



# Macroscope H2 2025.

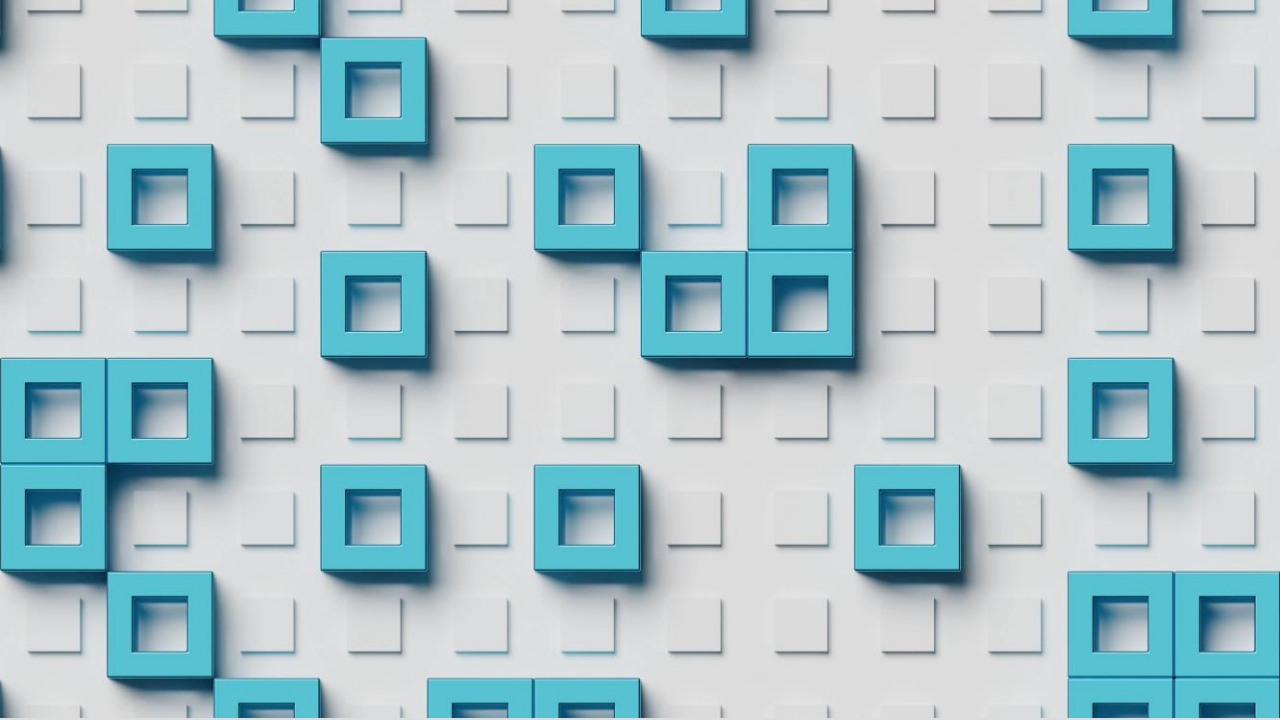
June 2025



# Agenda

- 1 **An erratic H1 2025.**
- 2 **The US: Less exceptional, still essential.**
- 3 **Risk taking in a shifting world order.**
- 4 **Investment Opportunities.**
- 5 **Conclusion.**
- 6 **Appendix.**





# 1 An erratic H1 2025.





# A look back on our H1 outlook.

## Starting points

### What went wrong

**Prefer US** Equities vs ROW

**Europe stuck** between internal & external challenges

**Short** US Duration

**Long** European Duration

### What went right



**Overweight** Equities

**Emerging waiting** for more China stimulus

**US sectors** – Financials, Industrials

**Currencies** – at the heart of geopolitical challenges (JPY)

**Positive** on Gold

**Negative** on Oil

*\*Source: Candriam, ©All rights reserved*



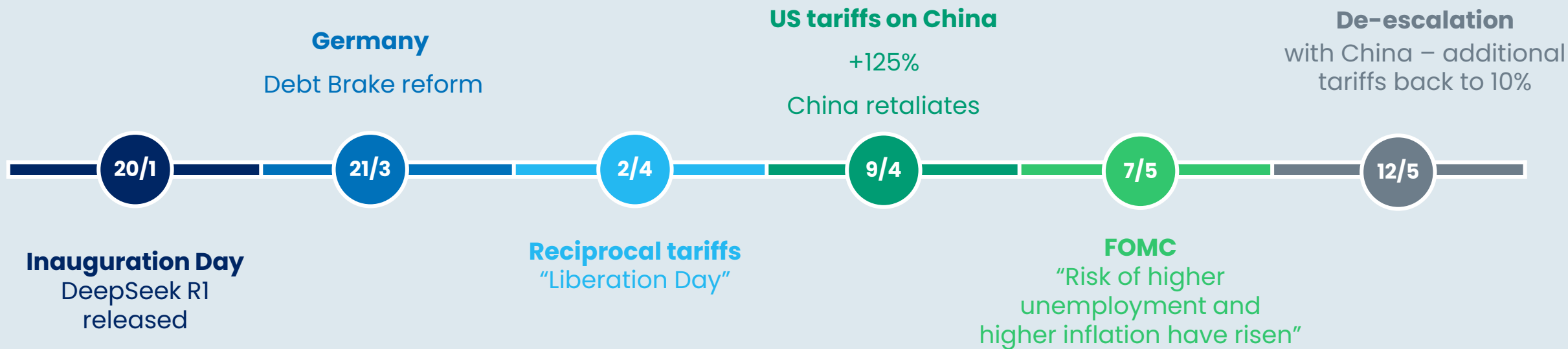
# Risk-on.

[illegible]

*\*Source: Candriam, Bloomberg, ©All rights reserved*

*Data as of 24 June 2025. Past performance is no guarantee of future results.*





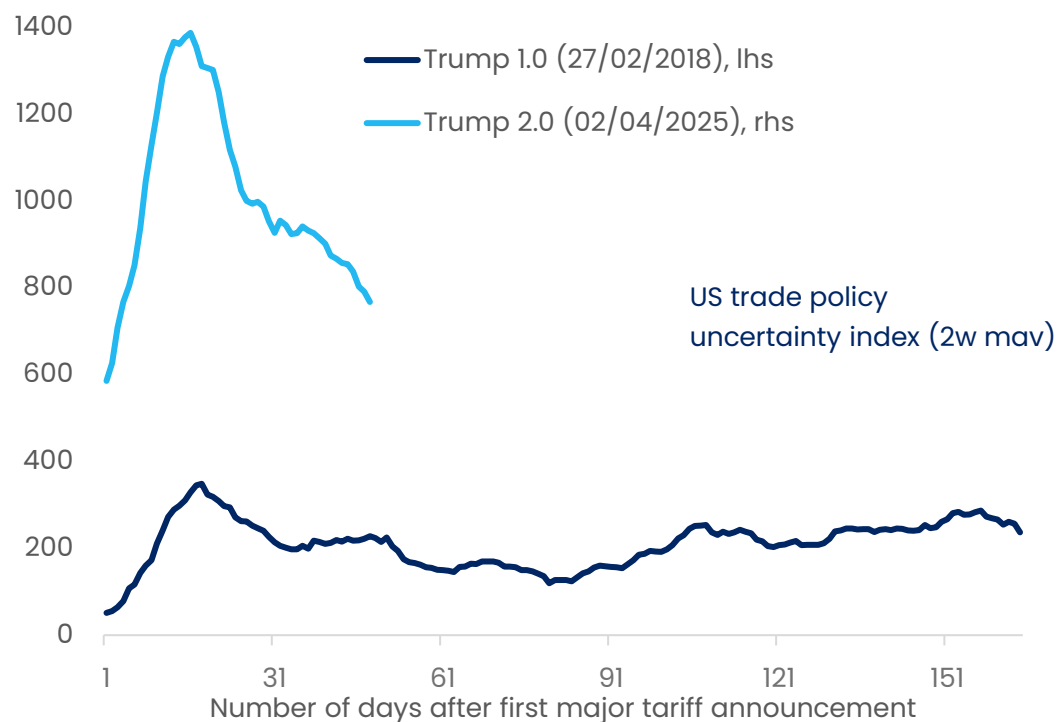
## An erratic H1 2025.



# Escalate to de-escalate.

## The impact of higher tariffs on uncertainty and inflation

### A lesson from Trump 1.0 – peak trade policy uncertainty likely behind us but still hurting



### Higher US consumer prices should be ... transitory



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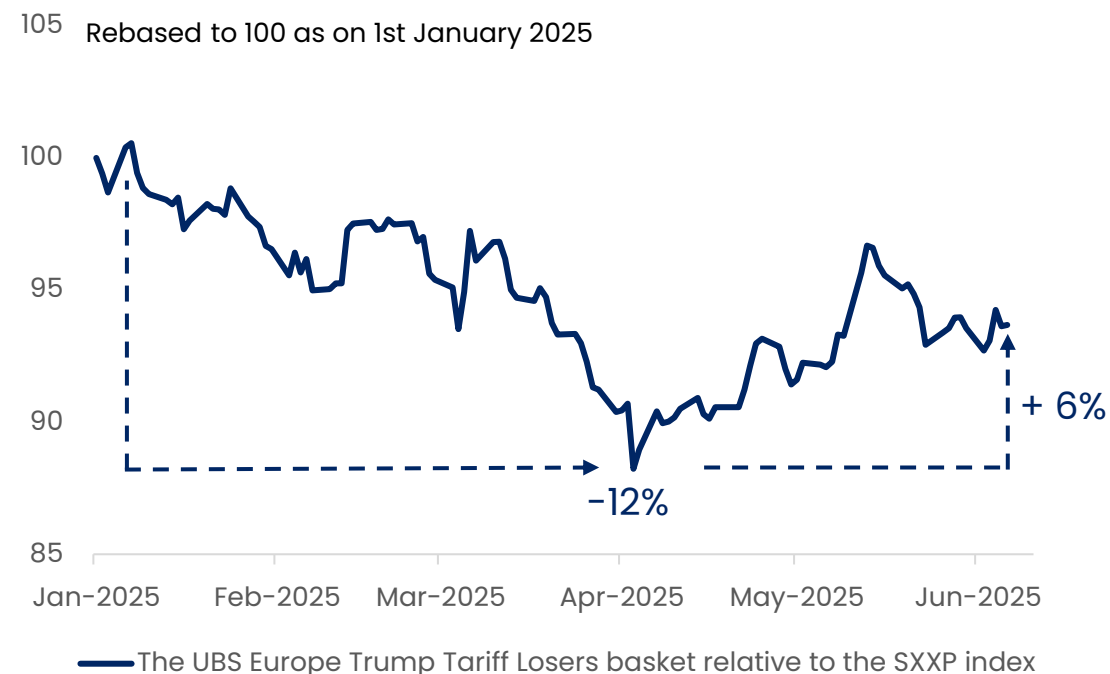
# Trade deals are not yet done deals.

## Relative performance of “Tariff losers” in the US and Europe

### US tariff losers recover since April 21 and outperform since April 16



### EU tariff losers recover since April 9 and outperform since April 3



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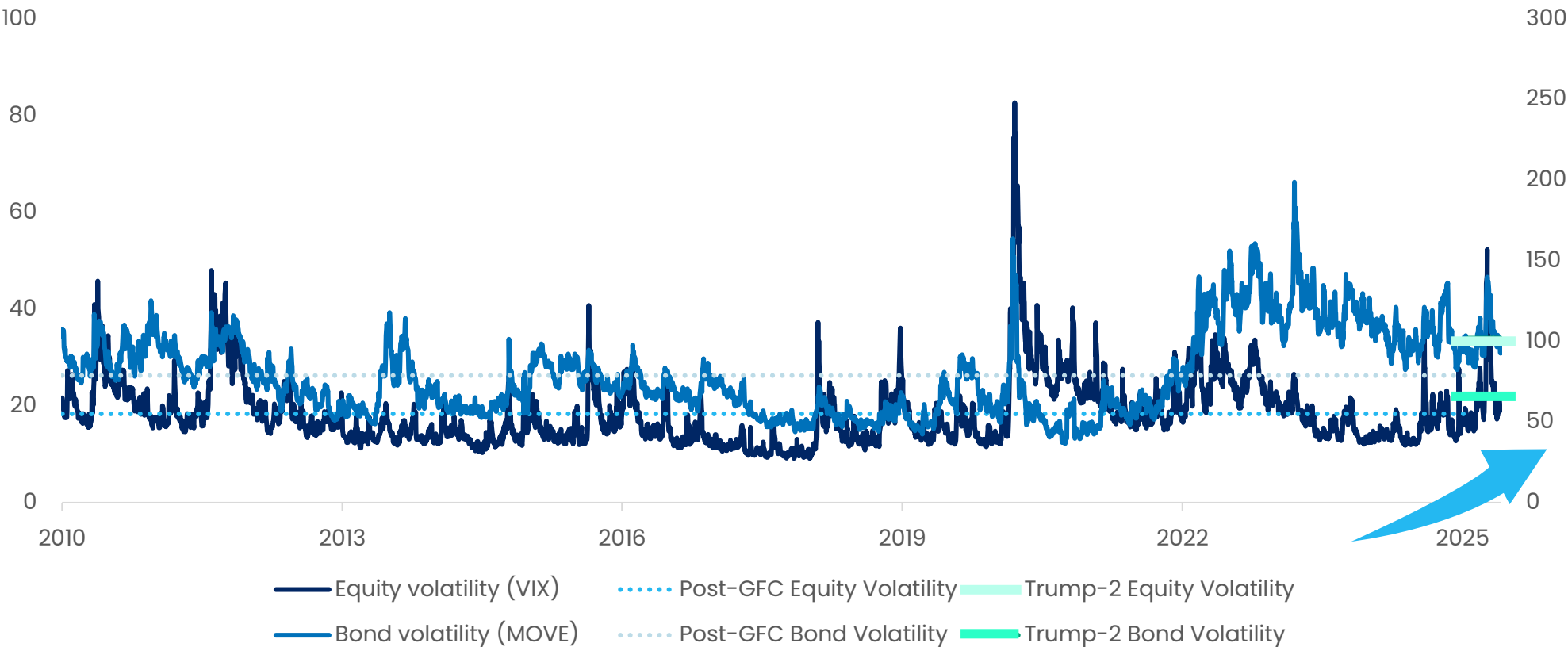
Data as of 6 June 2025. Past performance is no guarantee of future results. The scenarios presented are an estimate based on evidence from the past, and/or current market conditions and are not an exact indicator.





# Heightened volatility since Inauguration Day.

Erratic policy has already pushed Equity and Bond volatility higher vs. post GFC



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Past performance is no guarantee of future results





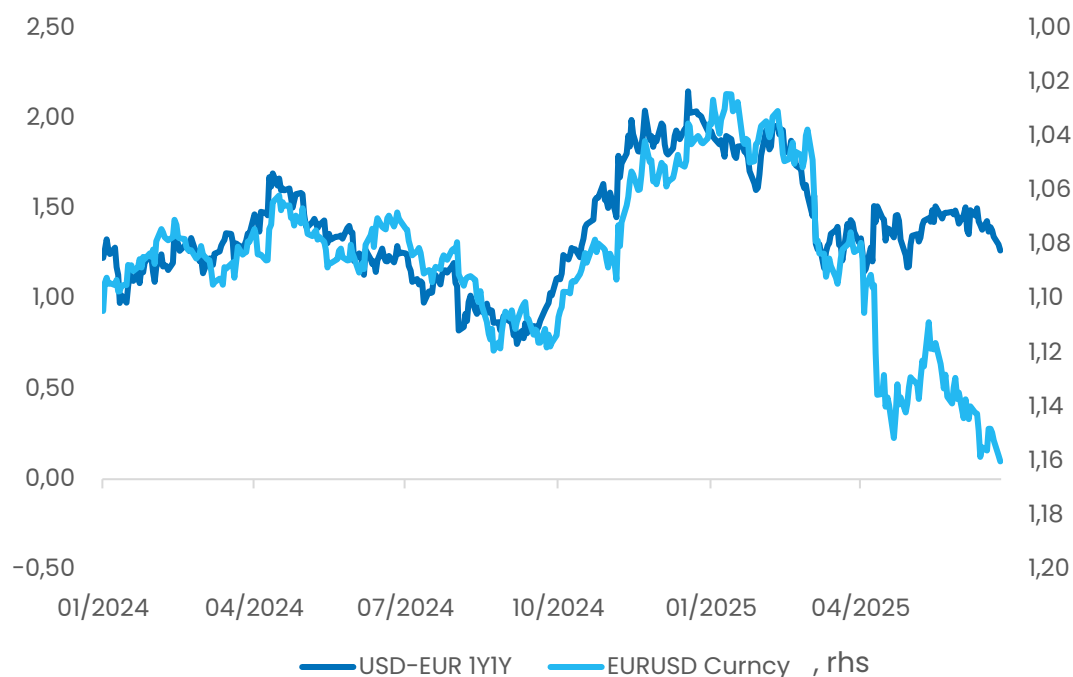
# **2 The US: Less exceptional, still essential.**



# The US dollar comes under pressure.

Higher USD Risk premia driven by higher policy uncertainty

## EURUSD vs 1Y1Y yields differential



## USD Trade Weighted Index



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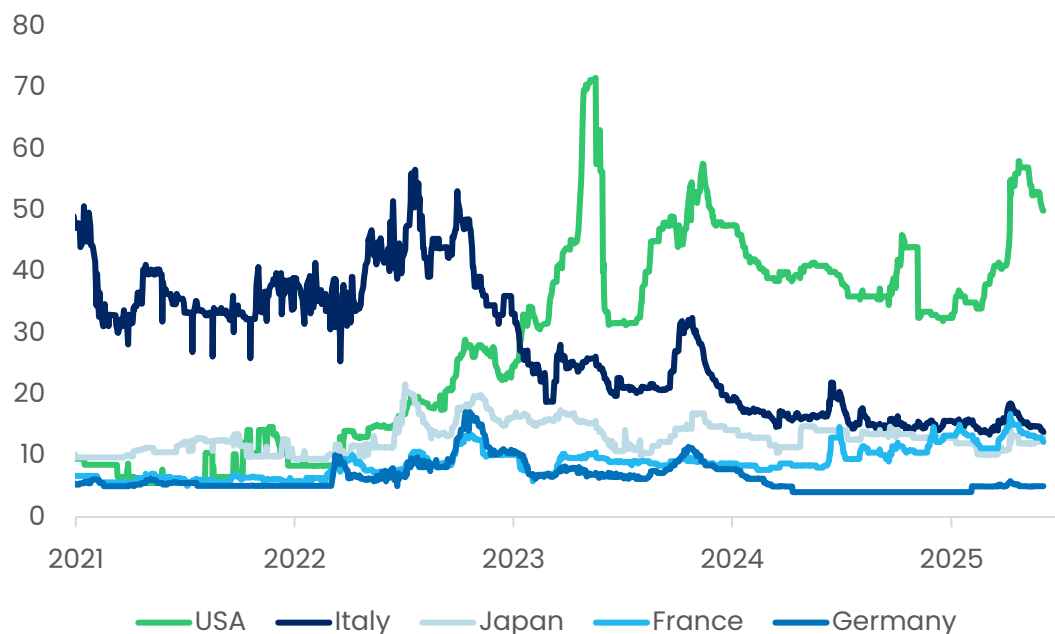
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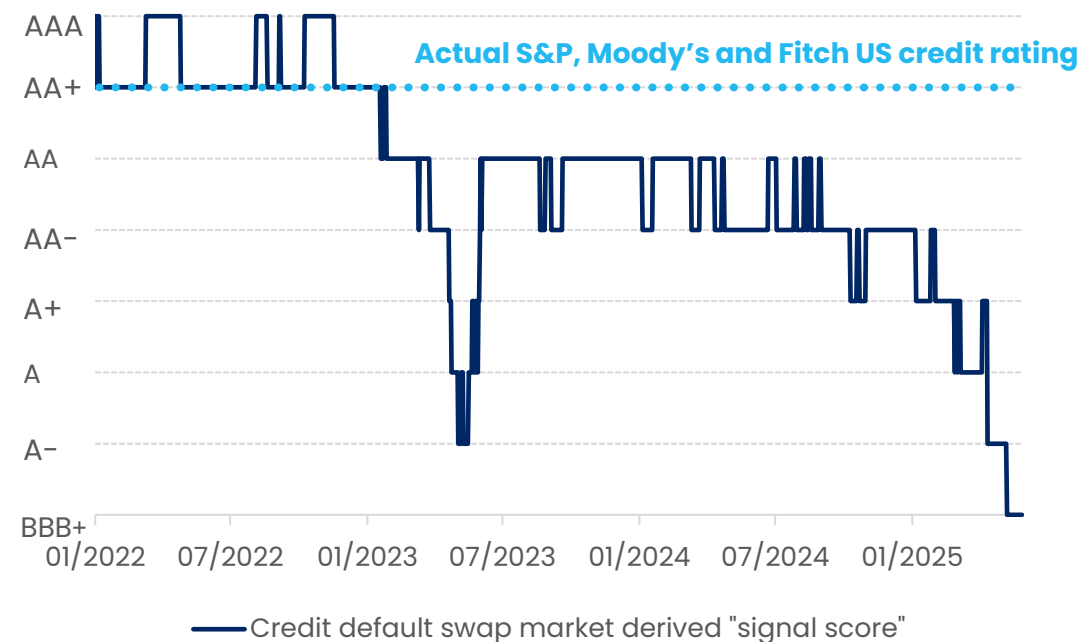
# Credit markets start taking note.

Rising debt and deficits, weak regional banks, and erratic trade policy increase risk premium

## Sovereign CDS have deteriorated vs. G7 peers



## Credit markets are currently pricing in a 6-notch US rating downgrade



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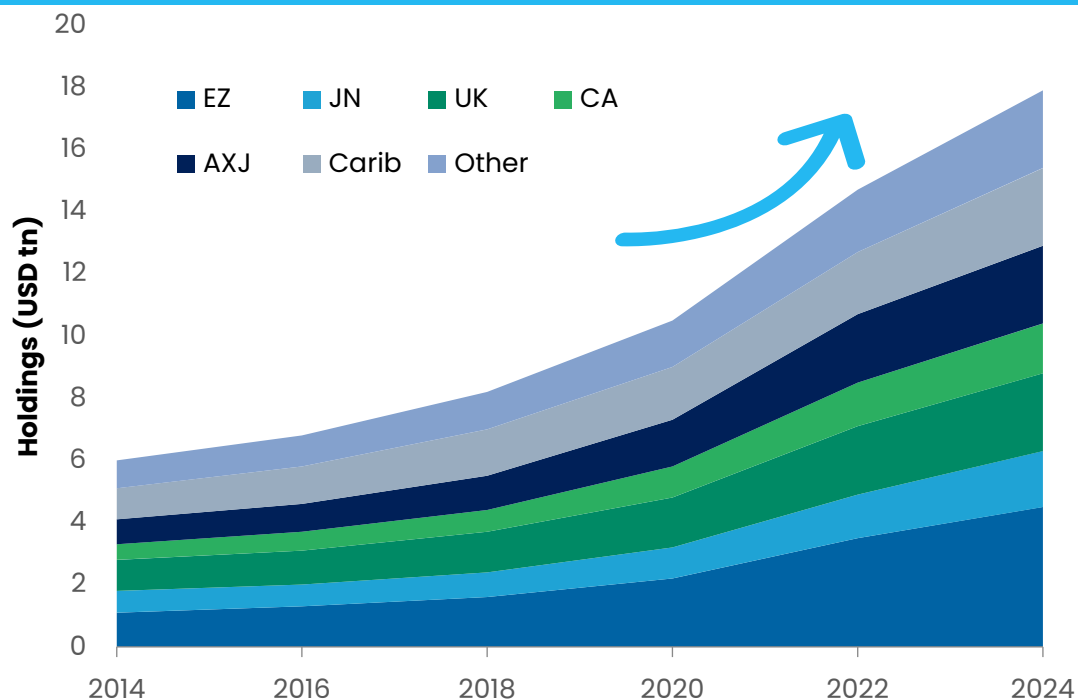
JUN 2025



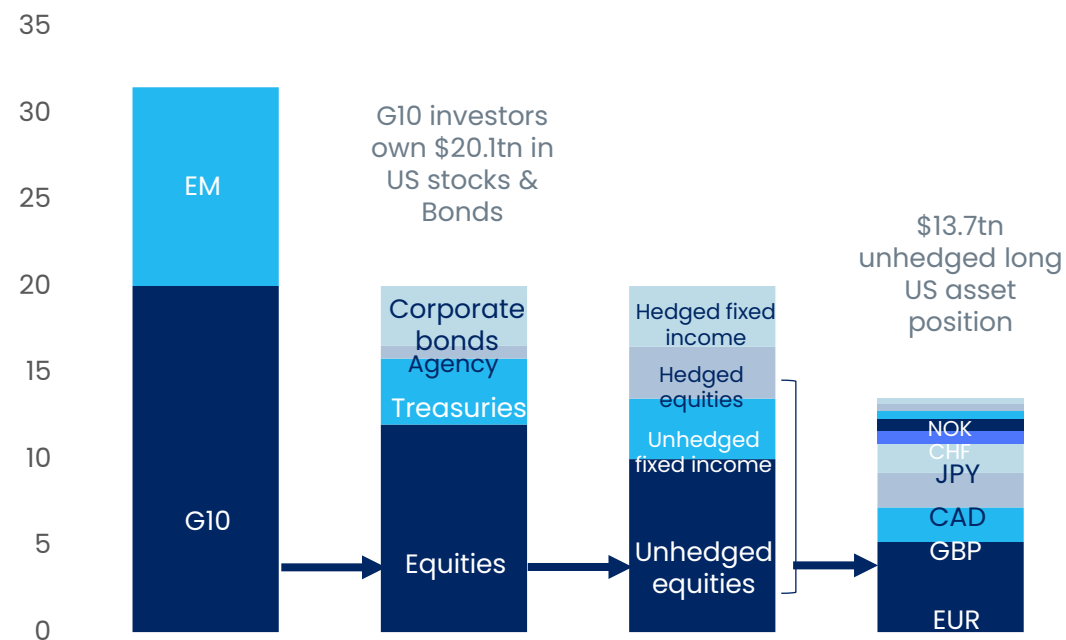
# Foreigners hold 14tn in unhedged US assets.

TINA – Recent surge in unhedged US assets at risk

Foreign holdings of US equities, in USD Tn



US Portfolio assets held by foreign investors, in USD Tn



\*Source: Candriam, LSEG Datastream, Bloomberg, UBS, TIC, Haver, Indicative data ©All rights reserved

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JUN 2025

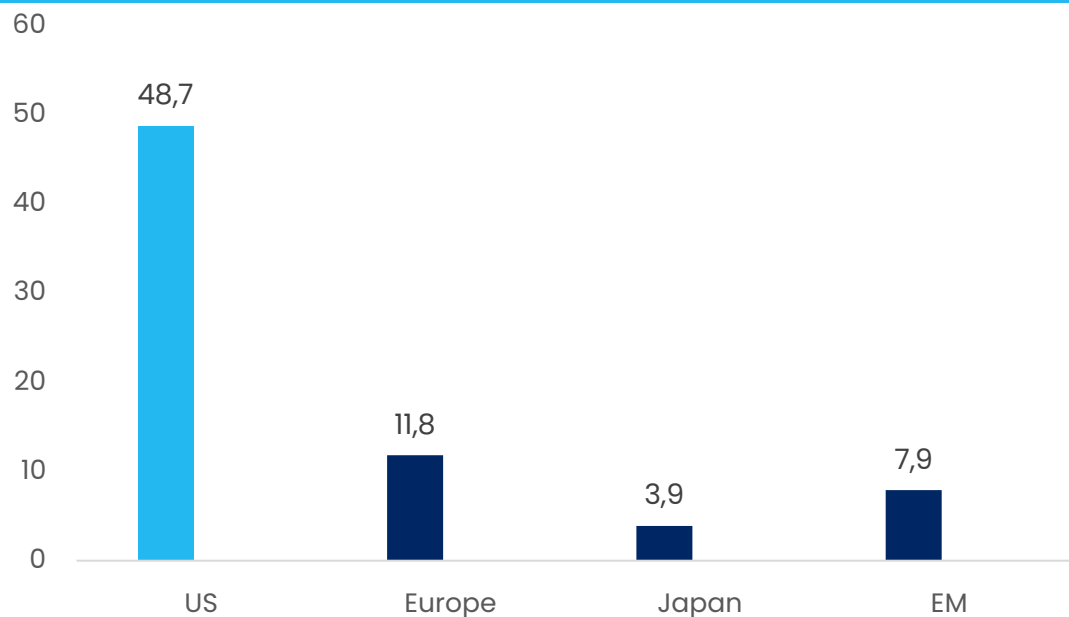




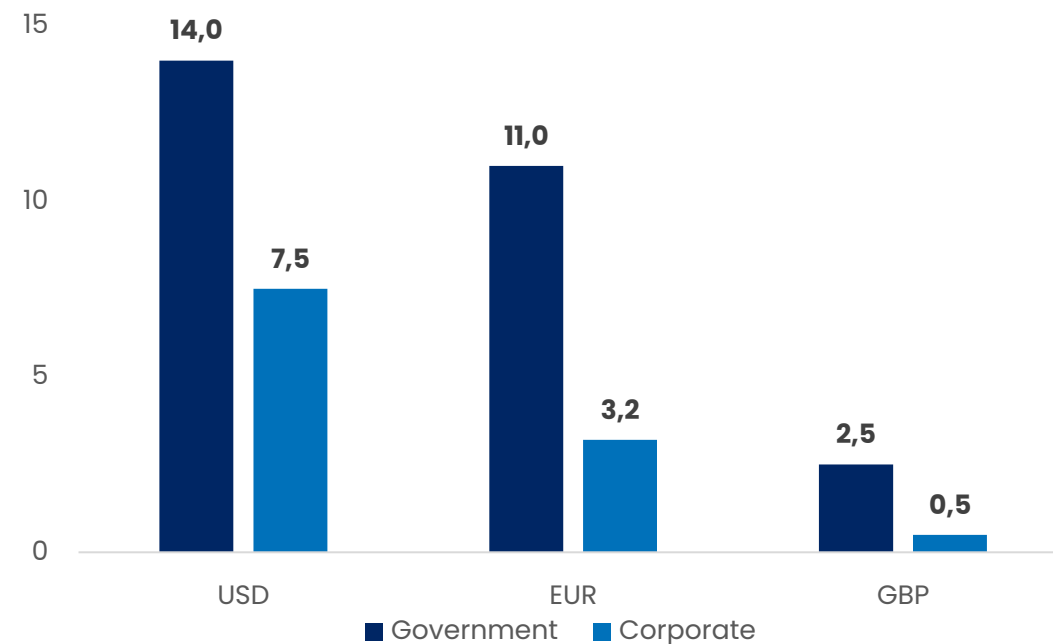
# US assets are unavoidable.

US capital markets are several orders of magnitude larger than the rest of the world

Equity markets market cap, in USD Tn



The bulk of outstanding high-grade bonds are in US dollar, in USD Tn



\*Source: Candriam, LSEG Datastream, Bloomberg, Morgan Stanley, ©All rights reserved

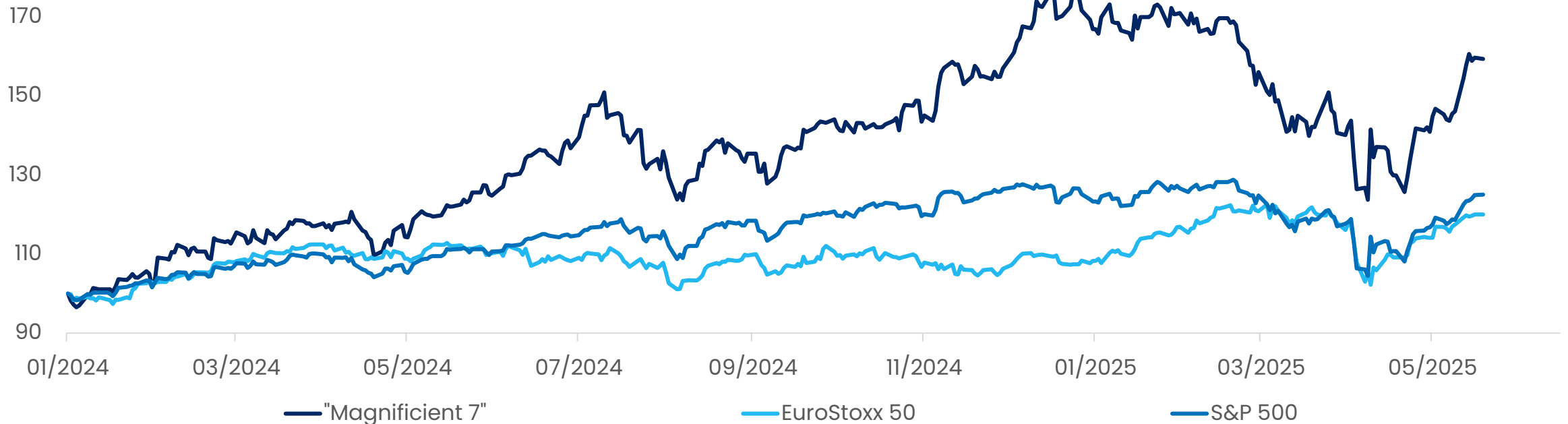
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# Uniqueness of US Tech Mega caps.

Mag 7 have pulled US equities upwards. In 2025, they are down, but not out

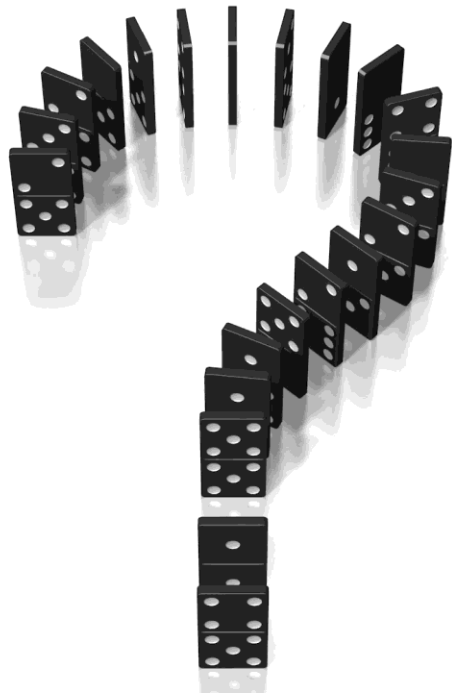
Index 100= Jan 2024, in local currencies



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# 3 Risk taking in a shifting world order.



# A still chaotic second half.

Jun

July

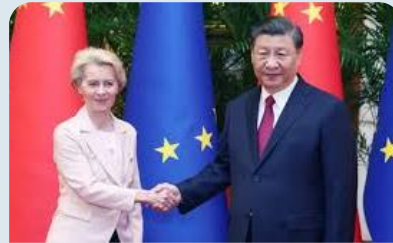
Aug

Nov

**UKRAINE**  
G7 & NATO Summits



**EU-CHINA SUMMIT**



**US DEBT CEILING**  
Deadline to raise the  
debt ceiling



**G20 Summit**



TARIFFS

**Section 301 - Trade agreement**

IEEPA - National emergency

Section 122 - Payment Imbalances

**Section 232 - National Security**

Section 338 - Trade agreement

Section 899 - Unfair taxes

**Section 201 - Domestic Industry**

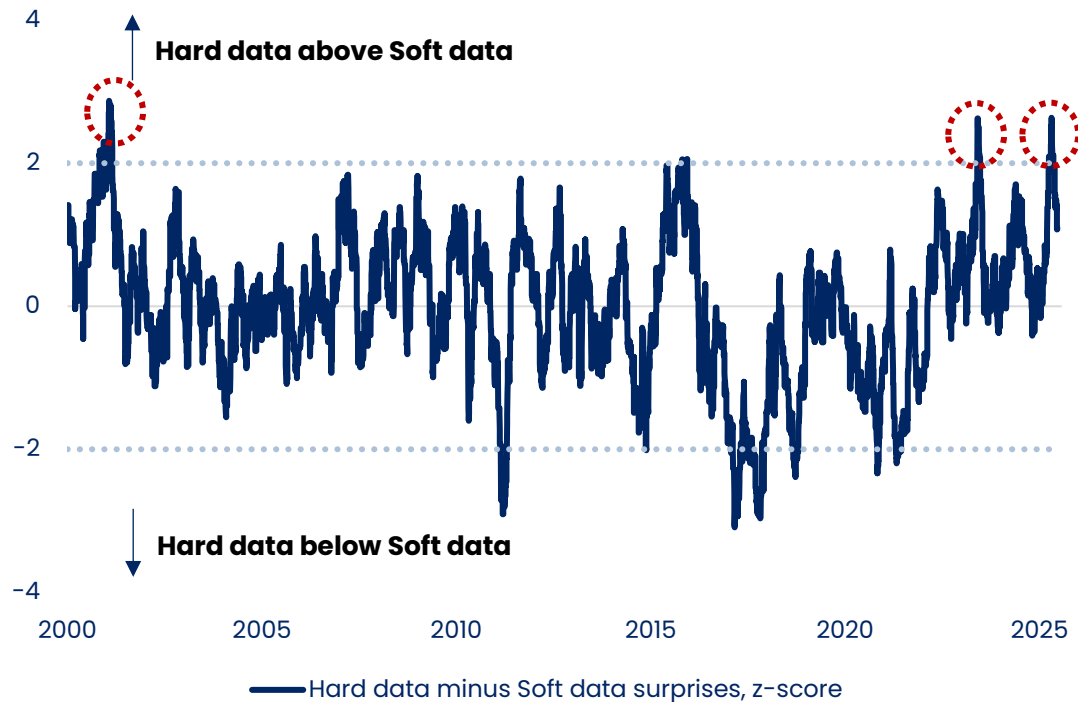
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# Noise in the macro data

Hard to gauge the underlying trajectory of activity, inflation, and policy

## A rare divergence between Soft and Hard data surprises



## Economic surprises disconnect



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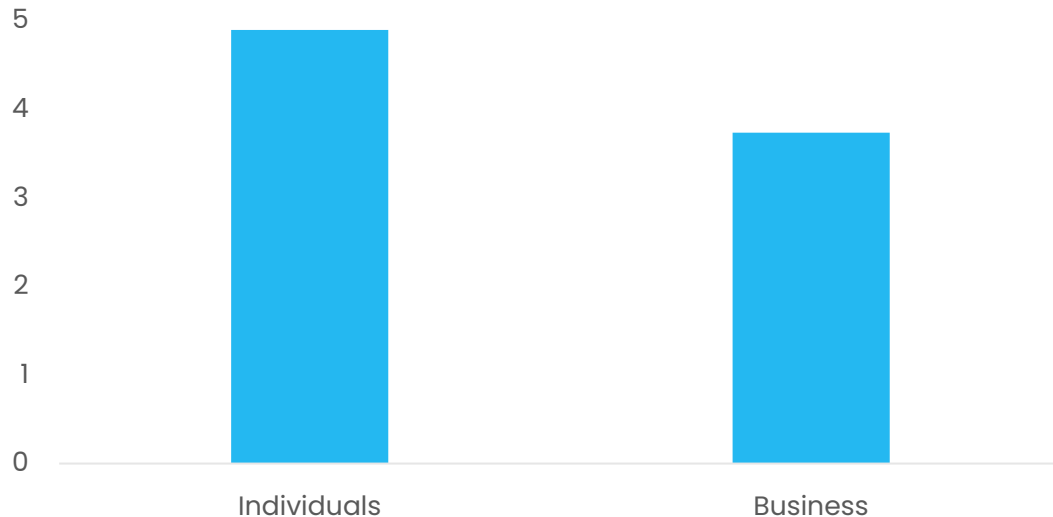


# Fiscal support not so big and beautiful.

Supportive for individuals but disappointing for business

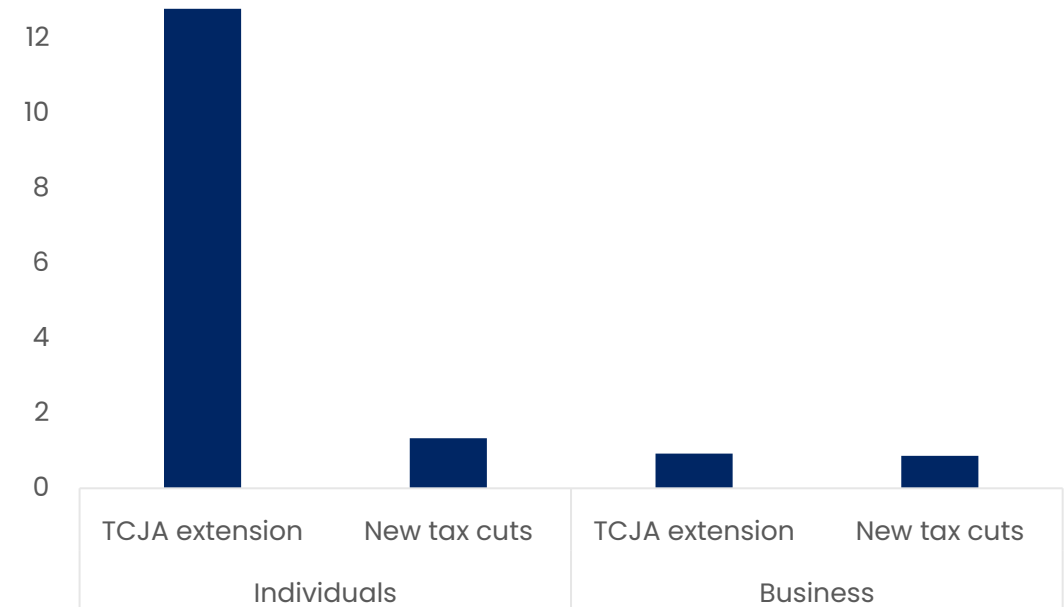
## Trump 1 – 2017 – Tax Cuts and Jobs Act for all

6 % of 2018 GDP



## Trump 2 – 2025 – One Big, Beautiful Bill for individuals

14 % of 2025 GDP



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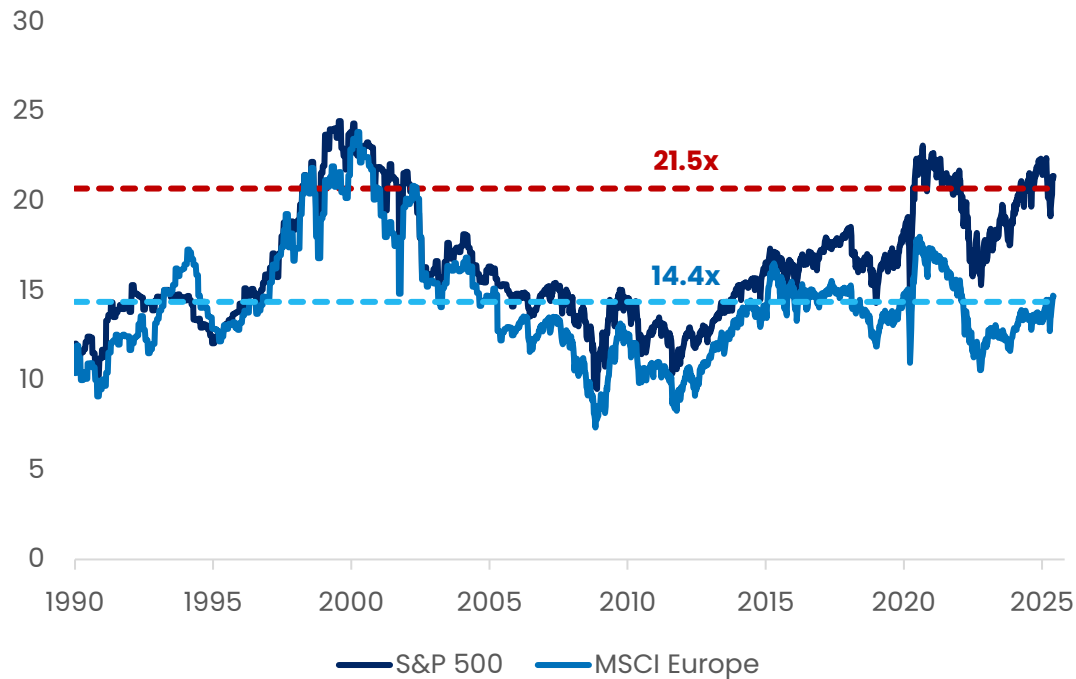
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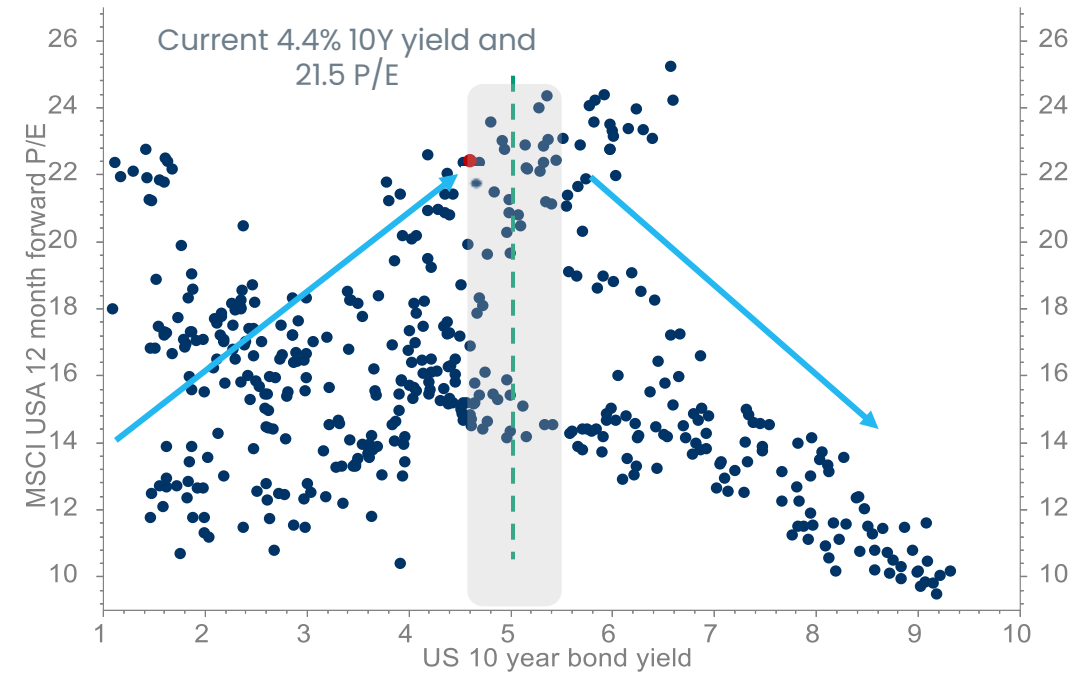
# Starting point – Valuation.

Markets not pricing in any sand in the gears

US & European Valuations above pre-Liberation Day, S&P500 and MSCI Europe 12m forward PE



US Valuation vs. US 10 years Treasuries



\*Source: Candriam, LSEG Datastream, Bloomberg, ©All rights reserved

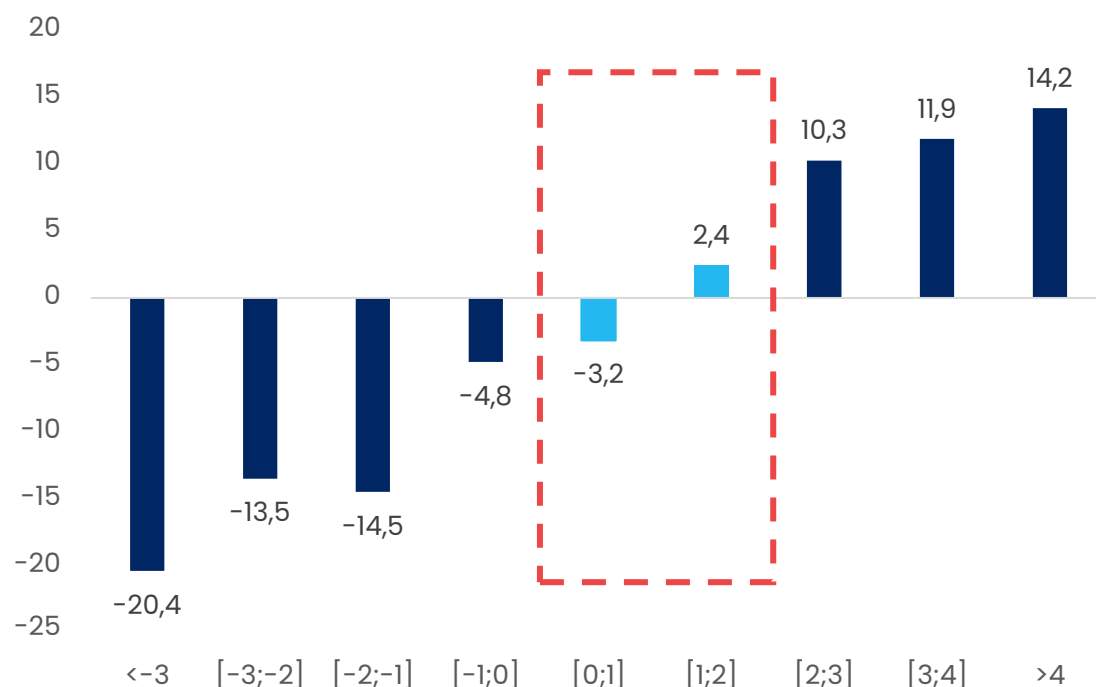
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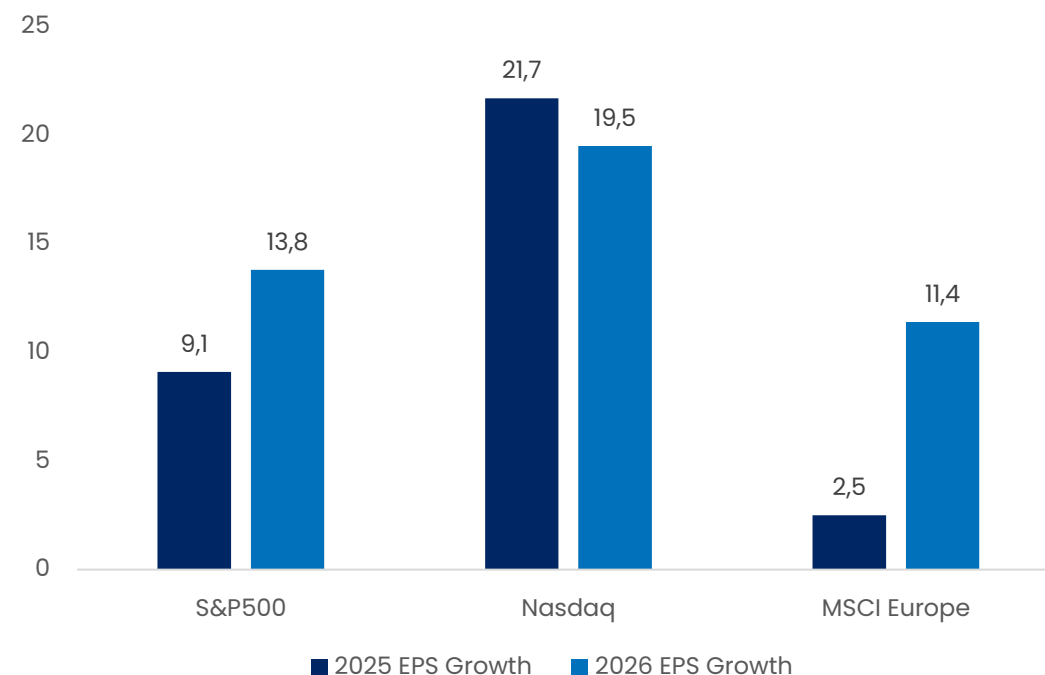
# Starting point – Earnings.

EPS consensus is too optimistic considering our growth projections

Historical YoY EPS growth vs Real GDP Growth regimes



Consensus US and European Equities earnings growth projections for 2025 & 2026, in %



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# 4 Investment Opportunities.



# European Duration.

European Bonds offer negative correlation to equities

12m rolling Equity/Bond correlation of weekly returns



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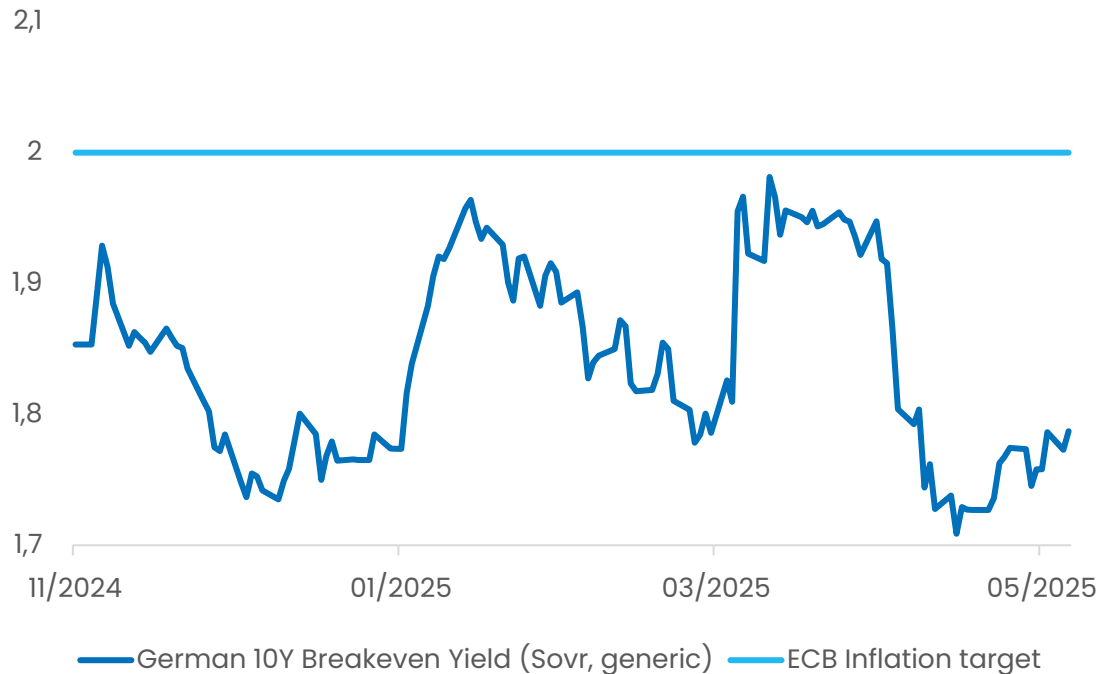




# European Duration.

Long stance thanks to low inflation, low growth, dovish ECB & Incentive for foreign investors

German 10Y Breakeven Yields, in %



German Bund's carry vs US Treasuries once hedged, in EUR



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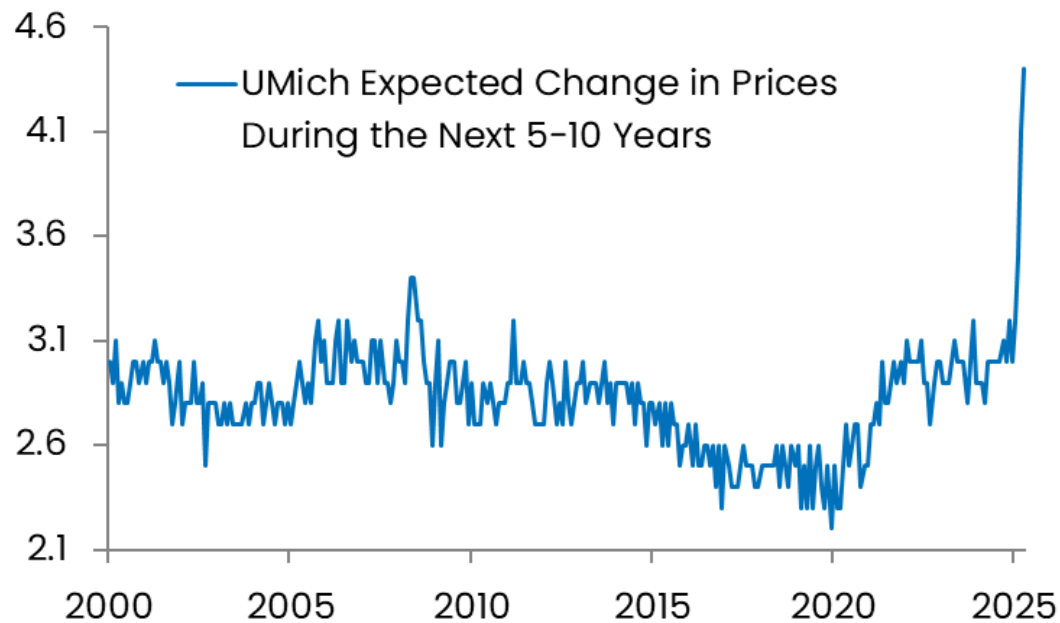
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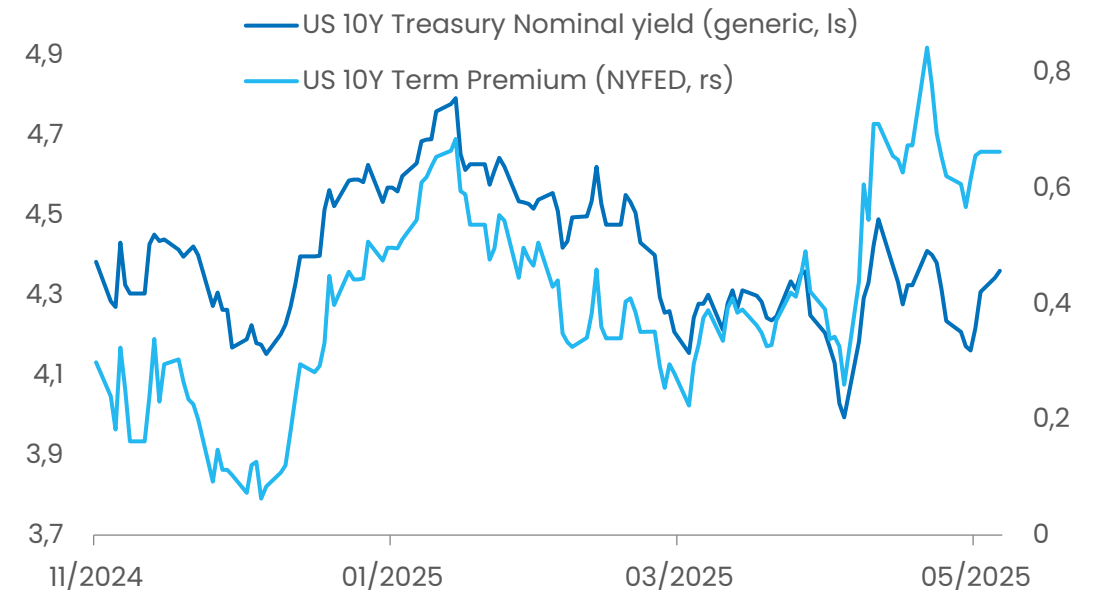
# US Duration.

Chasing an entry point on US Duration with hard data to deteriorate going forward?

## U. of Michigan – Expected Changes in Prices in 5–10 yrs



## US Treasuries vs US Term Premium, in %



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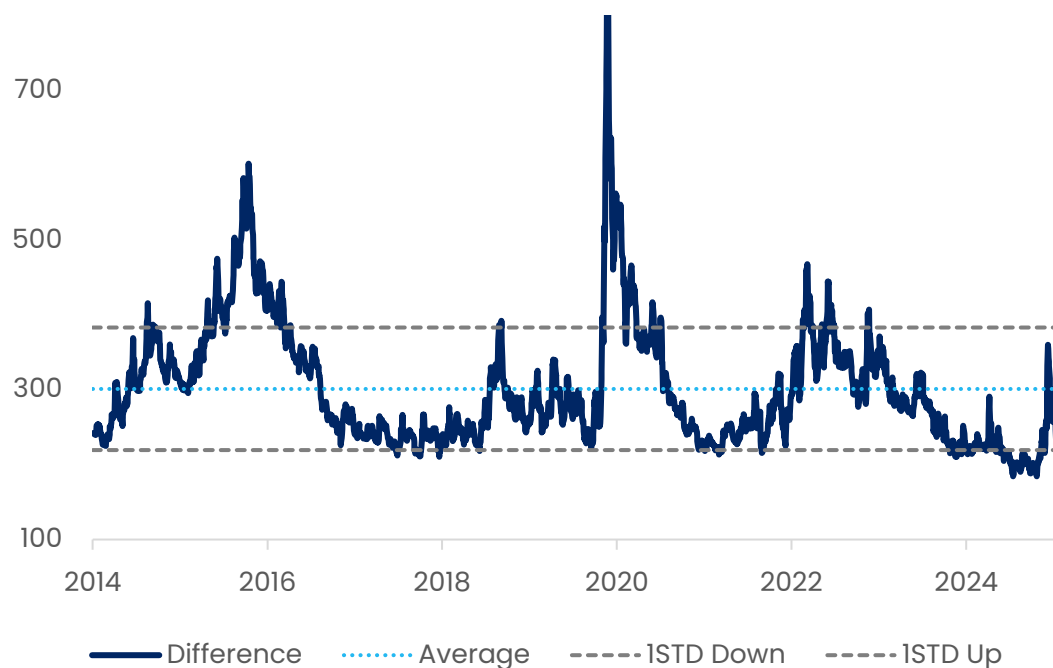
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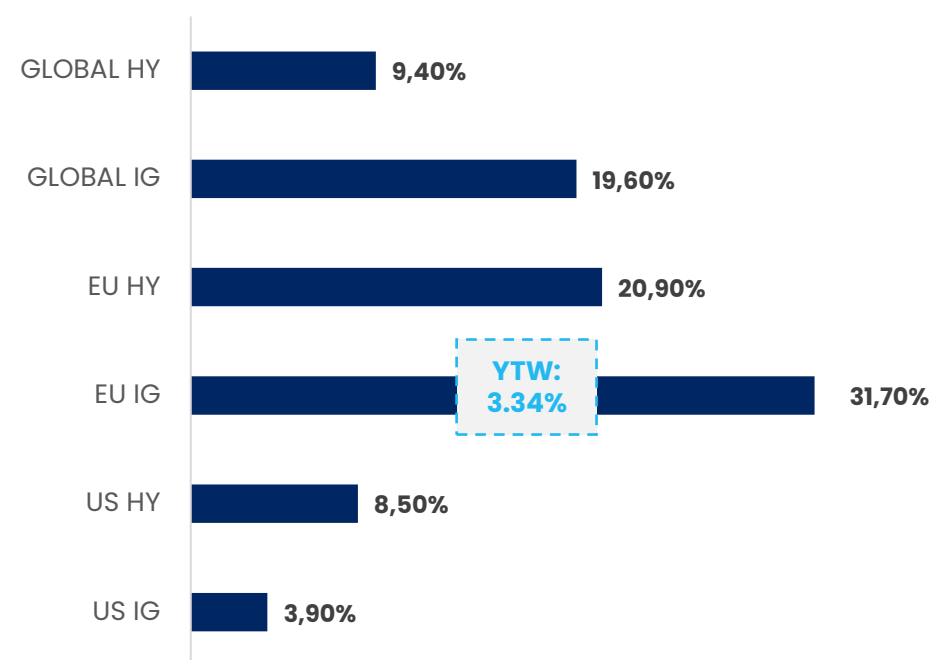
# Carry – Credit EUR.

Up-in-quality, expecting IG to deliver better risk-adjusted returns than High Yield

Spread between global high yield and Global Investment Grade bonds, in bp



Percentile ranking Yield-to-Worst across markets since 2000



Source: Candriam, ©All rights reserved

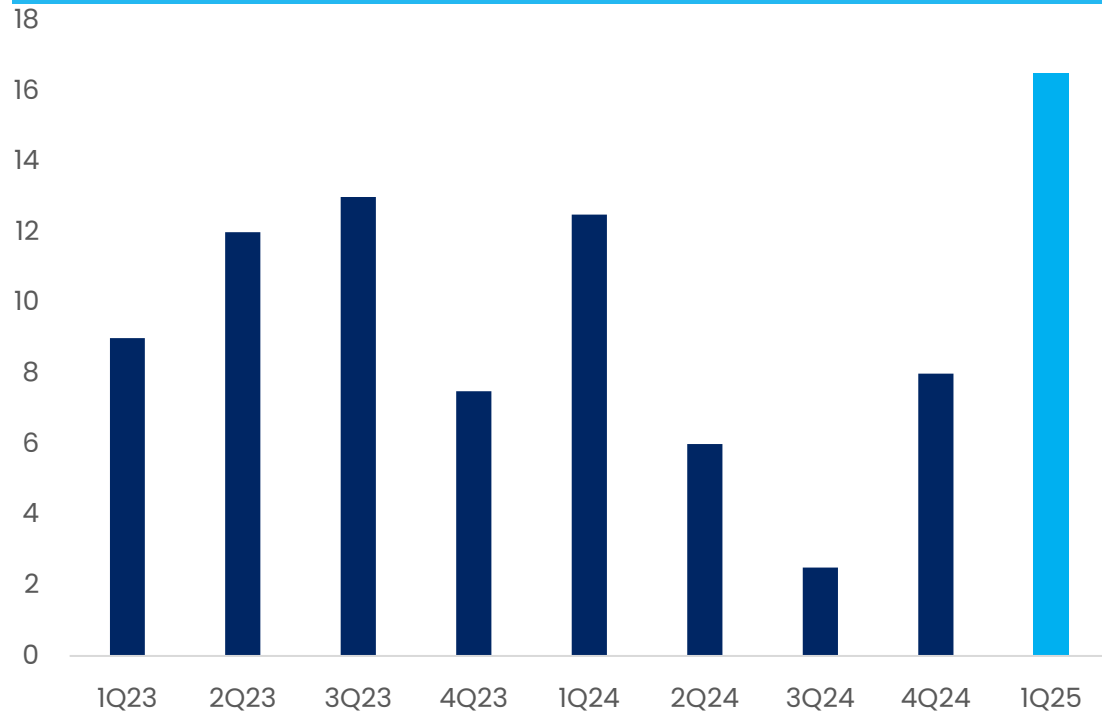
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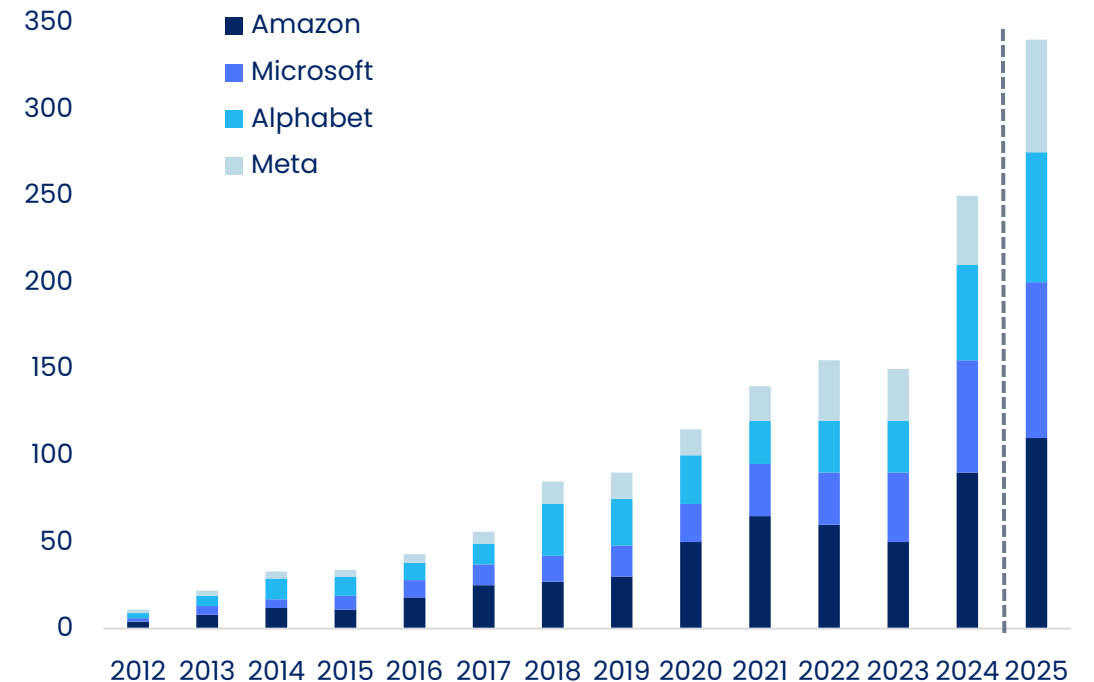
# AI – US Tech: A structural opportunity.

AI's ecosystem is creating sustained visibility for US tech leaders, reinforcing our bullish stance

Magnitude of Mag7 earnings surprise since 2023



Annual capex estimates in USD bn for the big-four AI hyperscalers



\*Source: Candriam, Goldman Sachs, Morgan Stanley, LSEG Datastream, Bloomberg, ©All rights reserved

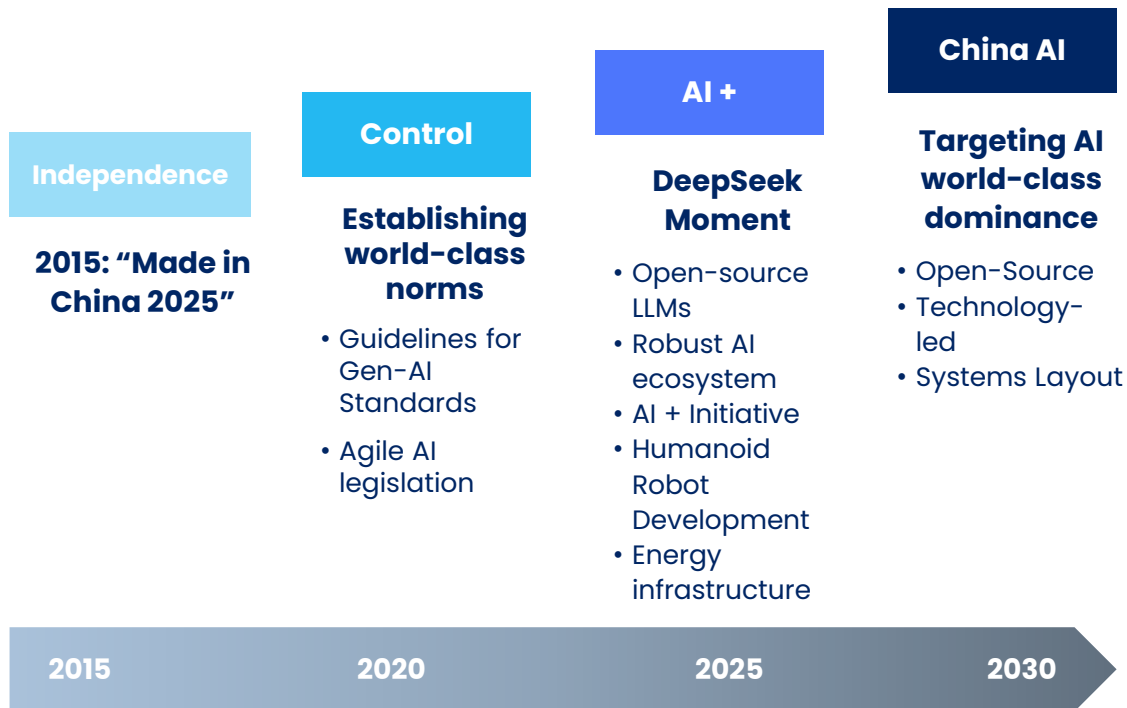
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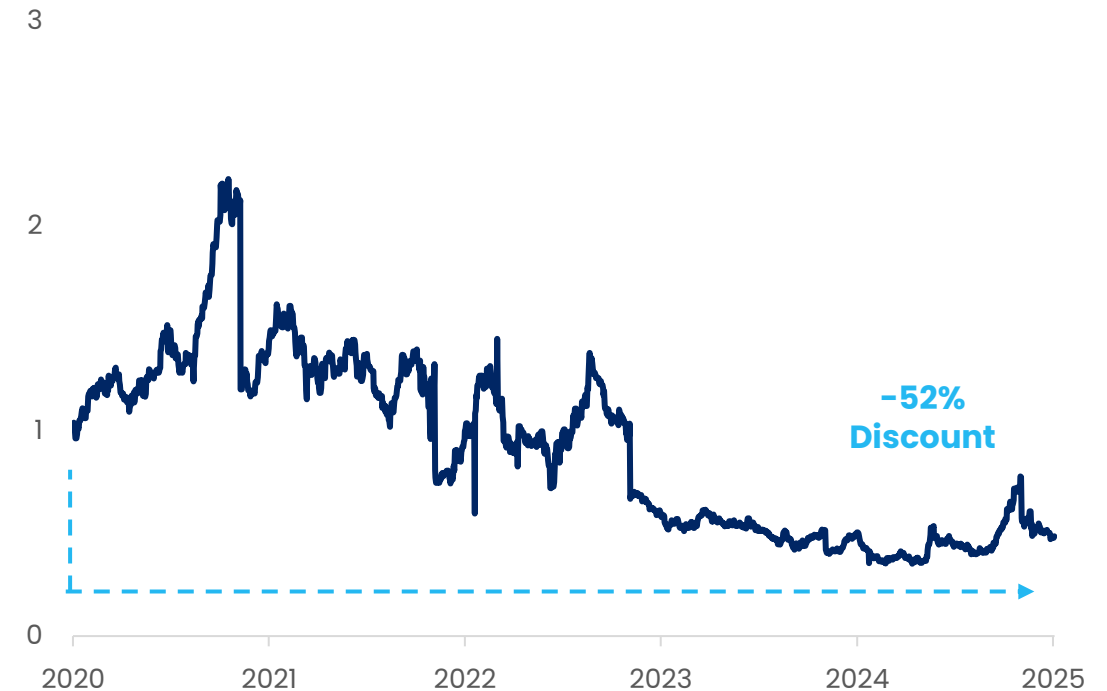
# AI – China Tech: Sovereignty in the making.

Beijing's national AI strategy is advancing steadily, but investors attach a discount vs. US Tech

The State Council of the People's Republic of China plan released in 2017



Relative 12-month forward P/E – China internet vs MAG7



\*Source: Candriam, Morgan Stanley, Gavekal, LSEG Datastream, Bloomberg, ©All rights reserved

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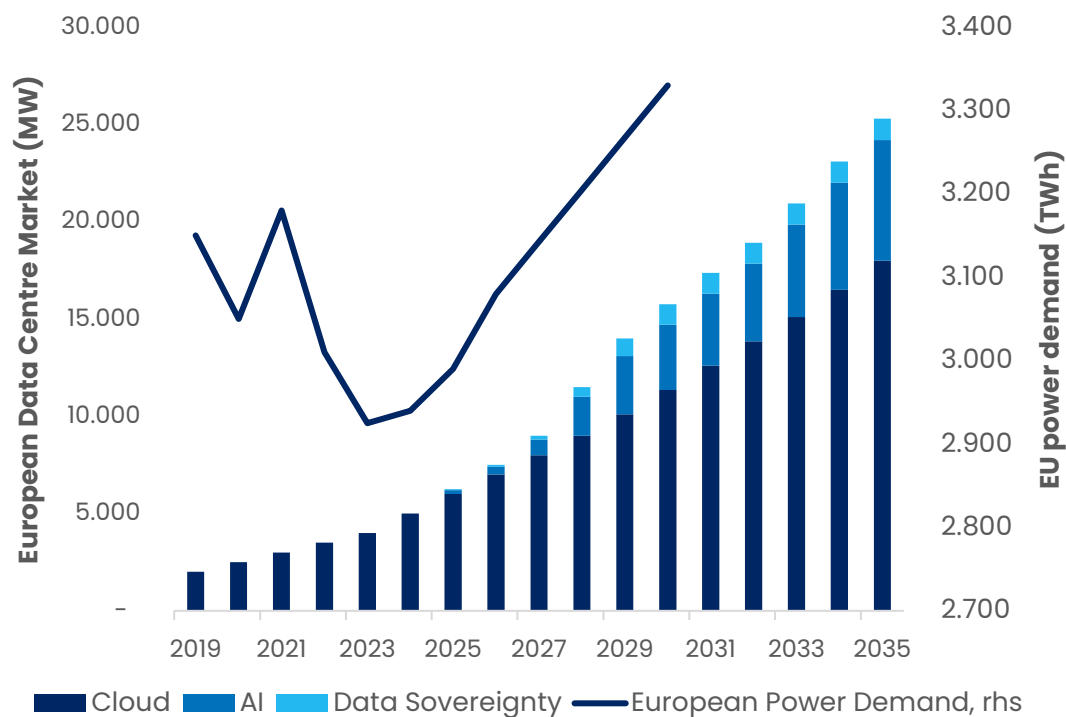




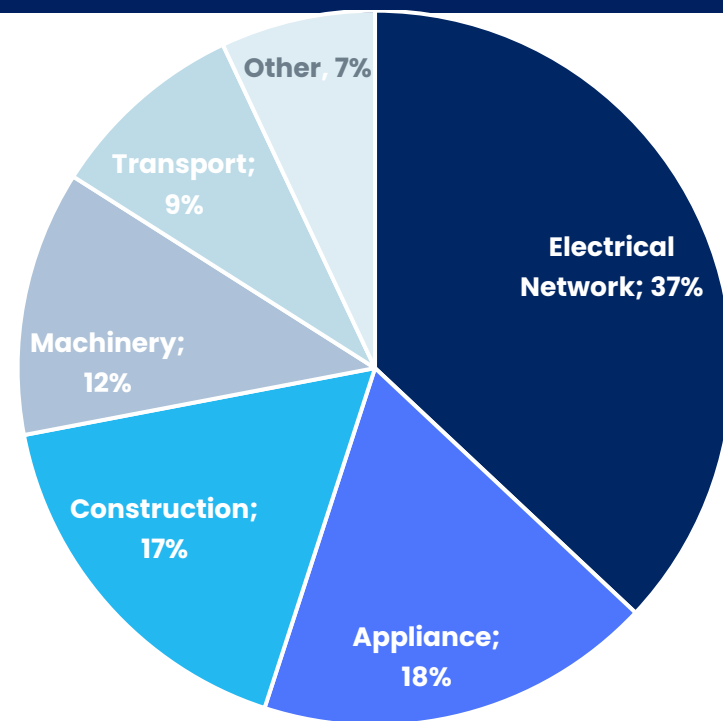
# Powering AI: Can the Grid keep up?

Data center-driven power demand puts copper as essential for GenAI infrastructure

## European Data Centre Market and EU power demand



## Copper demand by end market with China representing 54% of total demand



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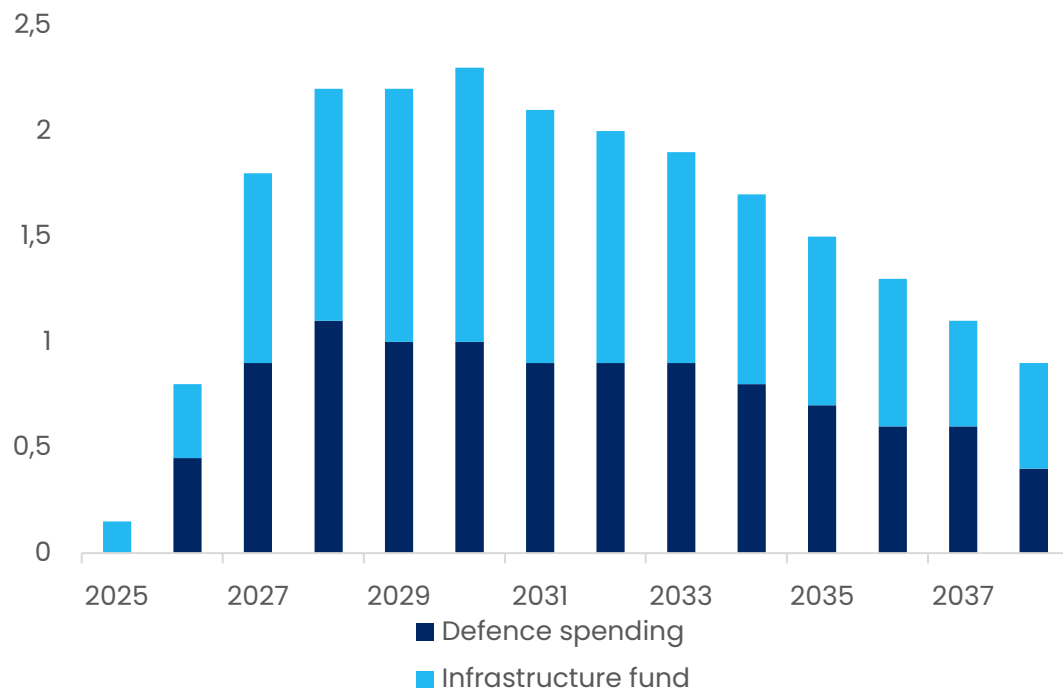
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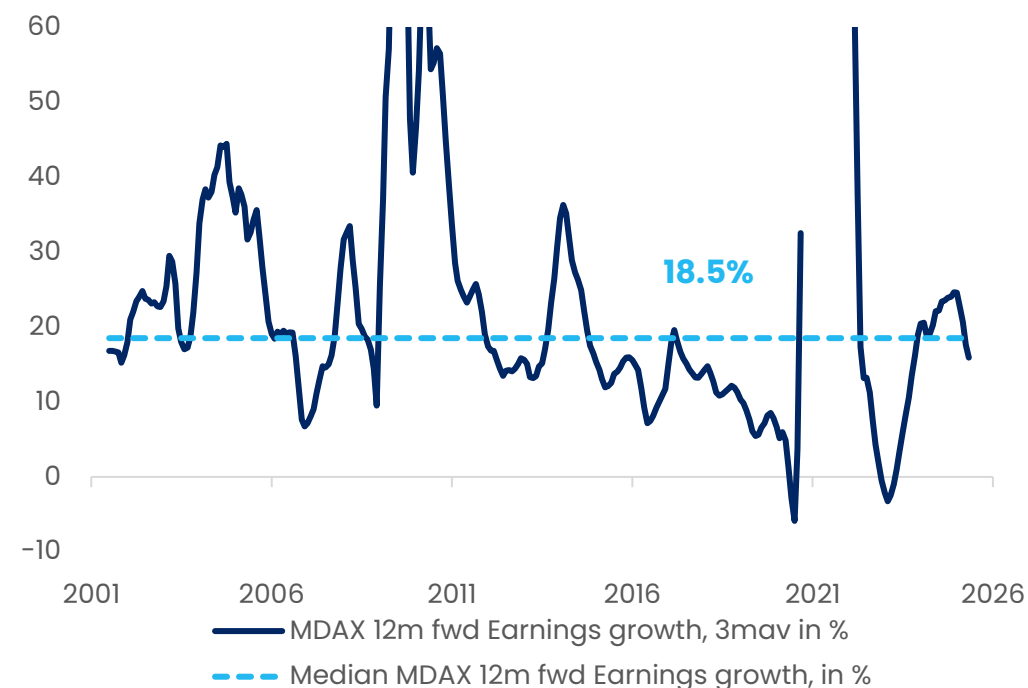
# European Equities.

Draghi showed the way, Merz is turning it into an Autobahn

**German Debt brake reform: Additional spending on defence and infrastructure, in % of GDP**



**Germany: Profit Growth expectations are on the rise**



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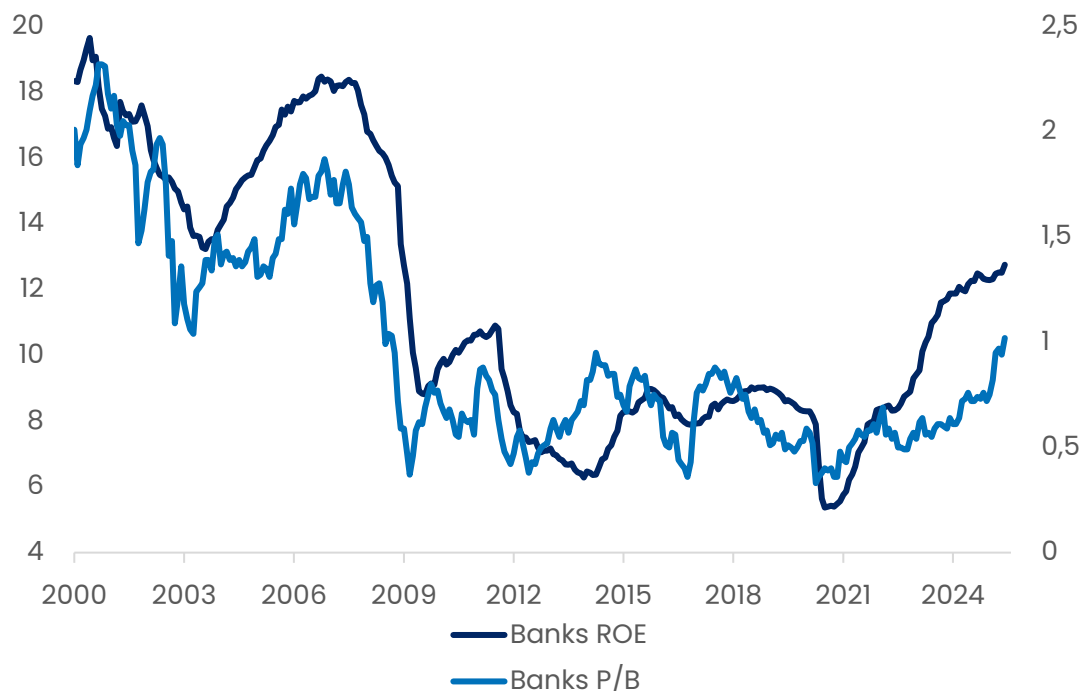
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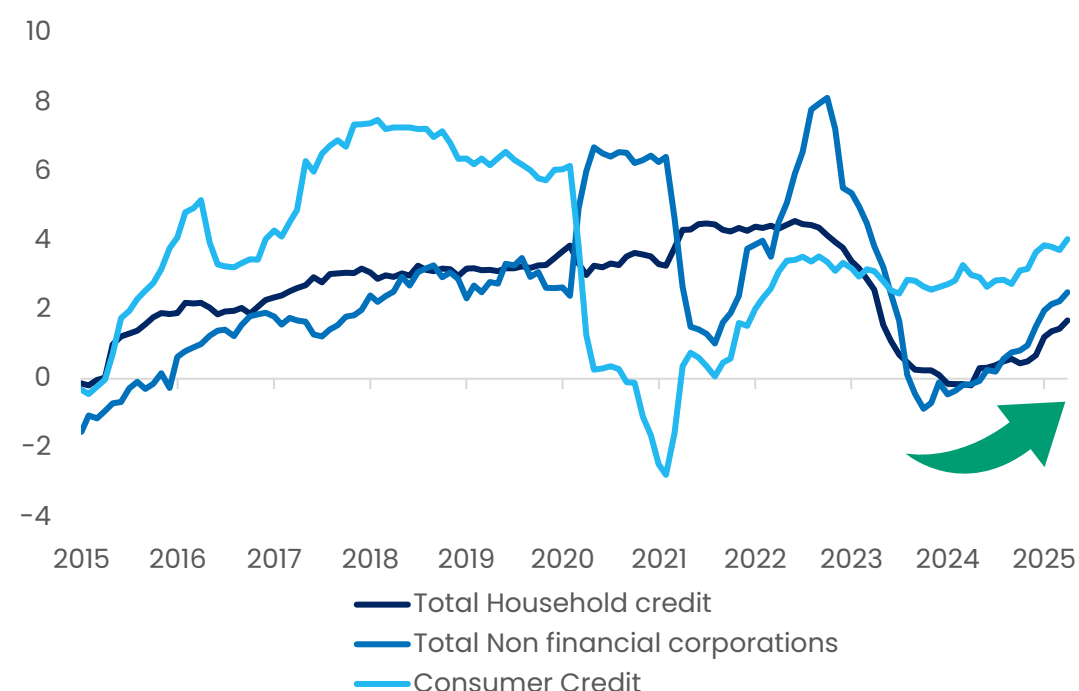
# European Equities.

We like European Financials

## European Banks –Price to Book Value vs ROE



## Eurozone private sector loan growth, in % YoY



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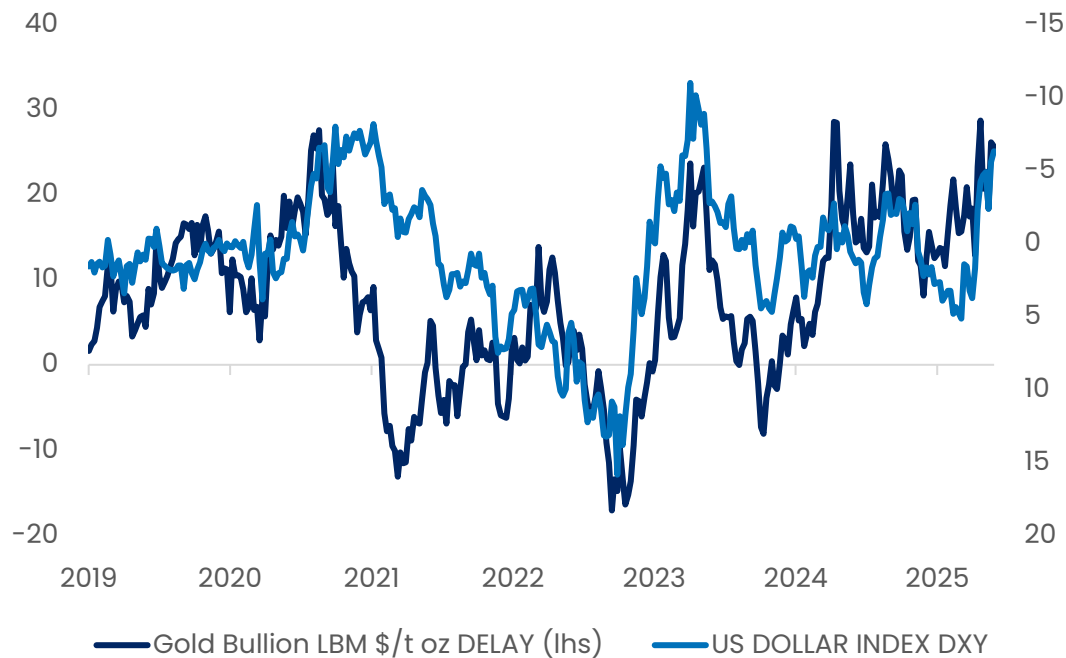
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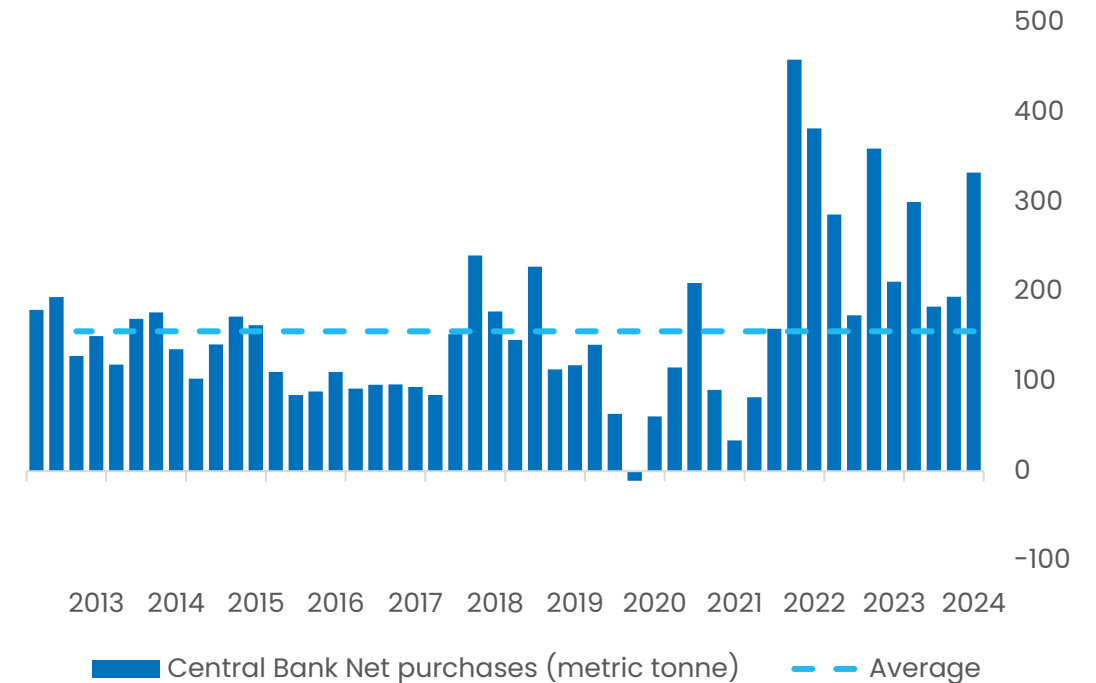
# Gold.

A safe haven with strong fundamentals

Gold vs USD evolution, 6-month change in %



Global net gold purchases by Central banks



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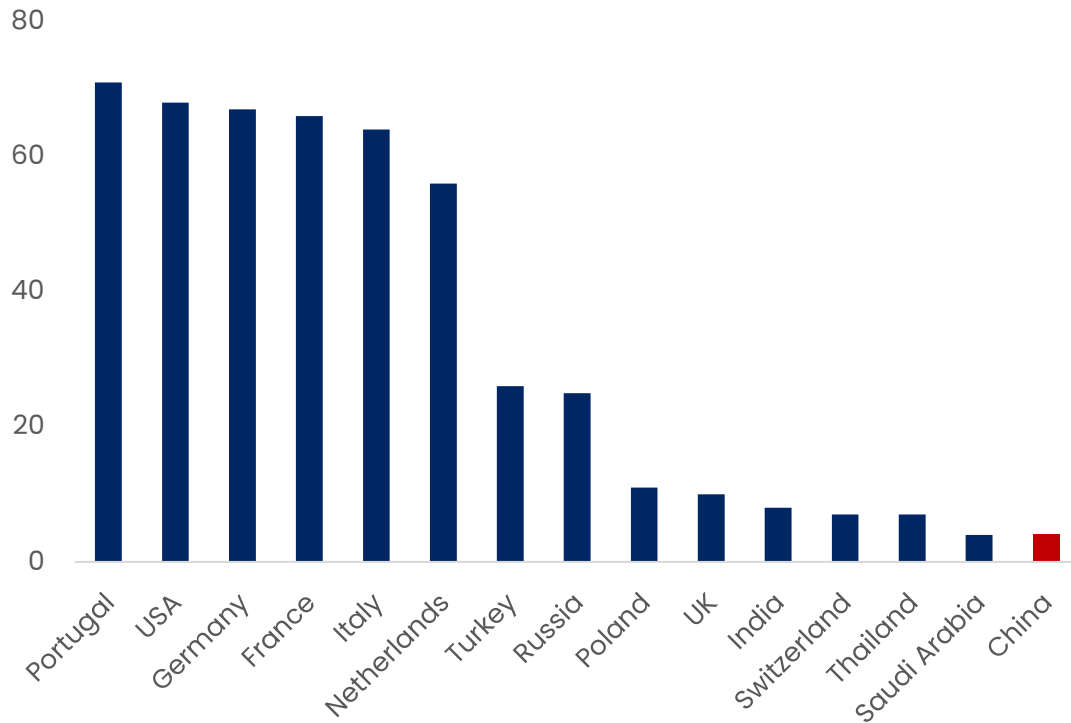
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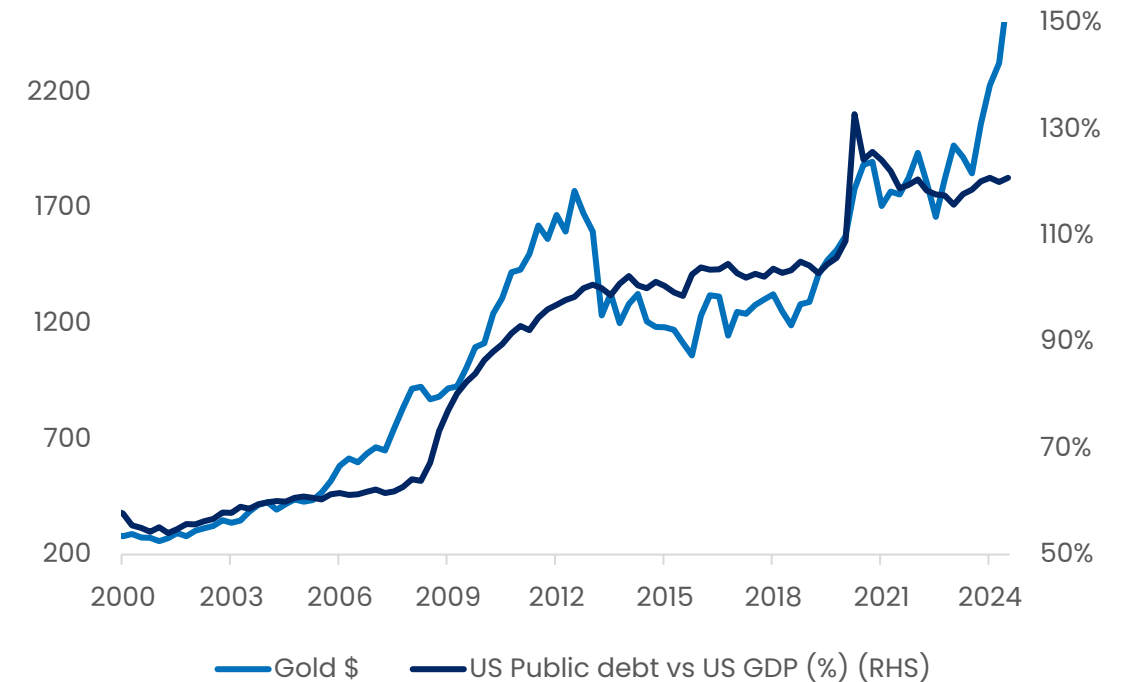
# Gold.

A safe haven with strong fundamentals

Gold as % of total Central Banks reserve holdings



Gold price vs US public debt



\*Source: Candriam, Bloomberg, ©All rights reserved

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# Oil.

## Lower demand vs. higher supply

### Global oil demand growth is projected to slow

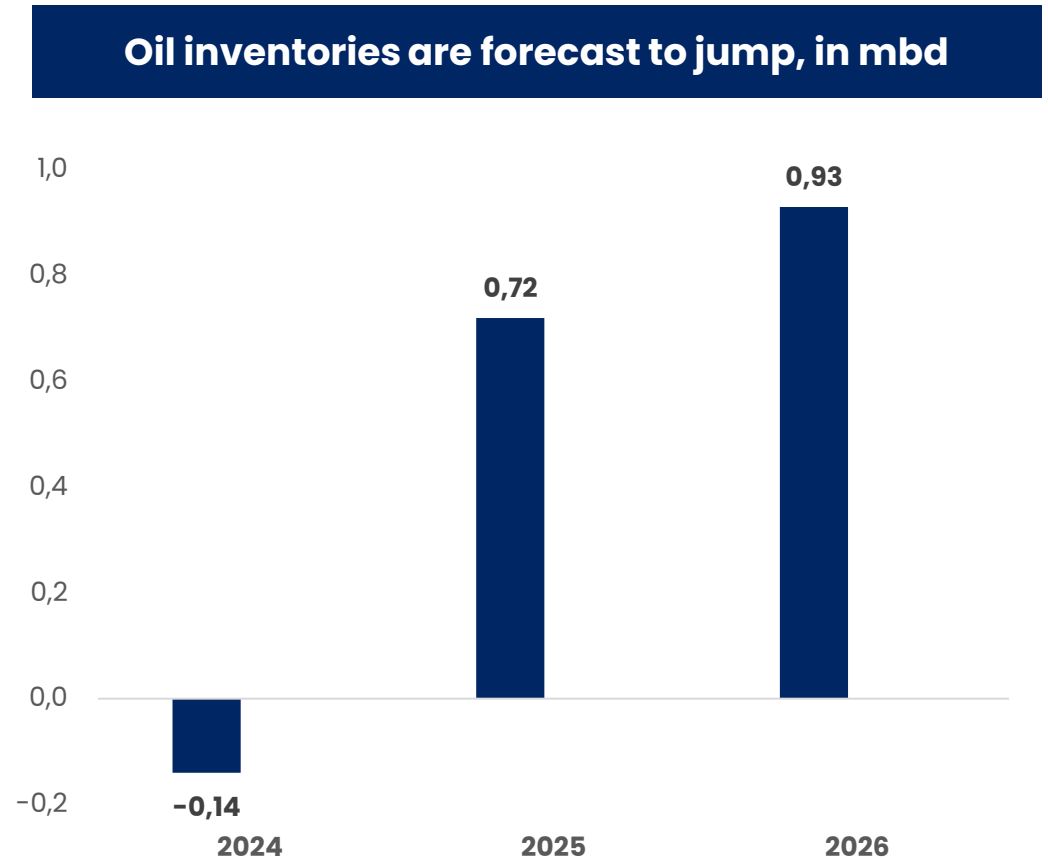
- › from 990 kb/d in 1Q25 to 650 kb/d for the remainder of the year
  - › economic headwinds and record EV sales curb use

### World oil supply looks on track to rise

- › by 1.6 mb/d to 104.6 mb/d on average in 2025, and by an additional 970 kb/d in 2026
  - › OPEC+, Non-OPEC+ producers increase supply while US supply has been reduced

\*Source: IEA

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# 5 Conclusion.



# The Path into H2 2025 Opportunities.

## GOV. BONDS AND FX

- **Positive on European duration**
- Neutral on US duration
- **Negative USD**  
Preference for EUR & JPY

## EQUITIES

- **Nimble approach**
- **Neutral equities** with **no specific regional bias**
- **A balance of long-term and short-term thematics:**
  - US vs China AI
  - European Industry
  - European Banks
  - German midcaps

## CREDIT

- **Preference for credit IG** over High Yield
- **Preference for Europe** vs. US
- **Neutral Emerging Debt**

## ALTERNATIVES

- **Commodities: Positive on Precious metals** (Gold), Negative on Oil
- **Positive on alternative strategies that benefit from higher volatility /** dispersion and increase in M&A activity

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# Thank you for your attention.



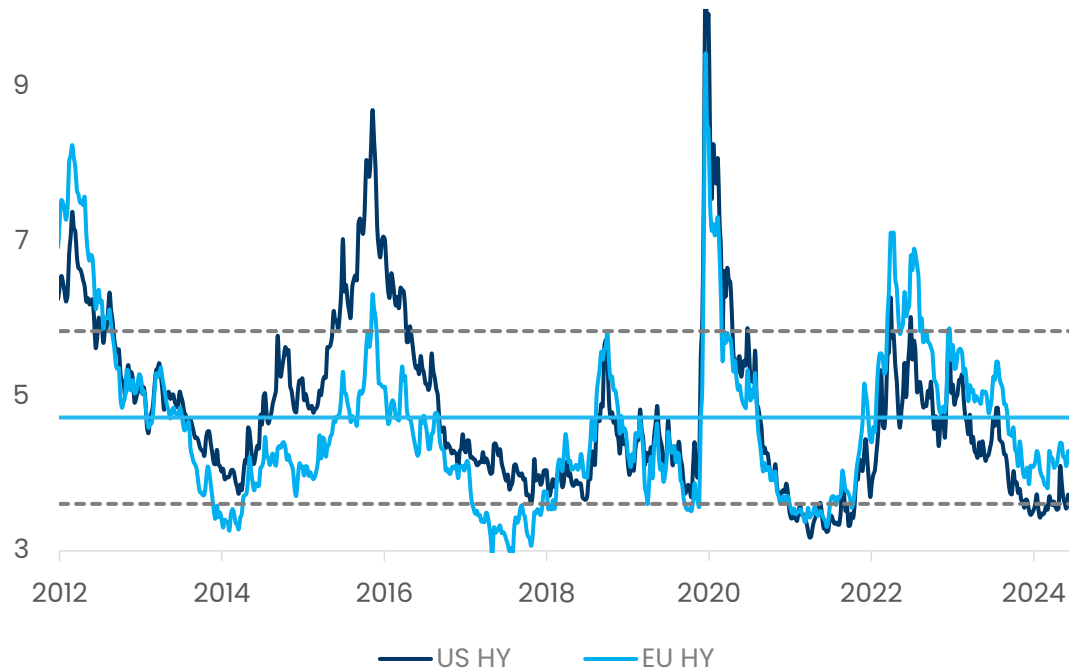
# Investing for tomorrow.



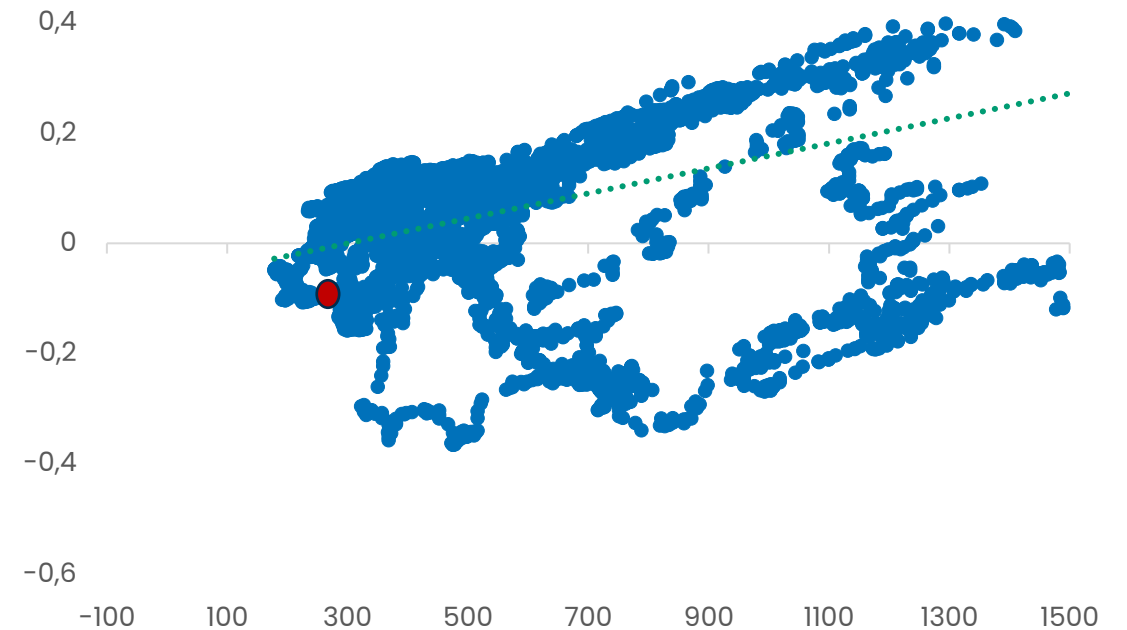
# High Yield.

Limited potential for spread compression despite lack of issuance

High Yield index - Option-Adjusted Spread (OAS)



US High Yield performance over 12 month at given spread level



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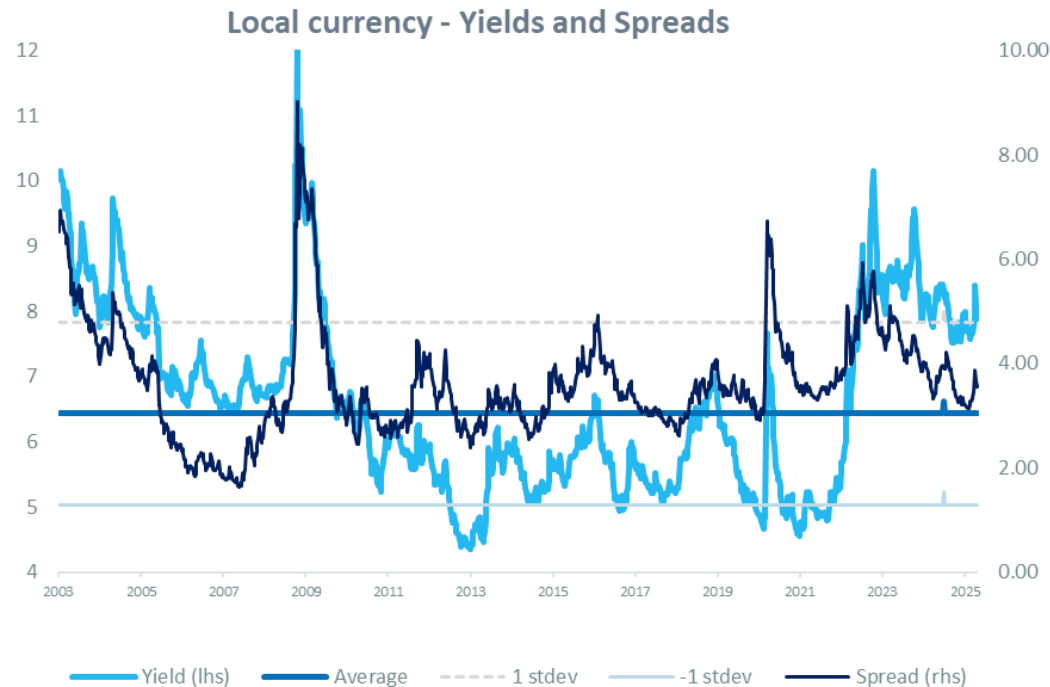
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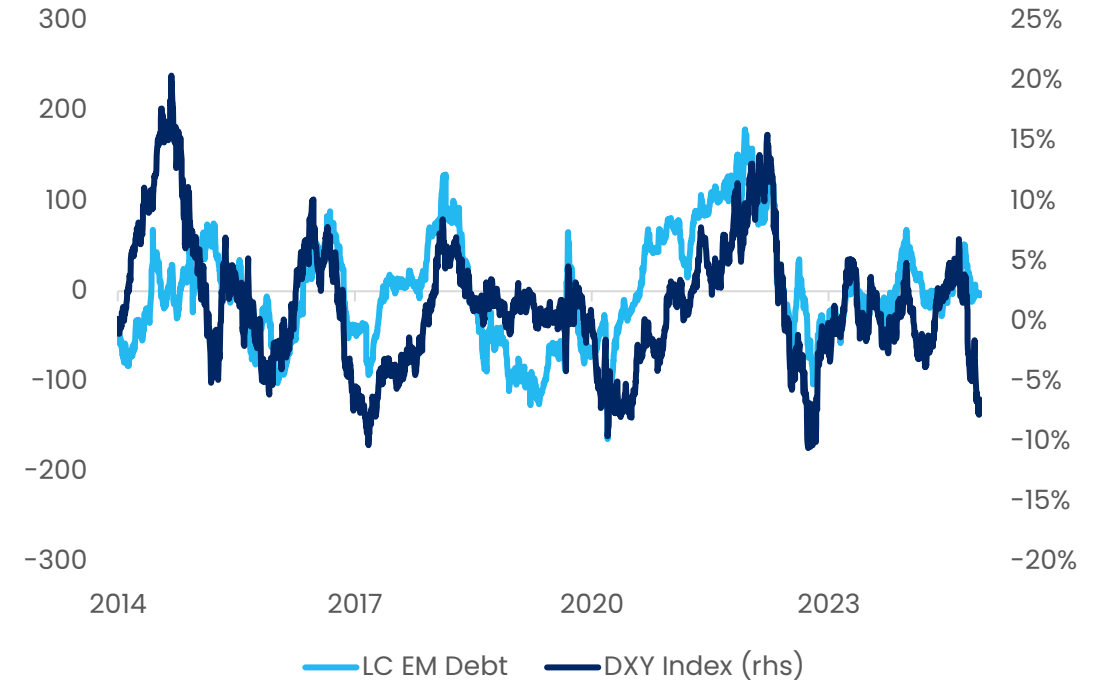
# Emerging debt.

Assuming worst of tariff behind us, emerging debt is likely to perform

Lack of visibility is not supportive but if worst of tariff behind us, EM debt could see spread compression



Dollar weakening a potential strong tailwind



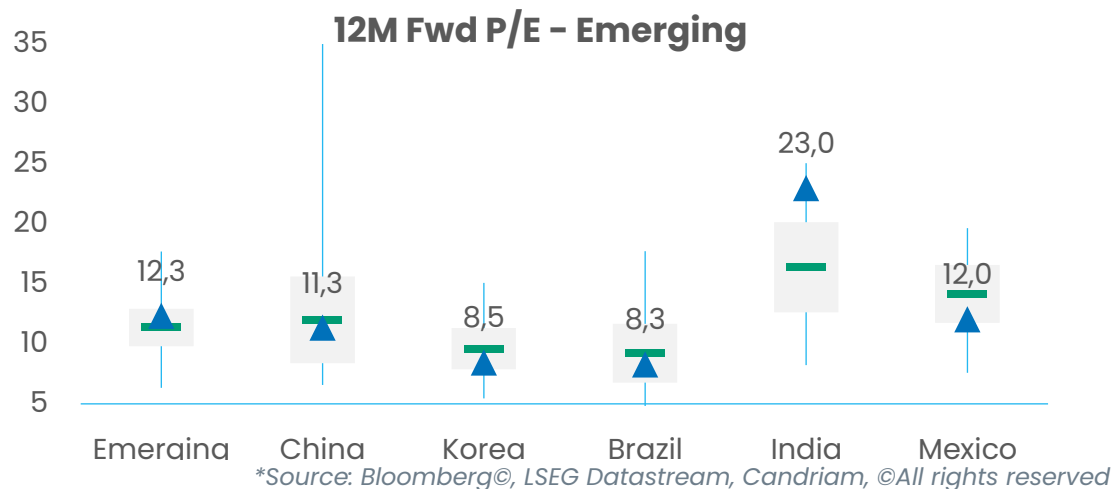
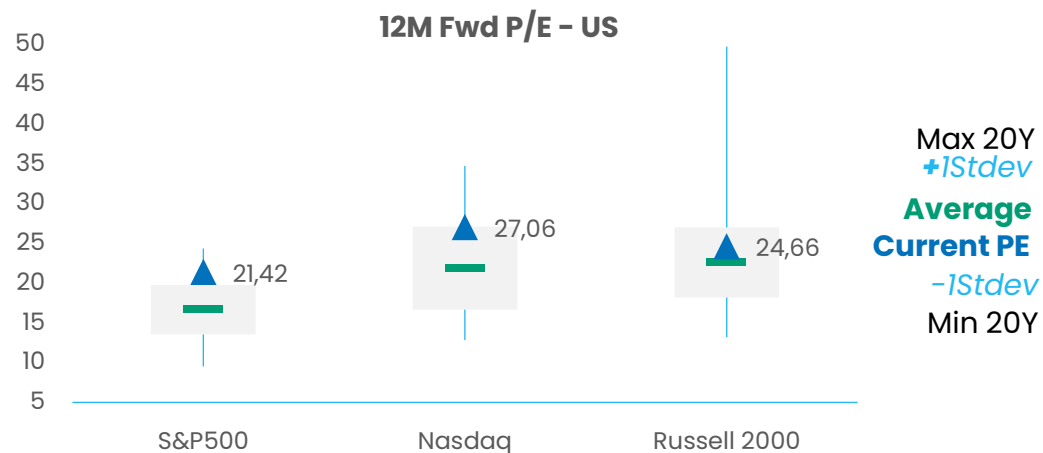
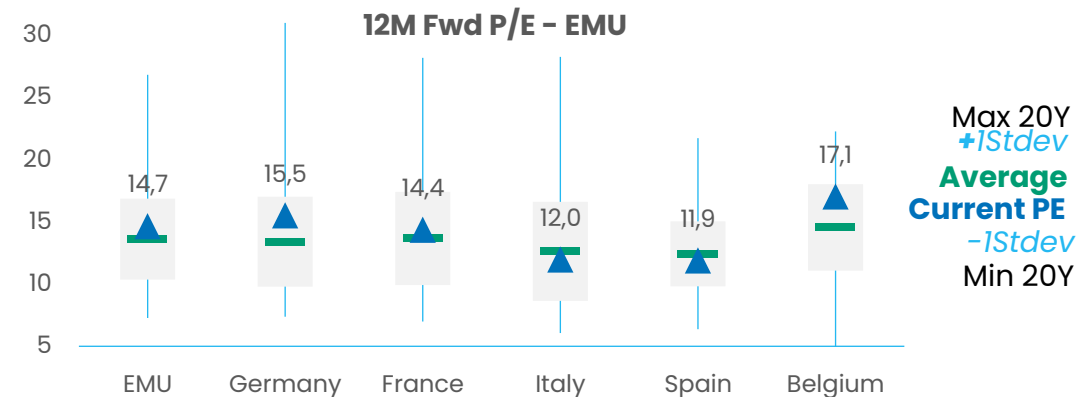
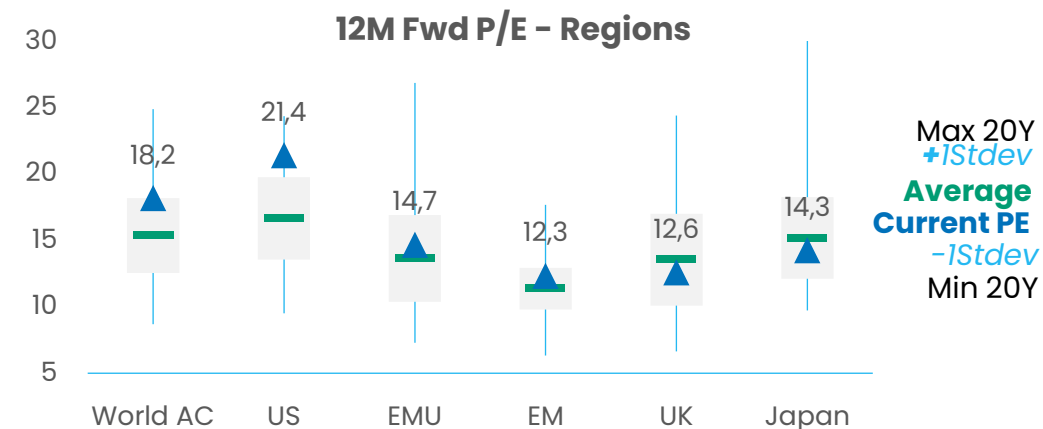
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# Equities.

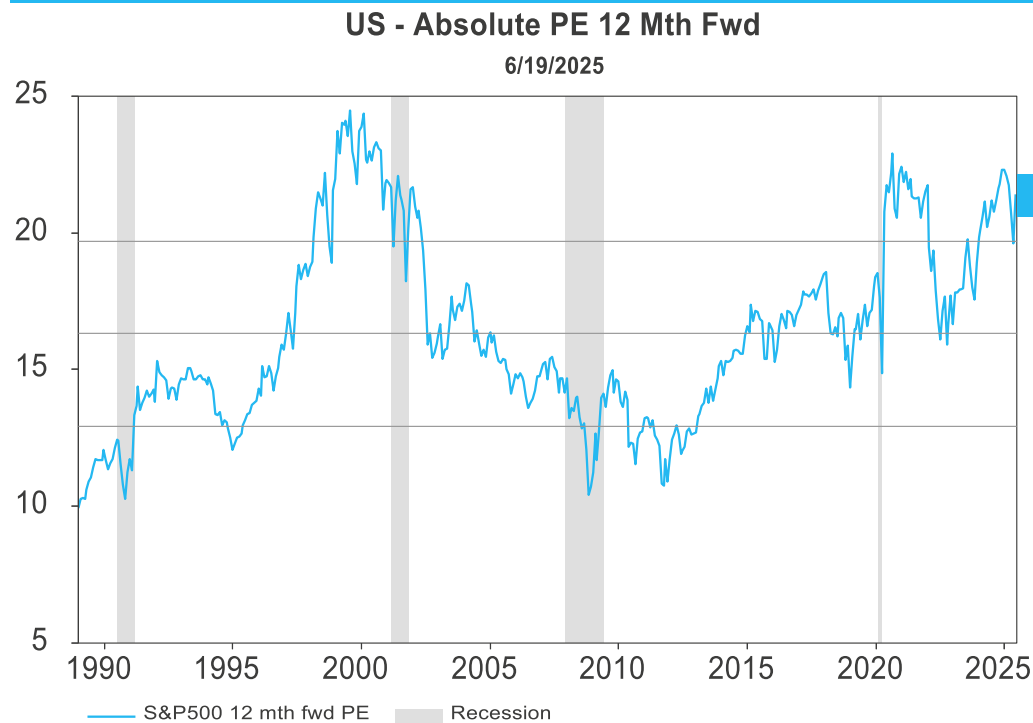
## Valuation



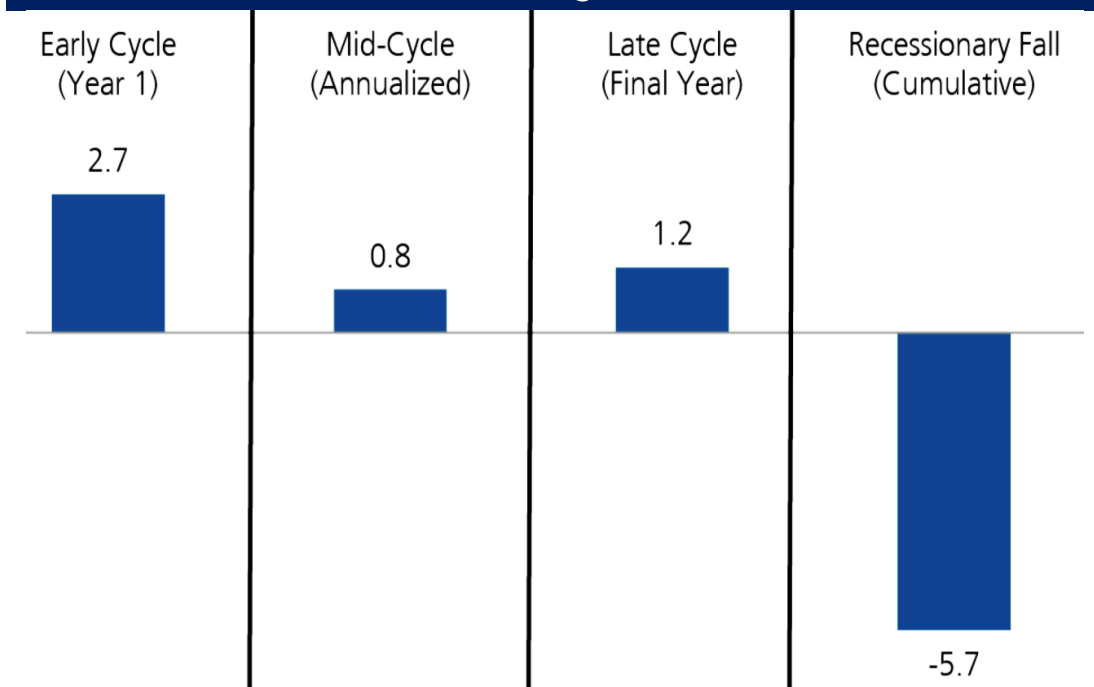
# Equities.

## Valuation – back to highs

**US Equities are still expensive and back to Liberation Day level!**



**Multiples expand over the course of the business cycle, and contract during recessions**



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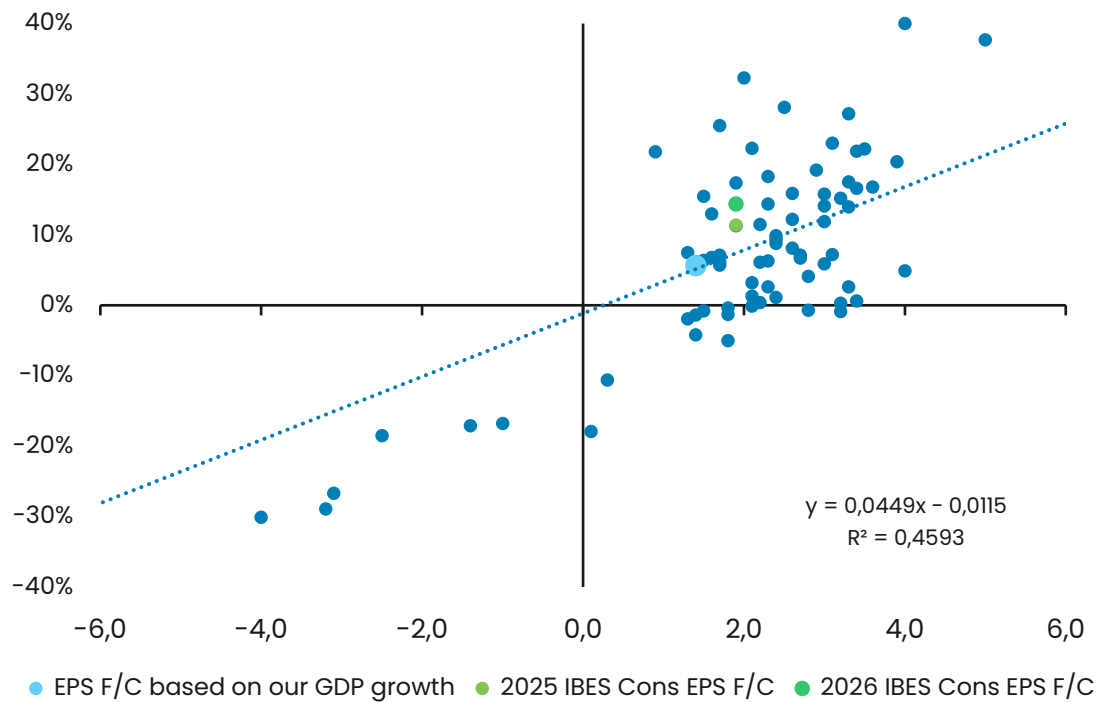
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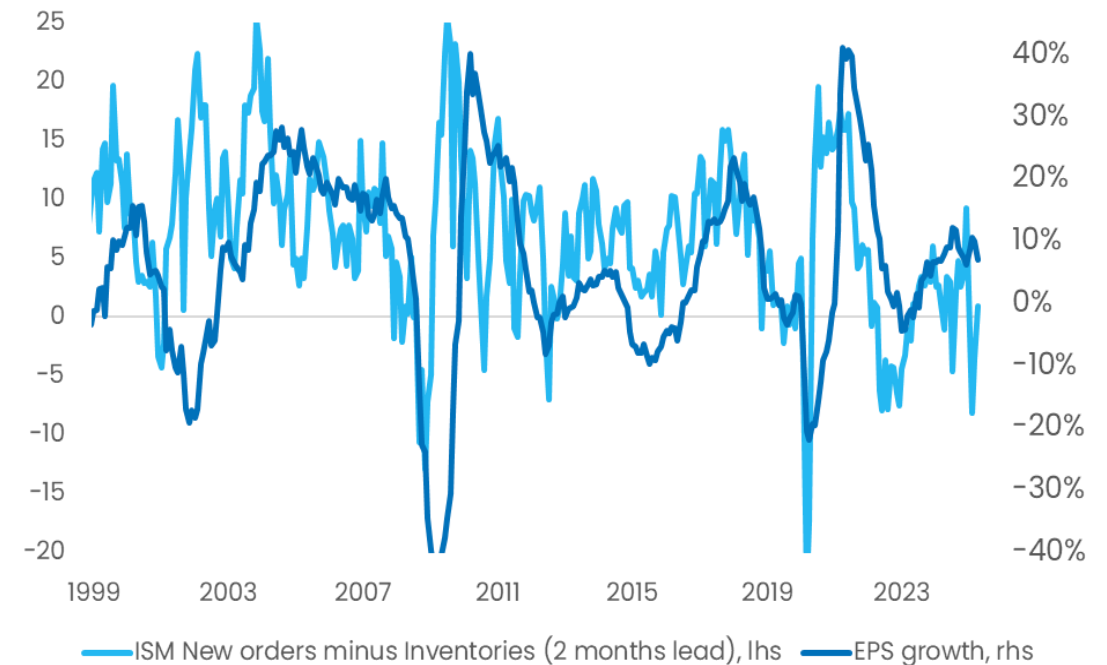
# Equities.

## EPS Growth Expectations are heavily dependent on trade war

US GDP Growth projections lead us to +5% Earnings Per Share (EPS) growth in Y25 and +2% in Y26, well below market projections (+9.5% & 14.2%)...



ISM New orders shows EPS should decelerate going forward



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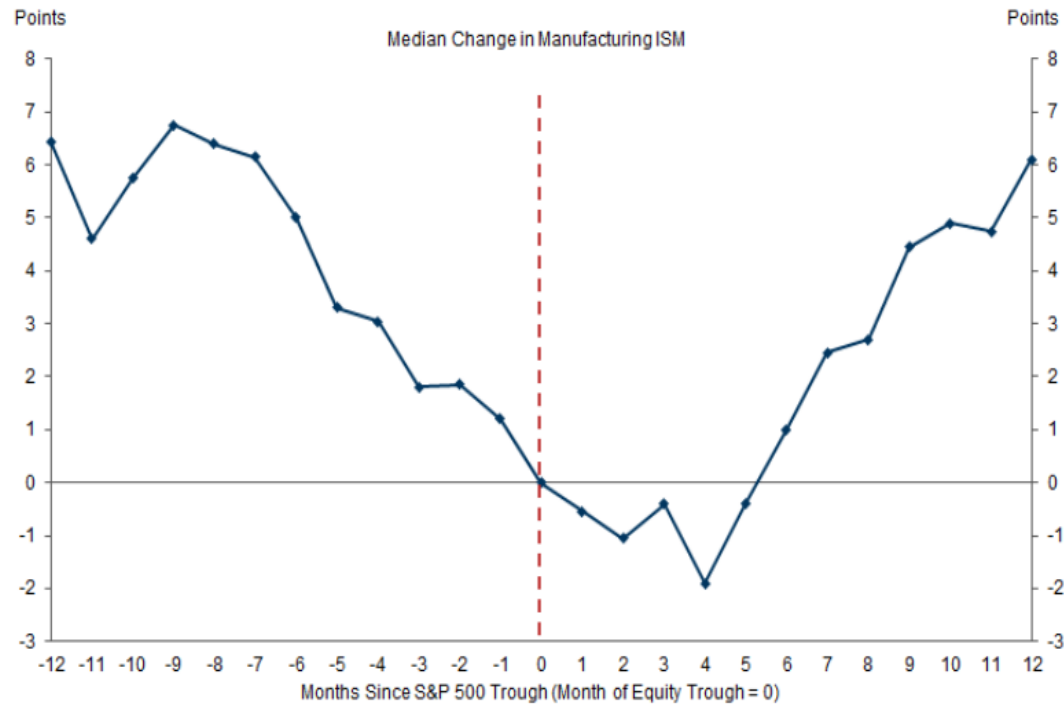
Past performance is no guarantee of future results



# US Equities.

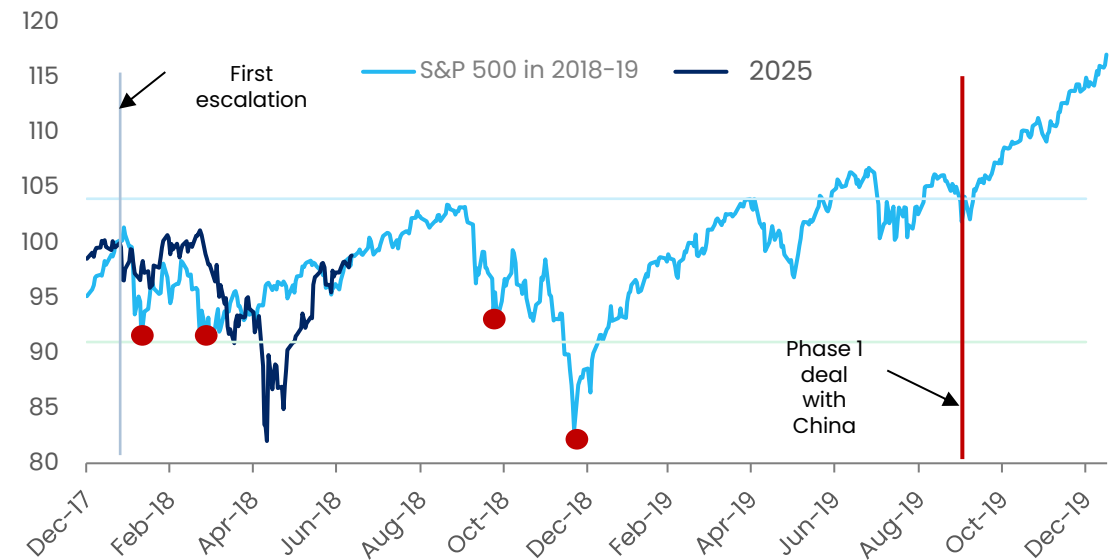
Can we see a sustainable rally?

Markets have tended to bottom near the trough in economic activity...



Tariff escalation in Y18/19 saw several drawdowns before getting a deal and getting out of a range trading

S&P 500 in 2018-2019 vs 2025  
(100 at the start of the trade war)



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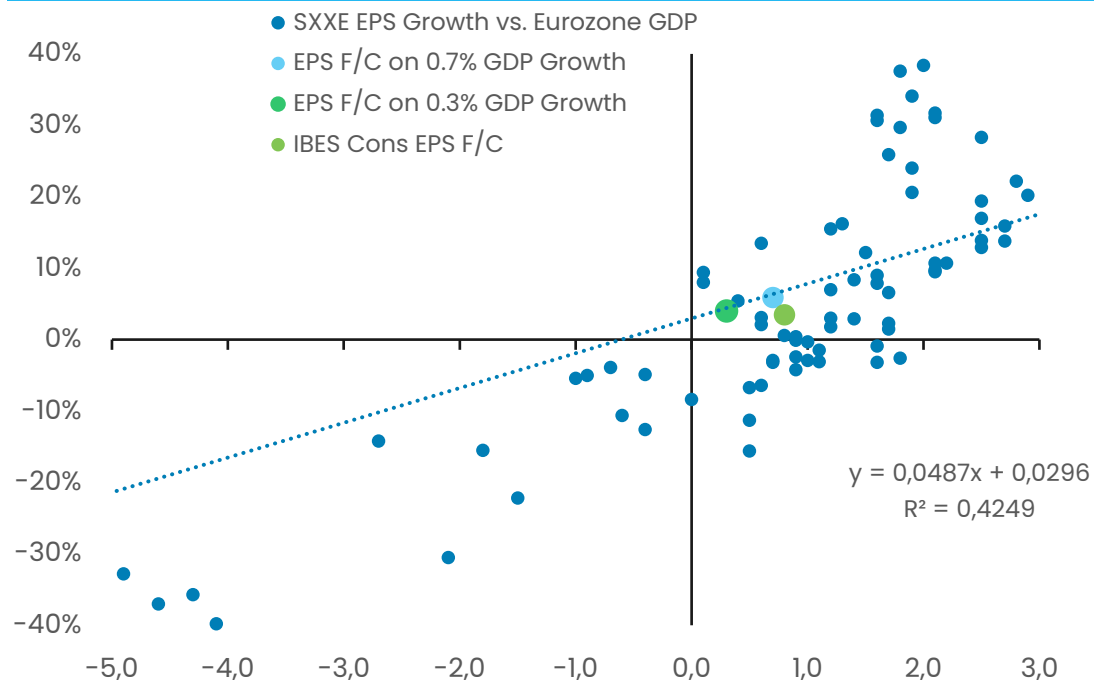




# European Equities.

## EPS vs P/E

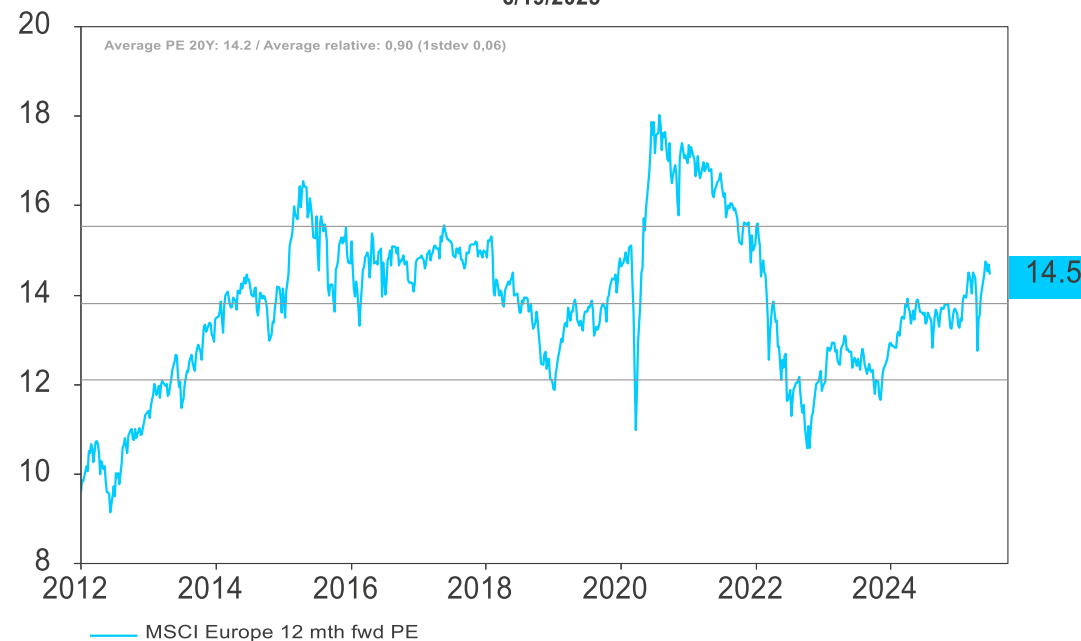
**Euro EPS standing at +4% for 2025 have been strongly revised but 2026 still elevated (+11.5%)**



**Valuation in line with historical average**

**MSCI Europe - Absolute & Relative PE 12 Mth Fwd**

6/19/2025



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# European Equities.

Earnings may have been impacted by stronger EURUSD (-3%?)

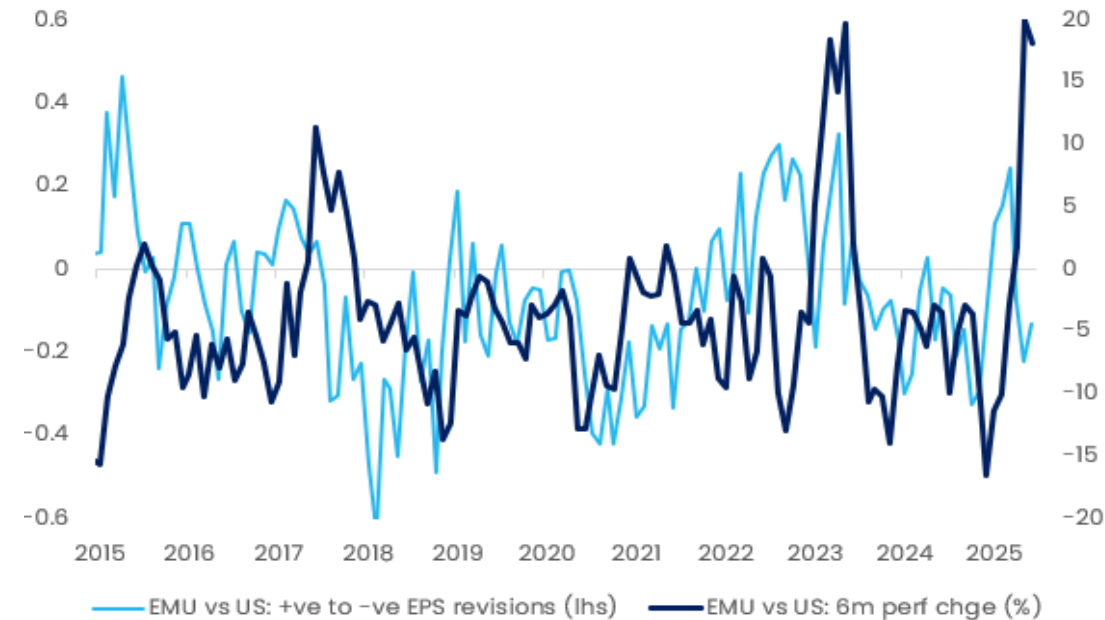
EPS revisions taking the hit of a stronger Euro...

EMU vs US – EPS dynamic vs EURUSD



...and Europe vs US outperformance slightly decreasing

EMU vs US – EPS dynamic vs performances



\*Source: JPMorgan, Datastream, Bloomberg, Candriam, ©All rights reserved

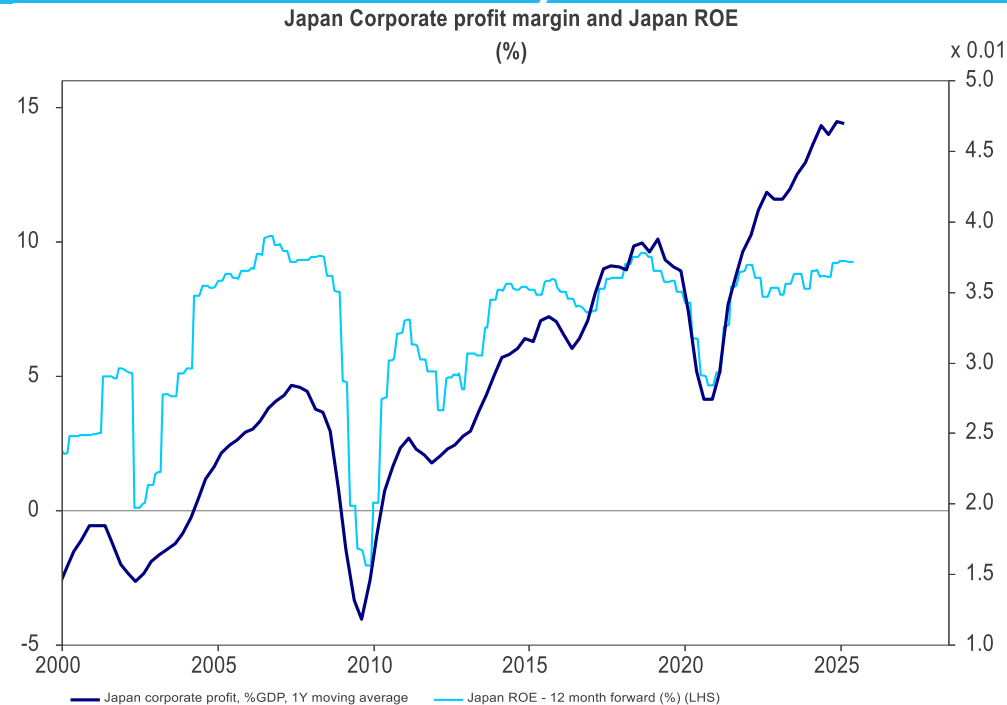
Past performance is no guarantee of future results



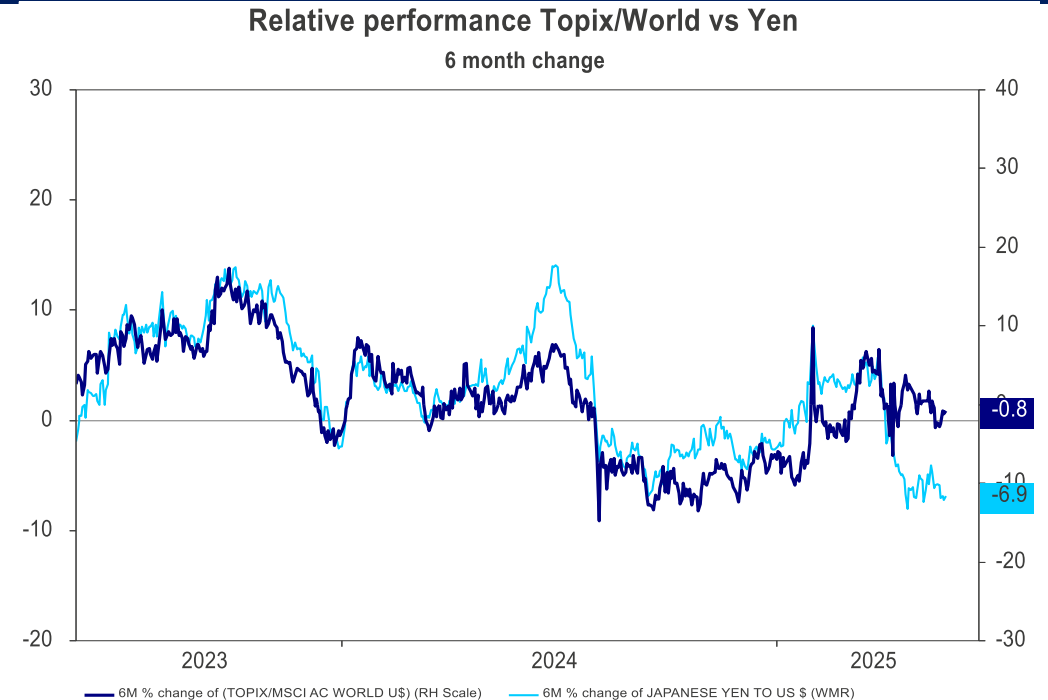
# Japanese Equities.

A cyclical play enjoying structural changes – Looking for an entry point

**Inflation and reforms are positive catalysts for the country...**



**The stronger Japanese yen no longer seems to pose a headwind for equities**



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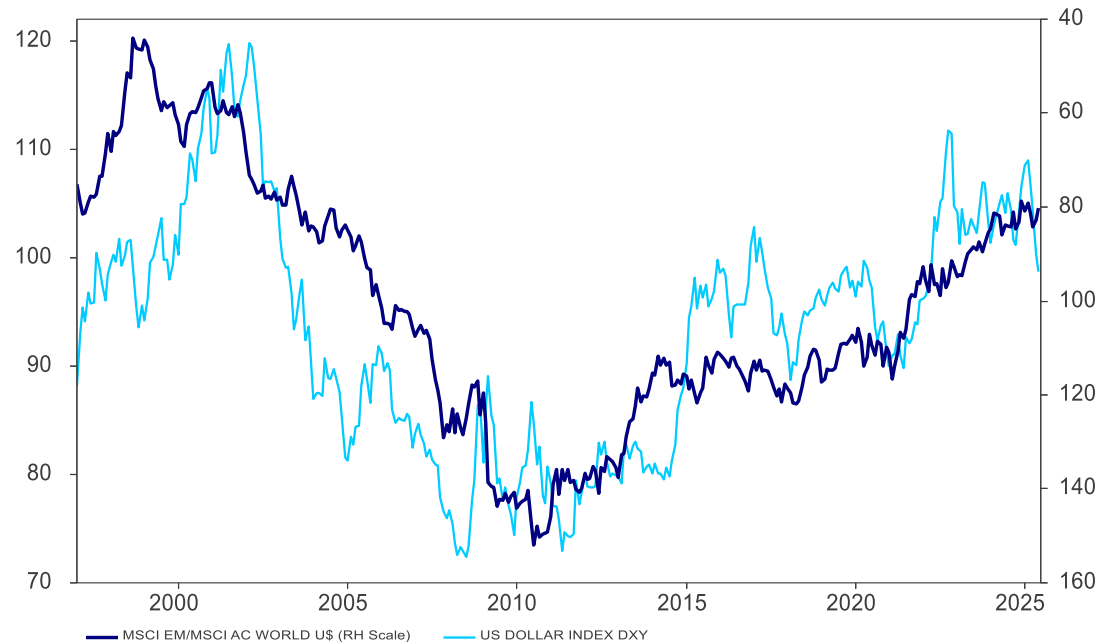


# Emerging Markets Equities.

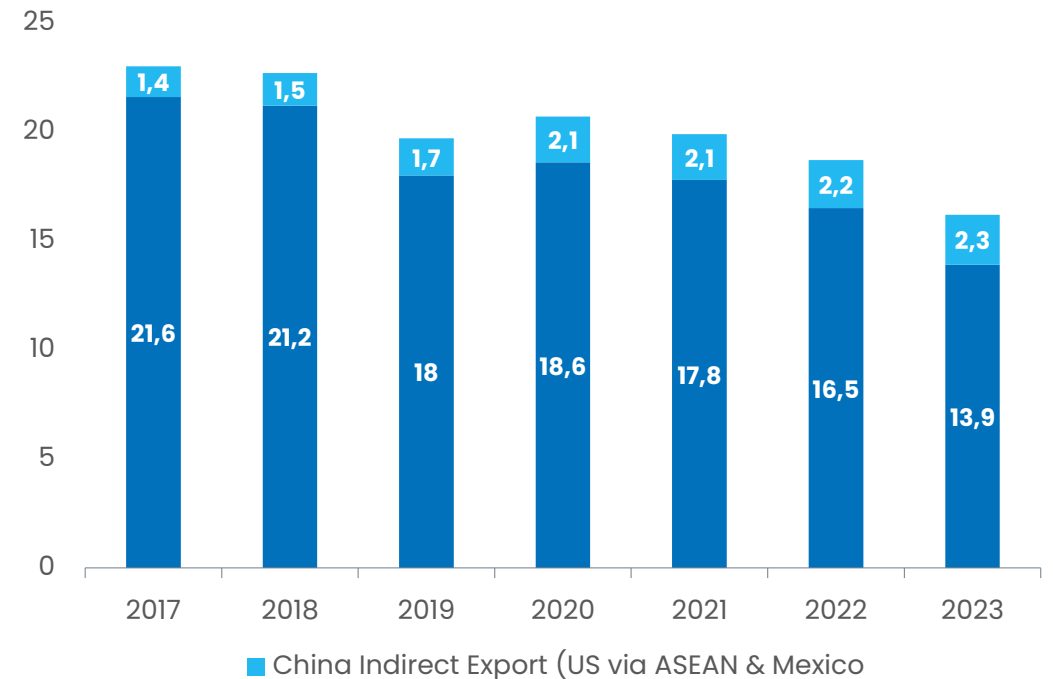
Emerging markets tend to benefit from lower USD while tariffs may bring volatility

## MSCI Emerging vs World and USD

MSCI Emerging vs MSCI World and USD  
6/24/2025



## China's direct and indirect exports to the US, in % of US' total imports



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JUN 2025





# 6 Appendix.



# Important information.

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