FEBRUARY 2025

Equity Focus

New Kid in Town

Summary

1. **DeepSeek disruption?** Is the launch of this low-cost Chinese AI large language model the "Ryanair" disruptor to US mega-cap tech oligopolies? Only time will tell, but it could be the catalyst for rotation of sector leadership away from Technology. Favour equal-weight S&P 500, income/value stock and sector exposure.
2. **Jevons Paradox –** We think that the launch of DeepSeek will boost AI adoption and thus, is not posing a threat to the overall CAPEX development. Thus, the sell-off in AI related infrastructure looks overdone. As AI is becoming cheaper, we think that the benefits from using it can be harvested much faster. Investors should look for AI adopters as the next leg in the AI trade.
3. **Trade Wars?** We stick to our view that Trump is using tariffs as a negotiation tactic. As he pointed out in a 1987 book, he wants to "deal from strength". At the core, he is business-friendly and pro growth. Thus, the overall backdrop for US equities remains constructive. Favour SMIDs > equal weight > capital weight.
4. **Europe:** We´re not convinced by the sustainability of the recent EU outperformance vs the US. Nevertheless, we advise clients to not completely ignore EU equities as the region offers international growth compounders such as the GRANOLAS, with a decent discount vs global peers.
5. **This month, we upgrade European Consumer Products & Services from Negative to Neutral,** due to the strong consumption in the West.
6. **Solid Q4-2024 earnings season, particularly at the large US banks.**

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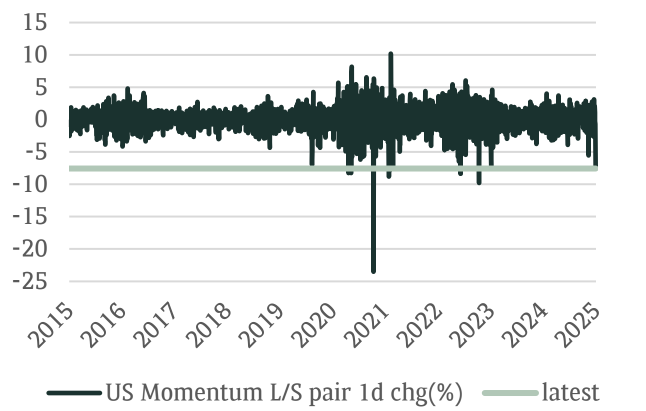
US MOMENTUM TOOK A HARD HIT FROM DEEPSEEK



Source: BNP Paribas, Bloomberg, data as of 27th January 2025

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Is the AI trade in deep(seek) trouble?

A "FUD" moment

Monday the 27th of January 2025 was the moment the world took notice about the existence of DeepSeek (DS), an AI tool claiming to be competitive against the most advanced US-AI models, but for a fraction of the cost. After the closing bell, close to USD 1 trillion in market capitalization had been evaporated as the entire AI beta got hit hard over the news, which caused "FUD" – fear, uncertainty and doubt. As a result, (almost) everything related to AI capex, including Data Center and Energy names, sold off.

DeepSeek- a Sputnik moment?

At a first glance, it appears as if an unknown Chinese start up humiliated Silicon Valley, raising serious questions about the CAPEX projections for AI models, hardware and energy needs. We wouldn´t go as far as that, given what we know today.

DeepSeek-R1 is a new reasoning model. New, because it can engage in multiple steps of reasoning, a key shortfall of traditional LLMs. This reasoning process increases also the response time. The most advanced version available so far was OpenAi´s o1, which is now challenged by R1 on several math and reasoning tasks, but at a fraction of the cost (Exhibit 2).

While the media was mainly focusing on the USD 6m figure, an important fact was overseen. DS itself stated within their release note, that those would have been the costs for the **final** training run, with "final" being the key word. This number neither includes the costs of data acquisition, prior research, experiments on model architectures, algorithms, nor the salaries of the people involved. Usually, the final run is the cheapest as it's usually done to confirm former successful test and happens after the data, infrastructure and modelling choices have been made. Estimates for the total cost of R1 start from USD 100m, according to US Hedgefund Bridgewater.

While being substantially above USD 6m, even USD 100m would mean that DS was able to realize some impressive efficiency gains. However, due to advances in AI soft- and hardware, further progress on that front was to be expected and is nothing new.

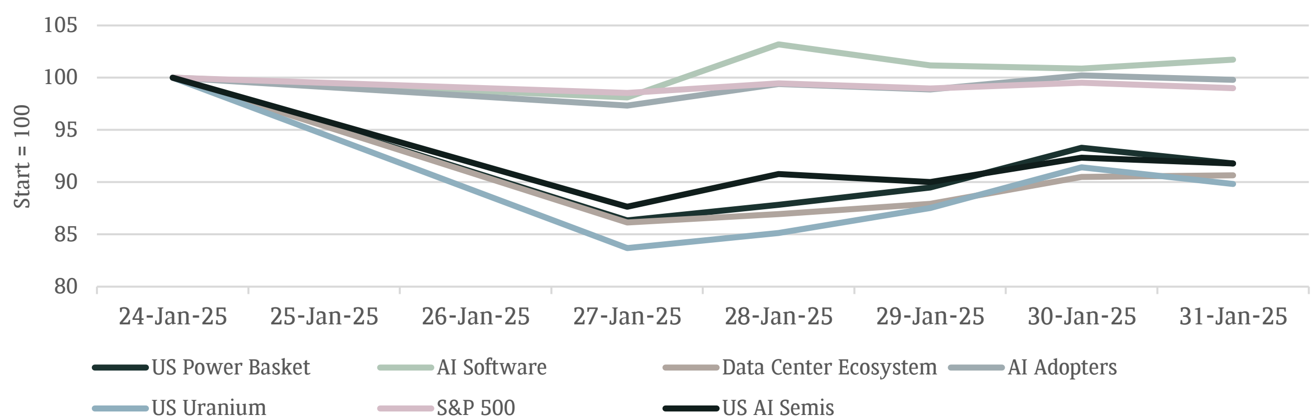
When Claude 3.5 Sonnet was released only 15 months after GPT-4, the price per call was already 10 times cheaper despite Claude being perceived as a better model. Google´s recently released Gemini Flash 2 is showing strong improvements in terms of efficiency. In that regard, the main surprise shouldn´t be the model (or the related costs) itself but the fact that it came out of China.

Too good to be true?

DS claims to have not used the latest version of Nvidia´s H100 AI chips, which are currently under US export controls. Even if true – investigations are still running - the required hardware to build the model was still substantial. There is also evidence, although not conclusive, supporting the suspicion that DS used Open AI´s o1 to train its own model. Another point up for debate is the optimization issue. Some tests indicate that R1 seems to be trained on benchmark answers rather than on true reasoning.

Nevertheless, the main point remains: a huge step forward in AI adoption has been made.

EXHIBIT 1: AI AND THE RELATED HARDWARE ECOSYSTEM FACED SEVERE SELLING PRESSURE AFTER DEEPSEEK CLAIMED TO BE AT PAR WITH MORE EXPENSIVE MODELS



Source: BNP Paribas, Bloomberg.

This is (not) the end of the world as we know it

Honey, I shrunk the software issue

While it´s not fully clear what hardware was used nor how much the training costs have been exactly, it´s safe to conclude that DS made huge progress on efficiency in using chips. This represents a big leap forward. A main challenge so far has been the chipmakers rather poor, buggy software stacks. Those force AI labs to write their own kernels to access the hardware. As DS has shown, more can be done here and the fact that it´s open source, gives others the chance to build on their work and catch up. We think that this is less a threat to western AI but rather a tipping point.

Jevons paradox

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.

While Meta´s open-source model was about two generations behind the latest closed end LLMs, DS has shown that this gap narrowed considerably and became less meaningful.

As a result, we will most likely see a flare up in potential competition between capital-rich internet giants vs. start-ups, given lowering barriers to entry, especially with recent new models developed at a fraction of the cost of existing ones. Those 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.

A new kid in town

The famous song from "The Eagles" is dealing with the risk "that somebody´s going to come along and replace us" (Don Henley). Is this what is about to happen to the current market AI darlings?

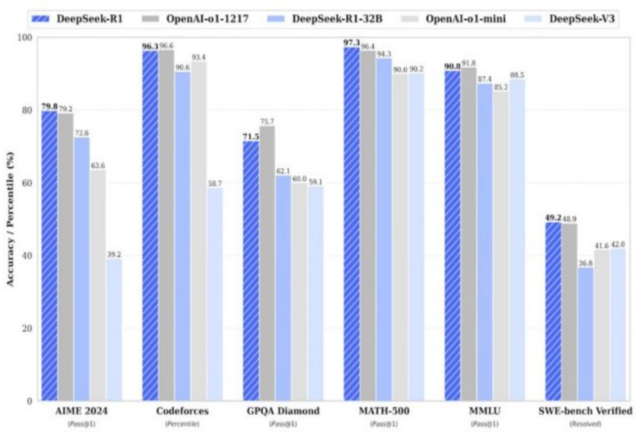
We think the answer to this question is complex and the jury is still out on the final verdict. What we can say for sure is that the way the industry operates will change as a response to this challenge. During the cause of this process, titans might fall.

A new era of efficiency driven progress

R1 will challenge the current business plan for frontier labs to monetize their models. The AI industry is moving towards open-source where innovations are shared for everybody´s benefit. The powerful outcome can be a model with superior results which was produced on Tier 2 hardware. Thus, technological advantages are no longer the only driving force for success as efficiency-driven progress can be as powerful. Open-source signals a rapidly shrinking barrier to enter the AI landscape as we enter a new era of efficiency-driven progress. This will challenge the currently dominating AI leaders as the future determination of success is most likely the speed at which AI advances can be implemented and brought to the market.

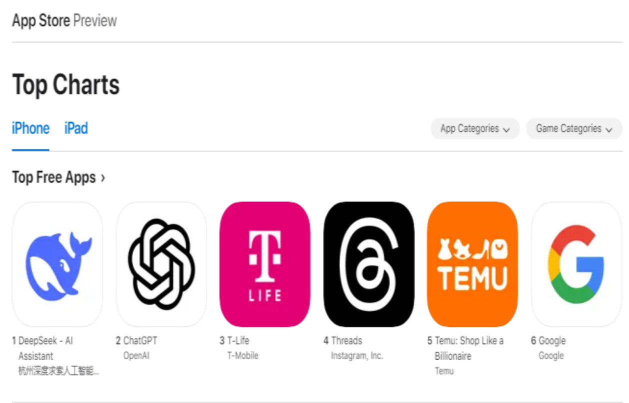
Going forward, we see a shift away from "one to rule them all" to smaller, fit for purpose kind of models which are crafted for more specific tasks. We would thus argue that we´re about to reach the next level of evolution in the AI trade: the application layer.

EXHIBIT 2: DEEPSEEK R1 BENCHMARK PERFORMANCE



Source: DeepSeek release Paper.

EXHIBIT 3: DEEPSEEK IS LEADING THE DOWNLOAD TABLE IN APPLE´S APP STORE



Source: BNP Paribas, Apple App store screenshot

The innovators dilemma

AI capex is likely to stay elevated

The innovators dilemma theory describes the fact that though large innovators have some motivation to innovate, they also have a strong disincentive from doing so as new products will undermine their existing ones. This is exactly the position the current AI leaders are in. Should they reduce OPEX / R&D, their current products will most likely be washed away by open-source solutions. Hence, we expect no notable slowdown, as is evident by recent company announcements: Microsoft issued guidance of $80b on data center spend through fiscal 2025 (ending in the middle of 2025) while Meta stated it intends to spend $60-65 billion in capex in 2025 as the company ramps up its AI development capabilities. Not to forget Project Stargate, a new company (endorsed by President Trump) that intends to invest $500 billion to build new AI infrastructure for OpenAI in the United States.

Lessons from the past

For centuries, investors seem to be doomed to repeat the same mistake over and over again. New technologies emerge, creating excitement which eventually results in an obsessive fervor that creates bubbles. A recent study found that in a sample of 51 major tech innovations introduced between 1825 and 2000, bubbles in equity prices were evident in 73% of cases. In a nutshell, investors over-focus on the initial innovators, understate the impact of competition and overstate the returns on capital invested by the early innovators. To make things worse, there is also a tendency to underestimate challengers and their capability to build new products on the foundation the early innovators have created.

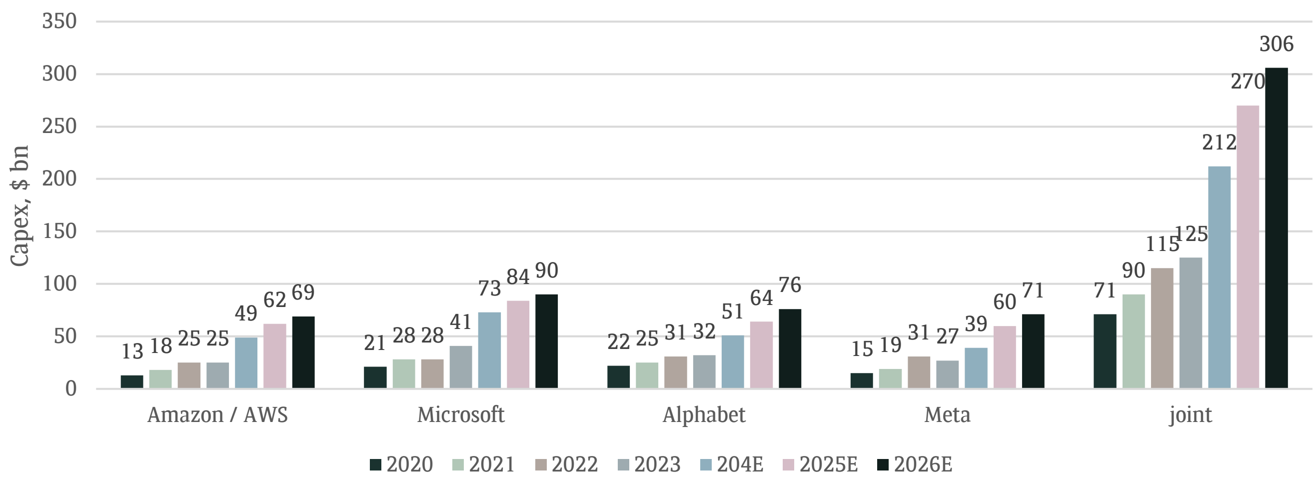
Not all of those occasions end with a spectacular bubble (bursting), but there is a clear pattern. Competition increases which puts pressure on the returns and margins, resulting in lower growth rates of many of the dominant companies. This eventually ends with a significant downward adjustment in prices across those early innovators.

While the current AI leaders managed to build impressive protective 'moats', the number of new patents in this area is growing rapidly (Exhibit 5). This suggests that new competitors (as DS) will emerge, and costs will come down further. As was the case in history before, once new (technological) innovations become widely used, the main beneficiaries are (i) the companies employing them to harvest productivity gains and (ii) the consumer who enjoys new products and services at lower prices.

Time to trade the next level?

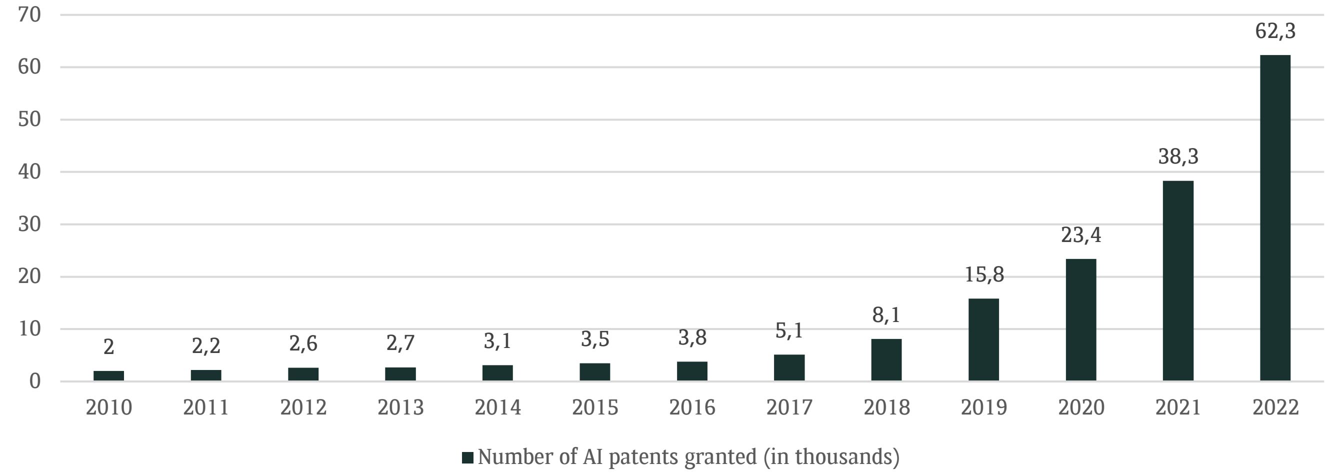
We think that the AI trade can be broken down in several phases which all should see other companies outperform. AI infrastructure, i.e. semiconductors, cloud provider, the data center ecosystem and utilities companies stand at the beginning and have performed considerably well. As we enter the application layer of the AI trade, we expect companies with AI enabled revenues, i.e. those embedding AI in their services to boost sales, to outperform further. As DS opened the door to more (because of cheaper) AI, firms with the biggest potential earnings boost from widespread AI adoption and productivity gains should attract increasing investors attention as well (Exhibit 6).

EXHIBIT 4: HYPERSCALER CAPEX IS EXPECTED TO GROW FURTHER



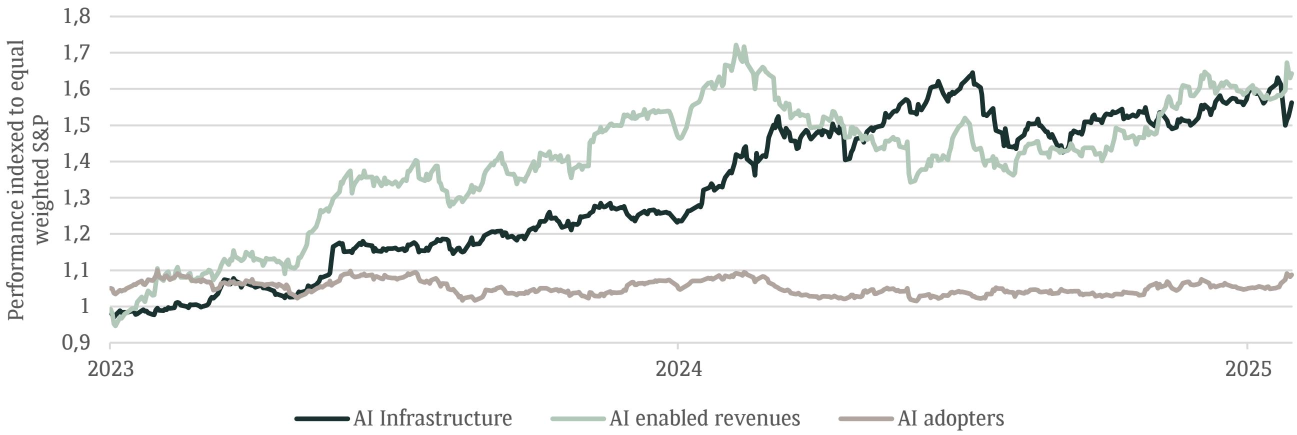
Source: BNP Paribas, Bloomberg. Goldman Sachs

EXHIBIT 5: THE NUMBER OF AI RELATED PATENTS STARTED TO GROW EXPONENTIALLY WHICH SPELLS INCREASED COMPETITION AHEAD FOR CURRENT LEADERS



Source: BNP Paribas, Stanford HAI Research

EXHIBIT 6: THE GROWTH POTENTIAL FROM A LARGE SCALE ADOPTION OF AI IS STILL NOT EMBRACED BY THE MARKET



Source: BNP Paribas, Bloomberg.

Sector and Industry implications of DeepSeek

Software

Lower computing costs are a gift for heavy-user software companies and should boost AI adoption. The accessibility of highly capable models at lower infrastructure costs is a big positive (Exhibit 7) . As our colleagues from Markets360 recently stated:

"Software investment seems to have been sensitive historically to the cost of hardware...... as hardware costs fell sharply in the late 1990s, software investment exploded. Spending on software exhibited similar correlation to hardware prices during the pandemic as well. We think this is analogous to the 1990s experience with cheaper hardware and could provoke a similar step change in software investment, which could be quite large over time."

We take this as confirmation to our "Monetising AI" Investment Theme.

Semiconductors

The short-term impact on the industry is heavily dependent on the infrastructure spending plans from hyperscalers. In the longer end, an increase in lower cost models could create increased spending from current leaders in order to defend their capability lead. At the same time, all those new low(er) cost models still require GPUs for training and inference handling. We would thus assume that the number of chips needed will increase significantly, but the margins are likely to shrink. The formerly discussed semi software issue should contribute to this trend as well. We expect less demand for cutting edge chips, even more if ongoing optimization at the user leads to longer running times.

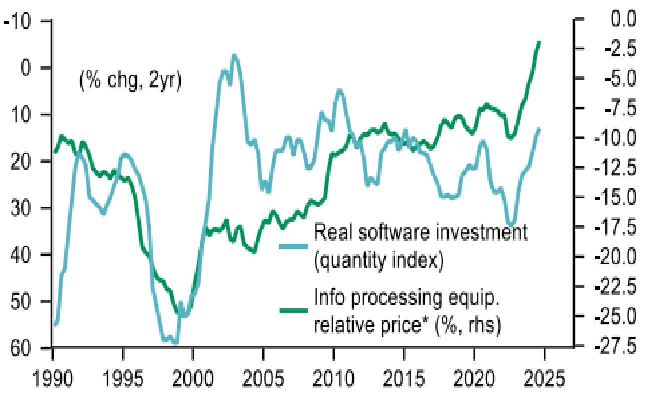
Data Center Ecosystem

We would see the current weakness in the Data Center Ecosystem as overdone. Estimates from Cushman and Wakefield suggest that >75% of the power and computational demand from US data centers is for inference and other non-AI applications (Exhibit 9). As discussed in this note, we expect the substantial drop in unit cost for AI usage to lead to a substantial rise in the adoption if AI. This should lead to a solid demand for data center investments going forward.

Ironically, the event of a short lived "demand shock" with lower data center investments might as well turn to be positive in the mid to long term. As the investments in new data centers would slow down, the mid- to long term occupancy rates should be higher than currently expected.

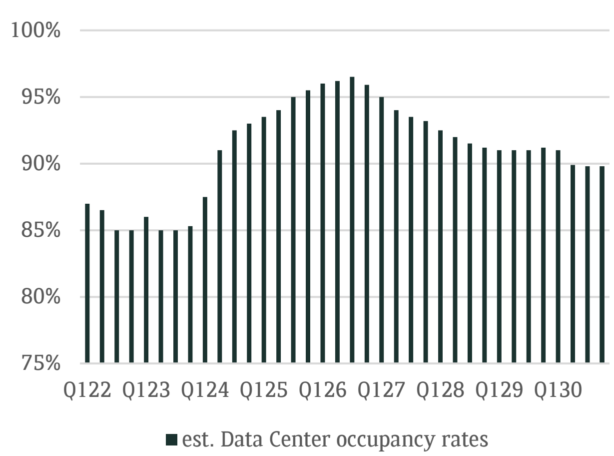
As for Data Center itself, the sell off in energy names looks overdone, too. While there might be an impact on power demand growth, the underlying trend persists. Electricity is the lifeblood of the modern world and will become even more so as its role in transport, technology and heating expands through the widening use of EVs, AI and heat pumps. The investment bank Morgan Stanley forecasts global power consumption will grow 26% faster through 2030 than over the last decade, reaching 33.5 trillion kWh units by 2030. US power demand is expected to grow at 2.4% annually, according to Goldman Sachs, out of which 0.9%-points should come from data centers. Even if efficiency gains should dampen the demand growth from data centers, the overall impact should be limited.

EXHIBIT 7: SOFTWARE INVESTMENT RISES WHEN HARDWARE COSTS FALL



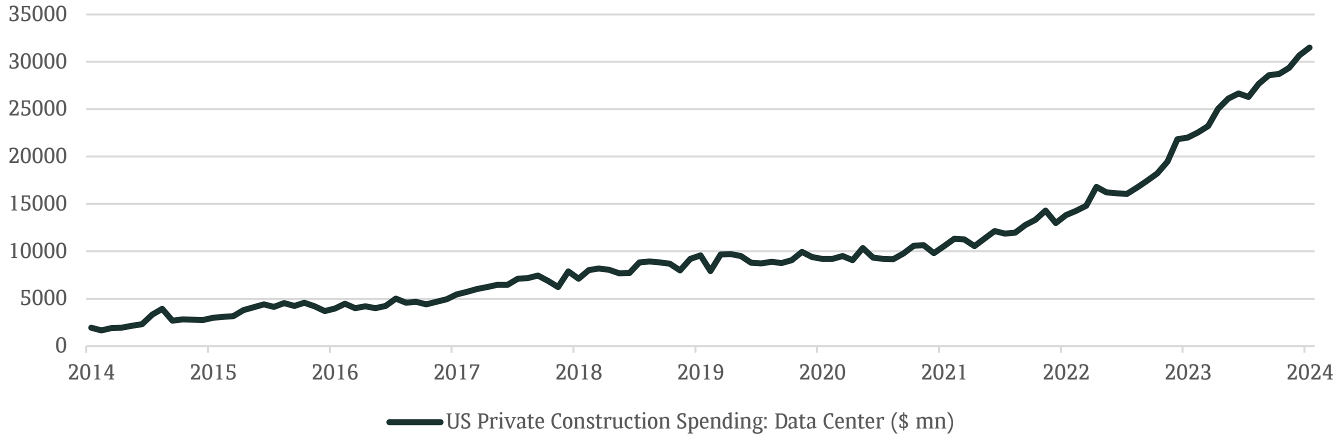
Note: Information processing equipment relative price calculated as information processing equipment deflator over overall implicit GDP deflator.
Sources: BEA, Macrobond, BNP Paribas

EXHIBIT 8: DATACENTER OCCUPANCY IS CURRENTLY EXPECTED TO PEAK MID ´26



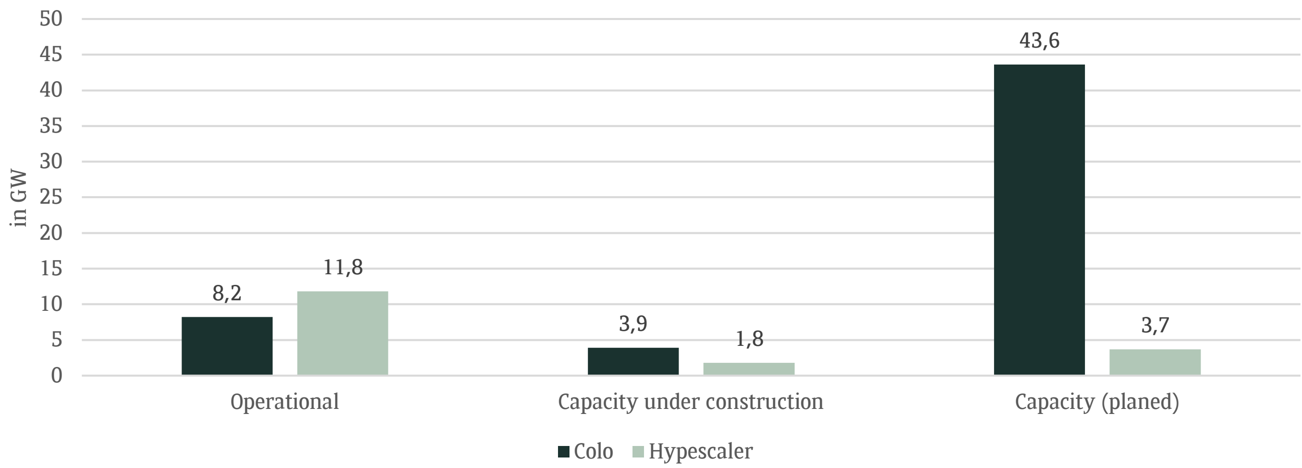
Source: BNP Paribas, Goldman Sachs

EXHIBIT 8: DATA CENTER CONSTRUCTION SPENDING TRIPLED SINCE EARLY 2022



Source: BNP Paribas, Bloomberg

EXHIBIT 9: THE GROWTH POTENTIAL FROM A LARGE SCALE ADOPTION OF AI IS STILL NOT EMBRACED BY THE MARKET



Source: BNP Paribas, Cushman & Wakefield

The only thing constant in life is change

What history tells us about market leadership

The expression from ancient Greek philosopher Heraklit of Ephesus can easily be extended to investments. Looking at the Fortune 500, only 51 companies – or roughly 10% - have been constantly in the index since 1955. It seems thus far from implausible to assume that in the next decades this change will continue, meaning that the vast majority of todays companies will be replaced by new companies in new, emerging industries, some of which even out of todays imagination. In fact, of the current top 50 companies in the US, only half were in the top 50 a decade ago and many have only been founded in the last 30 years.

Hence, market leadership was subject to constant change and buying dominant companies produced lower returns over time. Exhibit 10 shows the average total return since 1980 if the top 10 stocks would have been bought and held over several time horizons. Exhibit 11 is build similar but shows the relative performance against the S&P500. As the data shows, the absolute returns remain healthy but show only poor long-term results on a relative basis.

Concentration risk

The 27th of January was not only a reminder for investors that even disrupters can be disrupted, it was also another warning sign in respect to market concentration. Usually, a negative daily performance for the S&P 500 is caused by more stocks falling than advancing. As Exhibit 12 shows, the 27th was an exception to the rule. Despite 350 stocks rising on that day, the index fell by roughly 1.5%.

This confirms our preference for equal weighted over capital weighted indices in the US.

The argument for SMIDs in the US remains strong

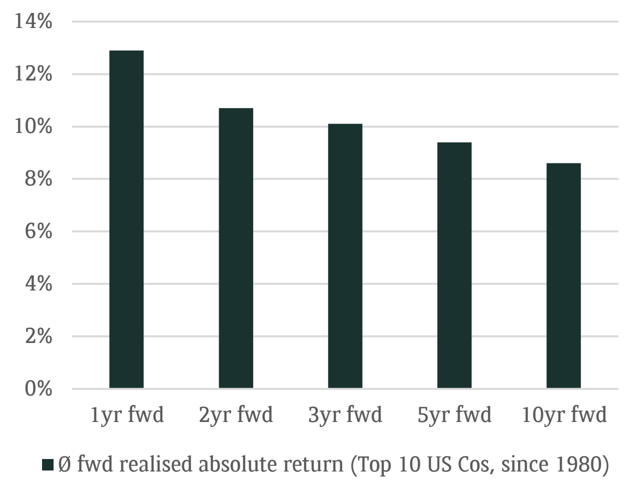
Investors should also keep in mind that the current backdrop looks to be supportive for small and mid sized companies. The US is on track to post another year of solid growth, driven by a strong US labor market. US payrolls rose by 256k in December and the 3- and 6 month average growth remained above 150k (Exhibit 13), which is needed to keep unemployment stable. Adding the recent JOLTS data (rising number of open jobs but a falling quits rate, Exhibit 14), one could argue that the job market is in a sweet spot. It´s supportive enough to produce real wage growth without creating inflationary pressures.

This, as well as strong recent equity performance, is supportive for household disposable incomes and thus consumption, as shown by above trend US retail sales and total spending. As a result, small business optimism on the economy has hit a 22-year high. Historically, the performance of US Small vs Large Caps showed a strong positive correlation to the NFIB.

Another encouraging sign can be found in the rebound in the ISM Manufacturing index above 50. After having spent a record 26 months in contraction territory, the return to growth is a positive sign for the market in general and mid caps in particular (Exhibits 15 & 16 / Table 1) .

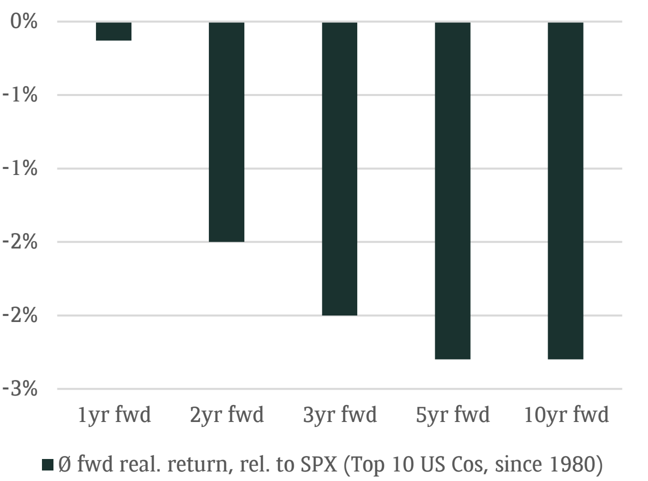
This adds to the tailwinds for SMIDS from the closing earnings growth gap between small and large caps, which we discussed here. We continue to prefer SMIDs > Equal weight > Capital weight in the US.

EXHIBIT 10: TOP 10 COMPANIES YIELD GOOD ABSOLUTE RETURNS, …..



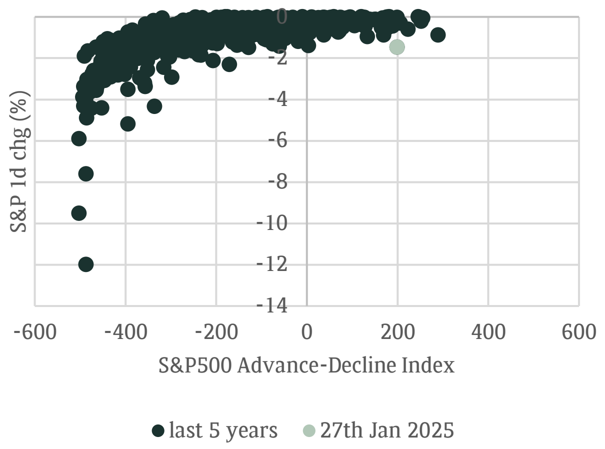
Source: BNP Paribas, Bloomberg

EXHIBIT 11: …. BUT POOR RELATIVE RETURNS VS THE S&P 500



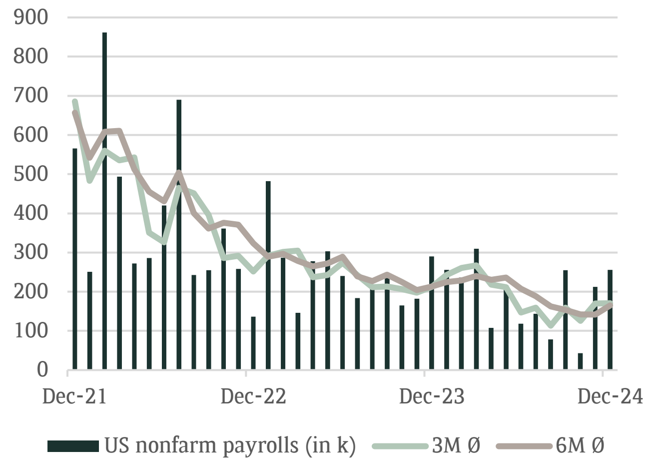
Source: BNP Paribas, Bloomberg

EXHIBIT 12: THE 27TH OF JANUARY 2025 WAS A SHOWCASE IN CONCENTRATION RISK.



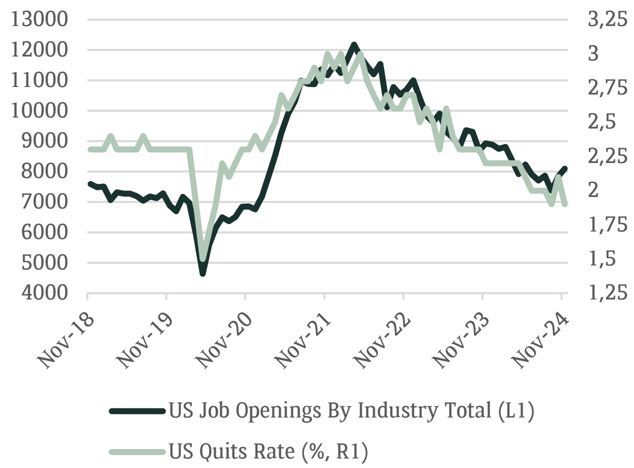
Source: BNP Paribas, Bloomberg

EXHIBIT 13: US NONFARM PAYROLLS REMAIN STRONG



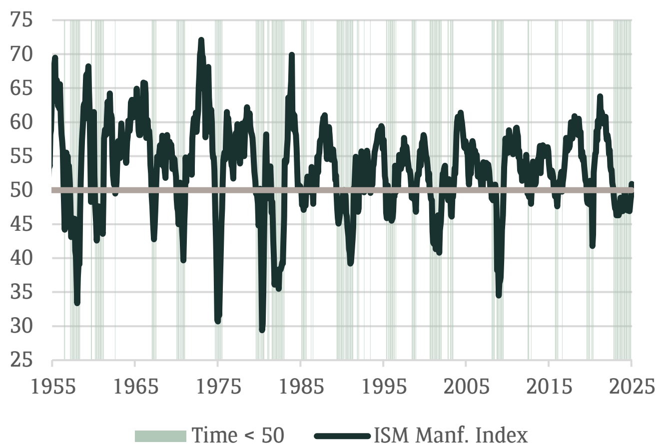
Source: BNP Paribas, Bloomberg

EXHIBIT 14: JOLT DATA SUPPORTS THE GOLDILOCKS VIEW FOR THE JOB MARKET



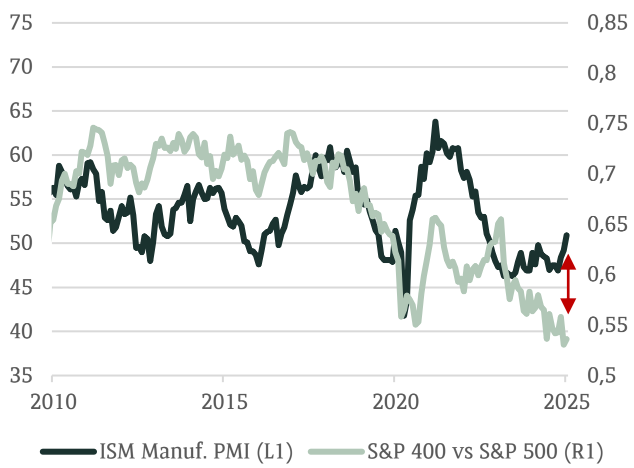
Source: BNP Paribas, Bloomberg

EXHIBIT 15: THE ISM RECOVERED INTO GROWTH TERRITORY



Source: BNP Paribas, Bloomberg

EXHIBIT 16: A RISING ISM SHOULD DRIVE MID CAP OUTPERFORMANCE



Source: BNP Paribas, Bloomberg

TABLE 1: THE S&P SHOWED A STRONG PERFORMANCE POST AN ISM BOUNCE >50

	1M	3M	6M	12M
Average	2,7%	6,0%	8,6%	9,4%
Median	3,6%	6,0%	8,9%	7,8%
Win Ratio	92,0%	92,0%	92,0%	67,0%

S&P 500 Fwd returns following cross >50 aftzer having spent at least 12 consecutive months below (data since 1984)

Source: BNP Paribas, Bloomberg

The art of the deal

Was this the shortest trade war in history?

On February 1st, President Trump fired the first (serious) salvo in what appeared to be the next trade war. He ordered to implement 25% tariffs on imports from Mexico and Canada (Energy 10%) and 10% on Chinese goods. Especially the move on Mexico and Canada came somewhat as a surprise as it happened without preceding negotiations. We discussed the challenges of events evolving in an "unpredictable manner" here and noted that things would be "only one tweet on X away from turning 180 degrees". This is exactly what happened this time again. In less than 48 hours the tariffs against Mexico and Canada have been put on (a temporarily) hold as both countries made concessions towards the US.

"Leverage: don't make deals without it."

The quote is from D. Trump´s 1987 book "The art of the deal" and is probably the best guidance how to make sense of his actions. He is still the 1980s style deal maker, whose style of a deal is to

"aim very high, and then I just keep pushing and pushing and pushing to get what I'm after" (The art of the deal, 1987).

Keeping this in mind we can expect further flare ups and ongoing volatility in his announcements. Eventually though, his modus operandi is plain simple, as Trump is admitting in his 1987 book:

"The best thing you can do is deal from strength, and leverage is the biggest strength you can have. Leverage is having something the other guy wants. Or better yet, needs. Or best of all, simply can't do without."

Given the fact that the US is the biggest single market in the world, Trump has a lot of leverage on a lot of the US trading partners. While this was clear from the very beginning, the quick gains Trump was able to score against Colombia, Mexico and Canada are likely to confirm his view that his strategy still works. This will most likely result in Trump to keep pushing. Thus, we stick to our view that the best thing is to *"focus on (actual implemented) policies and less about politics and the related drama"*.

On that front, we continue to remain optimistic that Trump will follow the general path of a risky asset friendly, business-oriented policy.

Why we still like US equity risk

Focus on the facts: a (still) constructive backdrop

We expect the US GDP to grow by 2.4% in 2025, which would be one of the highest growth rates among advanced economies globally. This, against a backdrop of two more FED cuts this year, should be a fertile ground for another year with positive returns for stocks.

We base our constructive view not only on economic but also on earnings growth. Due to already very demanding valuations for the S&P 500, we don´t expect any additional re-rating potential which makes earnings growth the main driver of upside. While the market currently expects a low double-digit earnings growth in 2025, we see earnings growing in the high single digits as increasing uncertainties from Trumps policies should have minor dampening effects on investment decisions in the US and, more importantly, should provide a more meaningful headwind to growth outside the US. The prospect of a high single digit return for the S&P 500 still looks appealing, albeit we see more potential in other pockets of the market, as we discussed previously in this note.

Seasonality and buybacks are additional tailwinds

Bulls may take additional comfort from two additional facts. Firstly, a positive January was historically a good harbinger for the remainder of the year. Since 1950, the S&P managed to produced an average performance of 19% for the year, if the January was positive (Table 2).

Secondly, companies are, according to Goldman Sachs, expected to spend USD 1,070bn on share buybacks, a growth rate of 15% vs 2024.

TABLE 2: A GOOD START MAKES A GOOD ENDING

Performance	H1	H2	FY
Jan Return > 0%	10%	7%	19%
Jan Return < 0%	-4%	2%	0%
All Years (1950 - 2024)	5%	6%	12%
Win Rate	**H1**	**H2**	**FY**
Jan Return > 0%	91%	80%	89%
Jan Return < 0%	37%	60%	50%
All Years (1950 - 2024)	69%	72%	73%

Source: BNP Paribas, Bloomberg

Europe: Hope is a good breakfast, but it is a bad supper

Making sense of recent EU vs US outperformance

As Exhibit 17 shows, 2024 was one of the worst years (in dollar terms) for the SX5E vs the S&P 500 in history. It was thus not much of a surprise that the index showed a rebound in January. The magnitude of the rebound was a surprise though as the SX5E had one of the strongest 2-month periods vs the S&P 500 in recent history (Exhibit 18).

Even though we saw some notable surprises in January PMIs in Europe (Table 3), we think the outperformance was mainly driven by position adjustments (Exhibit 19) and less by an increasing conviction in the European market. Europe is still facing political and economic uncertainties such as the German election or looming tariffs and sluggish Chinese growth. Those headwinds also contributed to falling EPS expectations since last summer (Exhibit 20). Since Europe is no longer cheap, the SX5E trades at a NTM P/E ratio of 14.6 vs a 20yr average of 12,5, we think that investors are likely to wait for some signs of sustainable improvements before they engage in a more meaningful manner.

GRANOLAS – Europe has its own concentration risk

The European equity market is dominated by a small group of large companies which have been dubbed the GRANOLAS. The group accounts for roughly 25% of Europe´s market cap and consist of international companies with strong growth, low volatility, high and stable margins, and solid balance sheets. Thanks to ongoing strong significant reinvestments in R&D and Capex, the GRANOLAS can be seen as growth compounders, similar (but not to the same extend) to the Magnificent 7 in the US.

Last year, the group fell short of high consensus expectations. Thus, despite their earnings continued to grow (faster than the market), their valuations experienced a significant decline. And, given their size, this negatively impacted the overall market.

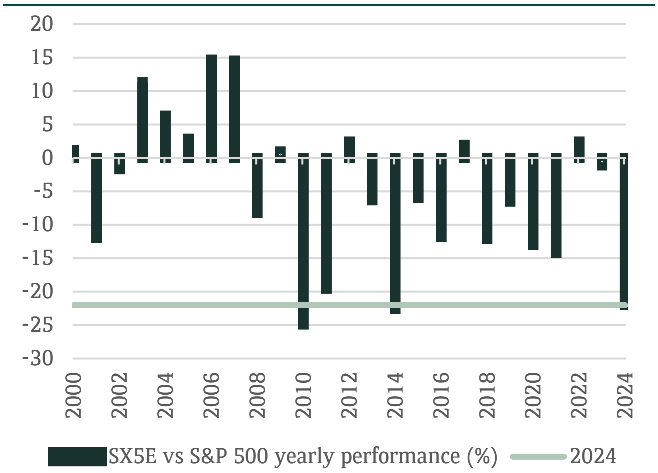
GRANOLAS – worth another bite?

We expect this relative growth outperformance to continue. Thus, the most recent rerating is providing investors with an interesting opportunity to gain exposure to a high international exposure with a notable discount. It´s also worth noting that, while being heavily exposed to the US, the impact of potential tariffs would be limited. On average the GRANOLAS generate ~ 40% of their revenues in the US while also holding ~ 33% of their assets in the US. Thus, we´re talking about a group of stocks which happen to be listed in Europe but are truly international. As we show in Exhibit 23, this fact is not reflected by market.

Europe – what else could be worth a look?

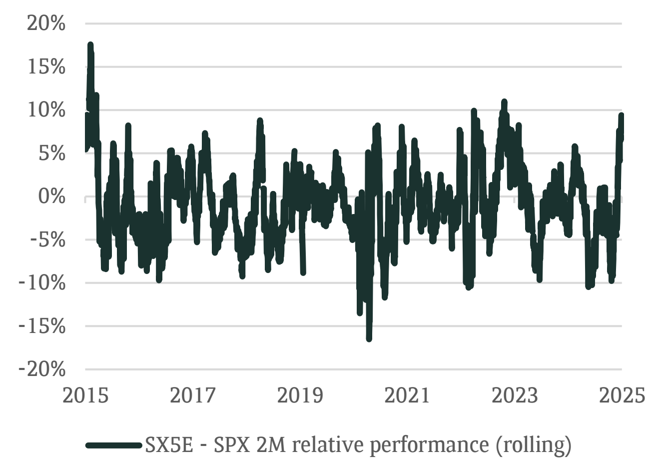
We expect the Stoxx Europe 600 to return a mid single digit number in 2025, which doesn´t screen overly attractive. Nevertheless, there is value to be found in certain pockets of the market and we thus advise investors to not completely ignore the region. Certain pockets of the market can add positive diversification effects, especially since Europe is among the regions with the highest positive tail risk in the event of serious improvements on the growth perspectives, i.e. via fiscal stimulus in Germany post election or a ceasefire in Ukraine. We like companies exposed to the US, European Defense or those exposed to the "rebuild Ukraine" theme.

EXHIBIT 17 : 2024 WAS ONE OF THE WORST YEARS FOR EU EQUITIES



Source: BNP Paribas, Bloomberg

EXHIBIT 18: EUROPE HAD A VERY STRONG RUN RECENTLY



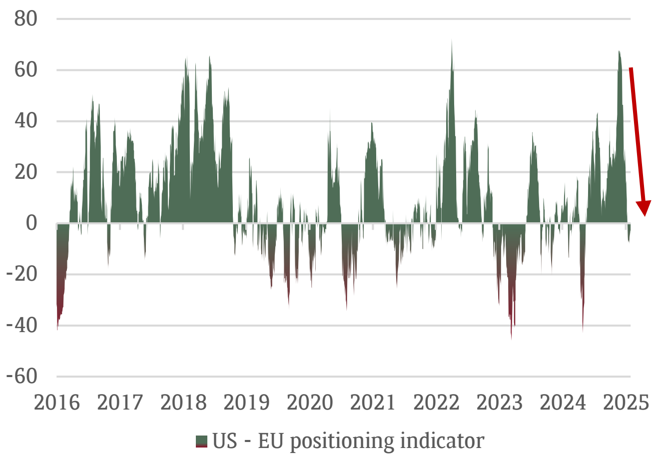
Source: BNP Paribas, Bloomberg

TABLE 3: PMI DATA IN EUROPE RECENTLY SURPRISED TO THE UPSIDE

	Current (Jan25)	Consensus Forecast	Prior (Dec24)
EA Composite PMI	50,2	49,7	49,6
EA Manufacturing PMI	46,1	45,4	45,1
EA Services PMI	51,4	51,5	51,6
Germany Composite PMI	50,1	48,3	48
France Composite PMI	48,3	47,7	47,5

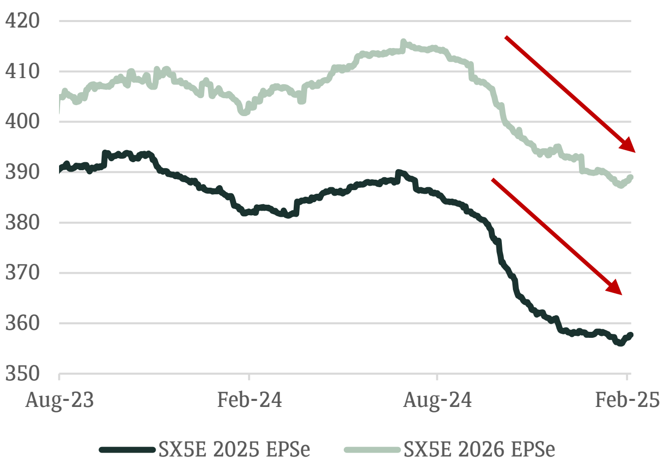
Source: BNP Paribas, Bloomberg

EXHIBIT 19: WE SAW MEANINGFUL POSITION ADJUSTMENTS IN EUROPE AND THE US



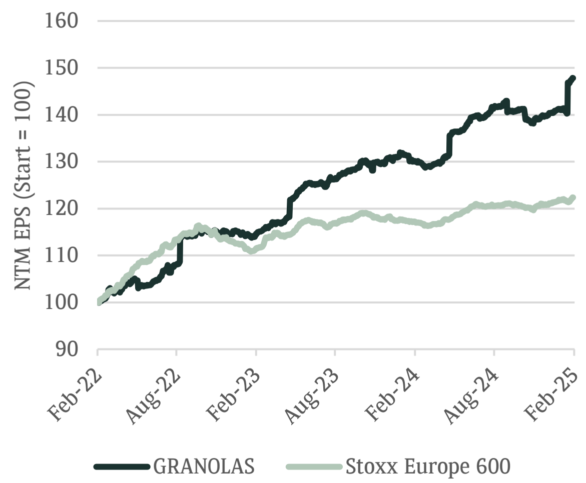
Source: BNP Paribas, Bloomberg

EXHIBIT 20: EPS EXPECTATIONS IN EUROPE FELL SINCE SUMMER



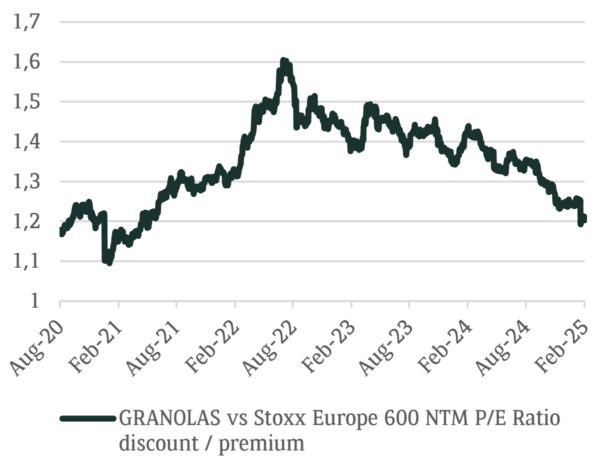
Source: BNP Paribas, Bloomberg

EXHIBIT 21: GRANOLAS EPS ARE EXPECTED TO KEEP OUTGROWING THE MARKET



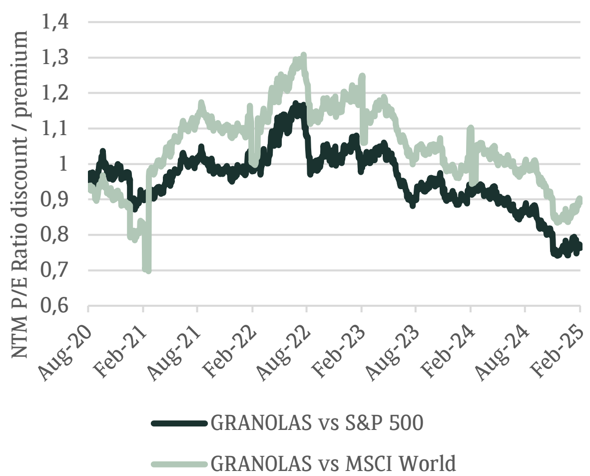
Source: BNP Paribas, Bloomberg

EXHIBIT 22: THE VALUATION PREMIUM OF THE GRANOLAS VS EUROPE DECLINED



Source: BNP Paribas, Bloomberg

EXHIBIT 23: THE GRANOLAS STILL TRADE WITH A DECENT DISCOUNT VS INT. STOCKS



Source: BNP Paribas, Bloomberg

Earnings Season: very good start, especially at the large US banks

Results so far confirm our view of a strong quarter in the US and a milder one in Europe

Excellent results at the US large banks

The season started strongly, thanks to the large US banks, more than reassuring when they announced Q4 results. These were generally way above expectations and this, in most of their key businesses.

Note that until recently, investment banking business was somewhat sluggish, but a recovery is now confirmed and probably still not fully priced in.

Accordingly, US banks are not that cheap, but a sound growth is expected in 2025. Therefore, we estimate there is still potential at the US main banks, especially if deregulation and tax cuts were to be confirmed.

Other financials are also in good shape. Main doubts concern insurers due to the fires in California, but related claims seem manageable. US private insurers' exposure to California had significantly decreased, and they are often reinsured for this type of cataclysm.

European banks also maintain a strong potential

In aggregate, European banks' results have been quite good so far. Growth is not so impressive like in the US but valuations are still extremely cheap on a historic basis and relative to the rest of the market. Some M&As and restructuring could bring further support.

US Technology

Since DeepSeek has been released, the very high profitability of the sector is questioned, in particular the ROI that hyperscalers with gain from their huge investments in AI. Mega-tech results and perspectives disclosed so far have somewhat reassured.

Volatility could last for a while until we get more clarity on the full impact of the new AI apps on the industry. Don't be exposed only to Mega caps/ hyperscalers when investing in technology. There are opportunities for instance in software, cloud, e-commerce and other internet related companies.

Conclusion regarding US Q4-2024 results

In general, US results have been strong - like we expected (therefore our + on this region) - and the quarter is now showing a year-on-year growth above 10% (8% was expected beginning of January).

Perspectives for 2025

As it is typically the case at the start of a new year, there are some downward revisions to the expected full year 2025 profits. Here as well, we notice that these changes are somewhat smaller than usual.

Some companies have also refrained from giving a detailed outlook for 2025 due to the trade tensions and their uncertain impact.

Europe

Economic growth being anaemic in Europe, results have been less exciting than in the US. However, there have been some very good surprises, especially in consumer products.

We have also noticed some strong results in financials and health care, two favourite sectors.

Qua perspectives, earnings growth should somewhat accelerate in 2025, but possible tariffs are creating new uncertainties.

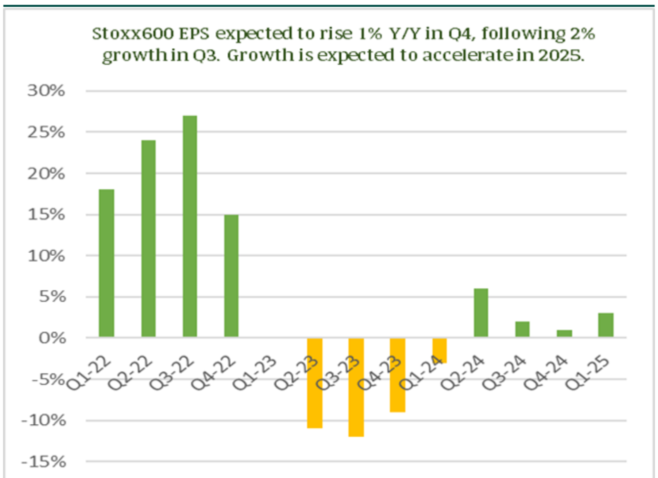
TABLE 4: SOLID US RESULTS, PARTICULARLY AMONG FINANCIALS (+). ENERGY (-) ON THE WEAK SIDE.

S&P 500 consensus expectations based on current constituents & diluted shares

	Earnings		Sales	
Sector	**YoY%**	**QoQ%**	**YoY%**	**QoQ%**
Consumer Disc.	12.5%	(15.7%)	5.5%	5.2%
Consumer Staples	(1.8%)	(7.2%)	1.8%	1.4%
Energy	(31.3%)	(14.5%)	(2.9%)	(2.7%)
Financials	25.6%	3.5%	5.7%	(2.1%)
Health Care	7.0%	(9.5%)	8.3%	1.1%
Industrials	(8.6%)	(0.3%)	(2.7%)	1.2%
Technology	15.8%	25.3%	11.4%	11.2%
Materials	(4.2%)	(5.9%)	5.0%	(3.6%)
Real Estate	6.7%	3.2%	7.2%	4.2%
Communication Services	29.7%	44.2%	7.4%	8.0%
Utilities	10.9%	(23.4%)	5.6%	(5.1%)
S&P 500	**10.4%**	**6.4%**	**4.9%**	**2.3%**
ex. Financials	**7.4%**	**7.0%**	**4.8%**	**3.0%**
ex. Energy	**13.4%**	**7.4%**	**5.5%**	**2.7%**
ex. Fins & Energy	**10.7%**	**8.4%**	**5.5%**	**3.5%**

Source: FactSet, BofA US Equity & Quant Strategy

EXHIBIT 24: EXPECTED EUROPEAN EPS GROWTH IS STILL LOW.



Source: BNP Paribas, Factset, based on companies that report quarterly figures

Sector allocation & review

We upgrade European Consumer Products & Services from – to = due to Western consumption stronger than expected

The beginning of 2025 has been surprising and has brought more uncertainties on the market. Western economies are doing well, and inflation is not coming down much anymore. Tariffs could add to inflation, particularly in the US. Besides, DeepSeek has led to sizeable volatility on the tech sector.

Another big surprise to many has been the sharp rebound and the outperformance of European equities YTD. Sentiment was probably too depressed on these markets (slow growth, conflict in Ukraine, political issues, etc). Outside France and Germany, recent economic figures are getting better whereas there is hope that a solution could be found to stop the conflict in Ukraine.

DeepSeek has reminded investors that when a growing industry becomes very profitable, competitors eventually appear, bringing uncertainties to incumbents' growth and profitability. **Be selective among AI related stocks. Look for software companies that could profit from this fast-changing environment.**

Mega-Tech results were quite reassuring however although there are mounting doubts on i. the ROI that hyperscalers will gain with AI and ii. on the growth of the AI hardware providers in general.

On the other hand, Q4-2024 corporate results and perspectives at the big US banks were very good, a favourite sector for which we stay positive.

A broadening of the US market is being observed; we advise not to be overinvested in the MAG-7.

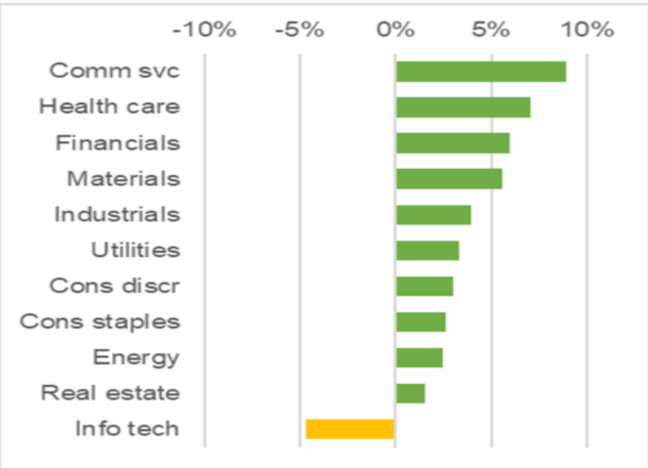
Consumption is strong, especially in the US but also in Europe with improving results and perspectives in the Consumer Discretionary sector. **This month, we upgrade the European Consumer Products & Services sector from negative to neutral.** (We were already neutral on the US Consumer Discretionary sector). We would wait for a more convincing economic recovery in China before turning straight positive. More details on this upgrade on the next page.

We remain careful with the European automobile as the environment is getting more and more complicated for this sector (see next page).

We like European Banks and Financials (+) in general. While still cheap, their earnings growth and cash returns have been sizeable and will continue in 2025. The environment is still favourable for European Financials although they are facing more and more competition from their US counterparts.

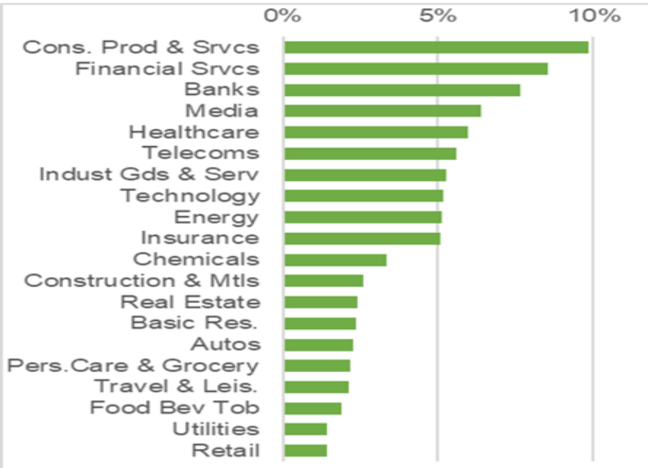
Defensive sectors are rather on the weak side as there is a lack of positive catalysts for them. **At the end of January, diminishing yields and good Q4-2024 results have provoked a rebound of some defensive sectors, particularly Health Care (+) and Communication Services (=).**

EXHIBIT 25: US SECTOR 2025 PERFORMANCE YTD: COMM SERVICES, HEALTH CARE & FINANCIALS ARE LEADING. INFO TECH IS THE ONLY SECTOR IN THE RED.



Source: S&P 500, 2025 performances as at 03 Feb. 2025.

EXHIBIT 26: EUROPEAN SECTOR 2025 PERFORMANCE YTD: CYCLICALS OUTPERFORMING.



Source: STOXX 600, 2025 performances as at 03 Feb. 2025.

Upgrade of the Europe Consumer Products and Services from Negative to Neutral ; but remain Negative on European automobiles

Beginning of January, several luxury and garment companies announced surprisingly good results and perspectives. This was mainly due to strong sales in the US and, surprisingly, in Europe also.

Luxury sharply rebounded on the news, investors considering that **the worse was probably behind for the sector.**

We quite agree with these views although when looking at the bellwethers' results, one can notice that **China is still a drag.** LVMH even announced that it could take two more years for the situation to come back to a "normal" situation.

A question is what is going to be this new "normal". Consumption in China is depressed. Besides, Western companies are facing over there mounting competition from local brands, improving fast the quality of their products and selling at cheaper prices. Other emerging markets are still far from compensating these lower sales in China. It could be a structural phenomenon.

Besides, some segments in luxury remain depressed such as spirits and champaigns. Restructuring and some sort of consolidation are probably needed.

Finally, let us remind once more that trade barriers are creating at minimum new uncertainties and could reduce the turnover of the big exporting companies.

After the recent rebound, the sector seems fairly priced. A more convincing recovery in China, especially consumption, would be needed for the sector to keep outperforming in 2025. Therefore, our neutral recommendation now. Be selective.

European automobile (-) looking for the front gear after a strong reverse in 2024

US and Chinese automobile performances have been very good in 2024 when looking at stock prices of the bellwethers Tesla, GM or BYD. Europe is suffering from tough Chinese and American competition in EV.

Sluggish sales, poor pricing and some models not up to the expectations in Europe have led to excess inventories, pressures on profit margins and disappointing earnings, quarter after quarter.

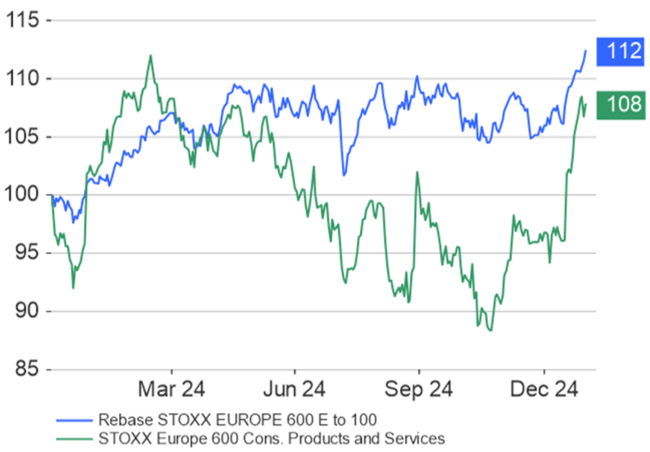
The sector however rebounded beginning of 2025 from oversold positions. But we observe that many issues persist, particularly the lack of competitiveness now of the European automobile against Chinese carmakers. Whereas before it was classy to buy a European car, nowadays, many Chinese prefer to buy their own national brands.

Restructuring has only started at some major European car makers and could still take a couple of years before bearing fruits.

The sector is cheap but for good reasons: there may be sizeable hidden costs of restructuring, depreciation and amortization of the heavy investments made to transition to EV at a time selling prices are under pressure. Besides, Mr. Trump could levy tariffs on the European autos imported in the USA. He considers that Americans are buying too many European cars whereas Europeans are not buying enough American.

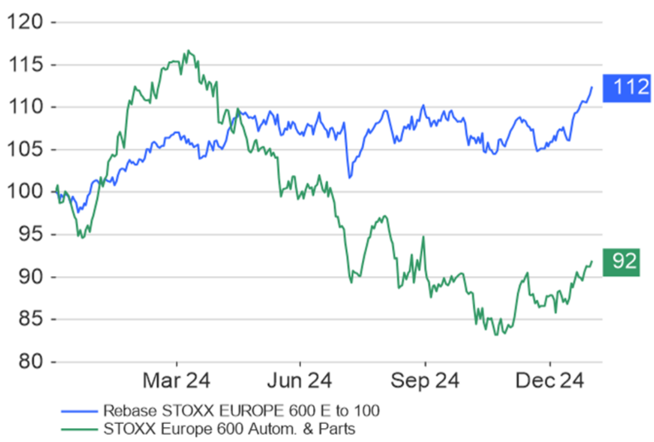
Considering the many headwinds, we keep our negative rating on the European automobile.

EXHIBIT 27: EUROPEAN CONS. PROD. & SERV. RECOVERING AFTER DROPPING IN 2024



Source: LSEG Datastream, 30/01/2025

EXHIBIT 28: EUROPEAN AUTOMOBILE HAS BEEN THE WORST PERFORMING SECTOR SINCE EARLY 2024



Source: LSEG Datastream, 30/01/2025

“Drill, baby, drill”: avoid the Energy sector (Negative), except the midstream segments where the perspectives look bright(er)

Energy (-) has been underperforming since the start of 2023.

In period of high inflation, many governments have been trying hard to reduce the energy burden for consumers. In this regard, Mr. Trump’s recent declarations (“drill, baby, drill”) were unequivocal. Increasing oil & gas supply seems to be a key policy of the new US administration to reduce energy prices and inflation.

Diminishing oil prices is also a tool used by the West to put pressure on Russia to stop the war in Ukraine. A conflict resolution would also likely put pressure on energy prices as Russia would certainly demand to export its production again without sanctions.

On the other hand, the OPEC+ has shown its readiness to control supply if prices were to drop too much. One in one, it makes the sector currently unexciting.

We do not expect a collapse in oil prices, but we would not be surprised to see it coming back in the range of 60-70 USD/ barrel. At around the current 70-75 USD/ barrel, several oil majors might not generate enough cash to continue their share buyback plans. At lower oil prices, new investments, capex and maybe even dividends might be questioned.

Furthermore, trade tensions between the US, Mexico and Canada have brought new uncertainty.

Most oil majors are likely to keep underperforming in this context.

Midstream the bright spot

A bright spot in the energy sector has been the (US) MLP & energy infrastructure, a segment we have been recommending.

It is very logical as the US not only desires to increase its oil production but also wants to become a major gas exporter. The US is progressively replacing Russia as a main gas supplier to Europe (Norway being another big supplier). Infrastructure is needed on both sides of the Atlantic to support these developments.

Gas prices in Europe are four times more expensive than in the US. Besides, Europe has had a very cold winter so far and reserves have been depleting faster than usual, putting upward pressure on gas prices.

It makes it very attractive for Americans to sell more gas to Europe. There are ample shale gas reserves to tap and to transport to Europe. Sizeable investments are needed to produce and to export this gas to Europe.

Recent results have shown that not only midstream companies but also oil majors exposed to gas have announced relatively better results than their peers over the last few quarters.

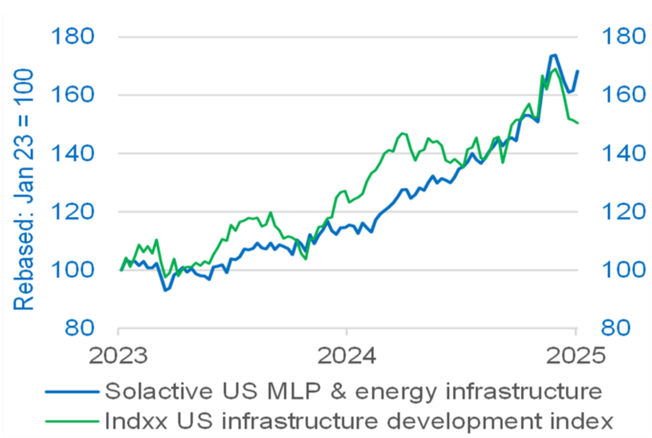
Note however that after a strong rebound beginning of 2025, oil prices have recently cooled down. This has provoked a correction of the whole sector on the equity markets, including midstream.

Don’t miss the opportunities that could appear in infrastructure!

EXHIBIT 29: ENERGY (-) : A BIG UNDERPERFORMER …

Source: LSEG Datastream, 31/01/2025

EXHIBIT 30: … BUT US LISTED ENERGY INFRASTRUCTURE STOCKS ARE WELL ORIENTED



European Sectors in a nutshell (i)

Sector	View: Under-weight	View: Neutral	View: Over-weight	YTD	2024	Our view at a glance
STOXX Europe 600 Cons. Products and Services	→	X		9,84%	-3,20%	**Consumption has been strong in the West (leading to some good Q4-2024 results in luxury) but the sector would suffer from tariffs.** Besides, Chinese consumption still needs to pick up. The sector is not cheap, especially after its January rebound. Be selective.
STOXX Europe 600 Energy	X			5,14%	-6,06%	The **oversupply** in the market should limit upside in oil and puts **pressure on margins**. **Political risks turn negative** on the sector due to Trump's administration expected policies: possible brokered ceasefire Ukraine - Russia; higher US energy production.
STOXX Europe 600 Food, Bev and Tobacco	X			1,91%	-7,66%	The **threat of tariffs** weights on sentiment in spirits and bev. **10% tariff could reduce spirits earnings by 5% and bev by 1%**. Valuations are broadly in line with historical averages. Lack of upside catalysts.
STOXX Europe 600 Personal Care	X			2,16%	10,18%	The sector still faces **headwinds from rising input costs while consumers are increasingly price sensitive**. While valuations are below historic averages, we don´t see upside catalysts.
STOXX Europe 600 Chemicals	X			3,34%	-8,31%	US tariffs on China could lead to redirection of China exports to Europe, increasing margin pressures. **Prefer names with high US exposure** as local production shields from potential tariffs while benefiting from higher US growth. **Valuations still not that cheap.**
STOXX Europe 600 Utilities		X		1,42%	-2,57%	**Sector suffered from RES concerns post US election. We feel this is overdone**. (Green) Power demand should continue to grow. A more dovish ECB would help valuations.
STOXX Europe 600 Banks			X	7,65%	26,00%	Valuations stay attractive wheras 2024 results so far have been strong with many guidance upgrades. **Prefer names that are less rate sensitive and possibly with (US) investment banking exposure**. Avoid Latam exposure.
STOXX Europe 600 Real Estate			X	2,41%	-5,80%	Demographics coupled with low building activity should support **book value re-ratings** in residential. Logistics and data center enjoy tailwinds from e-commerce/ AI. Be very selective in the office and retail segments.
STOXX Europe 600 Technology		X		5,16%	6,62%	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.
STOXX Europe 600 Autom. & Parts	X			2,26%	-12,17%	Automotives still weak due to rising competition weak China, high EV investment costs, excess inventories, and bad pricing. Trade tensions are creating further uncertainties.

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US Sectors in a nutshell

Sector	View			YTD	2024	Our view at a glance
	Under-weight	Neutral	Over-weight			
S&P 500 Consumer Discretionary Sector		X		2,98%	29,13%	Lower energy prices should help airlines and consumers while corp travel is expected to recover further. **Extended and (potentially) fresh tax cuts should boost consumption. Tariffs should help autos. Be selective due to valuations**
S&P 500 Consumer Staples Sector	X			2,58%	11,98%	**We have had a preference for retail names which have enjoyed a strong Christmas season and now represent a heavy weight in the sector**. Risk of higher inflation from Trump policies is still a threat as consumers may continue to "trade down".
S&P 500 Energy Sector	X			2,42%	2,31%	Oversupply in the market should limit the upside in oil related and puts pressure on margins. We **prefer energy infrastructure names** as they should benefit from rising transportation and storage needs while paying attractive dividends.
S&P 500 Financials Sector			X	5,94%	28,43%	A recovery in M&A activity should support big banks earnings while a **solid economy will keep defaults in the credit books in check**. In this context, **higher rates for longer and deregulation should provide additional tailwinds**.
S&P 500 Health Care Sector			X	7,03%	0,90%	The sector benefits from **AI related efficiency gains** in a structually growing market (e.g. demographics, obesity etc). It is a defensive compounder. But political risks are rising from Trump's policy picks. Further **deregulation is still a possibility as well**.
S&P 500 Industrials Sector			X	3,91%	15,64%	Given 20+ years of US Industrial underinvestment, the stage is set for Industrials to return to MSD growth and significant margin expansion over the long term. **Prefer high domestic exposure names.**
S&P 500 Information Technology Sector		X		-4,69%	35,69%	**Trading at heavy premium** vs the market. Profit growth expectations are slowing, making it harder to justify the valuation premium. Sentiment is also less optimistic on mega caps as worries of AI-related overinvestments rise.
S&P 500 Materials Sector			X	5,58%	-1,83%	While we remain cautious with chemicals, **we do like stocks with exposure to precious metals/ energy transition metals mining**. The sector should also benefit from a reacceleration of the US growth.
S&P 500 Real Estate Sector		X		1,53%	1,73%	We still see sluggish activity in residential RE as many owners are handcuffed by existing, low rates mortgages. New construction activity is muted. **Commercial RE looks stressed**. Those headwinds are reflected in undemanding valuations.
S&P 500 Communication Services Sector		X		8,91%	38,89%	The sector is **dominated by 2 mega tech companies which are expensive**. The rest of the sector looks more reasonably priced. Be selective.
S&P 500 Utilities Sector			X	3,33%	19,58%	We think that **risks to clean energy spending/ IRA are lower than currently anticipated**. Growth in power demand should remain solid due to AI tailwinds. EPS growth expectations accelerating. **Accumulate on weakness.**

Valuations

TABLE 5: GLOBAL INDICES

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	869		44,94		7,95	19,22		3,03		2,02		14,86		5,17		n.a.	n.a.
MSCI World	3836		187,50		7,41	20,34		3,31		1,85		15,26		4,89		1,06	
MSCI Emerging Markets	1089		85,80		-0,11	12,68		1,67		3,63		12,94		7,88		0,64	
S&P 500	6068		263,26		9,01	23,05		4,51		1,33		18,10		4,34		1,24	
S&P 500 Equal Weighted	7349		397,92		10,21	18,47		2,73		2,01		13,43		5,41		0,95	
Russell 2000	2289		75,20		51,04	30,44		1,93		2,15		3,73		3,29		1,45	
NASDAQ 100	21463		775,08		10,09	27,69		7,35		0,78		23,55		3,61		1,58	
MSCI USA Growth	27641		448,38		11,57	31,92		11,20		0,40		31,84		1,62		1,94	
MSCI USA Value	14726		224,78		7,89	17,78		2,74		2,35		14,24		1,53		0,92	
STOXX Europe 600	534		36,87		5,37	14,42		2,00		3,70		13,27		6,90		0,74	
STOXX Europe Mid 200	554		43,65		3,66	12,64		1,55		4,09		12,05		7,89		0,64	
STOXX Europe Small 200	344		25,30		12,63	13,57		1,52		3,89		11,00		7,35		0,68	
DAX	21503		1410,21		9,76	15,20		1,74		3,66		10,87		6,56		0,76	
FTSE 100	8533		687,81		4,12	12,41		1,83		4,04		13,68		8,06		0,64	
CAC 40	7863		520,55		8,28	15,17		1,92		3,29		12,40		6,62		0,77	
FTSE MIB	36276		3469,98		3,91	10,42		1,37		5,23		12,50		9,57		0,53	
Nikkei 225	39415		1961,07		2,70	19,90		2,01		1,97		9,98		4,98		0,98	
Hang Seng	20225		2153,95		4,56	9,39		1,09		3,80		10,89		10,65		0,47	

TABLE 6: EUROPEAN SECTORS

Index	Level	1yr Range	Forward														Composite	
			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	534		36,87		5,37	14,42		2,00		3,70		13,27		6,91		11%	1,00	
STOXXE 600 Consumer P&S	436		16,10		11,90	27,61		4,52		1,83		15,50		3,69		1%	1,96	
STOXXE 600 Energy	115		12,05		0,25	9,53		1,13		6,23		11,77		10,49		20%	0,65	
STOXXE 600 Food, Bev and Tobacco	183		12,46		2,87	14,77		2,50		3,97		15,86		6,82		15%	1,05	
STOXXE 600 Personal Care	166		10,24		6,71	16,32		2,97		3,50		17,67		6,16		10%	1,17	
STOXXE 600 Chemicals	1242		65,26		9,28	19,17		1,68		2,92		8,01		5,25		13%	1,27	
STOXXE 600 Utilities	379		31,70		-5,08	12,02		1,48		5,45		12,12		8,36		20%	0,82	
STOXXE 600 Banks	232		28,75		0,98	8,03		0,92		6,64		11,34		12,40		7%	0,54	
STOXXE 600 Real Estate	127		8,40		1,44	15,19		0,85		6,18		6,25		6,59		17%	0,98	
STOXXE 600 Technology	858		33,41		12,31	24,64		4,38		1,28		16,94		3,89		13%	1,77	
STOXXE 600 Autom. & Parts	573		74,24		11,22	7,72		0,68		5,05		7,73		12,96		11%	0,51	
STOXXE 600 Health Care	1148		66,01		11,19	17,35		3,66		2,66		17,61		5,75		14%	1,28	
STOXXE 600 Financial Services	893		54,21		-12,67	16,36		1,75		2,65		10,54		6,07		4%	1,10	
STOXXE 600 Insurance	433		36,08		14,91	11,97		2,13		6,06		18,56		8,34		6%	0,86	
STOXXE 600 Telcos	236		16,48		7,24	14,31		1,40		4,47		8,89		7,00		16%	0,96	
STOXXE 600 Media	488		24,99		9,83	19,48		4,45		2,37		19,14		5,12		9%	1,46	
STOXXE 600 Ind. Goods & Services	928		48,65		8,25	18,86		3,74		2,30		18,56		5,24		9%	1,38	
STOXXE 600 Constrn & Materials	725		47,37		11,31	15,22		2,27		3,02		15,10		6,54		14%	1,06	
STOXXE 600 Basic Resources	528		45,85		9,25	11,55		1,14		4,10		9,54		8,68		22%	0,77	
STOXXE 600 Retail	442		28,08		2,21	15,63		2,93		3,70		19,55		6,35		14%	1,13	
STOXXE 600 Travel & Leisure	278		22,52		9,84	12,28		3,00		2,66		24,51		8,11		14%	0,93	

* BBG Consensus, NOT an official target of BNP Paribas

TABLE 7: US SECTORS

Index	Level	1yr Range	Forward														Composite	
			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	6068		263,26		9,01	23,05		4,51		1,33		18,10		4,34		11%	1,00	
S&P 500 Consumer Discretionary	1908		66,70		5,36	28,60		4,54		0,65		14,15		3,50		2%	1,20	
S&P 500 Consumer Staples	864		40,19		1,81	21,51		6,00		2,55		27,34		4,65		10%	1,00	
S&P 500 Energy	682		43,73		3,21	15,59		1,98		3,35		12,80		6,41		17%	0,64	
S&P 500 Financials	853		48,02		10,14	17,77		2,34		1,67		12,88		5,63		6%	0,73	
S&P 500 Health Care	1707		92,41		18,57	18,47		4,67		1,77		20,98		5,41		14%	0,84	
S&P 500 Industrials	1171		48,39		17,01	24,20		5,98		1,54		23,20		4,13		10%	1,10	
S&P 500 Information Technology	4585		152,76		2,34	30,01		10,87		0,65		32,22		3,33		16%	1,48	
S&P 500 Materials	559		26,03		12,82	21,46		2,72		1,94		12,12		4,66		15%	0,88	
S&P 500 Real Estate	261		6,91		11,02	37,69		2,98		3,50		7,94		2,65		13%	1,48	
S&P 500 Communication Services	364		17,84		14,66	20,42		4,38		0,87		20,22		4,90		8%	0,90	
S&P 500 Utilities	389		21,70		8,17	17,94		2,17		3,09		11,97		5,57		13%	0,73	

* BBG Consensus, NOT an official target of BNP Paribas

Source: BNP Paribas, Bloomberg; Data as of 29th January 2025

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		positive	neutral	positive	positive
What we (especially) like		Cyclicals SMIDs Banks Energy Infrastructure	FTSE 100 Periphery > Core Real Estate High US revenue exposure Banks with strong US / capitalmarket business	SMIDs domestically oriented exposure Financials	Asia
What we don´t (really) like		Growth mega caps, particularly within consumer discretionaries	Autos		Mexico
preferred themes & trades	Regional basis	Buybacks & Quality Dividend growth Equal weighted over capital weighted S&P Companies catering to US SMIDs	Software Repower Europe (incl Renewable Energies)	Governance Reform achievers	APAC Tech, particularly Hang Seng Technology
	Global Basis	Precious and energy transition metal miners Financial Services Healthcare			

Economic, FX forecast tables

BNP Paribas Forecasts

GDP Growth %	2023	2024	2024-Bloomberg Consensus	2025	2025-Bloomberg Consensus
United States	2,9	2,8	2,8	2,4	2,2
Japan	1,5	-0,2	-0,2	0,6	1,2
United Kingdom	0,4	0,8	0,8	1,1	1,3
Eurozone	**0,5**	**0,8**	**0,8**	**1,0**	**1,0**
Germany	-0,1	-0,1	-0,2	0,4	0,4
France	1,1	1,1	1,1	0,8	0,7
Italy	0,8	0,5	0,5	1,0	0,7
Emerging					
China	5,2	5,0	4,8	4,5	4,5
India**	7,0	8,2	7,8	6,2	6,4
Brazil	2,9	3,6	3,3	2,1	2,1

** Fiscal year

Source : BNP Paribas, Bloomberg - 27/01/2025

BNP Paribas Forecasts

CPI Inflation %	2023	2024	2024-Bloomberg Consensus	2025	2025-Bloomberg Consensus
United States	4,1	2,9	3,0	3,0	2,6
Japan	3,3	2,7	2,6	2,9	2,2
United Kingdom	7,3	2,5	2,5	3,1	2,6
Eurozone	**5,4**	**2,4**	**2,4**	**2,1**	**2,1**
Germany	6,0	2,5	2,5	2,4	2,2
France	5,7	2,3	2,3	1,1	1,6
Italy	5,9	1,1	1,1	2,0	1,7
Emerging					
China	0,2	0,2	0,2	0,8	0,8
India*	6,7	5,4	4,8	4,8	4,9
Brazil	4,6	4,4	4,4	5,3	4,8

* Fiscal year

Source : BNP Paribas, Bloomberg - 27/01/2025

FX FORECASTS EUR

	Country		Spot 27/01/2025	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1.05	Positive	1.00	Positive	1.02
	United Kingdom	EUR / GBP	0.84	Neutral	0.83	Neutral	0.83
	Japan	EUR / JPY	162.06	Positive	150	Positive	153
	Switzerland	EUR / CHF	0.95	Neutral	0.94	Neutral	0.94
	Australia	EUR / AUD	1.67	Positive	1.52	Positive	1.59
	New-Zealand	EUR / NZD	1.85	Positive	1.67	Positive	1.70
	Canada	EUR / CAD	1.51	Positive	1.45	Positive	1.43
	Sweden	EUR / SEK	11.48	Neutral	11.60	Neutral	11.70
	Norway	EUR / NOK	11.80	Neutral	11.60	Positive	11.30
Asia	China	EUR / CNY	7.63	Positive	7.40	Neutral	7.55
	India	EUR / INR	90.65	Positive	84.00	Positive	85.68
Latam	Brazil	EUR / BRL	6.23	Positive	5.80	Positive	5.92
	Mexico	EUR / MXN	21.68	Positive	21.00	Negative	22.44

FX FORECASTS USD

	Country		Spot 27/01/2025	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1.05	Negative	1.00	Negative	1.02
	United Kingdom	GBP / USD	1.25	Negative	1.20	Neutral	1.23
	Japan	USD / JPY	154.36	Positive	150.00	Positive	150.00
	Switzerland	USD / CHF	0.90	Negative	0.94	Negative	0.92
	Australia	AUD / USD	0.63	Positive	0.66	Neutral	0.64
	New-Zealand	NZD / USD	0.57	Positive	0.60	Positive	0.60
	Canada	USD / CAD	1.44	Neutral	1.45	Positive	1.40
Asia	China	USD / CNY	7.26	Neutral	7.40	Neutral	7.40
	India	USD / INR	86.34	Positive	84.00	Positive	84.00
Latam	Brazil	USD / BRL	5.94	Positive	5.80	Positive	5.80
	Mexico	USD / MXN	20.65	Neutral	21.00	Negative	22.00
EMEA	South Africa	USD / ZAR	18.69	Positive	18.00	Positive	17.50
	USD Index	DXY	107.34	Positive	110.91	Neutral	108.91

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