FEBRUARY 2025

Investment Strategy Focus

The Trump Tornado

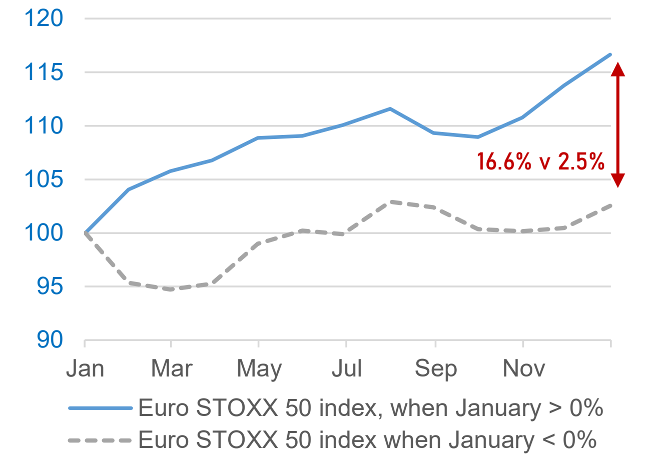
Summary

1. **"Tariff Man" strikes again:** President Trump has targeted Mexico, Canada, and China with wide-ranging tariffs, prompting retaliatory tariffs from Canada and China. The suspension of Mexican and Canadian tariffs post concessions suggests that these tariffs may not be permanent. If ultimately maintained, expect a -0.4% drag on the US economy and +0.8% on core inflation.
2. **Can inflation ease further?** Despite tariffs, inflation rates can ease further as i) oil & gas prices, ii) housing costs, and iii) wage growth should all moderate in the months ahead. Further rate cuts should benefit manufacturing activity, bank lending, and construction sectors.
3. **A buying opportunity in US inflation-protected bonds:** US 10-year real bond yields above 2% have historically resulted in 12-month returns close to 10% on average. With real yields now at 2.1%, we like US Treasury Inflation-Protected bonds. We also favour longer-duration US and UK sovereign bonds given higher term premia.
4. **DeepSeek disruption?** Is the launch of this low-cost Chinese AI large language model the "Ryanair" disruptor to US mega-cap tech oligopolies? This accelerates the "commoditisation of AI" and may trigger sector rotation away from Technology. Favour equal-weight S&P 500, Financials & Industrial sectors.
5. **A constructive 2025 outlook for private assets:** certain private credit strategies offer attractive yield pick-up opportunities in a world of tight credit spreads. European commercial real estate offers high prospective returns from a nascent recovery in property values, rental growth and higher rental yields as interest rates fall.

Contents

Macro, Market Views	2
Consider US TIPS, longer-term US and UK government bonds	3
Later stages of a bull market in stocks	4
Trump announces new import tariffs	5
Broad-based commodity strength	6
Could inflation turn out lower than expected?	7
Private markets: a potential return to form	8
Real Estate recovery starts	9
Our main recommendations	10
Economic, FX tables, Team	11
Disclaimer	12

STRONGER STOCK MARKET MOMENTUM WHEN JANUARY IS A POSITIVE MONTH



Source: BNP Paribas, Bloomberg . Data range: 1987-2024

Edmund Shing, PhD

Global CIO
BNP Paribas Wealth Management

Macro, Market Views

Macro			– The US grew at 2.3% annualised GDP growth in Q4 2024, helped by a strong consumer. The manufacturing sector remains the weak point. – 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	=		– After a sharp rally in US bond yields, slowing economic momentum suggests that yields may ease in the months ahead. US TIPS are attractive, as are longer-duration US and UK sovereign bonds.. – US, Euro central banks to cut benchmark rates to 4%, 2% by September 2025 – We see both the US 2-year and 10-year yields at 4.25% in 12 months. We keep our 12-month target on the German bund yield at 2.25%.
Credit	+		– We stay Positive given the strong technicals, high carry and low volatility. We prefer maturities of up to 10 years in the eurozone and we increase our maturity preference up to 7 years in the US. We continue to like EUR and USD IG corporate bonds, and we turn Positive on UK IG corporates.
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. – We upgrade Consumer Products & Services in Europe to Neutral
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. – Negative stance on Oil, price range for Brent crude oil of 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			– USD/JPY targets JPY 150 for both 3- and 12-month horizons. – We expect most of this USD appreciation to result from a wider interest rate spread in favour of the USD, given our rate cut outlook for the Fed versus the ECB. We expect further strengthening of the dollar and possibly a retest of the currency pair. Our 3-month target is 1.00 and our 12-month target is 1.02 (value of one EUR).

Consider US TIPs, longer duration US and UK government bonds

UK, UK longer duration bonds offer higher yields

Since September last year, the benchmark 10-year bond yield for US Treasuries and UK Gilts has jumped from 3.6% to 4.5% in the US, and from 3.7% to 4.6% in the UK. We see this surge in yields as an excellent opportunity for conservative investors to buy US and UK sovereign bonds, with the expectation that inflation can ease in both countries in the near future and thus that central banks will lower benchmark interest rates further.

Highest term premium in over 10 years

One measure of the better value today in longer-duration US and UK bonds is a higher 10-year term premium. As a reminder, the term premium is the amount by which the yield on a long-term bond is higher than on a short-term bond, reflecting the amount that investors expect to be compensated for holding longer-duration bonds.

In the case of 10-year US Treasuries, this term premium has increased to +0.5% from below zero as recently as early October. Indeed, this term premium now stands at its highest level in nearly 10 years, well above the 20-year average term premium of 0.4%.

Not only do we like longer-term US and UK government bonds as these elevated yields, but we also like US and UK investment-grade corporate bonds for similar reasons, in spite of their relatively low credit spreads. In absolute yield terms, BBB-rated US corporate bonds offer a 5.5% yield, while UK investment-grade corporate bonds yield 5.4%.

US inflation-protected bonds are attractive now

In the wake of the surge in US bond yields since September, with a 1% increase in the 10-year Treasury benchmark to late January, the 10-year Treasury Inflation Protected real bond yield today sits above the key 2% level at 2.1%.

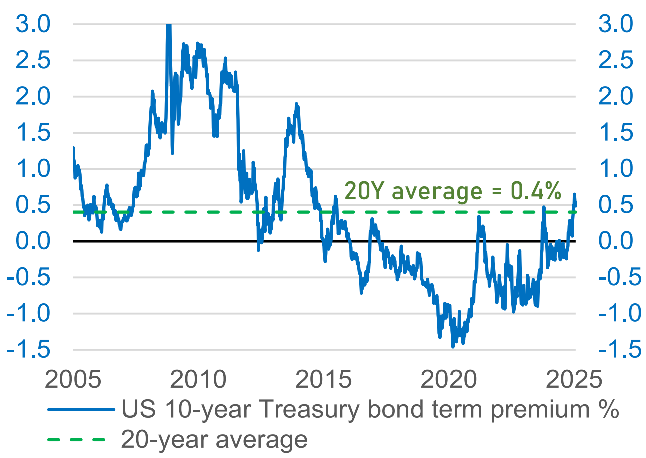
From a historical perspective, this real yield has rarely exceeded 2% for long in the past 25 years. Prior to 2024-25, the last occasion was in 2009. Subsequent 12-month returns in inflation-protected bonds has averaged 10% when the starting 10-year real yield was 2% or higher.

Recall that the total return from bonds is typically best predicted by the yield level at entry – i.e. the higher the starting yield, the higher the expected returns over the medium term. Today's starting US TIPS yield is the highest seen in over 10 years.

Moreover, even when inflation and interest rates were low prior to 2020, US inflation-protected bonds significantly outperformed the Bloomberg US Treasury bond index. The US inflation-protected bond index has returned 4.3% on an annual average basis from 2002 to 2024, 0.9% per year better than the 3.4% achieved by the overall US Treasury bond index.

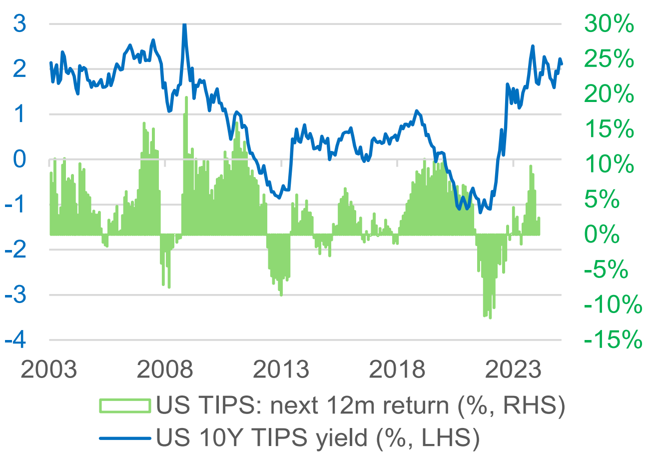
Key messages: In fixed income, we turn Positive on US and UK government bonds, recommending a benchmark duration (of 6 years in the US). We also like US inflation-protected bonds, given the attractive real yields on offer today.

US 10Y BOND TERM PREMIUM OF 0.5% AT HIGHEST LEVEL IN 10 YEARS



Source: BNP Paribas, Bloomberg.

US REAL TREASURY YIELDS ABOVE 2% HAVE BEEN A GOOD BUYING OPPORTUNITY



Source: BNP Paribas, Bloomberg

Still in the later stages of a bull market in stocks

Growth, liquidity and buoyant sentiment in charge

The bull market in stocks that started back in October 2022 remains the primary market trend, supported by a combination of:

a. **Positive economic and earnings growth**, led by the US with Q4 2024 GDP growth of 2.3% annualised and 11% Q4 annualised earnings growth for the S&P 500;

b. **Buoyant global liquidity**, fuelled by rebounding money supply growth in the US and China, lower central bank interest rates and high Chinese, Japanese and European household savings rates looking for higher returns in stocks, corporate bonds and money market funds;

c. **Risk-on sentiment** in global financial markets as measured by bullish investor surveys, historically tight corporate credit spreads and robust ETF flows.

d. **A continued reduction in supply of shares** in US, European and Japanese stock markets. Share buybacks continuing to vastly outweigh new supply in the form of initial public offerings or secondary share issuance.

But keep an eye on long-term interest rates

The high valuations of US mega-cap tech stocks render the US stock market vulnerable to a correction, should long-term interest (US 10-year bond yields) rise to and beyond 5%. These long-term rates, in turn, depend on a combination of long-term inflation expectations and confidence in the sustainability of sovereign debt in the face of rising interest costs. Current US 10-year yields below 4.6% do not point to an imminent risk to US stock valuations but should be monitored closely.

Sector rotation away from Tech

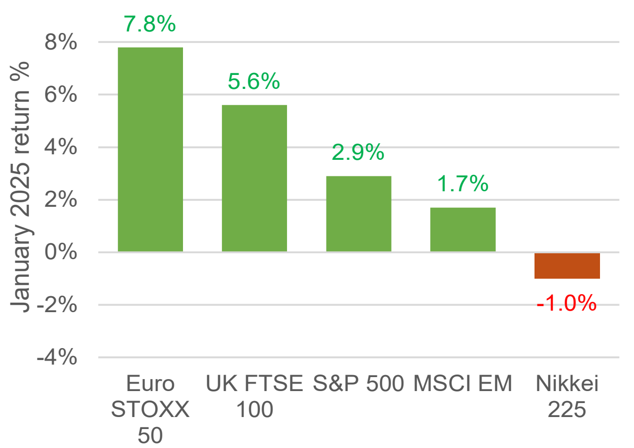
We saw a sell-off in the mega-cap tech and semiconductor sectors for several days following the surprising 23 January announcement of the impressive results from the low-cost Chinese DeepSeek R1 large-language model. But this merely accelerated a sector rotation away from technology, which had begun at the start of this year. To 30 January, the Nasdaq 100 only gained 1.9%, while the S&P 500 ex tech index advanced 5.8%, the Euro STOXX 50 +7.9% and the German DAX +9.1%.

The bigger story here is the commoditisation of AI – that more and cheaper AI models and algorithms provide a more cost-effective route for companies to embed AI-enabled processes into their businesses.

The Jevons Paradox and AI

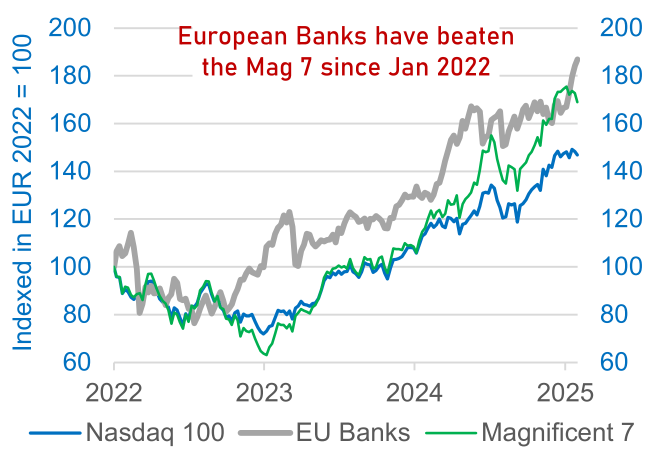
According to the Jevons Paradox, as technological improvements increase the efficiency of resource use, the overall consumption of the resource tends to increase (not decrease) as demand increases sharply. Cheaper leading-edge AI models should accelerate their adoption in the wider economy, driving productivity gains across sectors and driving even faster growth in electricity demand. The big winners from this next stage in the AI development cycle will not necessarily be the Magnificent 7, but rather companies that can drive significant AI-related productivity benefits in the financial, health care and software sectors. AI commoditisation should also spur the development of a new wave of businesses and industries, as seen with the widespread adoption of mobile internet and smartphones.

EUROPEAN STOCKS LEAD IN JANUARY AS TECH STOCKS LAG



Source: BNP Paribas, Bloomberg. Note: returns in local currency

MAG 7 NOT THE ONLY STORY IN STOCKS: LOOK AT EUROPEAN BANKS



Source: BNP Paribas, Bloomberg. Total return, in euros

Trump announces new import tariffs

Guy Ertz, PhD

US tariffs – More and faster, but for how long?

The announcement of higher US trade tariffs confirms our key assumption that Donald Trump's campaign promises should be taken literally and seriously. In fact, the announced increases in tariffs were even larger and came faster than we had predicted. We had initially thought that tariffs would be hiked gradually.

The announcement of slapping a 10% tariff on China and a 25% tariff on all imports from Canada and Mexico (except for Canadian oil and energy products, for which a 10% levy would apply), effective from 4 February suggests a much more immediate and marked increase in the effective US tariff rate than we had assumed.

Has President Trump announced such high tariffs to a) put maximum pressure on upcoming negotiations, or b) does he intend to stick to this level of tariffs to reroute supply chains and earmark the revenues to reducing the budget deficit?

On 2-3 February, President Trump paused the anticipated tariffs on Mexico and Canada for 1 month. This followed an agreement with Mexican President Claudia Sheinbaum to position 10,000 Mexican soldiers on the US-Mexico border to stop the flow of fentanyl and illegal immigrants into the US. Canadian Prime Minister Justin Trudeau has made a similar commitment. This "pause" will allow time for further negotiations. Discussions with the Chinese premier are also very likely. A deal including the lowering or cancelling of tariffs is still quite likely, in our view.

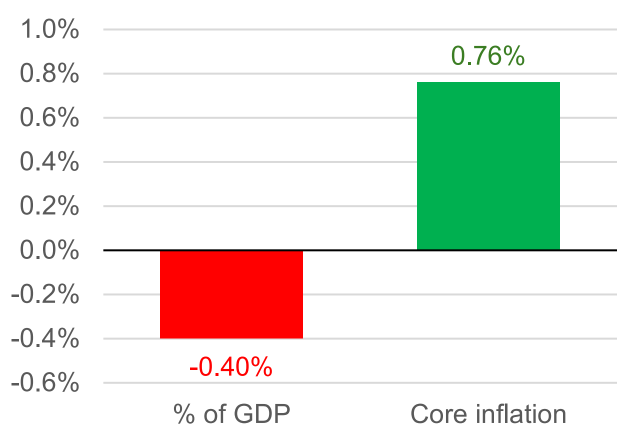
Is Europe next in line?

We expect tariffs on Europe to follow soon. The current announcements have already hurt some large European companies, especially in the auto sector. Indeed, German carmakers have shifted production of cars and parts to Mexico over the past few years. A Negotiations leading to lower tariffs in return for much more oil and gas as well as defence purchases could be a compromise.

Trump's dilemma and why we think tariffs will not stay high

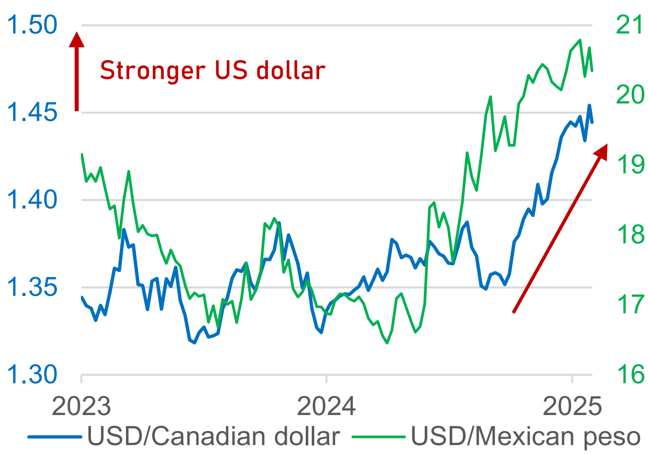
The price to pay for keeping tariffs at such high levels would be great. Indeed, economic research and history suggest that such large tariffs generate higher inflation and dampen economic growth, especially considering that the risk of a "tit-for-tat" escalatory trade war is very likely. Substantial tariffs act as a consumption tax and have a direct effect on inflation and can even destabilise inflation expectations. For businesses and consumers alike, elevated tariffs would likely have a lasting impact on investment and consumption. Furthermore, the central bank could face a critical stagflation dilemma between weaker economic activity and rising inflation. The cost for Trump and the Republican party could thus be very high as they could risk losing their slim majority on the House of Representatives at the 2026 mid-term elections. This political consideration adds to the argument of a moderation or cancellation of these tariffs in time.

ECONOMIC & FISCAL EFFECTS OF 25% TARIFF ON MEXICO + CANADA, 10% ON CHINA



Source: The Budget Lab at Yale University, 31 January 2025

CANADIAN DOLLAR AND MEXICAN PESO HAVE ALREADY WEAKENED HEAVILY VS USD



Source: BNP Paribas, Bloomberg

Broad-based commodity strength building

Reversal in US yields arrests USD advance

Since September when Donald Trump began to poll ahead of Kamala Harris, the US dollar has followed bond yields higher in the expectation of i) higher import tariffs, ii) stronger economic growth, and iii) fewer (if any) Federal Reserve rate cuts.

This was reflected in the widening gap in 2-year bond yields between the US and Europe (using Germany as a benchmark), with this yield spread increasing from 1.4% to over 2.3% at peak in November. Since then, US inflation prints have proved relatively benign.

With this EU-US yield spread subsequently declining to 1.95%, one would normally expect the US dollar to weaken against the euro, given the tight relationship between the two in 2024. While we maintain our long-term target of USD 1.02 per 1 euro, there is a good chance that the US dollar will ease against major currencies in the near term after a powerful rally.

The imposition of sweeping tariffs against the US's 3 major trading partners has initially reinforced the US dollar, but the subsequent 1-month suspension of announced tariffs on all Mexican and Canadian imports suggests a pause in the US dollar's momentum, better news for commodity prices.

A following wind for commodities

Despite the recent strength of the greenback, broad commodity indices have rallied in recent months, hitting their highest levels since the end of 2022 led by agricultural commodities, such as coffee and cocoa, with help from precious metals and natural gas.

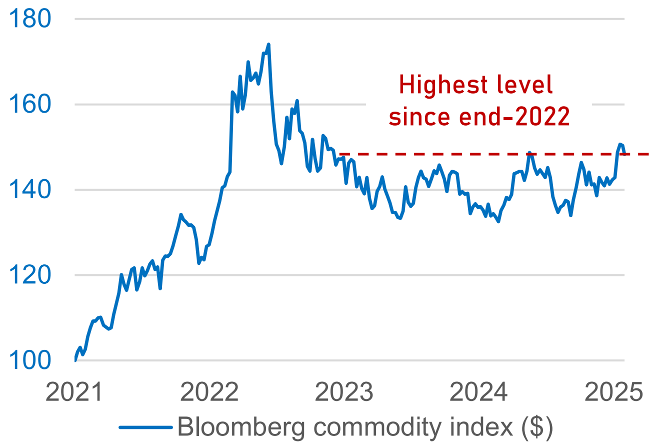
Believing in a volatile commodity supercycle

We maintain our belief that commodities have entered a supercycle since 2022 on the basis of restricted supply across a swathe of raw materials, albeit one that is volatile due to fluctuating geopolitical currents.

Industrial metals are laggards for the moment but could benefit from an expected upturn in global manufacturing activity and the announcement of further Chinese economic stimulus measures, broadening the commodities rally.

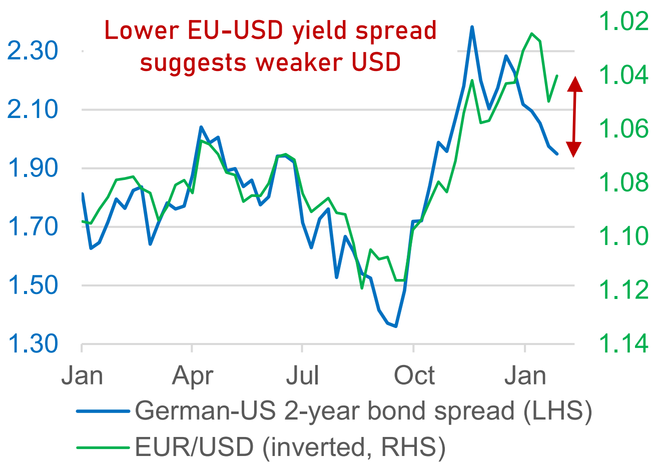
Key messages: For a broad exposure to commodities in a diversified portfolio, consider enhanced roll commodities strategies that outperform standard commodity indices over time.

COMMODITIES CHALLENGING NEW 2-YEAR HIGHS



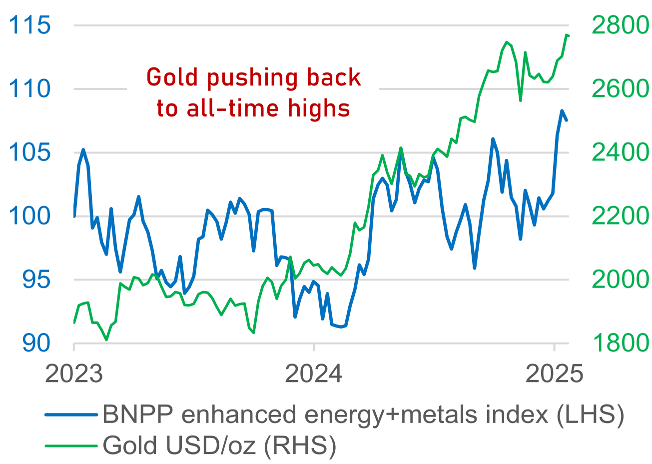
Source: BNP Paribas, Bloomberg.

NARROWING EU-US BOND YIELD SPREAD SUGGESTS STRONGER EURO, WEAKER USD



Source: BNP Paribas, Bloomberg.

GOLD HITS A NEW ALL-TIME HIGH IN USD AND EURO



Source: BNP Paribas, Bloomberg

Macro: Could inflation turn out lower than expected?

Inflation has settled in the "2s"

US and eurozone inflation rates have returned to the "acceptable" region of 2%-3% (2.7% for eurozone core CPI year-on-year and 2.8% y/y for the US core Personal Consumption Expenditure - PCE),. As a result, central banks continue to reduce their benchmark interest rates. Moreover, China remains on the brink of deflation, with inflation at merely 0.1% y/y.

In the US, consumer inflation expectations for the year ahead have steadied at 3%, close to the pre-2020 average, while the consensus of economists expects eurozone inflation to average just 1.9% this year.

Further downside inflation surprise to come?

While the conventional wisdom in financial markets expected President Trump's policies around tariffs and immigration to be inflationary in nature, there are good reasons to suggest that US inflation can in fact trend lower over the next few months.

Firstly, US services inflation should trend lower as wage growth eases, with the JOLTS quits rate falling to 1.9% and pointing to even lower wage pressures ahead. The poor current reading in the present situation component of the University of Michigan's consumer confidence survey also predicts lower wage growth over the next 12 months.

Secondly, real-time measures of US rental inflation points to a lower shelter CPI to come – the cost of shelter remains by far the largest component of core inflation, running at 4.6% y/y as of December.

Energy prices to ease post winter seasonality

Thirdly, energy costs should ease. Seasonally high natural gas prices should ease as we exit peak heating demand from March onwards, which will also ease electricity prices.

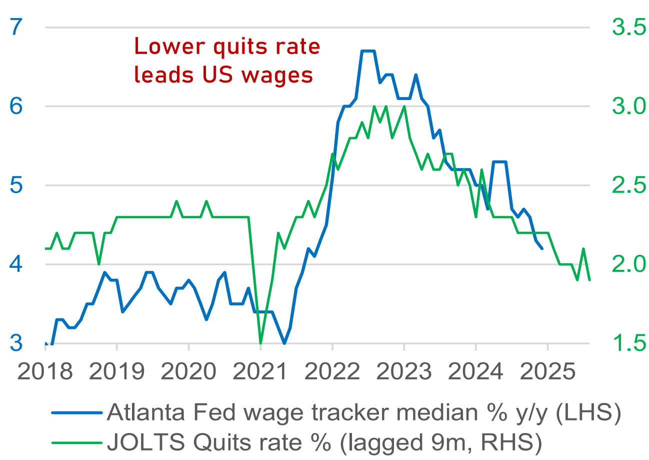
We also look for lower crude oil and oil product prices ahead off the back of increased OPEC+ and non-OPEC production this year (4 million barrels/day more in 2025 versus 2024), which should drive the Brent crude oil benchmark towards our forecast USD 60-70/barrel range from the current USD 77 level.

In conclusion, we expect inflation to remain low enough for central banks in the US, Europe and China to continue to lower their reference interest rates.

MAJOR 7 NATIONS AVERAGE INFLATION HAS EASED TO 2.5% Y/Y

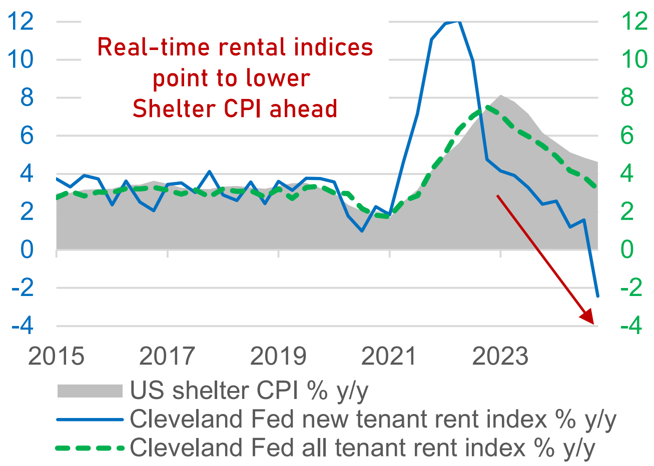
Source: BNP Paribas, Bloomberg, OECD

FEWER EMPLOYEES QUITTING THEIR JOBS SUGGESTS EASING WAGE GROWTH



Source: BNP Paribas, Bloomberg.

REAL-TIME US RENTAL MEASURES PREDICT LOWER HOUSING INFLATION



Source: BNP Paribas, Bloomberg

Private markets: a potential return to form as interest rates fall

Below-average private equity returns in 2023-24

Asset classes that benefit from financial leverage such as private equity and private real estate delivered below-average returns for the 12 months to end-June 2024, as high interest rates took their toll on asset values.

Private real estate has suffered a revaluation of net asset values on the back of higher financing costs since the middle of 2022. Real estate returns are only now returning to positive territory as property values start to stabilise, thanks to the lagged effect of falling short- and long-term interest rates.

Contrast this with the strong performance from private credit and hedge funds which have benefited from a combination of high interest rates and strong macro trends, while listed stocks and gold performed best of all.

Private equity funds have seen a fall in exits

The more challenging environment for private equity valuations due to higher interest rates, and the relative dearth of exits via initial public offerings (IPOs) has led to holding periods for private equity investments lengthening in many cases. But with the continued strength of the global stock market, we would expect an acceleration in IPOs in 2025 which will enable private equity funds to exit investments and return more cash to investors, potentially boosting fund returns. We forecast a long-term expected annual return of 9.5% for the private equity asset class.

Private credit continues to offer attractive spreads

Private credit continues to offer attractive uplifts in yields over listed corporate and government bonds, with private credit yields on average close to 10% in aggregate. Contrast this with the current 7.3% yield on US high yield credit, and 5.4% on US investment grade credit, while euro-denominated credit offers lower yields still. The private credit market continues to see impressive growth, with global assets under management totalling USD 1.5 trillion as of the end of Q1 2024, according to fund management group Apollo. This is the private asset class likely to grow the fastest over the next few years, fuelled by the need for company financial officers to diversify their debt funding away from just banks, and by the potential for trillions of dollars of loans to be transferred from bank balance sheets to long-term investors, such as pension funds, insurance companies and wealth management.

Higher volatility to favour market-neutral hedge fund strategies

Since his 20 January Presidential inauguration, Donald Trump has announced a myriad of new US policy objectives relating to tariffs, tax, deregulation, immigration and foreign policy. This should lead to higher market volatility, favouring lower volatility market-neutral hedge fund strategies such as equity and credit long/short funds, which have already enjoyed a strong 2024. According to Bloomberg, both equity and credit long/short hedge funds enjoyed double-digit performance in aggregate over the 12 months to end-November 2024.

GOLD LEADS OVER THE LAST YEAR, WHILE PRIVATE EQUITY LEADS OVER 5-10Y

As of June 30, 2024	**Annualised returns, %**		
In USD terms	**1 Year**	**5 Years**	**10 Years**
Private Equity	4.9%	16.4%	15.2%
Private Credit	8.7%	6.2%	6.0%
Real Estate	-6.0%	2.8%	6.0%
Hedge Funds	11.4%	5.7%	4.2%
Gold	20.6%	9.4%	5.0%
Global Stocks	20.2%	11.8%	9.2%
Global Bonds	0.9%	-2.0%	-0.4%
Global REITs	5.1%	1.6%	4.2%

Source: BNP Paribas, Bloomberg, MSCI, INREV.
Returns for periods ending June 30, 2024.

HIGHER LONG-TERM EXPECTED RETURNS FOR PRIVATE EQUITY, INFRASTRUCTURE

		Estimates june-24	Revision	Estimates nov-23	Volatility (10-year Historical)
Fixed Income	Euro cash	1,50%	0,00%	1,50%	-
	USD cash	2,25%	0,00%	2,25%	-
	Government bonds Eurozone	3,00%	0,00%	3,00%	5,50
	Government bonds U.S.	4,25%	0,00%	4,25%	4,70
	Corporate High Grade Europe	3,50%	0,00%	3,50%	4,90
	Corporate High Grade U.S.	4,75%	0,00%	4,75%	8,00
	High Yield Bonds Europe	5,25%	-0,50%	5,75%	8,60
	High Yield Bonds United-States	6,00%	-0,50%	6,50%	9,50
	Emerging Hard Currency bonds	6,25%	0,00%	6,25%	10,60
Equities	Equities Eurozone	7,00%	0,00%	7,00%	15,90
	Equities U.S.	6,75%	0,25%	6,50%	16,40
	Equities U.K.	7,00%	0,00%	7,00%	13,80
	Equities Japan	6,25%	0,25%	6,00%	18,50
	Equities Emerging Markets	8,25%	0,00%	8,25%	19,30
Alternatives	Alternative UCITs	4,25%	0,00%	4,25%	5,10
	Listed real Estate	6,75%	0,00%	6,75%	18,50
	Private Equity	9,50%	0,00%	9,50%	-
	Infrastructure	9,00%	0,00%	9,00%	-
	Commodities	4,00%	0,00%	4,00%	23,80
	Gold	4,00%	0,00%	4,00%	13,70

Source: BNP Paribas WM, Bloomberg

Source: BNP Paribas, Bloomberg. As of July 2024

Real Estate recovery starts; no stopping Gold momentum

Private real estate to benefit from better sentiment

Since September 2022, global commercial property values have seen cumulative price declines of between 12% and 18% in Australia, Europe, the UK and US markets. According to BNP Paribas Real Estate, we are now seeing a slow improvement in sentiment towards the asset class, helped by the interest rate easing cycle and the adjustment higher in rental yields that has resulted from the fall in prices.

There are already the first signs of improvements in valuation across several real estate sectors, notably in residential, hotels, industrial and logistics. Rental yields on prime European commercial real estate is averaging as high as 5% in logistics, while BNP Paribas Real Estate forecast average annualised total returns over 2024-28 in the 7% - 9% range for the major European sectors, led by prime offices and logistics.

Global residential real estate is benefiting from the lower interest rate environment in many geographies, with positive yearly price gains in the UK, Sweden, Germany, Australia, and the US. In addition, rental growth remains positive due to the strength of demand and the shortage of available rental properties in many key cities, with average European rental values up 7.1% year-on-year to Q2 2024. Even lower short-term interest rates over 2025 should support momentum in the more variable interest-rate sensitive markets such as the UK, Spain and Sweden.

Infrastructure: a way to benefit from structural growth trends

Strong investment trends in Artificial Intelligence, data centres and the resultant demand for electricity all underline the opportunity for investment in the related infrastructure, be it via electricity generation and transmission, data centres or associated digital infrastructure.

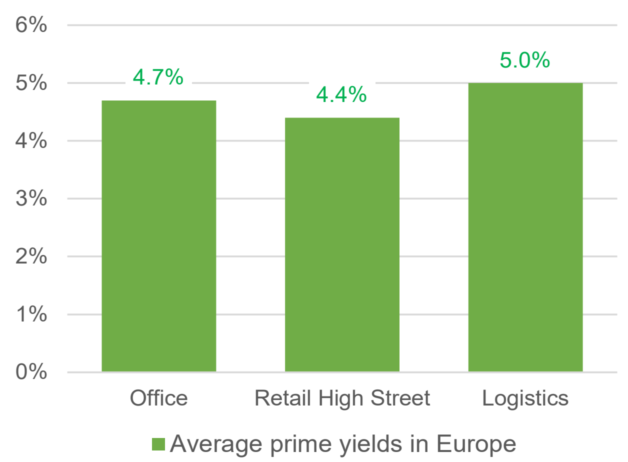
The infrastructure asset class remains the dominant investment in real assets by most long-term institutional investors, allowing the likes of pension funds to hedge long-term liabilities with long-term assets that also provide a degree of inflation hedging via growing income streams.

Historical returns from private infrastructure funds have been impressive, at an annual average of 9.3% from 2008 to mid-2024 according to Apollo.

Precious metals: gold and silver maintain momentum

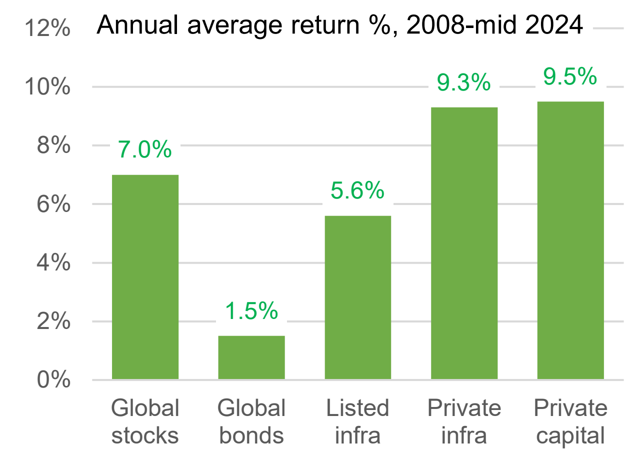
Outside of US stocks, gold and silver have been two of the best-performing major assets over 2024, with both metals posting US dollar returns in excess of 20%. This momentum was driven by a combination of central bank buying, Asian retail investor demand, growing supply-demand deficits on growing industrial demand in the case of silver, and concerns over the sustainability of high G7 government debt burdens. We see these precious metals drivers continuing in 2025, with the potential for double-digit percentage gains in both metals by end-year.

EUROPEAN REAL ESTATE PRIME YIELDS HAVE RISEN TO 4.4% - 5.0%



Source: BNP Paribas Real Estate
Data as of 30 September 0224

PRIVATE INFRASTRUCTURE HAS HISTORICALLY DELIVERED OVER 9% CAGR



Source: BNP Paribas, Bloomberg, Apollo.
In US dollars, 2008 – mid 2024

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		Positive on US, UK government bonds. 12-month US 10Y yield target 4.25%, German 10Y bund yield 2.25%
	+	+	Credit	US, Euro IG credit, UK IG		We favour investment grade Credit, focusing on EU credit (especially financials) on the back of decade-high yields and strong balance sheets. We turn Positive on UK IG corporate bonds
	=	+	EM bonds	USD and local currency		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	-	-				Lower Fed Funds rate of 4% by late 2025, 2% for the ECB deposit rate.
COMMODITIES	+/-	+/=		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	2.8	2.3
Japan	1.5	-0.2	0.6
Eurozone	**0.5**	**0.7**	**1.0**
Germany	-0.1	-0.2	0.4
France	1.1	1.1	0.8
Italy	0.8	0.5	1.0
Emerging			
China	5.2	5.0	4.5
India*	7.0	8.2	6.2
Brazil	2.9	3.6	2.1

* Fiscal year

Source : BNP Paribas - 03/02/2025

BNP Paribas Forecasts			
CPI Inflation %	2023	2024	2025
United States	4.1	2.9	3.0
Japan	3.3	2.7	3.1
Eurozone	**5.4**	**2.4**	**2.1**
Germany	6.0	2.5	2.4
France	5.7	2.3	1.1
Italy	5.9	1.1	2.0
Emerging			
China	0.2	0.2	0.8
India*	6.7	5.4	4.8
Brazil	4.6	4.4	5.3

* Fiscal year

Source : BNP Paribas - 03/02/2025

	Country		Spot 02/02/2025	Target 3 months	Target 12 months
Against euro	United States	EUR / USD	1.04	1.00	1.02
	United Kingdom	EUR / GBP	0.84	0.83	0.83
	Switzerland	EUR / CHF	0.94	0.94	0.94
	Japan	EUR / JPY	160.97	150	153
	Sweden	EUR / SEK	11.50	11.60	11.70
	Norway	EUR / NOK	11.75	11.60	11.30
Against dollar	Japan	USD / JPY	154.85	150	150
	Canada	USD / CAD	1.45	1.45	1.40
	Australia	AUD / USD	0.62	0.66	0.64
	New Zealand	NZD / USD	0.57	0.60	0.60
	Brazil	USD / BRL	5.84	5.80	5.80
	India	USD / INR	86.62	84.0	84.0
	China	USD / CNY	7.26	7.40	7.40

Source: : BNP Paribas, Refinitiv Datastream. As at 2 Februrary 2025

THE INVESTMENT STRATEGY TEAM

FRANCE

Edmund SHING
Global Chief Investment Officer

Isabelle ENOS
Senior Investment Advisor

Charles GIROT
Senior Investment Advisor

ITALY

Luca IANDIMARINO
Chief Investment Advisor

BELGIUM

Philippe GIJSELS
Chief Investment Advisor

Alain GERARD
Senior Investment Advisor, Equities

Patrick Casselman
Senior Investment Strategist, PRB

GERMANY

Stephan KEMPER
Chief Investment Strategist

LUXEMBOURG

Guy ERTZ
Deputy Chief Investment Officer

Edouard DESBONNETS
Senior Investment Advisor, Fixed Income

ASIA

Prashant BHAYANI
Chief Investment Officer, Asia

Grace TAM
Chief Investment Strategist

CONNECT WITH US

wealthmanagement.bnpparibas

DISCLAIMER

This marketing document is communicated by the Wealth Management Métier of BNP Paribas, a French Société Anonyme, Head Office 16 boulevard des Italiens, 75009 Paris, France, registered under number 662 042 449 RCS Paris, registered in France as a bank with the French Autorité de Contrôle Prudentiel et de résolution (ACPR) and regulated by the French Autorité des Marchés Financiers (AMF). As marketing material, it has not been prepared in accordance with legal and regulatory requirements aimed at ensuring the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination. It has not been submitted to the AMF or any other market authority.

This document is confidential and intended solely for the use of BNP Paribas SA, BNP Paribas Wealth Management SA or their affiliates ("BNP Paribas") and the persons to whom this document has been delivered. It may not be distributed, published, reproduced or disclosed by any recipient to any other person, nor may it be quoted or referred to in any document, without the prior consent of BNP Paribas.

This document is provided solely for information and shall not constitute an offer or solicitation in any state or jurisdiction in which such an offer or solicitation is not authorized, or to any person to whom it is unlawful to make such offer, solicitation or sale. It is not, and under no circumstances is it to be construed as, a prospectus.

Although the information provided herein may have been obtained from published or unpublished sources considered to be reliable and while all reasonable care has been taken in the preparation of this document, BNP Paribas does not make any representation or warranty, express or implied, as to its accuracy or completeness and does not accept responsibility for any inaccuracy, error or omission. BNP Paribas gives no warranty, guarantee or representation as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (either legal, regulatory, tax, financial, accounting or otherwise) of any product or transaction. Investors should not place undue reliance on any theoretical historical information regarding such theoretical historical performance. This document may contain or refer to past performance; past performance is no guarantee for future performance.

The information contained in this document has been drafted without prior knowledge of your personal circumstances, including your financial position, risk profile and investment objectives.

Prior to entering into a transaction each investor should fully understand the financial risks, including any market risk associated with the issuer, the merits and the suitability of investing in any product and consult with his or her own legal, tax, financial and accounting advisors before making his or her investment. Investors should be in a position to fully understand the features of the transaction and, in the absence of any provision to the contrary, be financially able to bear a loss of their investment and willing to accept such risk. Investors should always keep in mind that the value of investments and any income from them may go down as well as up and that past performance should not be seen as an indication of future performance. Any investment in a product described herein is subject to the prior reading and understanding of the legal documentation concerning the product, and in particular the one which describes in details the rights and obligations of investors as well as the risks inherent to an investment in the product. Save as otherwise expressly agreed in writing, BNP Paribas is not acting as financial adviser or fiduciary of the investor in any transaction. The information, opinions and projections expressed herein reflect the opinion of their author at the time of writing; they are not to be relied upon as authoritative or taken in substitution for the exercise of judgment by anyone, and are subject to change without notice. Neither BNP Paribas nor any BNP Paribas Group entity accepts any liability whatsoever for any consequences that may arise from the use of information, opinions or projections contained herein.

As distributor of the products described herein, BNP Paribas may receive distribution fees on which you can obtain more information upon specific request. BNP Paribas, their employees or administrators may hold positions in these products or have dealings with their issuers.

By accepting this document, you agree to be bound by the foregoing limitations.

Pictures from Getty Images.