MAY 2025

Equity Focus

In the Eye of the Storm

Summary

1. **Unintended consequences–** Since ancient Greece, economic warfare has more often than not missed its targets. It created unintended consequences and even elicited the exact opposite of what it meant to do in the first place. **We lower our US GDP forecasts and now see a 25% chance for a US recession.**
2. **Bear market rallies are common –** On average, they last 44 days and produce gains of 14%. They should not be mistaken as an "all clear signal".
3. **US equities:** The market prices no cushion for a slowdown in growth and is back to expensive valuations. **We reiterate our negative stance on US Equities** and embrace the current strength as a chance for investors to **trim positions.**
4. **Europe:** The picture for European equities remains more constructive compared to the US. However, our negative view on US equities refrains us from too much short-term enthusiasm. **We thus remain neutral and wait for a better entry point to increase our allocation in the region. Within Europe, our key conviction remains the UK.**
5. **Earnings Season**: Corporate results are solid but likely supported by some stockpiling and frontloading before tariffs**. Outlooks provide a less clear picture, blurred from uncertainty.**
6. **Sector view**: Confidence is plummeting in the US and many economic agents are reviewing/ delaying their spending and investment plans. **We thus downgrade US industrials from positive to neutral. No changes in Europe.**

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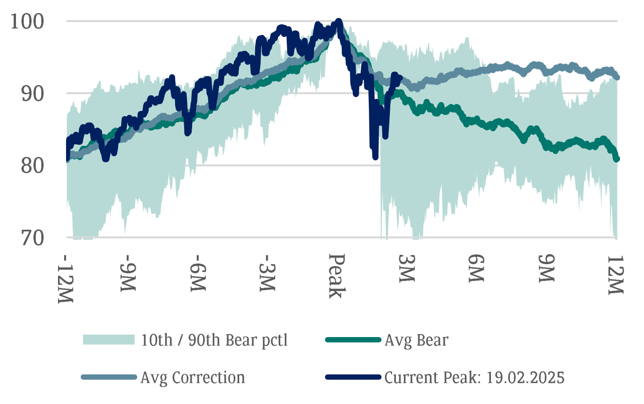
CHART 1: THE MARKET QUICKLY RECOVERED FROM WORST TO ORDINARY CORRECTION



Source: BNP Paribas, Bloomberg

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BNP PARIBAS WEALTH MANAGEMENT

The bank for a changing world

Trump, Pericles and the Megarian Decree

***"Those who cannot remember the past are condemned to repeat it"* (G. Santayana, 1905)**

Pericles (495 – 429 BC) was a Greek politician and general during the Golden Age of Athens. He was also the first leader to use economic power as a foreign policy tool. Pericles levied the Megarian Decree, a set of economic sanctions, upon Megara. The decree effectively blocked Megara from trading in any port within the Delian League, isolating the city and greatly damaging its economy. The move was mainly intended to serve as a warning against Athens enemies and was intended to prevent them from engaging in military conflict. Unfortunately, the decree missed its target. It is seen as a major reason for the Peloponnesian War which eventually led to Athen's defeat.

Since ancient Greece, economic warfare has more often than not missed its targets. It created unintended consequences and even elicited the exact opposite of what it meant to do in the first place. Nevertheless, politicians repeatedly fall prey to the alluring, yet misleading concept.

Trump listens to the Sirens Song of Tariffs

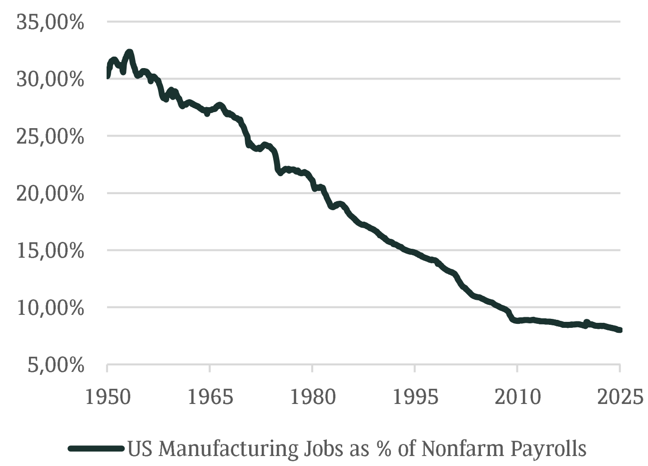
The importance of manufacturing for the US economy and its labor market has been in constant decline for the past 80 years. There are three reasons for this: automation, global trade, and significant growth in services. The result: the share of jobs in the sector as a percentage of all nonfarm-payrolls fell to a mere 8% (Chart 2). Trump is looking to change that. He plans to increase the (price) competitiveness of US goods by a mixture of tariffs, enforced trade deals and a weaker dollar. We think this strategy is doomed to fail due the (unintended?) consequences it creates.

We understand that the notion of tariffs as some sort of "entry fee" to the US market sounds appealing. The problem: it is having negative impacts on the competitiveness off US goods: 45% of US imported goods are intermediate goods which are used in US production (Chart 3), targeted for export and domestic consumption. According to the OECD Trade in Value-Added database, the value-added contributions of different countries to global exports, foreign value added in US exports is between 10% and 20%. No matter of the target market, the costs of production are rising which lowers price competitiveness and / or hits corporate margins. A way to balance this effect, at least on exports, is a lower currency as it makes goods cheaper in foreign currency terms. At the same time though, the imported goods are becoming more expensive in dollar-terms, at least partially removing the positive effects.

A Pyrrhic Victory

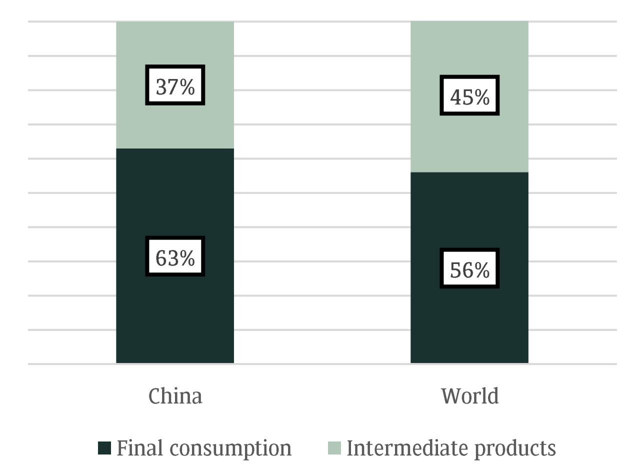
We would argue that there is no economic sense to depreciate the dollar and inflict a trade war about goods as there is a little gain but much to lose. The sector stands for 10% of the US GDP but the actions taken by the Trump administration is risking that the rest of the world is cutting back on their imports of US services, which stand for 80% of GDP. To make things worse, a lower dollar and tariffs are pushing up inflation and the term premium, which itself can create new, unintended economic consequences. Hence, we lowered our US GDP forecasts and now see a 25% chance for a US recession (Table 1).

CHART 2: MANUFACTURING BECAME LESS IMPORTANT FOR THE US LABOR MARKET



Source: BNP Paribas, Bloomberg

CHART 3: ALMOST HALF OF US IMPORTS ARE NOT FOR FINAL CONSUMPTION



Source: BNP Paribas, San Francisco FED

In the Eye of the Storm

It´s not over until it´s over

Major equity benchmarks across the globe managed to recoup "Liberation Day" inflicted losses. This leaves investors wondering if the worst is over or if there is fresh downside to come. We fear that the latter is more likely as the economic impact of the tariff shock is yet to be felt. However, we do acknowledge that we may be past the peak of new tariffs and policy uncertainty. Hence, we understand why it feels like we´re getting an "all clear" signal from the market. However, investors should remind themselves that the eye of a storm is usually calm, sometimes even sunny. The markets equivalent of this phenomenon may be a bear market rally. On average, they lasted 44 days in the MSCI World and produced gains of 14% (Table 2). Often, even the very best days occur in those bull traps, as is evidenced by the sub-average 3- & 6-months forward returns that follow strong daily gains (Table 3).

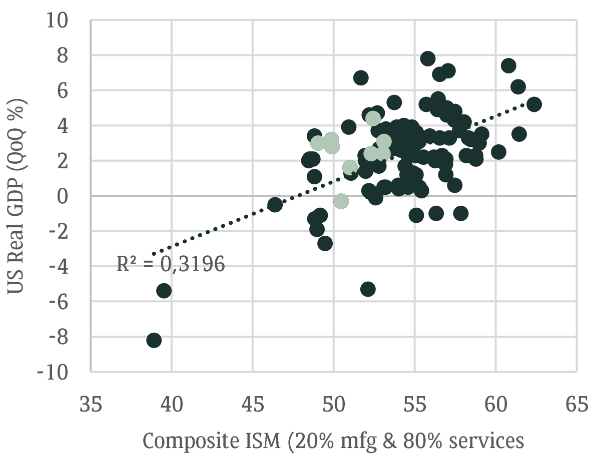
Why we´re still cautious on US Equities

As of now, hard data in the US continues to show surprisingly sustained strength. We think that this is in part because the total US federal deficit is currently running at +7% y/y, i.e. it is still moderately expansive in fiscal terms. Some well-known front-loading effects might have played a role as well. Eventually though, we think there is (almost) no chance for hard data to escape the forces of sentiment gravity: Business confidence is historically well correlated with GDP growth (Chart 4) and early indicators point to a further deterioration of the ISM survey (Chart 5). As we previously argued, uncertainty will have negative impacts on investments. Looking at CAPEX plans, we see the first signs that this risk is materializing (Charts 7 & 8). Businesses aren´t the only ones cutting spending plans, though. Consumers are increasingly stressed as they fear rising unemployment (Chart 8) while handling their credit card debt becomes more challenging (Chart 9). Taking those factors into account, our economists decided to lower their GDP forecast (Table 1). While they think a (technical) recession can be narrowly avoided, the attached probability (25%) of a recession is still meaningful.

The market is not ready for this

Margins among US companies are close to record highs. Yet, the market seems to ignore the historic relationship between GDP growth and margins. A slowdown of economic activity has always put pressure on margins. We think this will be the case again, not only due to historic correlations (Chart 10) but also because of tariffs. Close to 50% of all business are currently planning to (partially) internally absorb tariff inflicted rises in costs (Chart 11). Falling margins should eventually put pressure on earnings as well (Chart 12). Looking at the expected EPS growth for the S&P (25: +6,5% yoy / +26: 12,7% yoy), we don´t think the market has fully appreciated those risks. Neither seems the market to acknowledge the downside risk to earnings steaming from a potential recession (Chart 13). Thus, foreseeing a continued market recovery from here means putting an increasing weight on the belief that recessionary dynamics will not take hold, and requires confidence in the market's ability to look through a weakening of data. We have none of both and remain underweight US equities.

CHART 4: BUSINESS SENTIMENT IS WELL CORRELATED WITH GROWTH



Source: BNP Paribas, Bloomberg

CHART 5: NEW ORDERS VS INVENTORIES POINT TO FURTHER ISM WEAKNESS

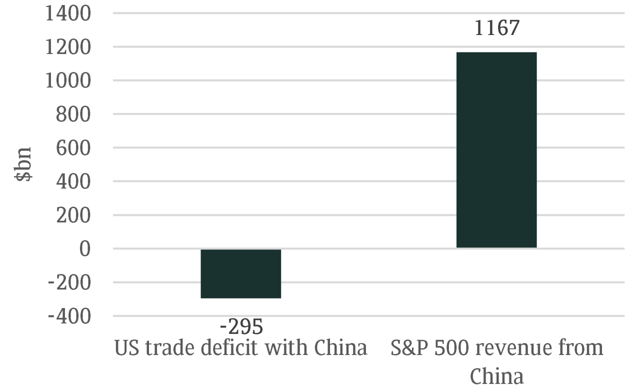
Source: BNP Paribas, Bloomberg

TABLE 1: UPDATED US GDP & CPI FORECASTS

	US GDP	US CPI
2024	2,8%	2,9%
2025 (before liberation day)	1,8%	3,3%
2025 now	1,3%	3,1%
2026 (before liberation day)	1,3%	3,4%
2026 now	1,1%	3,7%

Source: BNP Paribas, Bloomberg

CHART 6: HIGH STAKES -> REVENUES FROM CHINA BY LARGE EXCEED THE DEFICIT



Source: BNP Paribas, Bloomberg

TABLE 2: BEAR MARKET RALLIES ARE A FREQUENT OCCURANCE

Topic	Start	Duration (Days)	MSCI World performance
Recession & Stagflation	Oct-81	39	10,3%
	Mar-82	51	9,2%
LTCM Crisis	Oct-87	1	7,9%
Oil-Shock	Apr-90	106	15,3%
Dot.Com Bubble burst	May-00	55	8,7%
	Mar-01	60	14,7%
	Sep-01	105	20,1%
	Feb-02	41	9,2%
	Jul-02	30	13,9%
	Oct-02	50	18,6%
GFC	Jan-08	36	8,4%
	Mar-08	63	13,9%
	Sep-08	2	8,2%
	Oct-08	4	12,5%
	Oct-08	8	21,8%
	Nov-08	47	23,8%
China growth concerns	Sep-15	35	10,8%
Covid	Mar-20	46	27,7%
invasion in Ukraine	Jun-22	60	12,8%
Average		44	14%

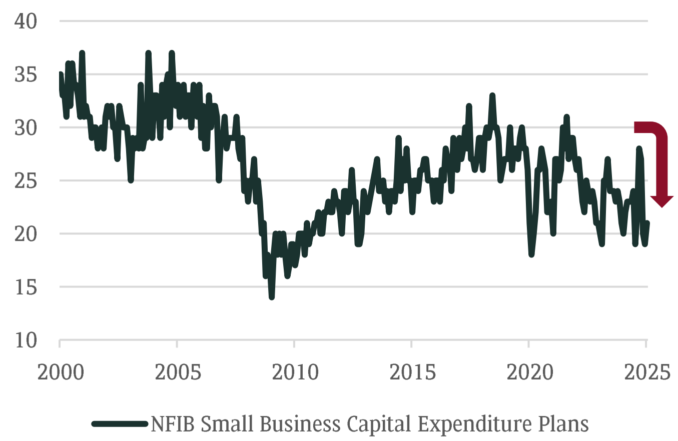
Source: BNP Paribas, Bloomberg

TABLE 3: A SUNNY DAY IS A BAD OMEN FOR MARKETS

10 best days in the S&P 500		Subsequent Performance of the Index (%)			
Date	Performance (%)	1M	3M	6M	12M
15.03.1933	16,6	-2,1	43,0	58,9	58,4
30.10.1929	12,5	-9,0	-2,3	8,3	-24,6
06.10.1931	12,4	12,1	-18,5	-34,1	-25,0
05.09.1939	11,9	1,4	-3,0	-3,9	-13,5
21.09.1932	11,8	-20,0	-20,2	-27,2	17,7
13.10.2008	11,6	-9,2	-13,1	-14,4	7,0
28.10.2008	10,8	-4,7	-7,1	-9,1	10,9
22.06.1931	10,9	-2,3	-26,1	-43,3	-67,4
20.04.1933	9,5	12,8	35,2	13,3	42,7
09.04.2025	9,5	3,8	?	?	?
Median		-2,2	-7,1	-9,1	7
Average		-1,7	-1,3	-5,7	0,7
% of times higher		40	22	33	56

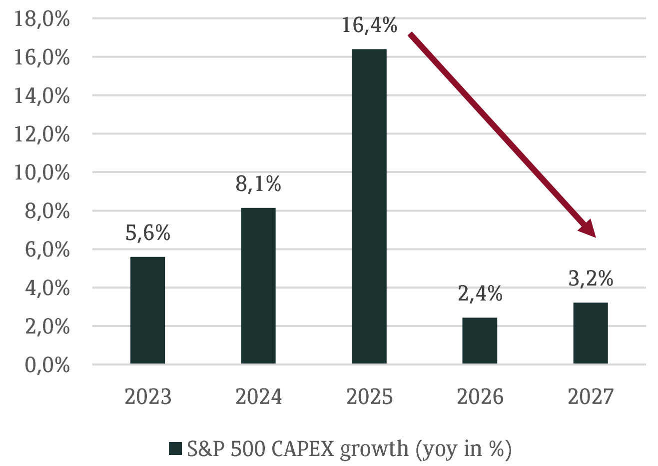
Source: BNP Paribas, Bloomberg

CHART 7: SMALL BUSINESSES ARE SLOWING CAPEX SPENDING....



Source: BNP Paribas, Bloomberg

CHART 8: ..... SO DO LARGE CAPS

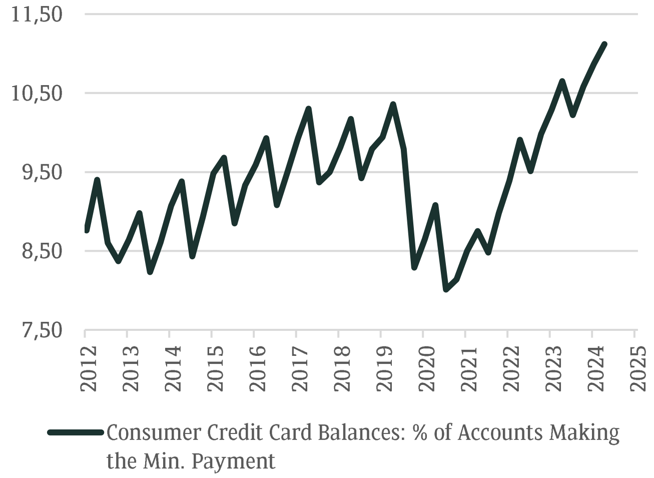


Source: BNP Paribas, Bloomberg

CHART 8: THE PREDICTIVE POWER OF EMPLOYEES ABOUT JOB GROWTH

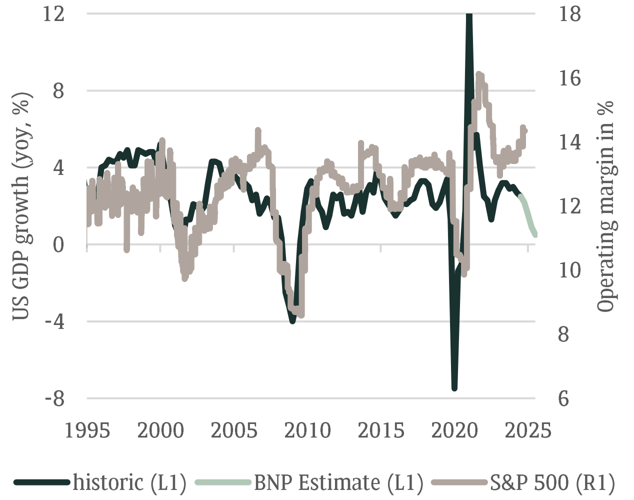
Source: BNP Paribas, Bloomberg

CHART 9: FINANCIAL STRESS IS RISING AS CARD PAYMENTS ARE REDUCED



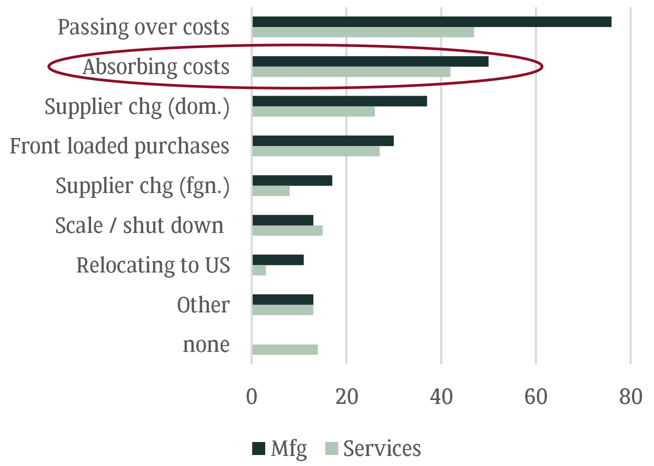
Source: BNP Paribas, Bloomberg

CHART 10: SLOWER GROWTH SHOULD PUT PRESSURE ON MARGINS



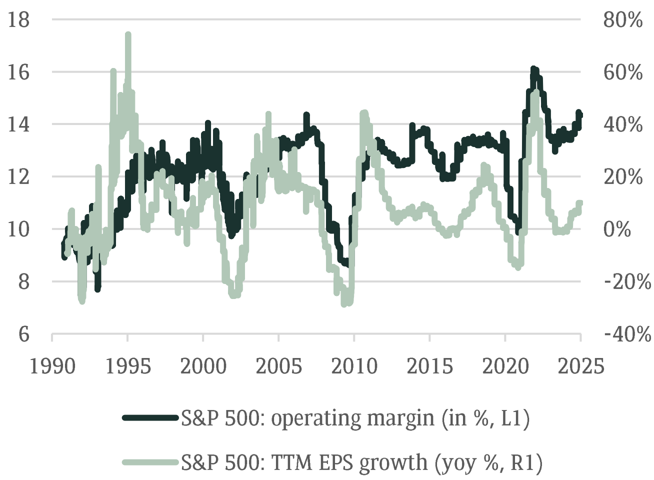
Source: BNP Paribas, Bloomberg

CHART 11: SLOWER GROWTH SHOULD PUT PRESSURE ON MARGINS



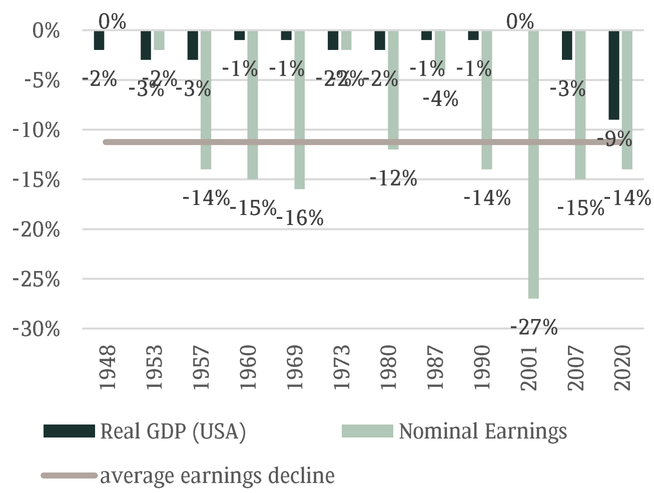
Source: BNP Paribas, Dallas FED, multiple answers possible

CHART 12: LOWER MARGINS MAKE STRONG EPS GROWTH UNLIKELY



Source: BNP Paribas, Bloomberg

CHART 13: HISTORIC GDP CONTRACTIONS AND S&P 500 EPS DECLINES DURING RECESSIONS



Source: BNP Paribas, Bloomberg

Anything else to consider?

Can we climb the wall of worries?

We think that a sustained recovery for the US market may still be some time away. We´re well aware that this view is almost uncomfortably common. Investors Intelligence US Advisors sentiment survey showed the lowest proportion of bulls (just 24%) since the GFC lows while the AAII survey shows record bearishness as well. Never in it´s history have we seen 11 straight weeks with over 50% of respondents being negative on the market (Chart 14). This makes us wonder: Isn´t the recent recovery the best proof that we climb the wall worries? To answer that question, we looked at several data points. Starting with the obvious one: Who was buying recently? The answer: Systematic investors. According to data from Goldman Sachs, an US investment bank, more than $100bn of equity exposure has been bought in just 10 days (starting 28th April). At the same time, US retail hasn´t been an aggressive seller.

Action speaks louder than words

Despite retail's ongoing bearishness, ETF Flows and our Mutual Funds positioning indicator (Chart 15) still indicate solid equity exposure. This may be worth to watch when the US job market keeps cooling. Since the GFC US retail investors haven´t experienced times of dual financial stress arising from the loss of jobs and financial wealth simultaneously.

A friendly bear in the worst season?

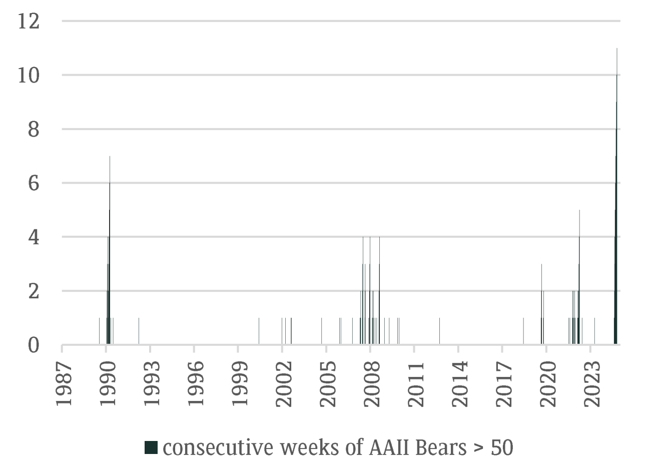
Even if a recession can be avoided, the risk for retesting the lows, or at least another leg lower, are quite high, we think. The S&P 500 is trading at demanding valuations again. This is noteworthy as Historical bear markets usually saw larger valuation corrections and did not end before the low established a notable discount to valuation averages (Table 4). Seasonality may be with the bears in this respect as the May – October stretch is historically the worst 6-month period for the S&P 500 (Table 5). Thus, new highs for the US market may still be some time way even if the market does not make new lows. With valuations back to expensive levels, no cushion for downside growth risks and positioning being more elevated than data suggests, the risk reward for owning US equities feels skewed to the downside.

TABLE 4: THE CURRENT CORRECTION HAD AN UNUSUAL MINOR IMPACT ON P/E RATIOS

	Starting P/E	P/E Low	10Yr NTM P/E average	P/E decline	P/E low vs LT average
11.10.1990	12,7	10,3	N/A	-18,9%	
08.10.1998	23,5	19,1	N/A	-18,7%	
09.10.2002	24,7	14	18,2	-43,3%	-23,1%
09.03.2009	15,4	10,3	17,2	-33,1%	-40,1%
03.10.2011	12,7	10,2	14,8	-19,7%	-31,1%
24.12.2018	17,1	13,7	14,8	-19,9%	-7,7%
23.03.2020	19,2	13,6	15,3	-29,2%	-11,0%
12.10.2022	21,6	15,3	17,3	-29,2%	-11,7%
19.02.2025	22,4	18,1	18,5	-19,2%	-2,1%
average		**13,31**		**-26,5%**	**-20,8%**
median		**13,7**		**-24,5%**	**-17,4%**

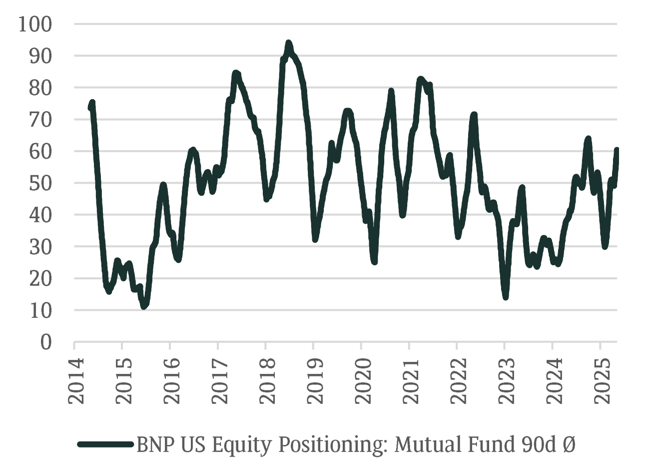
Source: BNP Paribas, Bloomberg

CHART 14: PERSISTENT BEARISHNESS IN RETAIL SENTIMENT



Source: BNP Paribas, Bloomberg

CHART 15: MUTUAL FUND POSITIONING IS ELEVATED, SITTING AT ITS 80TH %-TILE



Source: BNP Paribas, Bloomberg

How about Europe?

An even bumpier road to recovery

The expected slowdown of US growth will also have an impact on European growth and thereby counterbalancing the positive impacts from increased fiscal spending. We thus adjusted our growth forecasts lower for Europe as well . On the positive side, we also foresee slightly lower inflation which should allow the ECB to cut benchmark interest rates to 1.75% until July 2025 (vs our previous forecast of 2% until June 2025). Slower growth in Europe reinforces our view of 0% EPS growth in 2025 (see here), which is now also priced by the market. EPS growth expectations for 2026 however, still seem rather high to us. The market is pricing 10,4% yoy EPS growth while we continue to expect a more modest 4%. Lower inflation and lower rates should provide some support on valuations though (Chart 16), allowing us to increase our 2025 year-end target range for the STOXX 600 Europe (Table 6).

Be aware of the US Bear

Historically, we have had episodes during which non-US markets performed even when US markets fell. However, this hasn´t happened during major US corrections. In such instances, a decoupling was still possible, but the outperformance took place on a relative basis only (Table 7).

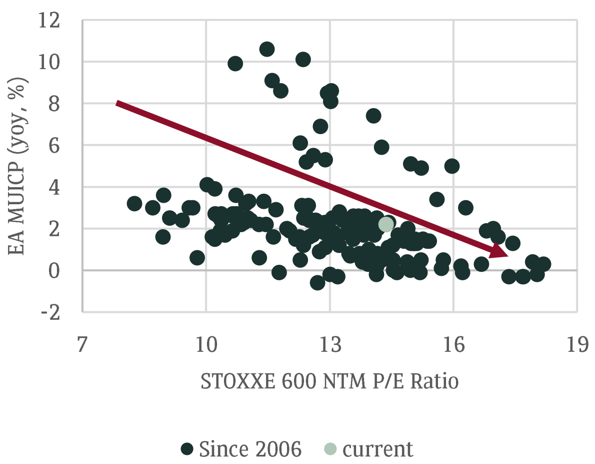
Redefining Quality

European managements have been busy in the last 15-years re-orienting toward the US; 30% of European assets are now in the US and North America represents the biggest location for STOXX Europe sales (bigger than UK, Germany and China combined). This Is even more relevant for Quality baskets. Quality companies have managed to avoid the lackluster growth environment in Europe by finding new growth drivers in the US or Asia. The impact is becoming increasingly visible in earnings FX sensitivity (Chart 17). What used to work well, now starts to represent a triple headwind - tariff exposures, weaker US growth and a weaker USD. Thus, being selective remains key as the market starts to price this dynamics, both in terms of earnings expectations and performance (Charts 18 & 19).

Rule, Britannia! Rule the waves

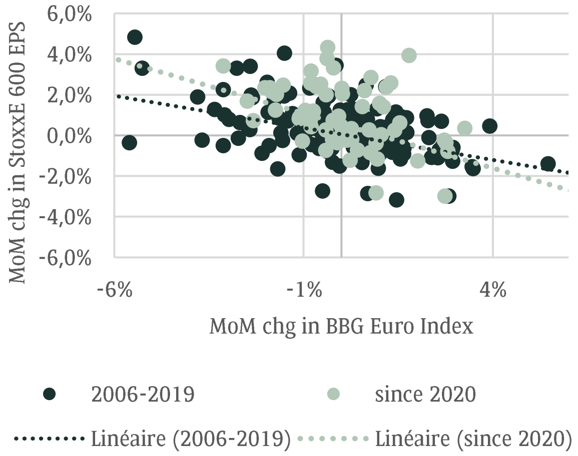
The picture for European equities remains more constructive compared to the US. Europe is supported by less demanding valuations, reverting flows and a change in fiscal spending. While those trends should set the path for future outperformance, our negative view on US equities refrains us from too much short-term enthusiasm. We thus remain neutral and wait for a better entry point to increase our allocation in the region. Within Europe, our key conviction remains the UK. Its beta to global growth is among the lowest in Europe and even below the S&P 500 (Chart 20). Thus, the FTSE 100 outperformed both US and European equities during most of the corrections in the S&P 500 since 1990 (Table 7). Most importantly, UK equites offer still a decent valuation discount vs global peers while maintaining to offer an attractive pick up in dividend yield (Chart 21).

CHART 16: LOWER INFLATION PROVIDES SOME VALUATION UPSIDE



Source: BNP Paribas, Bloomberg

CHART 17: EPS SENSITIVITY TO FX MOVES WENT UP RECENTLY



Source: BNP Paribas, Bloomberg

TABLE 5: WE´RE IN THE WORST 6-MONTH PERIOD FOR THE S&P 500 (SINCE 1950)

	Ø % change	% higher
Nov-Apr	7,1%	77,0%
Oct-Mar	6,6%	69,3%
Dec-May	5,4%	71,6%
July-Dec	4,8%	72,0%
Sep-Feb	4,7%	69,3%
Aug-Jan	4,6%	70,7%
Mar-Aug	4,4%	72,0%
Feb-July	4,4%	72,0%
Jan-June	4,3%	68,9%
June-Nov	3,5%	68,0%
Apr-Sep	2,7%	65,3%
May-Oct	1,8%	65,3%

Source: BNP Paribas, Bloomberg

TABLE 6: WE FORECAST A SLIGHTLY HIGHER MULTIPLE FOR DEC25 IN THE STOXXE 600

			2025 yoy EPS growth				
			-5,0%	-2,5%	0,0%	1,5%	3,0%
Forward P/E	16	Target	575	590	605	610	620
		Upside	7%	10%	13%	14%	16%
	15	Target	535	550	565	575	580
		Upside	0%	3%	6%	7%	8%
	14,5	Target	520	535	545	555	565
		Upside	-3%	0%	2%	4%	6%
	14	Target	500	515	530	535	545
		Upside	-7%	-4%	-1%	0%	2%
	13,5	Target	485	495	510	515	525
		Upside	-9%	-7%	-5%	-4%	-2%
	13	Target	465	480	490	500	505
		Upside	-13%	-10%	-8%	-7%	-6%
	12	Target	430	440	455	460	465
		Upside	-20%	-18%	-15%	-14%	-13%

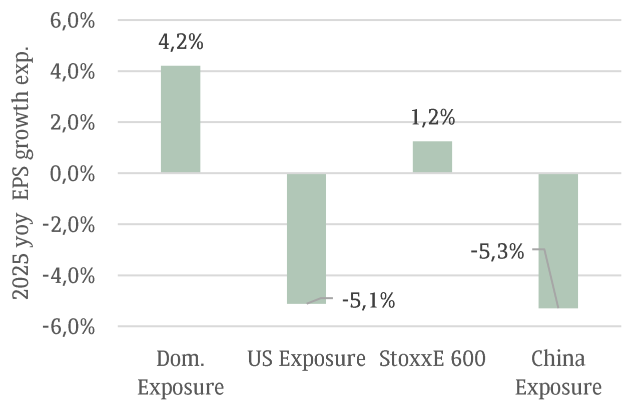
Source: BNP Paribas, Bloomberg, Upside based on Index at 535

TABLE 7: THERE HAVE BEEN INSTANCES OF RELATIVE OUTPERFORMANCE OF EUROPEAN STOCKS DURING MAJOR US DRAWDOWNS, ESPECIALLY FOR THE FTSE 100

Start	End	S&P 500 Return	FTSE 100 Return	EuroSTOXX 50 Return
02.01.1990	30.01.1990	-10%	-5%	-3%
16.07.1990	11.10.1990	-20%	-13%	-23%
07.10.1997	27.10.1997	-11%	-9%	-10%
17.07.1998	31.08.1998	-19%	-15%	-19%
16.07.1999	15.10.1999	-12%	-10%	-8%
24.03.2000	09.10.2002	-49%	-44%	-60%
27.11.2002	11.03.2003	-15%	-17%	-27%
09.10.2007	09.03.2009	-57%	-46%	-59%
23.04.2010	02.07.2010	-16%	-15%	-14%
29.04.2011	03.10.2011	-19%	-16%	-29%
21.05.2015	25.08.2015	-12%	-13%	-13%
03.11.2015	11.02.2016	-13%	-13%	-22%
26.01.2018	08.02.2018	-10%	-6%	-7%
20.09.2018	24.12.2018	-20%	-9%	-13%
19.02.2020	18.03.2020	-29%	-32%	-38%
03.01.2022	12.10.2022	-25%	-8%	-23%
31.07.2023	27.10.2023	-10%	-5%	-10%
19.02.2025	08.04.2025	-19%	-9%	-13%
Average		-20%	-16%	-22%
Median		-18%	-13%	-17%

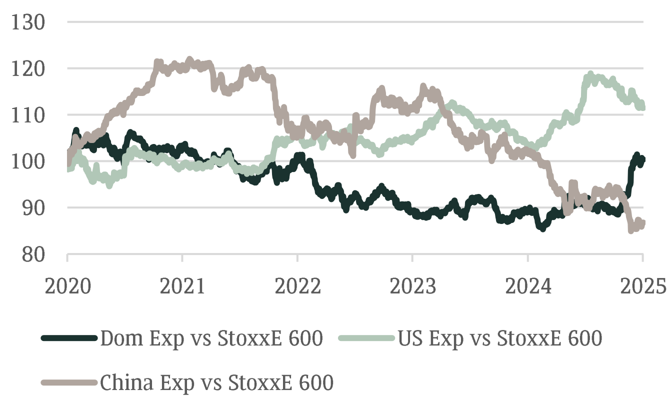
Source: BNP Paribas, Bloomberg

CHART 18: INTERNATIONAL EXPOSURE SEES HIGHER EPS CUTS THAN DOMESTICS



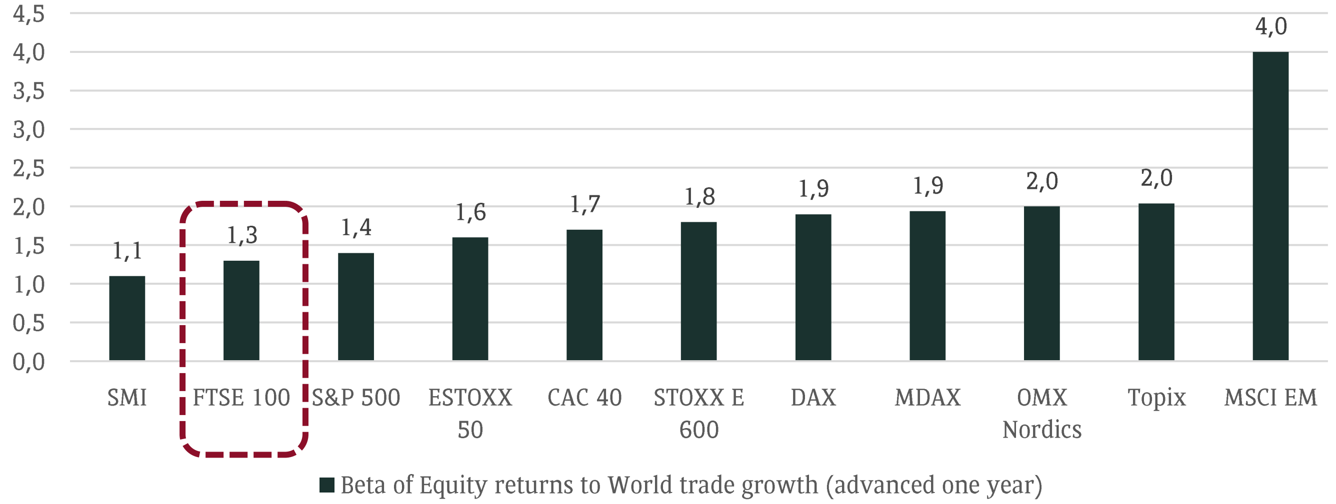
Source: BNP Paribas, Bloomberg

CHART 19: EARNINGS TRENDS ARE ALSO REFLECTED IN THE RELATIVE PERFORMANCE



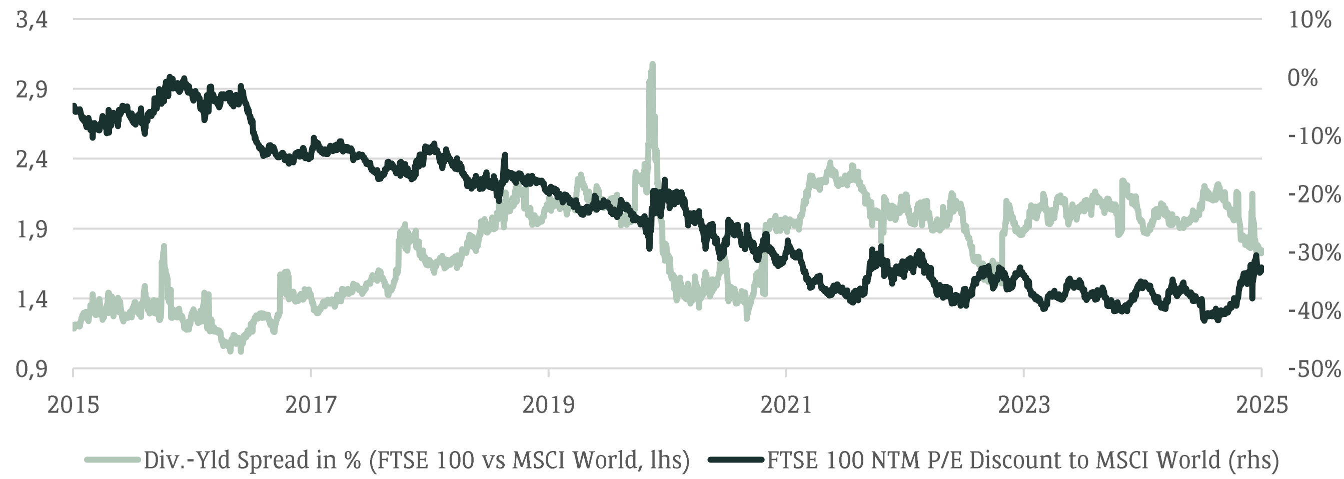
Source: BNP Paribas, Bloomberg

CHART 20: THE FTSE 100 OFFERS A LOW BETA TO GLOBAL GROWTH WHICH MAKES IT A GREAT DIVERSIFIER IN AN ENVIRONMENT OF SLOWING GLOBAL GROWTH



Source: BNP Paribas, Bloomberg

CHART 21: THE FTSE 100 STILL TRADES AT A DECENT DISCOUNT VS GLOBAL EQUITIES WHILE STILL OFFERING A DECENT PICK UP IN DIVIDEND YIELDS



Source: BNP Paribas, Bloomberg, Upside based on Index at 535

Q1-2025 Earnings: good so far but outlook very blur

Corporate results solid but likely supported by some stockpiling and frontloading before tariffs

US large banks

Same as in previous quarters, the season got a good start with the large US banks. Results were generally above expectations, especially trading activities. Of course, some questions arise regarding the expected recovery of the investment banking activities as the economic environment has become much more uncertain. A sharp economic slowdown could also affect the lending activities.

Recession scenarios still look extreme with a low probability. Besides, deregulation and tax cuts are expected this year and constitute strong backwinds.

Other financials have also announced solid results in general.

European banks quite resilient as well

After the excellent 2024 results, a slowdown in earnings growth was expected beginning of 2025. It has been muted so far; once again, European banks results have been better than expected. Perspectives look fine, and valuations are still cheap. Some M&As and restructuring could bring further support.

Good results in general in the US

Due to trade uncertainties, analysts very much revised down their Q1 earnings growth expectations before the season, down to +6%. It turned out to be exaggerated and expectations are currently +12% for Q1-2025 which is quite good. Some health care and tech names have announced very strong results. Energy, staples, materials and real estate are on the weak side.

For the full years 2025 and 2026, double digit earnings growths are still expected in the US

Downward revisions to the expected full year 2025 and 2026 profits are being observed. S&P 500 earnings growth is still expected to reach almost +10% in 2025 and +14% in 2026 (current IBES consensus).

It looks quite optimistic in the current context as it incorporates only a very moderate slowdown, low tariffs and probably some tax cuts already.

Note that most companies have refrained from giving a precise outlook for 2025 due to the trade tensions and their uncertain impact.

Europe

At -4% in aggregate at mid-season, earnings released so far have been quite better than the revised down expectations (-10% was expected beginning of April).

Qua perspectives, earnings growth is expected to accelerate, and to reach +3.5% in 2025 (current consensus) and +10% in 2026. On the one hand, trade tensions have created new uncertainties. On the other hand, the new defence and infrastructure spendings in Europe are medium-term supports, and create new opportunities, especially for industrials, construction materials, chemicals, utilities, financials and some tech.

Unsurprisingly, the auto sector (and other consumer discretionary names) have seen the most downward revisions recently. Energy and materials also show a negative earnings momentum at the moment.

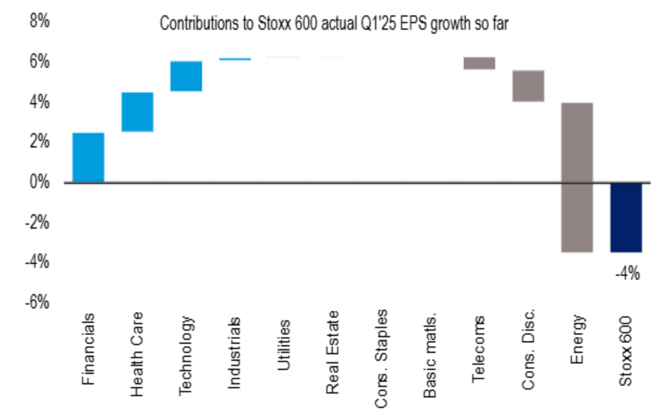
TABLE 8: SOLID US Q1 RESULTS, PARTICULARLY HEALTH CARE, COMMUNICATION SERV. & TECHNOLOGY. ENERGY, STAPLES, MATERIALS AND REAL ESTATE ON THE WEAK SIDE.

Consensus expectations based on current constituents and diluted shares

Sector	Earnings YoY%	Sales YoY%
Consumer Discr	6.2%	2.2%
Consumer Staples	(7.3%)	1%
Energy	(14.7%)	0.5%
Financials	4.2%	2.5%
Health Care	42.2%	9.5%
Industrials	4.7%	(0.8%)
Technology	17.4%	12%
Materials	(4.4%)	2.5%
Real Estate	(3.8%)	4.6%
Communic. Serv.	29.2%	6.1%
Utilities	10.4%	8.2%
S&P 500	12%	4.6%

Source: Factset, BofA, BNP Paribas

CHART 22: EUROPEAN Q1 RESULTS SO FAR: QUITE BETTER (-4%) THAN EXPECTED (-10%), ESPECIALLY THANKS TO FINANCIALS (+) AND HEALTH CARE (+). ENERGY (-) STILL THE MAJOR DRAG.



Source: BofA European Equity Quant Strategy, Factset

Based on companies that report quarterly figures

US Sector allocation & review

We downgrade US Industrials from Positive to Neutral

A very volatile month of April

Equity markets took a big hit beginning of April when the US administration announced tariffs quite higher than expected. Then, some back pedalling occurred and 'negotiations' started with the concerned countries, leading to a recovery. Eventually, the S&P 500 index is flat QTD, but its volatility has exploded!

There are **major divergences between sectors and stocks performances.** Q1-25 results show that in technology, mainly hardware/ semis are affected by tariffs and by the economic slowdown. In the sector, we prefer software as more resilient. Now supported by AI, it has been an engine of the market recovery.

On the other hand, the US administration is trying to fulfil its promise of lower oil/ energy prices, helped by the Saudi having opened the oil tap. This has been very much depressing the whole energy sector (-13% QTD). We have been underweighted on this sector which is now among the worse performers YTD.

The US government is now going against big pharma: next to some questionable choices to lead some key health care departments (which could hinder innovation), it wants prices of key drugs to be lowered. Therefore, despite being already very cheap, the health care sector has recorded a 7% pullback QTD, and its performance is now negative YTD. Of course we are following these developments very closely.

Other US defensive sectors have performed well YTD (Chart 23).

In general, our positioning is very cautious on the US equity markets as we consider that the market is not pricing enough the economic slowdown, the loss in confidence, the disruptions and inflationary pressures that are coming.

Therefore, we stay defensive, and we still prefer to avoid consumption related stocks.

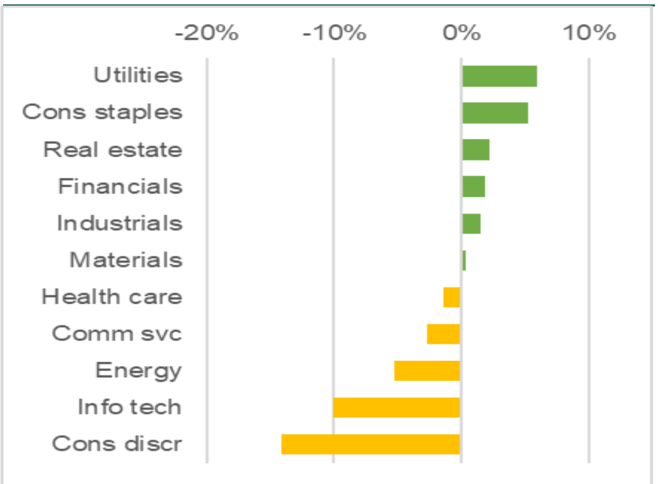
Furthermore, after having downgraded Financials and Materials in April, we now downgrade Industrials from Positive to Neutral

Confidence is plummeting in the US and many economic agents are reviewing/ delaying their spending and investment plans (see exhibit below). Furthermore, the US has taken no significant action on the industrial side to counterweight this (even the opposite when one considers the ongoing discussions about the possible repelling of some parts of the Inflation Reduction Act and of the CHIPS Act).

Some tax cuts as well as reshoring should bring medium-term support. But in the short term, because of the very uncertain economic environment, US industrials look fully priced at a fwd P/E of 21.1 whereas the S&P 500 index trades at a fwd P/E of 19.6. Embedded earnings expectations look optimistic for this sector whereas downward earnings revisions are now taking place.

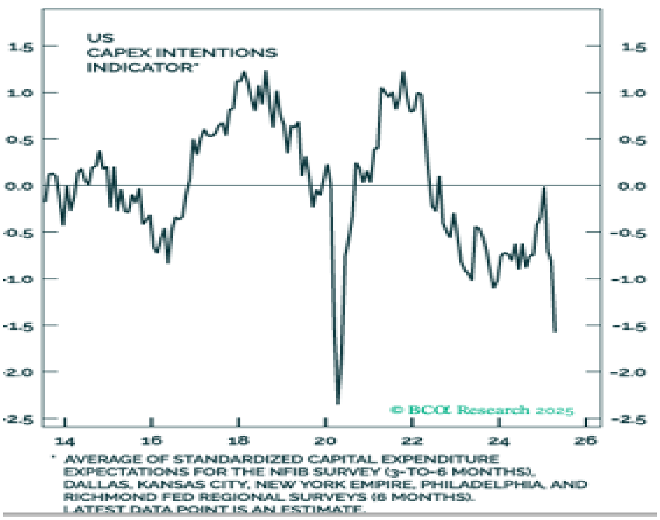
Therefore, we recommend more prudence with US industrials and with the US reindustrialization theme, and we revise down our opinion from + to =.

CHART 23: US SECTOR PERFORMANCE YTD: DEFENSIVES ARE LEADING; ENERGY & TECH RELATED SECTORS IN THE RED.



Source: S&P 500, 2025 performances as at 05 May 2025.

CHART 24: CAPEX INTENTIONS HAVE PLUMMETED AS US BUSINESSES ARE OPTING TO SIT ON THEIR HANDS.



Sector allocation & review - Europe

No change to our European sector allocation this month.

Same as in the US, the month of April has been very volatile. But QTD (as at 5 May), the European Stoxx 600 performance is flat. YTD, performance is +5.5%.

As the rest of the world, Europe was quite shocked when it saw the 'tariffs results board' presented by the US president beginning of April. It appeared quickly that it was some sort of negotiation tactic and countries could discuss with the US to reduce the rate.

As we expected and wrote in our April Equity Focus, some of our favourite sectors quickly recovered after the correction, particularly Financials. The economic environment is still relatively good for them; they are quite sheltered from tariffs, and they are still very cheap. Q1 results have confirmed the relative strength and good short-term perspectives of financials.

We have also maintained a preference for companies that should profit from announced and/ or expected European defence and infrastructure plans. These are mainly to be found in Industrials, Construction Materials and Utilities. We are positive on these sectors. Of course, Germany having much more fiscal leeway than other European countries, it has been a sizeable equity market winner thanks to these expectations.

Some oversold sectors have also nicely recovered the last few weeks (retail, travel & leisure, real estate) but they are still low in the performance ranking YTD.

Sectors the most exposed to tariffs and to the global economic slowdown are underperforming, such as consumer discretionary, automobiles, energy and basic resources. China, the World biggest consumer of basic resources, is also under pressure due to the announced US tariffs.

<u>In general, it is better nowadays to focus on the more domestic European sectors and segments,</u> particularly those supported by fiscal stimuli such as the ones announced in Germany.

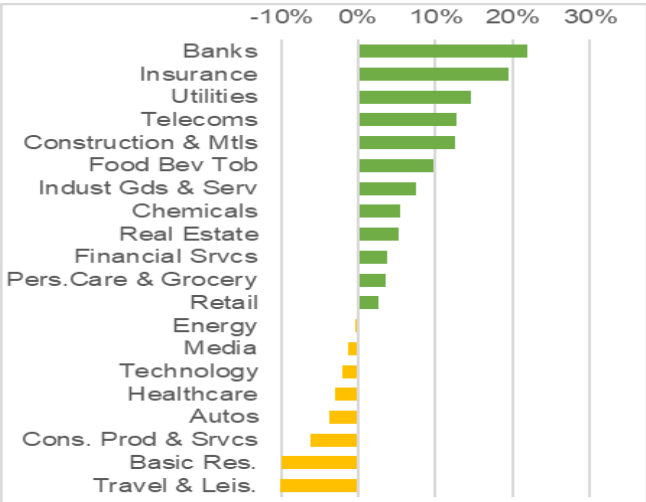
These market segments have announced relatively better Q1 corporate results than other segments.

MDAX and some European small caps also look interesting in this context although it looks a bit premature to massively overweight them in a complicated context of economic slowdown.

European Health Care sector waiting for the verdict

European Health care valuations are cheap, but the sector has suffered from US nominations and new policies considered as adverse to the sector. Although Q1 results were strong, the weak USD is putting pressure on future profits. A big uncertainty now is how much tariffs the US will put on the sector. Some of the largest pharma companies have already announced plans to expand their US production and have also stockpiled in the US. The net effect on future earnings is difficult to estimate.

CHART 25 : EUROPEAN SECTOR PERFORMANCE YTD: FINANCIALS ARE LEADING; MAINLY CYCLICAL SECTORS ARE NOW UNDERPERFORMING.



Source: Stoxx600, 2025 performances as at 05 May 2025.

CHART 26: EUROPEAN HEALTH CARE AND FINANCIALS ARE VERY CHEAP, ESPECIALLY CONSIDERING THEIR SOLID RESULTS

Price index - in €								
05-05-25	PE				EPS Growth - %			
	2025	2026	2027	12m fwd	2025	2026	2027	12m fwd
MSCI EUROPE (€) (*)	**14,1**	**12,6**	**11,5**	**13,6**	**3,7**	**11,6**	**10,4**	**6,4**
(*) EU15 + Switzerland + Norway								
MSCI EUROPE ENERGY	8,4	7,9	7,1	8,2	-4,6	7,5	10,5	-0,7
MSCI EUROPE MATERIALS	15,7	13,6	12,1	15,0	3,2	15,5	12,1	7,4
MSCI EUROPE INDUSTRIALS	19,2	16,9	15,2	18,3	7,3	13,2	11,7	8,9
MSCI EUROPE CONS DISCR	14,4	12,3	11,2	13,7	4,2	17,4	11,8	8,8
MSCI EUROPE CONS STAPLES	17,2	15,9	14,8	16,7	0,4	8,1	7,5	3,5
MSCI EUROPE HEALTH CARE	14,3	12,8	11,7	13,7	10,2	11,8	9,6	10,8
MSCI EUROPE FINANCIALS	10,0	9,0	8,3	9,7	2,4	10,9	10,3	5,2
MSCI EUROPE IT	23,9	20,2	17,1	22,4	8,8	18,2	18,0	13,2
MSCI EUROPE COMM. SERVICES	18,3	16,3	14,8	17,6	3,4	12,3	9,8	6,4
MSCI EUROPE UTILITIES	13,4	12,8	12,2	13,3	0,5	4,3	5,3	1,7

Source: IBES forecasts, DataStream, MSCI

European and US Sectors in a nutshell

Sector (STOXX Europe 600)	View UW	View N	View OW	YTD	Out/ underperf. vs index	Our view at a glance
Banks			X	21,82%	16,36%	**Attractive valuations, provided Europe does not enter recession**. Balance sheets are solid and should withstand the current crisis. European infrastructures/ defense plans create new funding opportunities.
Construction Materials			X	12,53%	7,07%	**(German) infrastructure spending is a key catalyst.** Rebuilding Ukraine another one. Heavy side names might benefit from US-China tariffs as they produce locally.
Financial Services			X	3,66%	-1,80%	**Improving capital markets activity and expected deregulation offer support,** especially to exchanges and private markets. Stay selective among asset managers due to challenges from the active to passive shift.
Health Care			X	-3,04%	-8,50%	**Attractive valuations. It is a defensive compounder**. Besides, this sector should be a key AI beneficiary: expect efficiency gains in a structually growing market (e.g. demographics, obesity etc). **Key risks: tariffs & new US political risks have appeared.**
Industrial Goods & Services			X	7,52%	2,06%	**The sector is being hit by tariff uncertainties but (German) infrastructure spending and 'rebuilding Ukraine' are big counterweights**. Also beneficiary of defence spending, re-/nearshoring, investments in data centers and renewable energy projects.
Insurance			X	19,46%	14,00%	This relatively defensive sector should outperform as long as asset prices don't enter in a free fall. Excess capital is supporting **shareholder returns**. Valuations are reasonable, offering further re-rating potential.
Utilities			X	14,68%	9,22%	**European infrastructure spending and energy independence willingness are new supports whereas (Green) Power demand should continue to grow.** A more dovish ECB would also help valuations.
Basic Resources		X		-9,93%	-15,39%	The sector has the highest correlation to China in Europe due to the high revenue exposure (~ 36%). **We still prefer names exposed to energy transition & precious metals**.
Chemicals		X		5,47%	0,01%	The sector should profit from the infrastructure plan in Germany as well as from the rebuilding of Ukraine. **Strong competition from China however and tariffs could hurt**.
Cons. Products and Services		X		-6,13%	-11,59%	**Despite higher consumption in Europe, the sector suffers from tariffs.** Chinese consumption still sluggish. US consumption now being questioned as well. Be selective.
Media Price EUR		X		-1,22%	-6,68%	The sector still suffers from investors trying to make up their mind how AI will impact business models. Part of the sector is well positioned to benefit from AI as owning a lot of data.
Real Estate		X		5,28%	-0,18%	Defensive sector potentially hit by new European expansionary budgets but **relatively insulated from the current trade war.** Logistics and data center enjoy tailwinds from e-commerce/ AI. Be selective.
Retail		X		2,55%	-2,91%	The sector has now found some capital discipline allowing for cash distribution. However, tariffs now putting pressure on margins as imported goods are becoming more expensive.
Technology		X		-2,01%	-7,47%	Tariff risks in the semi space, **while feeling the pinch from weak auto & cellphone demand. Prefer software names** which should continue to benefit from B2B investments in AI supported efficiency upgrades.
Telecommunications		X		12,63%	7,17%	Improving corporate results, the industry's **falling capital intensity** driven by the fibre cycle & the sector's **free M&A option** are supporting performance.
Auto & Parts	X			-3,75%	-9,21%	Automotives still weak due to rising competition with China, high EV investment costs, excess inventories, and bad pricing. **Trade tensions are creating further complications.**
Energy	X			-0,43%	-5,89%	**Oversupply & new US administration policies are capping the upside in oil related. Saudi now flooding the market with more oil.**
Food, Bev and Tobacco	X			9,73%	4,27%	**Valuations are rich compared with the rest of the market and considering the sluggish earnings growth of the sector.** Lack of upside catalysts except for its defensive profile.
Personal Care	X			3,55%	-1,91%	The sector still faces **headwinds from rising input costs while consumers are increasingly price sensitive**. Lack of upside catalysts.
Travel & Leisure	X			-10,23%	-15,69%	Lower oil prices a support but high competition in a context of **geopolitical tensions, discouraging travelling.**

Sector (S&P 500 Level 1)	View UW	View N	View OW	YTD	Out/ underperf. vs index	Our view at a glance
Health Care			X	-1,49%	3,37%	**Solid earnings in a structually growing market** (e.g. demographics, obesity etc). It is a defensive compounder. AI to bring more efficiency gains. Further deregulation could bring extra support. **Political risks however in the US.**
Utilities			X	5,89%	10,75%	**Growth in power demand should remain solid due to AI tailwinds & electrification.** EPS growth expectations accelerating. **Accumulate.**
Communication Services		X		-2,71%	2,15%	The sector is **dominated by 2 mega tech companies trading at lower P/Es than other 'Mag-7' but now facing antitrust and other issues**. The rest of the sector is not cheap either. Be selective.
Financials		X		1,81%	6,67%	**Profits and balance sheets quite solid but the economy is likely to dramatically slow down in the US. Deregulation and possible tax cuts should provide backwinds in a near future.**
Industrials		X ←		1,47%	6,33%	Re-shoring and US reindustrialization are supposed to be major backwinds. **However, in the short term, tariffs uncertainties are very much hurting confidence, business and investments.**
Materials		X		0,26%	5,12%	**In the short term, this sector will be impacted by the US economic slowdown but medium term, it should benefit from reshoring/ reindustrialization/ lower energy prices.** Better to focus at the moment on stocks with exposure to precious metals/ energy transition metals mining.
Real Estate		X		2,12%	6,98%	Despite a recent recovery due to a switch to defensives on the US equity markets, **activity is still sluggish in residential RE. New construction activity is muted. Commercial RE also looks stressed.**
Consumer Staples	X			5,21%	10,07%	**After the recent (defensive) recovery, the sector looks fully priced**. Costs are rising due to tariffs. Besides, consumers may continue to "trade down" due to current economic uncertainties.
Consumer Discretionary	X			-14,10%	-9,24%	The sector is **dominated by 2 mega tech companies currently de-rating and likely to keep suffering from trade tensions**. Be selective and diversify away from the 'Mag-7'.
Energy	X			-5,26%	-0,40%	Oversupply now pushing down oil related. We **prefer energy infrastructure names** as they benefit from rising transportation and storage needs while paying attractive dividends.
Information Technology	X			-10,01%	-5,15%	**Trading at heavy premium** vs the market. Growth expectations are slowing, making it harder to justify the valuation premium. Rising worries of AI-related overinvestments & of disappoiting ROIs to come.

Valuations

TABLE 9: GLOBAL INDICES

			Forward														Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	vs. ACWI	5yr Z-Score
MSCI ACWI	847		45,90		-0,76	18,43		2,91		2,03		14,81		5,42		n.a.	n.a.
MSCI World	3712		190,47		-1,17	19,47		3,17		1,93		15,18		5,13		1,06	
MSCI Emerging Markets	1138		90,12		1,62	12,58		1,68		2,88		13,14		7,92		0,67	
S&P 500	5660		262,69		-1,07	21,55		4,37		1,45		18,64		4,64		1,21	
S&P 500 Equal Weighted	6990		402,18		-2,81	17,38		2,73		2,11		14,07		5,75		0,94	
Russell 2000	2023		79,47		-5,55	25,46		1,17		2,44		3,56		3,93		1,25	
NASDAQ 100	20061		781,85		-0,77	25,66		6,51		0,83		22,64		3,90		1,51	
MSCI USA Growth	25192		457,79		-0,19	29,21		9,93		0,45		31,53		1,82		1,83	
MSCI USA Value	14105		226,20		-2,42	16,73		2,74		2,53		15,06		1,60		0,91	
STOXX Europe 600	538		36,21		-1,98	14,86		1,98		3,39		12,69		6,73		0,79	
STOXX Europe Mid 200	576		40,98		-2,72	14,06		1,61		3,93		10,98		7,11		0,73	
STOXX Europe Small 200	348		24,48		-0,93	14,23		1,46		3,42		10,09		7,03		0,74	
DAX	23499		1433,43		-0,72	16,39		1,86		2,61		10,55		6,10		0,86	
FTSE 100	8555		666,62		-2,82	12,83		1,90		3,70		13,69		7,79		0,69	
CAC 40	7744		523,53		-3,20	14,79		1,80		3,45		11,99		6,76		0,78	
FTSE MIB	39370		3324,16		-2,14	11,84		1,45		5,15		12,22		8,44		0,62	
Nikkei 225	37503		1921,78		-3,18	19,51		1,90		2,12		9,55		5,12		1,00	
Hang Seng	22868		2206,15		-0,14	10,37		1,17		3,37		10,87		9,65		0,54	

TABLE 10: EUROPEAN SECTORS

			Forward															Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	Upside to 12M Target Price*	vs. SXXP	5yr Z-Score
STOXX Europe	538		36,21		-1,98	14,86		1,98		3,39		12,69		6,73		12%	1,00	
STOXX 600 Consumer P&S	375		15,52		-4,11	24,16		3,56		2,06		14,13		4,14		12%	1,65	
STOXX 600 Energy	113		10,73		-7,56	10,54		1,20		5,93		11,58		9,49		16%	0,70	
STOXX 600 Food, Bev and Tobacco	196		12,30		-2,46	15,92		2,62		3,72		15,57		6,28		9%	1,10	
STOXX 600 Personal Care	169		10,37		-1,79	16,35		2,97		3,38		17,02		6,12		7%	1,15	
STOXX 600 Chemicals	1261		67,04		-3,56	18,81		2,01		2,87		9,67		5,32		11%	1,24	
STOXX 600 Utilities	432		32,33		0,84	13,36		1,61		4,77		11,83		7,49		7%	0,89	
STOXX 600 Banks	266		29,96		-1,35	8,88		1,01		6,16		11,50		11,26		7%	0,59	
STOXX 600 Real Estate	131		8,41		-0,35	15,64		0,89		4,17		7,33		6,39		12%	0,98	
STOXX 600 Technology	812		31,40		-3,09	25,86		5,12		1,24		18,97		3,87		16%	1,84	
STOXX 600 Autom. & Parts	544		64,39		-12,06	8,44		0,64		4,64		7,87		11,84		10%	0,54	
STOXX 600 Health Care	1035		68,96		-1,46	15,01		3,12		3,11		17,07		6,66		23%	1,08	
STOXX 600 Financial Services	860		47,16		-7,01	18,22		1,66		2,77		8,32		5,49		8%	1,18	
STOXX 600 Insurance	488		38,24		0,20	12,75		2,11		4,78		16,54		7,84		0%	0,88	
STOXX 600 Telcos	256		15,70		-3,49	16,30		1,46		4,27		8,07		6,14		10%	1,05	
STOXX 600 Media	470		26,19		-1,81	17,94		3,01		2,67		13,62		5,57		14%	1,24	
STOXX 600 Ind. Goods & Services	962		45,67		-1,98	21,06		3,66		2,18		16,24		4,75		10%	1,47	
STOXX 600 Constrn & Materials	793		46,73		-1,37	16,97		2,29		2,80		13,27		5,89		7%	1,14	
STOXX 600 Basic Resources	474		39,67		-7,20	11,95		1,08		3,88		8,97		8,37		24%	0,77	
STOXX 600 Retail	450		26,36		0,04	17,07		3,06		3,06		16,92		5,86		10%	1,19	
STOXX 600 Travel & Leisure	247		21,47		-2,43	11,51		2,59		3,02		21,60		8,69		23%	0,84	

*BBG consensus, NOT an official BNP target price

TABLE 11: US SECTORS

			Forward															Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	Potential Upside to 12M Target Price*	vs. S&P 500	5yr Z-Score
S&P 500	5660		262,69		-1,07	21,55		4,37		1,45		18,64		4,64		15%	1,00	
S&P 500 Consumer Discretionary	1618		63,81		-5,44	25,35		7,34		0,76		26,76		3,94		14%	1,26	
S&P 500 Consumer Staples	891		40,05		-0,78	22,25		6,42		2,48		26,82		4,49		8%	1,11	
S&P 500 Energy	631		41,26		-8,48	15,29		1,84		3,71		12,07		6,54		19%	0,66	
S&P 500 Financials	829		49,68		-0,71	16,68		2,19		1,83		12,74		6,00		7%	0,73	
S&P 500 Health Care	1545		95,03		-2,52	16,26		4,12		2,03		20,12		6,15		22%	0,79	
S&P 500 Industrials	1151		49,08		-2,55	23,46		5,94		1,53		24,22		4,26		8%	1,13	
S&P 500 Information Technology	4234		157,35		-1,18	26,91		8,90		0,72		29,58		3,72		20%	1,38	
S&P 500 Materials	534		26,20		-2,39	20,38		2,62		2,08		12,33		4,91		14%	0,89	
S&P 500 Real Estate	261		7,09		-0,14	36,83		3,05		3,47		8,12		2,71		13%	1,54	
S&P 500 Communication Services	326		17,72		1,65	18,41		3,79		1,00		20,44		5,43		20%	0,86	
S&P 500 Utilities	407		22,94		0,37	17,75		2,11		3,06		11,81		5,63		8%	0,77	

*BBG consensus, NOT an official BNP target price

Source: BNP Paribas, Bloomberg

Z-Score: Defines the number of standard deviations a value is from the mean of a given distribution. Negative z-scores indicate the value lies below the mean. Positive z-scores indicate the value lies above the mean.

Our key convictions at a glance

		USA	Europe	Japan	Emerging Markets
Overall view		negative	neutral	positive	positive
What we (especially) like		Energy Infrastructure	UK Financials	SMIDs Domestically oriented exposure Financials	China, Indonesia, Singapore, South Korea
What we don´t (really) like		Growth Mega caps, particularly within consumer discretionaries			
Preferred themes & trades	Regional basis	Buybacks & Quality Dividend growth Equal weighted over capital weighted S&P	Software German infrastructure related names	Governance Reform achievers	Chinese tech & Chinese high dividend plays (banks, telecom)
	Global Basis	Precious and energy transition metal miners Healthcare Utilities			

Economic, FX forecast tables

Revisions reflecting US uncertainty

BNP Paribas Forecasts

GDP Growth %	2024	2025	2025 before Liberation day	2026	2026 before Liberation day
United States	2.8	1.3	1.8	1.1	1.3
Japan	0.1	0.7	1.0	0.2	0.2
United Kingdom	1.1	1.0	1.1	0.8	0.9
Switzerland	0.8	1.1	1.3	1.3	1.5
Eurozone	**0.8**	**1.0**	**1.3**	**1.3**	**1.5**
Germany	-0.2	0.4	0.6	1.0	1.3
France	1.1	0.6	0.8	1.1	1.2
Italy	0.5	0.8	0.9	1.3	1.4
Emerging					
China	5.0	4.5	4.5	4.3	4.3
India**	8.2	6.2	6.2	6.7	6.7
Brazil	3.2	2.1	2.1	1.0	1.0

** Fiscal year

Source : BNP Paribas, Bloomberg - 28/04/2025

US inflation risk revised lower but still elevated

BNP Paribas Forecasts

CPI Inflation %	2024	2025	2025 before Liberation day	2026	2026 before Liberation day
United States	2.9	3.1	3.3	3.7	3.4
Japan	2.7	3.2	3.2	2.1	2.1
United Kingdom	2.5	3.2	3.3	2.5	2.5
Switzerland	1.1	0.2	0.4	0.7	0.9
Eurozone	**2.4**	**2.1**	**2.2**	**1.9**	**2.0**
Germany	2.5	2.3	2.4	2.0	2.1
France	2.3	0.9	1.0	1.2	1.2
Italy	1.1	1.7	1.9	1.7	1.8
Emerging					
China	0.2	0.8	0.8	1.0	1.0
India*	5.4	4.8	4.8	4.2	4.2
Brazil	4.4	5.3	5.3	4.8	4.8

* Fiscal year

Source : BNP Paribas, Bloomberg - 28/04/2025

FX FORECASTS EUR

	Country		Spot 29/04/2025	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1.14	Neutral	1.12	Neutral	1.15
	United Kingdom	EUR / GBP	0.85	Neutral	0.85	Negative	0.87
	Japan	EUR / JPY	162.07	Positive	157	Neutral	161
	Switzerland	EUR / CHF	0.94	Neutral	0.94	Neutral	0.94
	Australia	EUR / AUD	1.78	Positive	1.70	Neutral	1.80
	New-Zealand	EUR / NZD	1.92	Positive	1.87	Neutral	1.92
	Canada	EUR / CAD	1.58	Neutral	1.57	Negative	1.61
	Sweden	EUR / SEK	10.97	Neutral	11.00	Negative	11.20
	Norway	EUR / NOK	11.81	Neutral	11.60	Positive	11.30
Asia	China	EUR / CNY	8.27	Neutral	8.18	Neutral	8.40
	India	EUR / INR	97.05	Neutral	98.56	Negative	101.20
Latam	Brazil	EUR / BRL	6.43	Neutral	6.50	Negative	6.90
	Mexico	EUR / MXN	22.33	Negative	23.52	Negative	25.30

Sources: BNP Paribas, LSEG

FX FORECASTS USD

	Country		Spot 29/04/2025	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1.14	Neutral	1.12	Neutral	1.15
	United Kingdom	GBP / USD	1.34	Neutral	1.32	Neutral	1.32
	Japan	USD / JPY	142.37	Neutral	140.00	Neutral	140.00
	Switzerland	USD / CHF	0.82	Neutral	0.84	Neutral	0.82
	Australia	AUD / USD	0.64	Positive	0.66	Neutral	0.64
	New-Zealand	NZD / USD	0.59	Neutral	0.60	Neutral	0.60
	Canada	USD / CAD	1.39	Neutral	1.40	Neutral	1.40
Asia	China	USD / CNY	7.27	Neutral	7.30	Neutral	7.30
	India	USD / INR	85.26	Negative	88.00	Negative	88.00
Latam	Brazil	USD / BRL	5.65	Negative	5.80	Negative	6.00
	Mexico	USD / MXN	19.61	Negative	21.00	Negative	22.00
EMEA	South Africa	USD / ZAR	18.58	Positive	18.00	Positive	17.50
	USD Index	DXY	99.24	Neutral	100.39	Neutral	98.71

Sources: BNP Paribas, LSEG

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