MAY 2025

Investment Strategy Focus

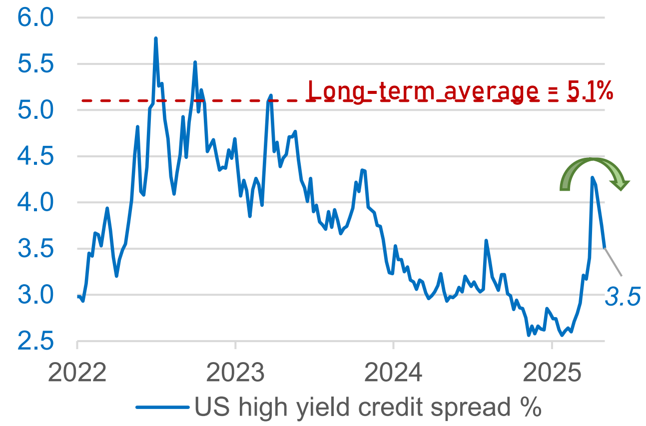
Policy watching

Summary

1. **Translating soft data into hard:** while US hard economic data are bound to worsen in the coming months given poor recent survey readings, financial markets will focus on policy direction and the potential for near-term trade deal announcements.
2. **ECB continues to cut interest rates,** easing euro financial conditions and supporting the economy. Two further cuts are expected in June and July to take the ECB deposit rate to 1.75%. The Fed should also cut twice this year, starting in Q3. Euro-based investors should move away from term deposits to higher-return asset classes.
3. **US Treasury bond market is the biggest bully:** the surge in the 10-year US Treasury yield from 4% to 4.5% in early April prompted a shift in President Trump's policy direction, given the need for lower bond refinancing costs. We look for US 10-year yields to hit 4.0% in 3 months.
4. **Expecting a weaker US dollar:** weaker US growth, lower interest rates, and a rebalancing of capital flows back to Europe motivate our expectation for a weaker US dollar. Our new EUR/USD targets rise to USD 1.12 in 3 months and USD 1.15 in 12 months (per 1 euro).
5. **Focus on Switzerland as a true safe haven:** the Swiss franc and Swiss assets have performed strongly on the back of the surge in geopolitical risk. Our EUR/CHF 3- and 12-month targets are unchanged at 0.94 (value of one EUR), while Swiss stocks remain a good proxy for the European quality factor invested in Swiss francs.

Contents

US HIGH YIELD CREDIT SPREAD HAS BEGUN TO FALL FROM PEAK



Source: BNP Paribas, Bloomberg

Edmund Shing, PhD

Global CIO
BNP Paribas Wealth Management

BNP PARIBAS
WEALTH MANAGEMENT

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Macro, Market Views

Macro		– Rising policy uncertainty and tariff concerns are starting to weigh on US domestic investment and consumption. Expect small business activity and employment to be hit by a halt in import shipments, and freeze on investments. – In the eurozone, consumer confidence is supported by continued ECB rate cuts. The announced German stimulus plan should boost long-term potential growth. Chinese stimulus could bring positive surprises.
Rates	+	– Positive on core eurozone government bonds and on UK gilts – Positive on US Treasuries post 2 April tariff announcement. Our 3-month 10Y US Treasury yield target is 4.0%. – US, Euro central banks to cut benchmark rates to 4%, 1.75% by end-2025 – We see both the US 2-year and 10-year yields at 4.25% in 12 months. Our 12-month target on the German 10-year bund yield is 2.5%.
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 maturities of up to 5 years in the US. – We continue to like EUR IG corporate bonds, and we stay Positive on UK IG corporates (offering a 5.5% average yield).
Equities	=	– Maintaining a Neutral strategic view on Equities. Potential for a further short-term rebound on excessive pessimism and prospect of softening US policy. – Favour UK, Japan, China. Remain Negative on the US. – Positive on Health care and Utilities. For the EU, Positive on Financials, Industrials and Materials. – Negative on US IT and Consumer Discretionary. – We downgrade US Industrials from Positive 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.
Commod-ities	+/-	– Gold: Neutral tactical view, positive long-term (buy on dips) as EM central banks continue to make strategic purchases and Asian households remain buyers. Gold 12m target moved up to USD 3300/ounce. – Negative stance on Oil, price range for Brent crude oil of USD 55-65 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 convertible arbitrage 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		– The prospect of much weaker US growth, a lower Fed Funds rate and capital flows from the US back to Europe/Middle East/Asia suggest a weaker US dollar. – We have changed our 3-month target from USD 1.05 to **USD 1.12** and our 12-month target from USD 1.05 to **USD 1.15** (value of one EUR).

Investment Summary: May 2025

Revising our EUR/USD 12-month target to USD 1.15

Guy Ertz, PhD

EUR/USD has been trading in a wide range (1.08-1.15) since tariffs were announced. The recent USD weakness has been a surprise as the dollar is usually a defensive currency generally benefiting from high uncertainty. Other forces seem to be at play in this unusual environment. The 2 April announcement of reciprocal tariffs at a level unseen for about a century has been a shock for countries and markets. Even if negotiations are now taking place following the announcement of a 90-day pause on these reciprocal tariffs, it is very unlikely that tariffs will be revised to a level anywhere close to the last few decades.

High tariffs could reduce the potential of US growth in the coming years and there is a risk of stagflation (low growth with persistent high inflation). The second reason for USD weakness is related to the funding of the US current account deficit. Indeed, it is mainly funded by foreign buying of fixed income, primarily by European, Japanese but also Chinese investors.

Higher uncertainty regarding the US outlook and better growth prospects in Europe probably motivate these investors to diversify their portfolios away from the US into Europe.

Taking these factors into account, we have changed our 3-month target from USD 1.05 to USD 1.12 and our 12-month target from USD 1.05 to USD 1.15 (value of one EUR). This suggests more downside for the USD.

US stocks: sell the rip, don't buy the dip

US retail investors continue to buy dips in major US stock indices like the S&P 500 and Nasdaq 100, judging by the strong inflows to US S&P 500 and US growth ETFs in March and early April even as US stock indices fell into correction territory (S&P 500 index currently -7% since the start of this year).

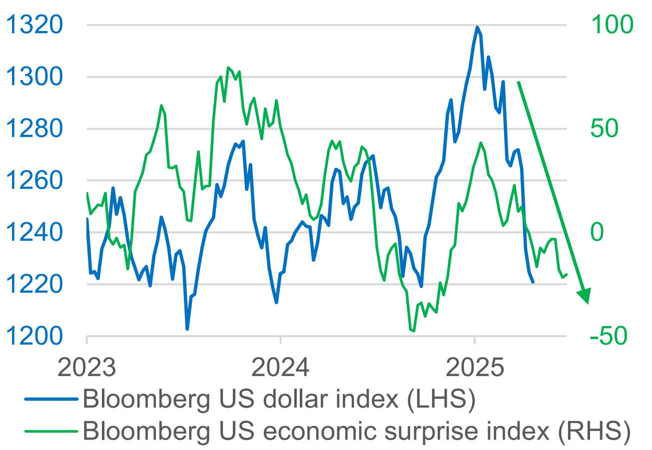
We remain Negative on US stocks overall. Investors who are heavily exposed to US large-cap technology stocks should reduce holdings on any stock market rebound. In the short term, US stock markets are heavily oversold, and investor sentiment is already very pessimistic judging by sentiment surveys. Furthermore, hedge fund exposure has been largely unwound. There are good prospects of positive news flow regarding outline US trade deals with a number of countries in the coming weeks, which could spur a bounce in stock markets.

Were this to materialise, **we would suggest to rebalancing out of US large-cap stocks into cheaper, higher-yielding international stocks: Japan, UK, China and selected sectors in the eurozone such as Financials.**

Gold leads, but look out for a catch-up by silver, miners

The gold price has been propelled to our USD 3300/ounce target by continued central bank buying and record geopolitical uncertainty. We see an attractive catch-up potential in both silver and gold miners, which have both lagged physical gold since 2020. **We maintain our USD 38/ounce 12-month target for silver, offering 17% upside potential.**

SOFTER US GROWTH OUTLOOK PUSHES DOLLAR LOWER



Source: BNP Paribas, Bloomberg.
Note: US economic surprise index advanced 2 months

PHYSICAL SILVER, GOLD MINERS REMAIN WELL BELOW THEIR 2011 PEAK

Source: BNP Paribas, Bloomberg

Stepping back from the brink?

Tariff war versus capital war

Since Donald Trump's sweeping import tariffs announcement on 2 April, financial markets have struggled to digest the likely short- and longer-term economic impacts both on the US and on the global economies. Stock, bond and currency market volatility has all surged alongside the US and global economic policy uncertainty indices, given an average US import tariff rate that could potentially increase to as much as 28% (according to the Yale Budget Lab as of 15 April, before accounting for likely consumer behaviour changes) from a pre-Trump 2.0 average of just 2.5%.

Even after expected shifts in US domestic consumption to avoid the highest-tariffed goods, the average tariff rate is likely to settle at 18%, the highest rate since 1934. The Yale Budget Lab estimates that this hike in consumption taxes represents a loss in purchasing power of about USD 2,200 per US household. US real GDP growth would then be cut by 1.1%, potentially pushing the US into at least a technical recession (2 consecutive quarters of negative GDP growth) later this year, with a consequent rise in unemployment. Several sell-side research departments at US investment banks have lowered their 2025 economic forecasts to reflect negative GDP growth by Q3 2025.

Triggering a dramatic bond market reaction

From 4 to 11 April, the US Treasury bond market reacted negatively to the announcement of this larger-than-expected tariff burden, with the 10-year yield surging from under 4% to 4.5% and the MOVE index of US bond volatility leaping from 106 on 2 April to a peak of 140 by 8 April.

The Trump administration has blinked

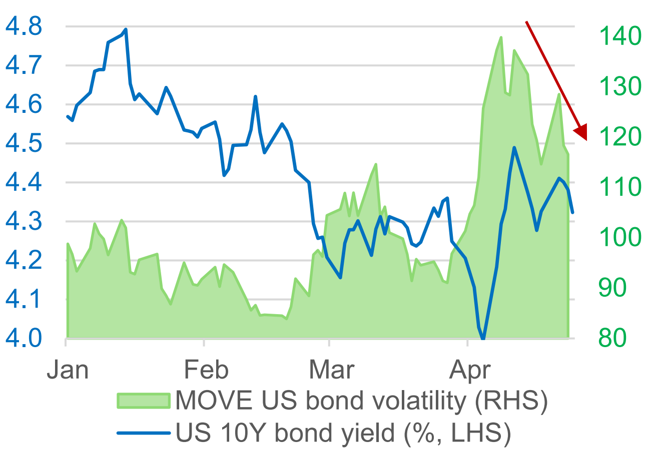
Ultimately, the US Federal government needs to refinance a huge amount of maturing US Treasury bonds, while financing the 6% budget deficit expected this year. Sharply higher bond yields are thus very unwelcome, as this increases the interest cost of new bond issues to the Treasury.

In the wake of this dramatic bond market reaction, the Trump administration has rushed to soften the effect of this "Liberation Day" tariff announcement. It has put in place a 90-day pause on the application of these proposed reciprocal tariffs. Further, it has exempted mobile phones and laptops from the additional 125% China tariffs and is trying to expedite trade deals with countries including Japan, South Korea and India. US bond yields have correspondingly begun to retrace their sharp rise, with the 10-year benchmark yield easing back to 4.3% as of 5 May.

Furthermore, Trump has walked back his heavy criticism of Fed Chair Jerome Powell and his threat to replace Powell as Fed Chair before the latter's mandate ends in mid-2026.

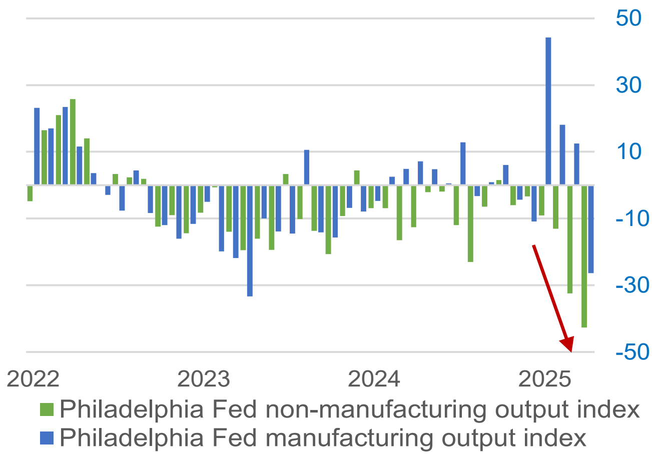
We would expect further adjustments to the proposed US import tariffs to further reduce the burden on the US domestic economy, given the risks of widespread bankruptcy (and mass unemployment) in the small business segment if the effective embargo on Chinese intermediate and final goods is fully implemented. A 10% baseline tariff is likely to remain and there will be additional sectoral tariffs on semiconductors, autos and certain commodities. But the proposed reciprocal tariffs e.g. on China, are likely to be scaled back.

JUMP IN US TREASURY YIELDS, VOLATILITY FOLLOWING 2 APRIL



Source: BNP Paribas, Bloomberg.

PHILADELPHIA FED ACTIVITY INDICES SLUMP IN APRIL



Source: BNP Paribas, Bloomberg

Monetary policy: when will the Fed blink?

The ECB eases once again: more to come

On 17 April, the European Central Bank (ECB) cut their benchmark deposit rate by 0.25% to 2.25%, as we and the consensus had predicted. Given the fall in underlying eurozone inflation and the potential near-term depressing effect of US import tariffs on eurozone growth, the ECB should cut rates further this year.

Both goods and energy inflation have declined dramatically since 2023, standing today in disinflation territory at respectively 1.1% and -1% year-on-year.

The one component that remains above the ECB's 2% inflation target is services, which are falling despite registering 3.5% y/y in March. Wages are the single biggest driver of services prices, with energy also important. The ECB negotiated wage tracker survey suggests that wage growth should fall to under 1.5% by the end of this year. This should allow services inflation to dip below 2% over the next few months, particularly if energy inflation remains close to zero.

At a minimum, we see the ECB's terminal rate at 1.75% by Q3 this year, suggesting two further rate cuts in the next few months. The interest rate futures market prices a more aggressive outlook, expecting the ECB's deposit rate to fall to 1.6% by the end of 2025.

Today, eurozone financial conditions remain looser than long-term average in spite of higher long-term bond yields and wider corporate credit spreads. Lower benchmark interest rates should loosen conditions yet further, benefiting both economic growth via expanded credit activity and stronger stock markets.

The Fed: balancing recession risk and stagflation

The Federal Reserve has a more difficult environment to manage than other central banks, given that US import tariffs will have a one-off price effect on goods but will also act as an import tax, thus hurting consumption which is 70% of US economic activity.

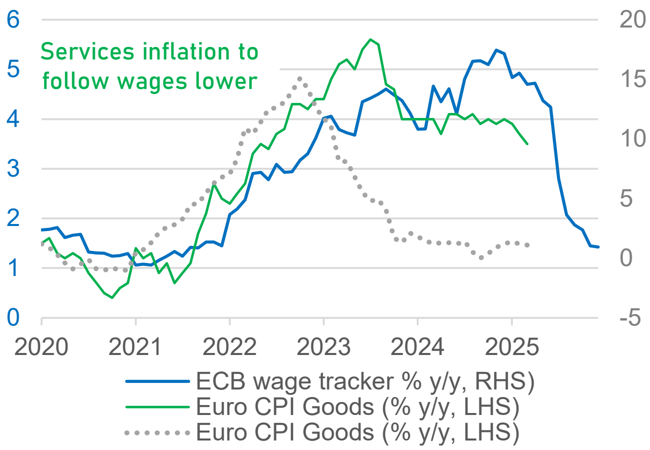
The key question that the Fed must answer is: ultimately, are tariffs inflationary or deflationary? Much will hinge on the actions of companies and households. How much of the tariff cost can be passed through to the final consumer via higher prices, and to what extent will households react by changing their spending habits?

At present, the bond market is pricing a 3.3% implied inflation rate in 12 months' time reflecting a near-term inflationary impact from tariffs, which then falls back to just 2.3% based on the 5-year US Treasury bond breakeven inflation rate. Near-term economic surveys look bleak, with the Philadelphia Fed's April manufacturing and non-manufacturing business activity survey readings both falling to lows not seen since the mid-2020 COVID-19 recession.

On balance, we believe that the Fed will blink once employment data deteriorate, which is likely to occur in the coming months. As an example, as at 11 April, the number of US job postings on the recruitment website indeed.com is 10% lower than a year ago, reflecting a tougher US labour market.

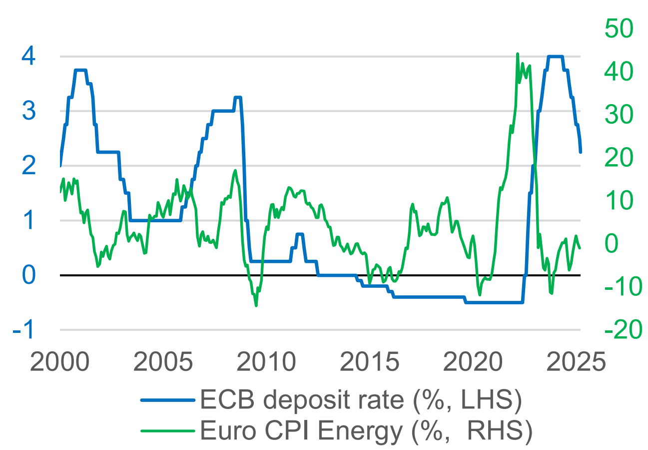
We believe that the Fed will reduce the Fed Funds rate twice this year to end 2025 at 4.0%.

EUROZONE INFLATION ON TRACK TO FALL BELOW 2%



Source: BNP Paribas, Bloomberg

EURO INTEREST RATES TEND TO FOLLOW ENERGY INFLATION



Source: BNP Paribas, Bloomberg

Is the US dollar losing its crown?

US dollar dominance now in question

For nearly a century, the US dollar has been the dominant currency in international financial transactions. Today, the US dollar used for 90% of all FX transactions by volume and still represents 58% of official central bank FX reserves.

Moreover, US Treasury bonds had served as a pre-eminent store of value, at least up to now. But we see a risk that the Trump administration's tariff actions and other high-pressure tactics could threaten the end of this US dollar hegemony, or as a minimum, a diminished global role in the years ahead.

What further undermines the international status of the dollar is the desire of the Trump team to encourage the use of a range of privately-issued digital assets to become part of the global monetary system, including the mooted creation of a Strategic Bitcoin Reserve.

Beyond tariffs, the aim of President Trump to reindustrialise the US and reshore manufacturing jobs points to the desire for a lower dollar over time, to boost the price competitiveness of US exports and to diminish the attractiveness of imports from abroad.

US dollar decouples from long-term US rates

Since 4 April, the US 10-year bond yield has risen by 0.4% to 4.3% on the back of fears of higher tariff-triggered inflation over the next 12 months. Up to now, the US dollar had strengthened whenever long-term Treasury yields had increased. But over April, the US dollar noticeably decorrelated from 10-year yields, moving from under USD 1.10 to over USD 1.13 per 1 euro.

Capital flows start to reverse, leaving the US

Given the recent geopolitical volatility unleashed by Trump since January and the pressure exerted on Fed Chair Jerome Powell, the status of US Treasury bonds as risk-free assets has come into question.

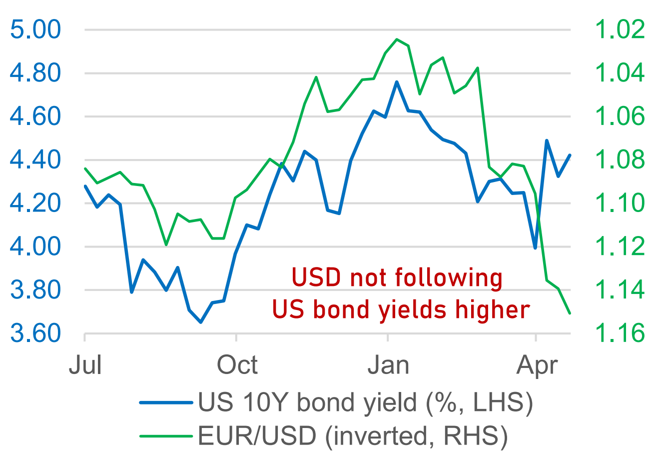
Repatriation of foreign capital should continue to pressure the US dollar against major trading pairs including the euro and yen. Investors have invested heavily in US financial assets for over 10 years and today own 18% of the US equity market and 33% of US Treasury bonds.

The starting point for the US dollar is the highest valuation in broad terms since 1985. We think that the combination of near-term underperformance of the US economy and looser fiscal and monetary policy in both the eurozone and China can drive the US dollar lower over time.

Risks to US financial assets, equities in particular

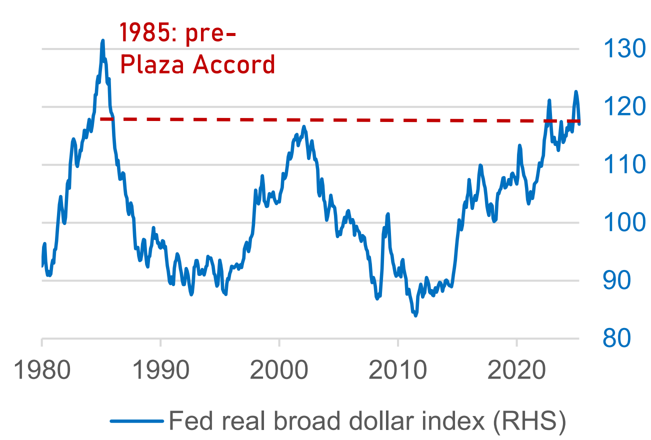
Both Japanese and European investors are heavily exposed to US financial assets, with eurozone investors heavily exposed to US equities. We look for continued repatriation of flows from the US back to Europe as investors rebalance their portfolios away from US equities and back to domestic and Rest of World equity exposure. While the short-term strength of the euro against the dollar has been impressive, we think that this marks the start of a long-term strategic asset allocation shift back from the US to the Rest of the World, as opposed to simply short-term profit-taking on a tactical basis.

DOLLAR/US BOND YIELD DECORRELATION UNDERLINES LOSS OF CONFIDENCE IN US



Source: BNP Paribas, Bloomberg

BUT US DOLLAR IS STILL STRONG ON A LONG-TERM BASIS



Source: BNP Paribas, Bloomberg

Has the move in gold gone too far?

The temptation to take profits in gold is strong...

The loss of confidence in the US dollar and US financial assets had triggered an accelerated move into alternative safe havens outside of the US, most notably into gold. The gold price has surged by 28% year-to-date as the US dollar has weakened and geopolitical uncertainty has surged. **We adjust our 12-month target price on gold to USD 3300/ounce.**

In the 10 months between June 2024 and 5 May 2025, gold gained 44% in US dollars, compared with a 7% return in global bonds and 9% from global stocks. In the short term, after such exaggerated moves in both the US dollar and the gold price, investors are clearly tempted to take profits in physical gold.

Investors have rushed into physical gold-backed ETFs since December, to the tune of USD 8.6bn in March alone according to the World Gold Council. This follows the strongest quarterly return for gold in Q1 2025 since 1986. Record trade and tariff uncertainty has prolonged this strong buying momentum in April, according to State Street.

Silver and gold miners have trailed the gold price

In the previous precious metals bull market which peaked in September 2011, gold reached over USD 1900/ounce. Since that peak, the gold price has gone on to gain 84% as of 22 April. In contrast, silver remains 25% below its September 2011 level today, while gold miners are still 20% below their late 2011 peak. At the beginning of August 2020, gold broke above USD2000/ounce for the first time. Since then, gold has gained 70% to date, versus 16% for silver and 21% for gold miners.

Strong fundamentals underpin silver

The gold/silver price ratio (at USD 3380/USD 33.06) stands at over 100 times today, one of the highest levels for this ratio since January 2000. Over the following 25 years, this gold/silver ratio has averaged 68.5 times, only very rarely exceeding 90 times.

At the current gold price and with a projected gold/silver ratio at 90x, the silver price would have to rise 11% to USD 37.60/ounce, close to our current USD 38 12-month target.

Fundamental supply and demand dynamics remain strong for silver. Industrial demand for silver set a 4th consecutive record in 2024 according to the Silver Institute, driven principally by demand from solar panels and electronics. The structural deficit when comparing total supply and demand is forecast at a 149-million-ounce shortfall for 2025, the fourth year in a row that demand has exceeded supply. Moreover, despite the rise in the silver price since 2020, there is little increase in new silver mining supply given that 77% of silver mine supply comes from mines whose principal metal output is not silver, but rather gold, copper, lead or zinc.

Gold miners remain cheap relative to the gold price

Even with rising costs, major gold miners have an All-In Sustaining Cost (AISC) of USD 1400-1600 per ounce produced, allowing them to generate an estimated record 52% free cash flow margin at current gold prices. A likely record Q1 2025 reporting season could drive further earnings estimate upgrades for full year 2025, fuelling upwards momentum.

GOLD HAS MASSIVELY OUTPERFORMED SILVER, GOLD MINERS SINCE 2011

Source: BNP Paribas, Bloomberg

SINCE 2000, GOLD/SILVER RATIO HAS AVERAGED 68 (100 AT PRESENT)

Source: BNP Paribas, Bloomberg

Switzerland dealing with the consequences of risk aversion

Growth and monetary policy
Guy Ertz, PhD

While the Swiss domestic outlook remains resilient, we see global factors as the main drag on growth. Switzerland has been less affected by tariffs, as higher 'reciprocal' tariffs have been delayed, and pharmaceuticals have so far been exempted. However, the US administration has indicated that they are coming. If imposed, they could significantly raise the effective tariff rate on Swiss imports from the current 6.4%, as they account for more than 30% of goods exports to the US. We have cut our 2025 GDP growth forecast to 1.1% from 1.3% previously. The implementation of tariffs on pharmaceuticals would be a further risk for Swiss growth. Pharmaceutical exports to the US were worth around 2% of nominal GDP in 2024. We do, however, expect consumer demand for these goods to be relatively price-inelastic, which could mitigate the negative impact.

At its March meeting, the SNB cut interest rates by 25 basis points to 0.25%. This decision was mainly driven by ongoing disinflationary pressures and uncertainty about global developments. We now expect the SNB to cut the policy rate by a another 25bp in June, bringing the rate down to 0%. We do believe that even a few months with negative inflation would not be enough to convince the SNB's key rate into negative territory.

The CHF remains expensive, and the interest rate differential is not supportive. Global uncertainty should, however, remain high, limiting the downside for the Swiss currency. **Therefore, our EUR/CHF 3- and 12-month targets are unchanged at 0.94 (value of one EUR).**

Swiss bond reflect disinflation, safe-haven status
Edouard Desbonnets

The combination of subdued inflation and dovish monetary expectations, scarce AAA-rates supply and safe-haven inflows amid renewed US tariffs tensions has driven Swiss yields lower in April.

The 2-year yield has slipped into negative territory as investors are betting that the SNB might ease its policy rate below zero to curb franc appreciation.

Assuming the SNB cuts to 0% by mid-year, holds that rate throughout 2025 and 2026, and leans more on FX intervention than further rate cuts, **we see the Swiss 10-year yield trading near to 0.50% in 12 months**. Only a marker uptick in global risk aversion, or an unexpected shift in SNB guidance, would push yields significantly lower or higher.

Swiss equities: tracking the Europe Quality factor

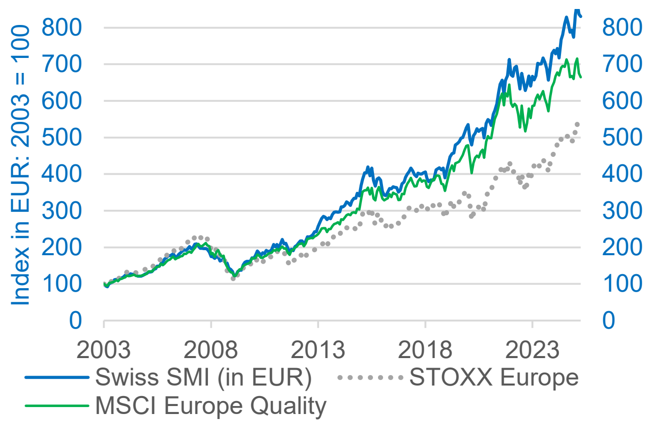
Swiss stocks trade at a 22% P/E premium to the broader European stock market (17.1x forward P/E versus 14x), reflecting the Swiss Franc's safe-haven status and the relatively high quality of the major members of the benchmark SMI index in terms of profitability and defensive characteristics.

The Swiss market reflects branded companies that have been able to cope over time with a strong domestic currency, and which have successfully expanded globally in the food & beverage, health care, luxury goods and financial sectors. The performance of the SMI remains highly correlated with the MSCI Europe Quality factor index, consistently outperforming the STOXX Europe index since 2009.

SWISS FRANC HAS STRENGTHENED STEADILY SINCE 2018

Source: BNP Paribas, Bloomberg.

SWISS STOCKS HAVE OUTPERFORMED STOXX EUROPE SINCE 2009



Source: BNP Paribas, Bloomberg.

Risk review: what to watch for

US high yield spread flags rising risk

One of our favourite financial market risk indicators, the US high yield credit spread, has widened by over 0.9% to 3.5% since mid-February, after peaking at 4.5% on 8 April. There are two ways to look at this spread widening.

The half-empty glass interpretation would highlight that this spread is now at its highest since mid-2024, underlining greater financial risk. This tallies with the US Economic Policy Uncertainty index, which has risen to its highest level since 2020.

But not so high compared to history

The half-full glass interpretation would argue that even at 3.7%, the spread remains very low by historical standards when comparing today's level to the last 25 years, when the credit spread has averaged over 5%. During periods of real economic stress, such as in mid-2022, the US high yield credit spread has frequently exceeded 5%. By these standards, the current spread is not at all extreme, but rather still well below the long-term average.

Other measures of financial stress, such as the Citi Macro Risk index, have also risen since February but remain well below levels that we would consider alarming.

Our composite risk radar of 9 different financial market and economic indicators does not yet flag a worrying combination of warning signals at this point. We will watch these closely going forwards, but we do not yet flag the need to reduce exposure to risk assets, such as stocks and corporate bonds.

US consumer sentiment is concerning...

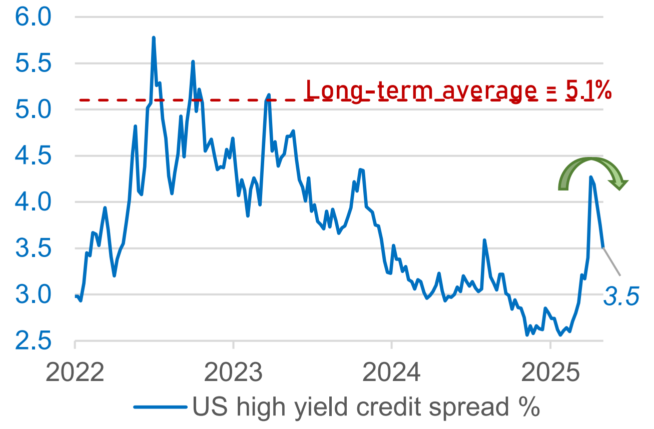
The March reading for the University of Michigan's consumer sentiment survey was worrying, with an aggregate reading as low as the one seen during the 2008 financial crisis and immediately after the 2022 outbreak of war in Ukraine. This reflects a pessimistic outlook from the bulk of US households, who are worried that the avalanche of tariffs will drive prices higher and erode domestic purchasing power.

...but not confirmed by other US economic measures

In contrast, composite measures of US economic momentum such as the Citi US Economic Surprise index are nowhere near recession territory but rather indicate at worst a modest slowdown in US GDP growth to somewhere in the 1%-2% range. The latest US composite PMI (combining readings for both manufacturing and services) calculated by S&P Global, sits in healthy expansion territory at 53.5, well above the 50 break-even level.

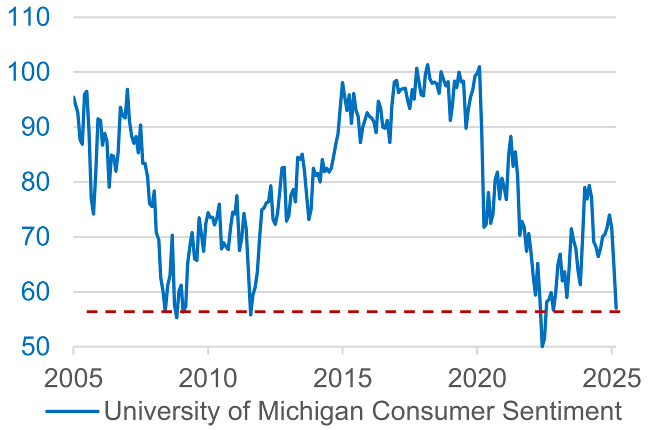
Most importantly, it is important to distinguish between "soft" data from surveys and "hard" economic data which measure actual economic activity such as retail sales. If in doubt, one should always lean towards the hard data over survey readings. In this case, March US retail sales ex-gasoline continue to grow at a healthy +3.1% year-on-year pace, not signalling any worrying slowdown in domestic consumption. Clearly, should consumer sentiment remain this depressed for a continued period, then it may well translate into slowing economic activity. But this is not yet the case.

HIGH YIELD CREDIT SPREAD EASES, UNDERLINING LOWER FINANCIAL STRESS



Source: BNP Paribas, Bloomberg

US CONSUMER SENTIMENT HIT HARD BY TARIFF UNCERTAINTY



Source: BNP Paribas, Bloomberg

Summary of our main recommendations, by asset class

	Current Recom	Prior Recom	Segments	We like	We avoid	Comments
EQUITIES	=	=	Markets	UK, Japan, China, Singapore and Indonesia	US	The 2 April US tariff hikes raised the risk of a US recession or stagflation. Geopolitical uncertainty is mounting sharply, arguing for near-term prudence. We hold our Equities recommendation at Neutral, awaiting more positive signals on tariffs and liquidity. US stock recommendation remains Negative.
			Sectors	Global Health Care, Utilities, EU Industrials, EU Materials, EU Financials	EU Oil & Gas, Consumer Staples, US IT, US Consumer Discretionary	**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 above-benchmark euro duration, US Treasuries up to 10 years		Positive on core eurozone, UK government bonds, US Treasury maturities up to 10Y. 12-month US 10Y yield target 4.25%, German 10Y bund yield 2.5%.
	+	+	Credit	Euro IG credit, UK IG		We favour investment grade Credit, focusing on EU credit on the back of decade-high yields and strong balance sheets. We remain 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	-	-				2 cuts to take Fed Funds rate to 4% by end 2025, 1.75% for the ECB deposit rate.
COMMO-DITIES	+/=/-	+/+/-		Gold (+) Industrial metals (=) Oil (-)		<u>Oil (-)</u> Weaker global oil demand and the prospect of a steady reduction in OPEC+ production cuts force Brent prices into the USD 55-65 range. <u>Base metals (=)</u> The outlook for the manufacturing sector is eroded by tariff hikes. Gold (+) neutral on tactical view, positive longer-term (buy on dips), 12-month range = USD 3300.
FOREX			EUR/USD			Our EUR/USD 12m target is USD 1.15.
REAL ESTATE	=	=		Health Care, logistics/ warehouses		Lower interest rates and a slow improvement in net asset values should support unlisted real estate.
ALTERNATIVE UCITS				Long/Short Equity, Credit and Relative Value, Convertible Arbitrage		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%	2024	2025	2026
United States	2.8	1.3	1.2
Japan	0.1	0.7	0.2
UK	1.1	1.0	0.8
Switzerland	0.8	1.1	1.3
Eurozone	**0.8**	**1.1**	**1.2**
Germany	-0.2	0.4	1.0
France	1.1	0.6	1.1
Italy	0.5	0.8	1.3
Emerging			
China	5.0	4.5	4.3
India*	8.2	6.2	6.7
Brazil	3.2	2.1	1.0

* Fiscal year

Source : BNP Paribas - 05/05/2025

BNP Paribas Forecasts			
CPI Inflation%	2024	2025	2026
United States	2.9	3.1	3.7
Japan	2.7	3.2	2.0
UK	2.5	3.2	2.5
Switzerland	1.1	0.2	0.7
Eurozone	**2.4**	**2.1**	**1.9**
Germany	2.5	2.3	2.0
France	2.3	0.9	1.2
Italy	1.1	1.7	1.7
Emerging			
China	0.2	0.8	1.0
India*	5.4	4.8	4.2
Brazil	4.4	5.3	4.8

* Fiscal year

Source : BNP Paribas - 05/05/2025

	Country	Spot 04/05/2025		Target 3 months	Target 12 months
Against euro	United States	EUR / USD	1.14	1.12	1.15
	United Kingdom	EUR / GBP	0.85	0.85	0.87
	Switzerland	EUR / CHF	0.94	0.94	0.94
	Japan	EUR / JPY	163.71	157	161
	Sweden	EUR / SEK	10.91	11.00	11.20
	Norway	EUR / NOK	11.77	11.60	11.30
Against dollar	Japan	USD / JPY	144.00	140	140
	Canada	USD / CAD	1.38	1.40	1.40
	Australia	AUD / USD	0.65	0.66	0.64
	New Zealand	NZD / USD	0.60	0.60	0.60
	Brazil	USD / BRL	5.63	5.80	6.00
	India	USD / INR	84.53	88.0	88.0
	China	USD / CNY	7.26	7.30	7.30

Source: BNP Paribas, Refinitiv Datastream. As at 4 May 2025

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