DECEMBER 2024

Investment Strategy Focus

2025 Outlook

Summary

1. **The Trump Trade 2.0 fades:** questions over the scale and timing of US federal policy shifts on deregulation, taxes, tariffs and foreign policy will remain until the 20 January 2025 Presidential inauguration. After a post-election knee-jerk move higher in the US dollar, bond yields and US stocks, markets now await policy details.
2. **Central banks will cut rates more in 2025:** the ECB should cut the deposit rate to 2%, with the US Fed Funds rate falling to 3.75% by September 2025 as inflation cools. Lower rates should stimulate industrial activity. We favour electrical/data centre-related infrastructure spending winners.
3. **Will energy prices descend further?** Despite Middle East tensions, oil prices have eased towards our new expected USD 60-70/barrel range on stronger expected supply. Increasing OPEC+ production could drive oil prices lower, a welcome support to consumption. Favour the Travel & Leisure sector, UK stocks, US retail.
4. **Rebalance stock portfolios:** since mid-2024, stock leadership has rotated into US small-caps (+19%) followed by the equal-weight S&P 500 index (+14%), with the Nasdaq 100 (+5%) lagging. We continue to prefer US mid-/small-caps to the equal-weight S&P 500 to cap-weighted S&P 500 and Nasdaq 100 indices.
5. **Is the precious metals rally over?** The gold price has corrected on a stronger US dollar and higher bond yields. We remain convinced that the rally in gold and silver can continue, as underlying demand drivers have not changed. We maintain our 12-month USD 3000 target for gold.

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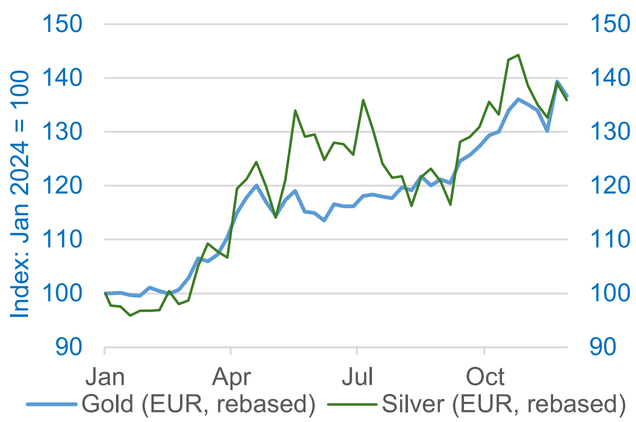
PRECIOUS METALS ENJOY A STRONG 2024



Source: BNP Paribas, Bloomberg

Edmund Shing, PhD

Global CIO

BNP Paribas Wealth Management

BNP PARIBAS WEALTH MANAGEMENT

The bank for a changing world

What will really matter in 2025

Redirected US government domestic and foreign policy	– The incoming Trump administration will potentially implement a wide range of domestic fiscal and deregulation policies. Tariffs and negotiations around tariffs and defence spending are likely to be a key focus of US foreign policy, alongside a potential shift in the US's government's attitude to the Middle East and Ukraine conflicts.
Falling benchmark interest rates, impact on liquidity	– Major central banks will continue to lower benchmark interest rates until late 2025 as inflation remains close to or even below target and as central banks look to support growth and employment. Macro liquidity should thus remain strong over the first few months of 2025, supporting risk asset markets.
Middle East and Ukraine conflicts	– These two conflicts remain unpredictable, with both scenarios of cooling tensions/ceasefire and rapidly intensifying conflict entirely possible. – The path of these two conflicts will likely continue to have a huge impact both on global uncertainty and on energy prices, and thus indirectly on growth and inflation well into 2025.
Direction of energy prices	– The geopolitical risk premium priced into crude oil remains a key driver of global energy prices. Fundamentals of weaker-than-expected global demand (e.g. from China) and higher production from OPEC+ and non-OPEC countries in early 2025 should keep energy prices capped in the absence of a higher geopolitical risk premium, easing inflation.
Rising fiscal dominance	– Record-high sovereign debt levels (even as a percentage of GDP) and higher bond yields have resulted in a surge in bond refinancing needs and in the interest cost burden on national budgets.
Technological disruption	– To what extent will technology impact earnings and productivity trends in 2025, given huge investment in potentially disruptive technologies including AI, cloud computing and cybersecurity? In other areas such as health care, energy and industrial automation, accelerating innovation should also drive improved efficiency and growth.

2025 Top Convictions

US and EU Banks, Financial Services (stocks)	- US banks should benefit from financial sector deregulation by the incoming Trump administration, alongside solid loan demand growth. - European banks should outperform thanks to rebounding loan demand, rising share buybacks + dividends and potential sector consolidation.
Japan (stocks)	- Japanese stocks continue to exhibit strong positive earnings revisions, improving profitability, merger & acquisition activity and shareholder returns, plus still-reasonable valuation. The recent weakness of the yen is an additional support.
EU investment grade Credit (bonds)	- European IG credit spreads remain relatively generous relative to very tight US spreads, while default risk remains very limited. The lower growth and inflation outlook for European economies is a fundamental support for underlying sovereign bond yields.
Gold and Silver (commodities)	- The recent correction in precious metal prices post US election as a reaction to the surge higher in US bond yields and the dollar provides an attractive entry point. - Long-term fundamentals as a diversifying store of value and in terms of strong industrial, central bank demand remain positive.
US energy infrastructure (alternatives, stocks)	- Growing electricity demand from data centres, air conditioning and electrification of the economy is driving the need for greater investment in US-based electricity generation and transmission capacity. - Increasing Liquefied Natural Gas export volumes underline the strong profitability and returns from oil & gas infrastructure.
Relative Value strategy Alternative UCITS/Hedge Funds (alternatives)	- Post US election uncertainty and high recent volatility and stock/sector dispersion provides a rich environment for relative value equity and credit hedge fund strategies, on a market neutral, low volatility basis. - We look for a repeat of 2024's robust risk-adjusted performance.

Will the good times for investors last in 2025?

Financial markets ignore global uncertainty

Despite warfare in Ukraine and the Middle East, plus political elections taking place in over 70 countries in 2024, the related uncertainty did not derail financial asset values. Moderate economic growth around the world, combined with easing inflation and lower benchmark interest rates provided a rare Goldilocks macroeconomic backdrop, allowing for stable growth in profits, income and values. In 2024 most asset classes delivered positive returns to investors, led by impressive gains in stocks and gold.

Challenges for 2025

The refinancing of record sovereign debt burdens will become a big issue given the rising interest cost burden on national budgets. This factor could weigh on longer-term bond yields, holding back bond performance, even with benchmark rates falling.

Secondly, the expensive valuation of US large-cap stocks at nearly 22x P/E following the impressive performance of the Magnificent 7 stocks could weigh on stock markets if earnings momentum slows. US corporate bonds are also expensive by historic standards, judging from current record-low credit spreads over sovereign bonds.

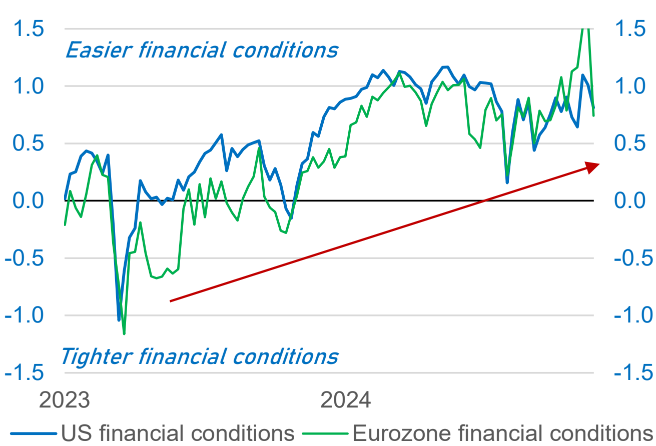
Ultimately, global liquidity will play a crucial role in determining the performance of financial assets in the year ahead, led by the actions of central banks. Lower interest rates will help boost liquidity. However, a key factor will be the conversion of elevated household savings rates out of cash into more economically-productive assets, particularly in China and Europe.

Key trends to watch in 2025

We believe that there are a select few trends that investors should keep front of mind in the new year:

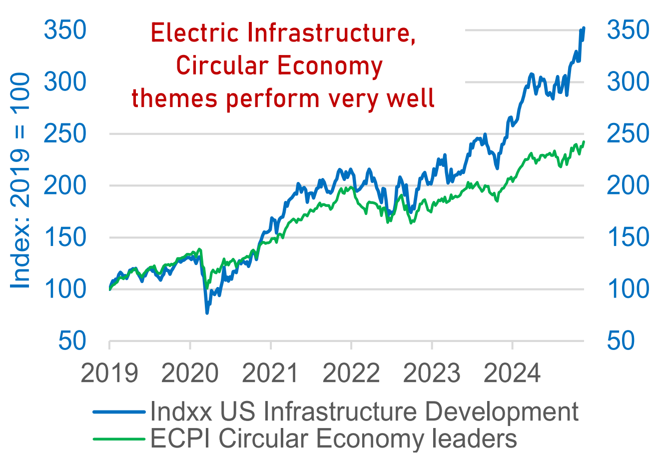
- **Lower interest rates**: a reversal of many of the steep interest-rate hikes in 2022-2023 will support leveraged asset classes, such as real estate, infrastructure and private equity. Cyclical stocks should gain from increased investment rates.
- **Energy infrastructure upgrades**: the energy transition, emerging economy demand growth and Artificial Intelligence-related investment drive the requirement to upgrade both electricity generation and transmission capacity around the world.
- **Diversifying away from record US concentration**: US large-cap stocks represent a historically-high percentage of the global stock market, and stock and bond markets are increasingly moving in sync. Investor portfolios need greater diversification by asset class and geography.
- **The AI investment wave**: hyperscalers like Amazon are investing massively in data centres amid the AI "gold rush". We focus on those companies that can benefit from this near-term investment wave, as well as the non-tech sectors that can put AI models to profitable use today.
- **Healthy longevity**: dramatic advances in new treatments for age-related diseases, improved diagnostic tests and a longer working life present new investment opportunities.

AMPLE LIQUIDITY EASES FINANCIAL CONDITIONS, BOOSTS STOCKS, CREDIT



Source: Bloomberg.

ELECTRIC INFRASTRUCTURE DEVELOPMENT DRIVEN BY DATA CENTRE POWER DEMAND



Source: Bloomberg

Economic Outlook, Interest Rates and Currencies

Guy Ertz

Entering a new world of tariffs and deregulation

The US election outcome is a game changer. The effects on US growth should be positive over the next few quarters but mixed to negative in 2026. The key assumption is that more stimulus and tariffs should push up inflation as the economy remains close to full employment. We expect tariff increases from the incoming US President, but we do assume that they will be lower than expected as tariff threats will also be used as a negotiation technique. Deregulation is the other key focus. European growth should be affected but only moderately. We see little impact on inflation forecasts. The same is true for most other countries. The risks of a recession in the eurozone remain low as the underlying trend is still supportive especially for the consumer. The outlook for household income remains positive especially as uncertainty over inflation has faded. Also note that a lot of negative news has already been priced in, and that economic data generally surprised positively in early November even in the eurozone. Turning to China, the November National People's Congress fell short with no mention of fiscal support for consumption or the property market. The markets are also concerned about potential US tariffs and the hawkish stance on China as Trump is expected to appoint China hawk Mike Waltz as his national security adviser. There is, however, still room for more fiscal stimulus. Lower uncertainty and a possible end to the conflicts in Ukraine and the Middle East could have a positive impact on world growth in 2025. In the medium term, however, we expect a negative effect from tariffs.

Benchmark interest rate outlook: lower in 2025

The implication of the US election is that the Fed may pause the rate-cutting cycle earlier than we had initially expected. We think that the Fed will pause its rate-cutting cycle in September 2025 with a policy rate of 3.75%, i.e., we expect two fewer 25bp cuts compared with our pre-election scenario. In the eurozone, disinflation is well underway, and the ECB is facing a risk of losing economic momentum. We therefore see a higher probability of a deeper rate-cutting cycle. We now forecast an ECB terminal rate of 2% that should be reached in September 2025.

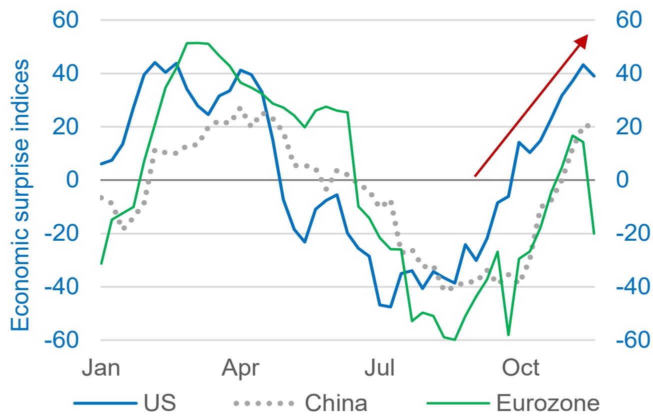
Bond yields and rising US risk premia

Post US election, we reviewed our US bond yield targets given the inflation risk and the risk of increased fiscal spending that would suggest more Treasury supply. We now see the US 10-year yield at 4.25% in 12 months. We keep our 12-month target on the German bund yield at 2.25%.

Looking for a strong US dollar

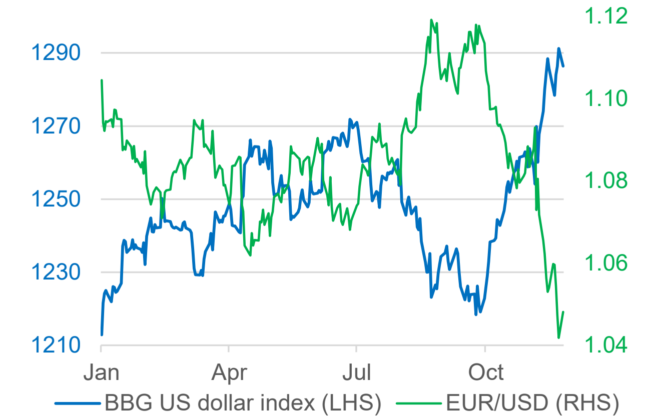
The main driver over the next few months will be the interest rate differential. As mentioned, the policy rate of the US central bank is now expected to stabilise at a higher level than in our previous outlook. In addition, the ECB will probably cut rates more than expected given the US election result. This would imply a much higher rate differential in favour of the dollar versus the euro. We expect the EUR/USD to stabilise at around 1.02 in 2025. We have also revised our USD/JPY target to 150 (value of one USD) for both our 3- and 12-month targets.

IMPROVING ECONOMIC MOMENTUM IN US, CHINA



Source: Bloomberg.

US DOLLAR HAS STRENGTHENED SHARPLY AROUND PRESIDENTIAL ELECTION



Source: Bloomberg

Recommendation changes post US election: Equities

Equities: Upgrading the US to Positive

Following the Red sweep, we should see the implementation of many (or all) proposed fiscal stimulus packages, including tax cuts and deregulation. It's worth keeping in mind that small and mid-caps have a higher gearing to low corporate tax rates, because, among other factors, their effective tax rate is currently above levels for large caps. If we combine this with a policy mainly focused on the domestic economy, we see the stars aligning for a more sustainable move from still rather expensive US mega caps to more reasonably priced areas of the market. We thus stick to our relative preference of small and mid-caps over the S&P500 equally weighted and over the S&P500 market weighted. Since the aforementioned policy should also help drive manufacturing PMIs higher, we continue to like cyclical stocks with domestic exposure. Financials are our key sector conviction in the US as the sector should benefit from a "higher for longer" rates environment and ongoing deregulation.

Downgrading Europe to Neutral

Prospects for Europe have worsened materially of late. Not only is the threat of a reacceleration of global trade tensions jeopardising our view of a growth recovery, but also this is probably the worst time. With the breakdown of the German leading coalition, a key country in the eurozone will be occupied with domestic issues in the coming months. This makes a coordinated European response to any US demands more complicated. Within Europe, we prefer UK stocks.

Due to its open and export-oriented business structure, Europe could also suffer from escalating trade tensions between the US and China. While our base-case scenario neither assumes a global 10% tariff rate nor a 60% tariff on China, the mere uncertainty stemming from the threat could create severe growth scares as uncertainty usually hinders investments. Earnings reported by European companies have been mixed so far. While free float market cap-weighted earnings results have come in 3.7% ahead of consensus, earnings revisions breadth remains negative.

Cautiously optimistic on China equities

We remain cautiously optimistic on China equities for three reasons:

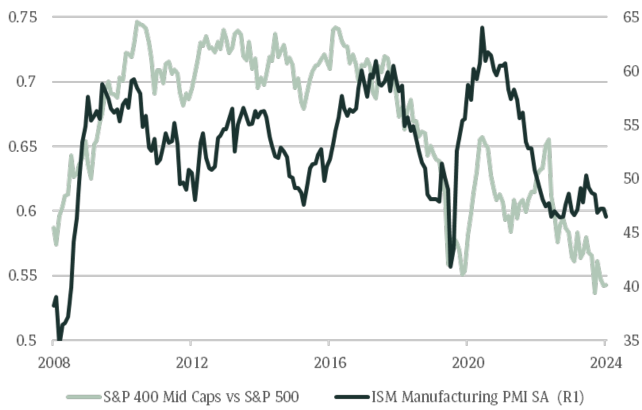
i) there is still room for more fiscal stimulus. It is likely that Beijing will prefer to introduce further stimulus in the 2025 budget after Trump's inauguration;

ii) the 60% tariff on China is not our base-case scenario. Like Trade War 1.0, it could be Trump's trade tactics for a trade deal (it may take less time to reach a trade deal in Trade War 2.0), and

iii) the China market could still be volatile in the short term, but we expect domestic A-shares (i.e. CSI 300 Index) to be more resilient than offshore China equities because of the ongoing capital market reform. Furthermore, the swap facility from the stimulus package announced in September has been working well to improve market liquidity and to encourage inflows into the A-share markets.

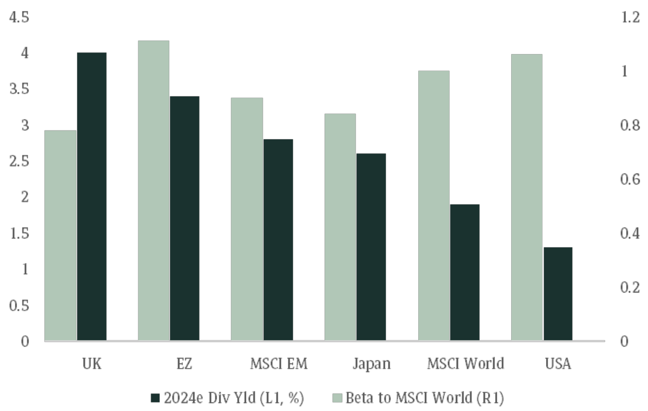
Stephan Kemper, Grace Tan

US MID CAPS SHOULD BENEFIT FROM STRONGER MANUFACTURING PMI



Source: Bloomberg.

UK EQUITIES OFFER A 4% DIVIDEND YIELD, HAVE A LOWER BETA TO THE MSCI WORLD



Source: Bloomberg

BNP PARIBAS WEALTH MANAGEMENT

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Recommendation changes post US election: Credit, Commodities

Credit and emerging market bonds

The Red sweep is the perfect scenario for Credit as it implies easier regulation and lower corporate tax. Corporate credit may test new cycle lows in the US. In Europe, the Red sweep is not Credit-positive given the potential tariffs and geopolitical uncertainty. We do believe, however, that this is at least partially priced in, and we do not expect Trump to impose as many tariffs as threatened. The technical backdrop remains very supportive, and we stay Positive on both EUR and USD Investment Grade corporate bonds, and Neutral on High Yield corporate bonds (where credit spreads are already very tight).

In Emerging Markets, fundamentals are sound, and the carry is elevated. However, the expected expansionary US fiscal policy will generate higher US bond yields, and the central banks' policy divergence augurs well for a stronger dollar. These two factors are not positive for EM bonds. In addition, potential tariffs and trade tensions will harm EM exporters. Hence, we turn Neutral from Positive on EM bonds.

Edouard Desbonnets

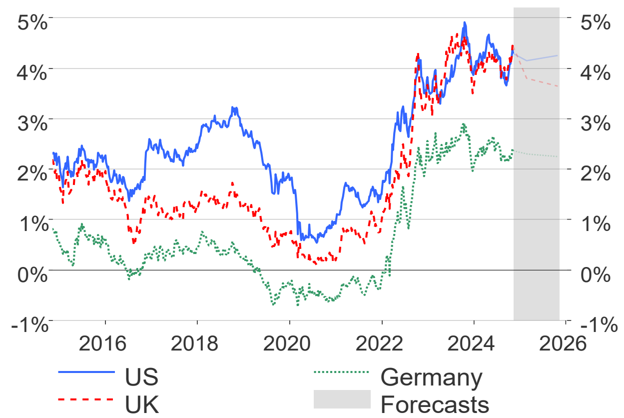
Commodities: Oil and Gold

President-elect Trump has promised to support US oil and gas exploration (including shale oil & gas), by rolling back regulation and speeding up permit-granting procedures. This will further increase the country's already record-high oil and gas production. While this offers positive volume growth prospects for US energy companies, it could entail additional pressure on oil prices in an already challenging supply-demand situation. Global demand growth remains very slow, partly due to the energy transition. This prospect of further growing US supply comes on top of OPEC's intention to gradually increase its production again. In recent years, OPEC+ had cut its production by 5.8 million barrels per day to support prices. But this was compensated by growing supply by non-OPEC countries. OPEC+ now want to recoup market share. Very gradual production increases, coupled with more discipline from some members, could be a feasible outcome for the oil market.

We downgrade our view on the Brent crude oil price to Negative with a lower target range of USD 60-70. The downside risks to oil are increasing, with the risk that OPEC+ ramps up its production too fast or does not reach a convincing agreement (or shows a lack of discipline). We expect limited global demand growth over the next few years due to the energy transition.

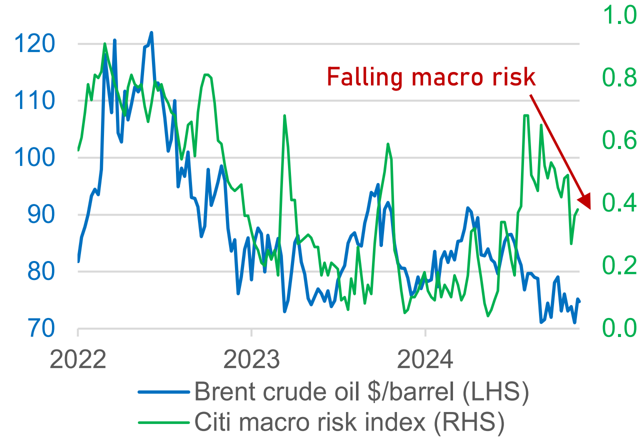
Patrick Casselman

FORECASTING MODESTLY LOWER 10Y BOND YIELDS IN 12 MONTHS



Source: LSEG Datastream, 12/11/2024

WEAKER GEOPOLITICAL RISK PREMIUM KEEPS CRUDE OIL IN THE $70S



Source: Bloomberg

Longer term: potential once in a generation opportunities

The rise (and fall) of American exceptionalism

Looking at the last 60 years, there have been three distinct periods where the US stock market has delivered exceptional performance: 1962-67, 1987-2000 and 2009 to the present day. Over each period, US large-cap stocks performed exceptionally well, +800% (19.4% annual average) from 1987 to 2000 and +980% (16.3% annual average) from 2009 to today.

In the first case, the rise of American exceptionalism was characterised by the Nifty 50, globally-exposed US stocks thought to be the only stocks to own. In the second case, we saw the Tech and Telecom bubble of the 1990s, fuelled by excitement over the rapid growth of the internet. In the current episode, we have the Magnificent 7 and the hype over Artificial Intelligence.

Today, US stocks have grown to dominate the global stock market, with a record-high 66% share of the MSCI All-Country World Index. In addition, the largest 10 stocks in the S&P 500 index have hit a record high 31%. Even at peak concentration in 2000, this share only reached 26%. According to Vanda Research, the average US individual's stock portfolio has 40% of its value in just 3 tech stocks!

But nothing lasts forever

Post 1967 and post 2000, US stock outperformance was followed by a prolonged period of underperformance versus international stocks and other asset classes. From 1967 to 1987, international stocks vastly outperformed the US, while from 2000 to 2008, energy stocks and small caps trumped US large-cap stocks.

For now, post US election the US still dominates

In the short term, US stocks are surfing on a wave of post-election euphoria over the prospects of tax cuts and deregulation, while international stocks suffer from the spectre of wide-ranging US import tariffs.

The key to a potential shift in the mega-cap tech stock dominance will lie in a deceleration in EPS growth from this group, as they have demonstrated market-leading earnings momentum up to now. But with earnings expectations now so high for this group, the risk of sharp price corrections on even a small quarterly results disappointment has risen.

"Trump 2.0" trade momentum unlikely to last

While the financial markets will continue to speculate as to the incoming Trump administration's policy shifts following the 20 January 2025 Presidential inauguration, we do not think that the immediate post-election surge in bond yields, the US dollar and cryptocurrencies is likely to be maintained. The 2025 economic environment is very different to that faced by President Trump in 2017 in terms of budget deficit, level of federal debt and even in inflation momentum.

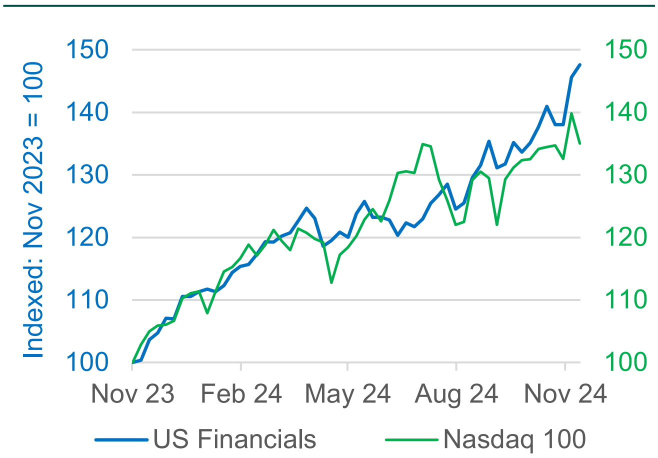
We believe that markets may be overpricing in the quantum of likely tax and tariff policy change on the back of President Trump's first term. In 2025, the Federal administration and the Federal Reserve will be subject to much tighter economic constraints.

Reversals in current US dollar strength may signal a change in momentum to US mid- and small-caps, value stocks and markets, and into other asset classes like Commodities.

US STOCKS ARE A RECORD 66% OF GLOBAL STOCK INDEX

Source: Bloomberg.

SINCE MID-2024, SECTOR ROTATION INTO FINANCIALS OUT OF TECH



Source: Bloomberg

Longer term: structurally high fiscal deficits

Heavy post-COVID sovereign debt burdens

The one long-term issue that is not overtly addressed in the stated manifestos of either of the two US Presidential candidates is the elevated budget deficit (the gap between US federal government tax receipts and spending). At 6% of GDP, this overspending relative to tax revenues is resulting in a 7% annual increase in the total amount of US government debt outstanding, which must then be financed through increased issuance of US Treasury bonds.

Today, total US federal debt represents 120% of GDP, a sharp increase since mid-2008 when this debt/GDP ratio stood at only 64%.

The era of fiscal dominance is upon us

Fiscal dominance occurs when national debt has reached levels at which a country is unable to pay it back with tax revenues and thus requires monetary policy support (from the central bank) to stay solvent and to continue operating.

Given the outstanding levels of government debt today in the US, Europe and Japan, I believe that we have entered a post-COVID era of fiscal dominance.

What this means in practical terms is the following:

a) Central banks such as the Federal Reserve and the ECB cannot simply set benchmark interest rates according to prevailing economic conditions. Raising interest rates too far, too fast can raise the government's cost of financing the national debt too much for comfort. This can potentially create doubts over debt sustainability in bond markets.

In turn, bond yields could increase sharply as the risk premium demanded jumps and thereby threatens financial market stability – one of the main underlying goals of central banks. So, benchmark interest rates may have to be maintained at lower levels than would otherwise be the case.

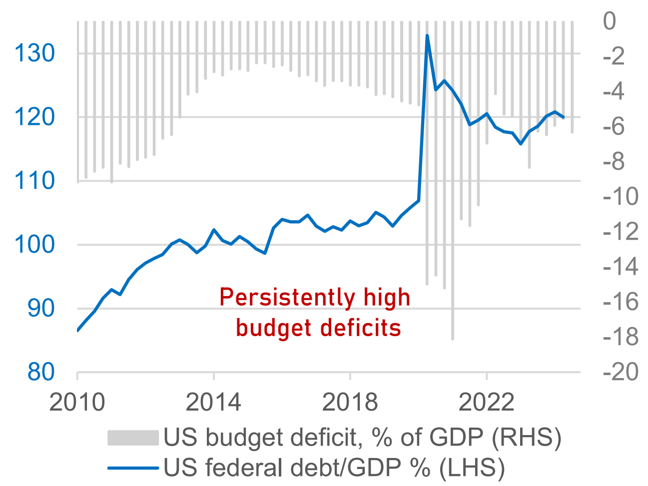
b) It suggests that governments have a reduced capacity to support demand via heavy government spending at times of crisis such as the 2008 financial crisis and the 2020 COVID pandemic.

c) Central banks may have to tolerate inflation moderately higher than their 2% target, to allow slow erosion of the value of this debt in real (after-inflation) terms. They may also have to act as the buyer of last resort of government bonds via quantitative easing, in fulfilment of their financial market stability mandate.

US federal debt levels periodically become an issue due to the existence of a legally-defined absolute debt ceiling. This ceiling must be explicitly raised with the agreement of Congress whenever it is reached, to avoid a federal government shutdown. The US debt ceiling is currently suspended but will automatically come back into effect in early January 2025. At some point in early 2025, once Treasury cash reserves are exhausted, debt ceiling concerns may resurface.

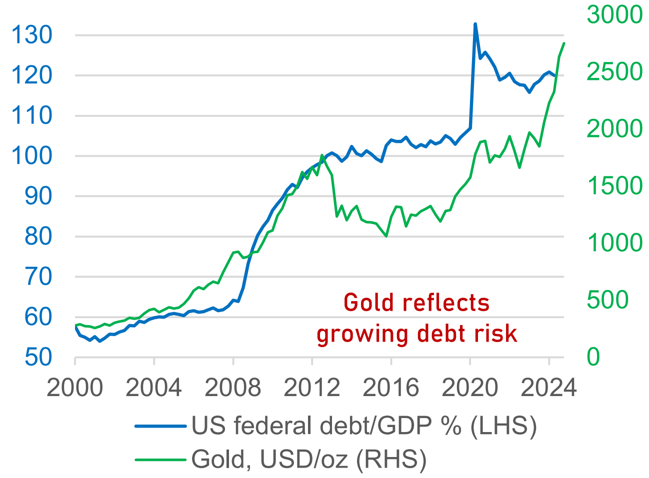
Growing US debt is a driver of gold prices: the era of fiscal dominance underlines **the importance of gold in a diversified portfolio, as a form of globally-accepted "sound money".**

US CONTINUES TO ADD FEDERAL DEBT FASTER THAN THE ECONOMY CAN GROW



Source: BNP Paribas, Bloomberg.

GOLD PRICE HAS MIRRORED EVOLUTION OF THE US DEBT BURDEN



Source: BNP Paribas, Bloomberg

Macro, Market Views

	Macro		- US economic data came out broadly better-than-expected especially on consumer sentiment. The manufacturing sector remains the weak point. Initial jobless claims suggest slower hiring, not layoffs. - In the eurozone, consumer confidence remains on an upward trend. The main worry is the manufacturing sector. The service sector is holding up somewhat better. China and global trade could bring positive surprises.
	Rates	=	- US election Red wave suggests higher medium-term spending and deficits, pressuring long-term US Treasury yields. - US, Euro central banks to cut benchmark rates to 3.75%, 2% by September 2025 - We see the US 10-year yield at 4.25% in 12 months. We keep our 12-month target on the German bund yield at 2.25%.
	Credit	+	- We keep a Positive medium-term stance on US and eurozone corporate bonds of high quality ("Investment Grade"). - Prefer shorter maturities in the US and longer-term maturities in eurozone
	Equities	+	- The key risks are that the market starts to reprice growth fears with central banks being perceived as "behind the curve". - Favour US, UK, Japan. In Asia prefer Singapore, South Korea, Indonesia. - We like Mid-/Small-Caps. Positive on Health Care, Industrials and Materials such as Metals. We also like Financials and REITs. - We prefer investment themes like clean water, copper miners, electricity infrastructure, the circular economy, and deep value markets.
	Real Estate	=	- Lagged impact from higher interest rates to fade after stability in commercial real estate returns in Q2/Q3 2024. We see European real estate prices slowly stabilising, with rental yields now more attractive. - Industrial/logistics exposure preferred for healthy yields, higher expected rental growth on robust underlying demand growth. - Listed REIT exposure preferred given low price/book values, 4%+ dividend yield
	Commod-ities	+/-	- Gold: Positive view as EM central banks should continue strategic purchases and Asian households remain buyers. Gold 12m target remains USD 3000/ounce. - Downgrade to Negative stance on Oil, price range for Brent crude oil lowered to USD 60-70 on weaker global oil demand, potentially higher non-OPEC oil & gas supply and an expected reduction of OPEC+ production quota cuts in 2025.
	Alternative UCITS/ Private Assets	=	- We favour relative value equity, credit and event-driven funds for their robust risk-adjusted returns at low volatility. - Private equity buyout funds are a preferred private asset subclass, given robust long-term returns and an abundance of public market opportunities
	FX		- US Presidential/Congress election result gives the US dollar added upwards momentum on wider expected rate differentials. EUR/USD 3-month target now USD 1.06, 12-month target USD 1.02 (for 1 euro) - USD/JPY targets now JPY 150 for both 3- and 12-month horizons. - USD/CNY 3-month target is at 7.20 and our 12-month target is at 7.30.

Summary of our main recommendations, by asset class

	Current Recom	Prior Recom	Constituents	We like	We avoid	Comments
EQUITIES	+	+	Markets	US, UK, Japan, Brazil, China, S. Korea Singapore and Indonesia		Buoyant global liquidity continues to support stock markets. Key drivers include falling US inflation, lower interest rates, improving macro liquidity, and easing energy prices. Build stock exposure gradually on market consolidations.
			Sectors	Global Health Care, Industrials, Materials, EU Financials & Technology	EU Oil & Gas, Consumer Staples	**Banks and financial services** should benefit from improving loan demand, elevated Net Interest Margins & loan loss provisioning. **Health Care** has benefited from a strong earnings season and promising drug pipelines.
			Styles/ Themes	Quality, Megatrend themes		Circular Economy, Electrification, Security, Deep Value themes
BONDS	=	=	Govies	Favour US 5-7 year duration. Prefer inflation-indexed bonds		12-month US 10Y yield target 4.25%, German 10Y bund yield 2.25%
	+	+	Credit	US, Euro IG credit		We favour investment grade Credit, focusing on EU credit (especially financials) on the back of decade-high yields and strong balance sheets.
	=	+	EM bonds	USD and local currency		We turned Neutral on EM bonds given risks ahead (trade barriers, stronger USD, high-for-longer US yields and tight valuations. The fundamentals remain however in place
CASH	-	-				
COMMO-DITIES	+/-	+/=		Gold (+) Oil (-) Industrial metals (+)		Oil (-) Weaker global oil demand and the prospect of a steady reduction in OPEC+ production cuts force Brent prices into the USD 60-70 range. Base metals (+) The outlook for the manufacturing sector is improving. Cyclical demand will join structural demand while supply remains constrained. Gold (+) we remain Positive on the medium term for geopolitical reasons, 12-month range = USD 3000.
FOREX			EUR/USD			Our EUR/USD 12m target is USD 1.02. USD/CNY 12-month target is at 7.30.
REAL ESTATE	=	=		Health Care, logistics/ warehouses		Unlisted real estate faces enduring headwinds from slowing economies and much higher financing rates. Prefer listed real estate.
ALTERNATIVE UCITS				Long/Short Equity, Credit and Relative Value, Trend-following		Relative value alternative UCITS funds have beaten bond/credit indices since the start of 2023, offering lower risk returns, at low volatility.
INFRA STRUCTURE	+	+		Energy, transportation, water		Excellent long-term returns expected from private and listed infrastructure given long-term underinvestment.

Economic, FX forecast tables

BNP Paribas Forecasts

GDP Growth %	2023	2024	2025
United States	2.9	2.7	2.1
Japan	1.7	-0.3	0.7
Eurozone	**0.5**	**0.8**	**1.5**
Germany	-0.1	-0.1	0.9
France	1.1	1.2	1.2
Italy	1.0	0.5	1.1
Emerging			
China	5.2	4.9	4.5
India*	8.2	6.9	6.7
Brazil	2.9	3.1	2.0

* Fiscal year

Source : BNP Paribas, Bloomberg - 26/11/2024

BNP Paribas Forecasts

CPI Inflation %	2023	2024	2025
United States	4.1	2.9	2.3
Japan	3.3	2.7	2.4
Eurozone	**5.4**	**2.3**	**1.9**
Germany	6.0	2.4	2.1
France	5.7	2.3	1.2
Italy	5.9	1.1	1.8
Emerging			**0.0**
China	0.2	0.4	1.3
India*	5.4	4.7	4.3
Brazil	4.6	4.4	4.2

* Fiscal year

Source : BNP Paribas, Bloomberg - 26/11/2024

	Country	Spot 28/11/2024		Target 3 months	Target 12 months
Against euro	United States	EUR / USD	1.06	1.06	1.02
	United Kingdom	EUR / GBP	0.83	0.83	0.83
	Switzerland	EUR / CHF	0.93	0.94	0.96
	Japan	EUR / JPY	159.91	159	153
	Sweden	EUR / SEK	11.53	11.40	11.20
	Norway	EUR / NOK	11.66	11.60	11.30
Against dollar	Japan	USD / JPY	151.53	150	150
	Canada	USD / CAD	1.40	1.38	1.40
	Australia	AUD / USD	0.65	0.66	0.64
	New Zealand	NZD / USD	0.59	0.60	0.60
	Brazil	USD / BRL	5.99	5.60	5.80
	India	USD / INR	84.50	84.0	84.0
	China	USD / CNY	7.25	7.20	7.30

Source: : BNP Paribas, Refinitiv Datastream. As at 28 November 2024

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