China could slow down exports across most emerging economies. Additionally, “Liberation Day” tariffs could further reduce export demand from emerging markets, particularly those heavily reliant on U.S. trade. The introduction of tariffs has heightened uncertainty, a factor that typically weighs heavily on emerging markets.

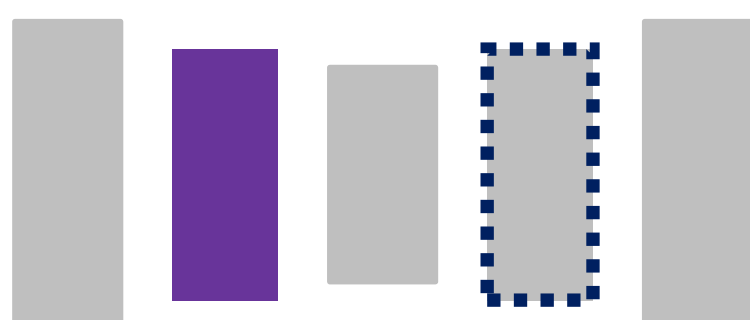
EQUITIES - SECTORS

Telecom



For telecommunications, we hold a neutral position, as the sector is highly dependent on each country's economic development and is geographically fragmented. In the Asia-Pacific region, the outlook is positive for Australian telcos, which may be able to outperform their Asian peers due to better monetization and the country’s improving economic outlook. At the same time, most of their peers face challenges with service monetization and rising 5G and data centre-related capex. In North America, there is little movement, as 5G monetization develops steadily and competition increasingly focuses on fixed wireless access and fibre services. Meanwhile, in the EMEA region, competition remains fierce in Europe, though it could improve with potential M&A deals later in the year.

Consumer
Discretionary



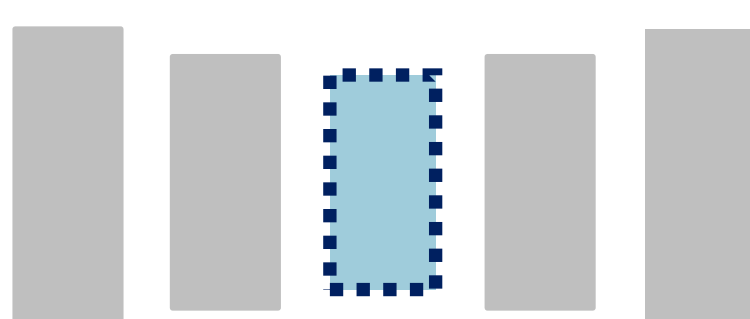
Global inflation is stabilizing easing price pressures and boosting consumer purchasing power. Consumer Discretionary now faces headwinds due to US tariffs announced on April 3, 2025, with tariffs ranging from 10% to 49% depending on the country. These tariffs are likely to raise import costs, reduce consumer demand, and spark retaliatory trade tensions, negatively impacting equities in this sector. Growth remains unlikely, given the current risk of a ‘trade war’; nonetheless, consumer sentiment has recovered from 2023 highs, recovery is possible if economic conditions improve.

Consumer
Staples



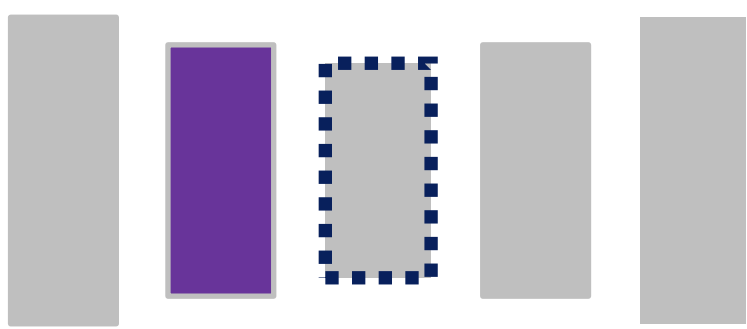
We expect the consumer staples sector to keep growing steadily as we are currently going through a time of high uncertainty where people still need to satisfy their basic needs by buying everyday products. Moreover, consumer staples appear to be very attractive to investors as the low elasticity of price for demand in this market makes the future quite predictable. The emergence of a new middle class in developed economies also favours the consumption of these goods, therefore sending positive signs for the near future at least. The recent tariffs imposed by the Trump administration should not impact much consumer staples, as they are essential goods that will be consumed anyway.

Industrials



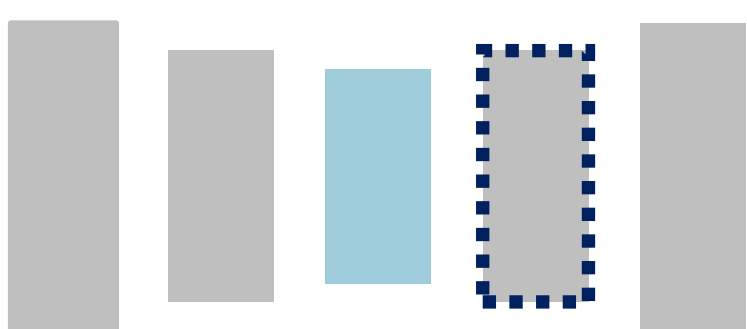
The industrials sector benefits from structural tailwinds such as supply chain reshoring, automation, and U.S. fiscal stimulus, which support a positive medium-term outlook. However, escalating trade tensions and newly imposed U.S. tariffs—ranging up to 34% on key trading partners—pose near-term risks for globally exposed industrials. Companies dependent on international supply chains and exports may face margin pressures and weaker demand. Additionally, the global manufacturing recovery remains fragile. While fundamentals are improving, the external environment calls for a more balanced stance, making a neutral position appropriate for now.

Energy



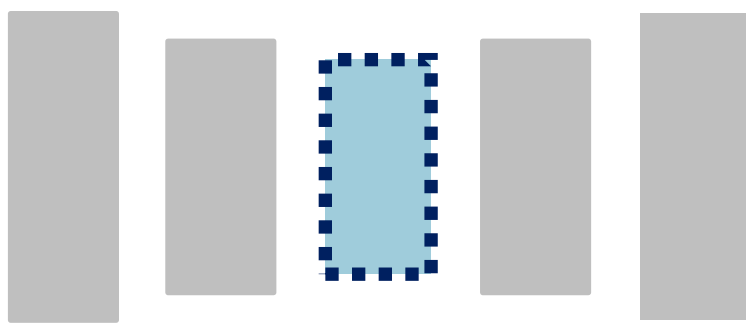
We have an underweight view on energy. Oil markets are still at risk of oversupply, putting a downward pressure on prices and shortening profitability for producers, most notably in U.S. oil and gas production. Demand is rising for natural gas and for renewable energy storage, but the transition is uneven and not yet large enough to offset weakness in conventional fossil fuels. The U.S. push for energy independence, through tariffs and policies, adds cost pressures and creates even more uncertainty. Trade tensions are also increasing pressure. Indeed, U.S. tariffs against Chinese solar panels, for example, may add expense and disrupt global supply chains for clean energy.

Information Technology



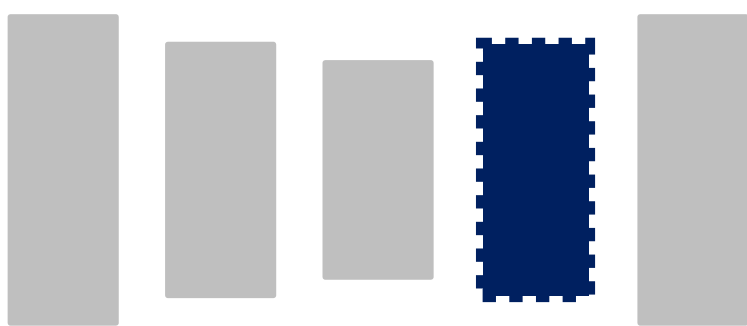
The IT sector holds strong potential in the coming months, supported by continued growth in digital services, AI advancements and increased enterprise software spending. Despite pressures from elevated interest rates and global economic uncertainties, the IT sector remains fuelled by massive investment as illustrated by the recent 109 billion investment announced by France on AI. Additionally, easing supply chain disruptions and tech consolidation should enhance profitability in the near future. The emergence of new technologies such as DeepSeek could suggest increased competition in the tech industry favourable for its growth. The future looks positive especially due to the expected new rate cuts, but the new tariffs have a negative impact that should not be overlooked.

Financials



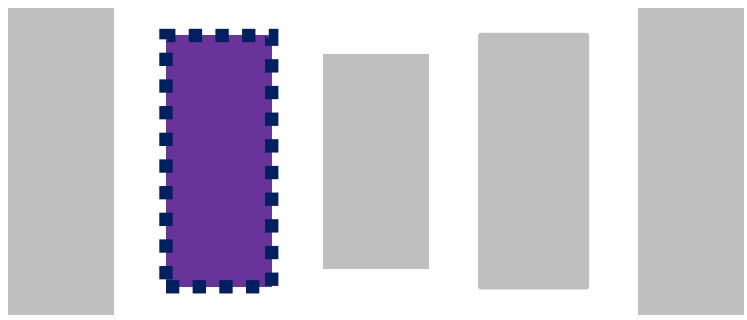
For the financial sector, we hold a neutral position, as banks and asset managers may benefit from record numbers of equities entering the market, higher net interest income for banks, and a potentially more favourable regulatory backdrop under the Trump administration. At the same time, asset managers face notable headwinds from U.S. stocks due to the tariff wars and the current uncertainty in global markets.

Healthcare



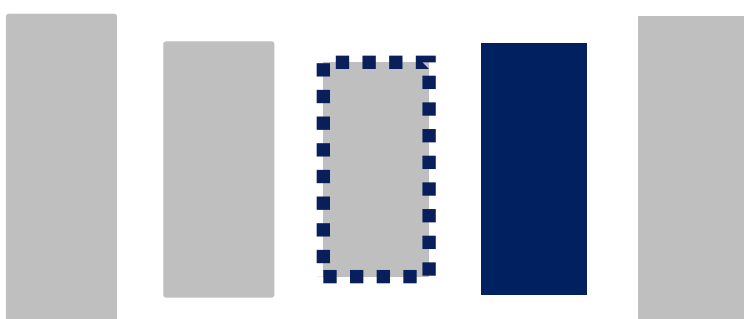
Globally, healthcare in 2025 is transforming with digital tools like AI and telemedicine, as costs rise 10.4% and US employer spending jumps nearly 8%. The digital health market nears \$660 billion, growing at a 25% compound annual growth rate, fuelled by personalized medicine and sustainability. Digital innovation is seen as key, and is likely to hit the healthcare industry soon – proven by the increase in M&A activity in med-tech. Over six months, growth is likely, despite US policy risks like Medicaid changes.

UK Pound



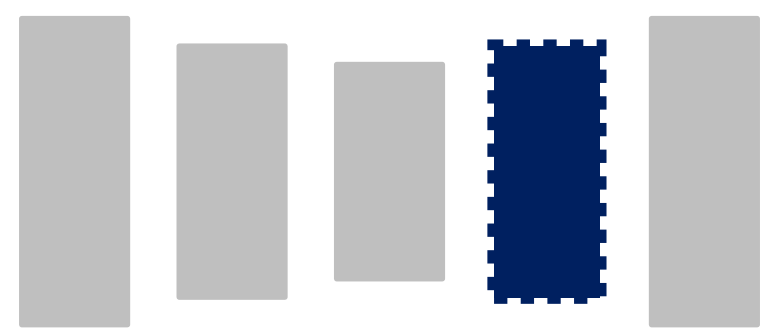
The British pound remains steady as the Bank of England cautiously begins its monetary easing cycle. With inflation falling to 2.8% in February, the BoE cut rates by 25 basis points to 4.5% in March, its first move since 2023. Policymakers signalled a gradual path, as there are concerns about higher wages and weak economic growth, with GDP estimates revised downwards to 1% for the year. Markets expect a second cut in May, possible only if inflation continues to fall and the services sector starts slowing. GBP has strengthened against the dollar in recent weeks, helped by a broad pullback in USD and steady UK economic signals. Against the euro, however, the pound remains close to multi-month lows, as eurozone data has been relatively stronger. Looking ahead, lower mortgage costs and steady consumer sentiment could offer some support to the pound. However, with more BoE rate cuts likely in the second half of the year and weak growth expectations, GBP is likely to stay within a narrow trading range. A moderately dovish BoE, combined with cautious government spending and ongoing global uncertainty, suggests a neutral to slightly bearish short-term outlook for sterling. The most recent developments about trade tariffs have added additional uncertainty: if tariffs raise import costs, they might re-accelerate inflation and make the easing course for the BoE more challenging, potentially delaying the anticipated May rate cut. Alternatively, if they weaken trade flows and business confidence, downside risks to growth may increase. Either scenario reinforces a cautious position on GBP, with tariffs likely to cap any short-term upside and reinforcing a range-bound GBP outlook.

Japanese Yen



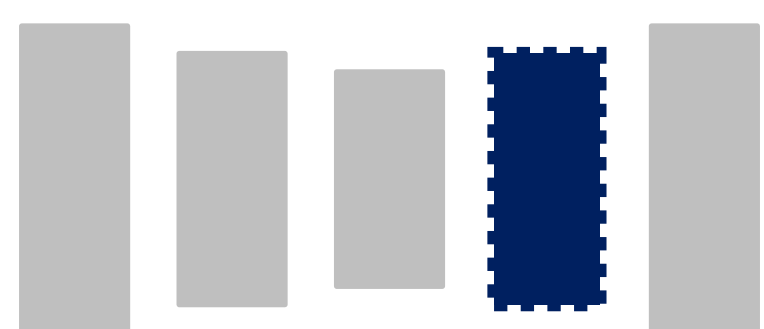
The Japanese yen strengthened against the US dollar during February, making it the second best performing G10 country for the month and the top performer year to date. The main key driver has been the hawkish BoJ stance following its first rate hike since 2007 (0.50% in January). Furthermore, a BoJ board member said that the pace of future rate hikes is set to increase. However, looking at future contracts of the USDJPY exchange rate, it seems that the value is set to stay around 150 JPY per US Dollar, which signals that the recent price instability may decrease. However, an unexpected shift in the pace of rate hikes and US tariffs towards Japan may cause the USDJPY instability to continue over the next months, and the odds are towards further price strengthening.

Natural gas



Following the 2022/2023 supply shock, the market for natural gas has grown drastically: world production is projected by the International Energy Agency to reach 4,372 BCM by 2030, which would be a 4.34% increase from 2024. Global demand for natural gas during 2024 grew by 2.8%, higher than the 2% average annual growth from 2010 to 2020, mainly driven by emerging economies of Asia, India, China and global population growth. Natural gas will play an essential bridging fuel role in enabling the transition from coal to renewables over the near to medium term. The ETC is therefore a prospect for value appreciation, driven by strong demand and limited supply. As the world's energy system becomes cleaner, natural gas's long-term position will need to fall, limiting growth for the ETC in the long term. However, the recent announcement of tariffs on natural gas trade introduces short-term uncertainty. These trade barriers may limit supply, create geographical price differences and increase volatility, plus we should wait for further trade agreements US-EU. Despite this, limited global supply, coupled with still strong demand, supports price levels and the ETC's valuation.

Gold



The gold market is continuing to reach unprecedented highs, peaking at \$3120 per ounce. The key drivers of the price surge have been persistent geopolitical tensions, particularly for the trade war with China, Russia-Ukraine conflict and universal trade tariffs policies under the newly-elected president Donald Trump, which has fuelled imports of gold in the US. Furthermore, Central Banks purchases have boosted the gold price as many are diversifying away from U.S. dollar reserves to hedge against its possible weakening. Then, general economic uncertainty over potential economic slowdowns worldwide may have further contributed to the growth of gold's price. However, caution is necessary as the precious metal may be experiencing an overbought condition, which may cause substantial price correction due to profit-taking.

Underweight Neutral Overweight Previous view