

Equity Focus

Waiting for carrots

Summary

- 1. Trumpcession incoming?** We believed that President Trump would follow US growth-positive policies. We expected a game of carrot and stick. But we have seen only sticks, increasing the risk of a severe US growth slowdown on record policy uncertainty. **Downgrade US equities to neutral**
- 2. The Lagnificent 7-** Expectations for the Magnificent 7 have been too high as fundamentals couldn't keep track with valuations. The Mag 7 stocks have underperformed since December, a risk we have been flagging for some time already. We continue to **prefer SMID cap and equal-weighted US stock exposure**.
- 3. Europe:** The market seems to have priced a Goldilocks scenario with high investment and a lasting solution to the war in Ukraine. While we acknowledge that the stars for a sustainable growth uplift are aligning, we remain wary of short-term headwinds from high expectations and tariff threats. **We thus remain neutral (for now)**.
- 4. Remain positive on equities - Any worsening of the tariff drag on growth or evaporation of hope for a Ukraine-Russia ceasefire would warrant a more cautious asset allocation stance.**
- 5. Sectors:** in the US, we **downgrade US Consumer Discretionary and US Information Technology from Neutral to Negative**. In Europe, we increase our cyclical bias further by **upgrading European Chemicals from Negative to Neutral**. We **downgrade European Real Estate from Positive to Neutral**.

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TABLE 1: A CORRECTION IN US EQUITES WAS OVERDUE

Magnitude	Ø Frequency	Ø Length	Last	overdue
> -5%	~ every 4 moths	39 days	August 2024*	✓
> -10%	~ every 16 months	128 days	October 2023	✓
> -15%	~ every 3 years	230 days	October 2022	✗
> -20%	~ every 5.5 years	335 days	October 2022	✗

Source: BNP Paribas, Bloomberg

* Prior to current episode which started on Feb 19th 2025



US Equities – downgrading to neutral

A game of carrot and stick

Going into Trump 2.0, we worked on the assumption that Trump would follow his approach from the first term which was characterized as a game of carrots and sticks. He was using tariffs mainly as a threat to achieve gains in negotiations but rarely implemented tariffs or risked an escalation of trade tensions. In this sense, he was mainly waving the stick without really using it. This time though, the stick seems to be the preferred option while we still wait for carrots.

“There’ll be a little disturbance...”

Speaking to Congress on 4 March, Trump defended his plans to erect a protectionist barrier around the US with the biggest tariff increases in almost a century. By Friday, US Treasury Secretary Bessent added to the pressure on sentiment when he argued that the US economy would need some “detox” to wean off its dependence on public spending. The result so far has been a climate of extreme uncertainty, especially in terms economic policy (Chart 2), which is starting to negatively impact business confidence (Chart 3). An indicator of CEO confidence even fell by the widest margin since the 2008 financial crisis.

Has the “Trump Put” expired?

With no signs of any growth-friendly policies (e.g. deregulation or tax cuts) in sight, investors start to worry that Trump may be willing to put the bull market at risk, and in the short-term even the growth of the economy itself. All this to upend a global order that he thinks has worked to America’s disadvantage.

The market has quickly begun to price in a weaker US growth outlook. Policy uncertainty, fiscal drag, DOGE, immigration enforcement and the lagged impact of higher rates and a stronger dollar have come together to pressure earnings revisions. Trump, in contrast to his first term, during which he watched the stock market as a barometer for his success, claimed he would “not even (be) looking at the stock market”. With the so called “Trump Put” apparently expired, investors have taken the path of least resistance and have started selling.

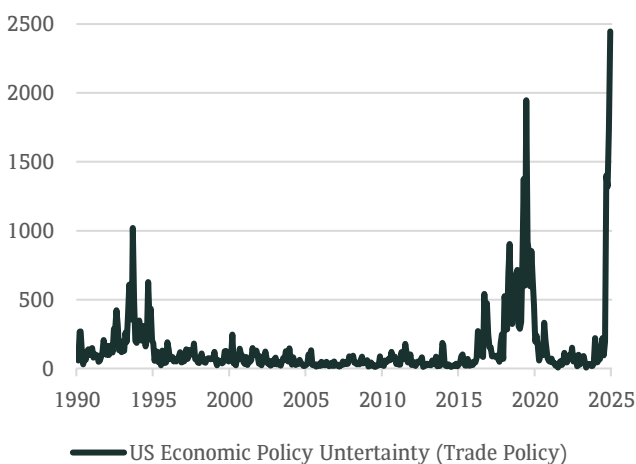
From Magnificent 7 to the Lagnificent 7

Among the most impacted stocks have been the so-called Magnificent 7. As we have previously warned, expectations for the Magnificent 7 have been too high as fundamentals couldn’t keep track with valuations. The former frontrunners have morphed from the Magnificent to the Lagnificent 7, contributing heavily to the recent underperformance of US indices.

Reducing our exposure as the risks increase

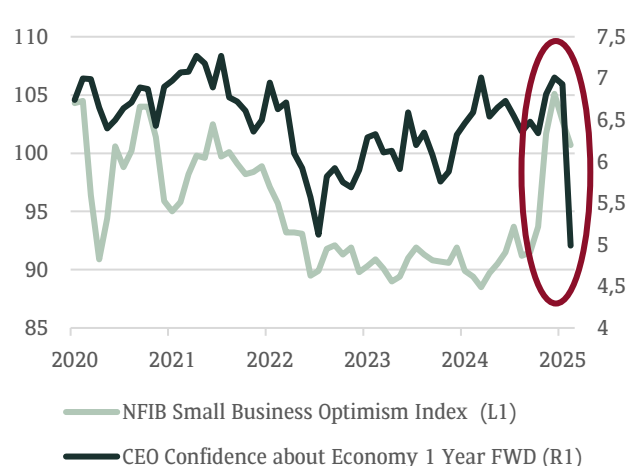
Our thoughts about trade policies have become considerably more adverse. Tariffs are weighing on growth through 3 channels: a) the consumer (higher prices, lower real income); b) tighter financial conditions; and c) delayed investment on the heels of uncertainty. With an administration managing expectations towards tariff-induced near-term economic weakness, we feel those concerns are warranted. On the back of still demanding valuations and a more hostile investment climate, **we cut US equities to neutral.**

CHART 2: UNCERTAINTY ABOUT TRADE POLICY SKYROCKETED



Source: BNP Paribas, Bloomberg

CHART 3: BUSINESS SENTIMENT IS REACTING NEGATIVELY



Source: BNP Paribas, Bloomberg

Big Numbers in Europe

Zeitenwende (end of an era)

Germany seems to be willing to end its long-standing policy of fiscal austerity. As the (likely) new coalition recently announced, a key series of fiscal spending shall be implemented:

1. Exempting all defence spending above 1% of GDP from the debt brake, meaning there is theoretically no cap on defence spending going forward
2. Launching a EUR 500bn special purpose vehicle for infrastructure spending to be deployed over 10 years. EUR 100bn of this fund would go to regional states
3. Reforming the debt brake to allow states a yearly increase of debt in the magnitude of 0.35% of GDP (like the existing level for the Bund)

For now, it is key to keep in mind that this is only a proposal. To obtain the necessary 2/3rds majority for the special purpose vehicle (SPV) and a reform of the debt brake, Merz needs the support of the Green Party and / or the Liberals. With the latter generally opposing increasing debt, the focus lies on the Greens. While being open to discussions, the Greens already turned down the first proposal. With a tight timing, the legislative process needs to be completed by 24 March, things can still change materially.

ReArm Europe – a second fiscal bazooka

Another major stimulus plan has been announced at the EU level. EU President von der Leyen has announced the planned mobilisation of EUR 800bn to ReArm Europe, that is equal to the sum of the domestic spending estimate (first point of the plan) and the size

of the new instrument (second point of the plan). However, with the majority of the sum (EUR 650bn) to be financed by the member states, it is not yet clear to what extent this would be a real increase versus recent state level announcements for higher defence spending. Thus, the “fresh money” raised via this initiative may be somewhat lower than the EUR 800bn headline figure.

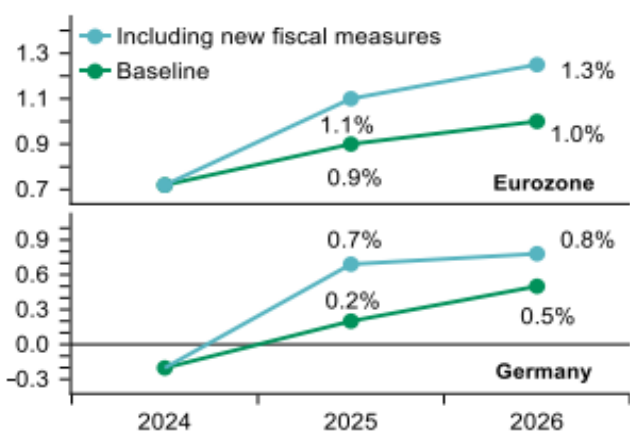
A boost for growth...

Even if not all details are confirmed, what matters most at this point in time is the direction of travel. Europe as a whole, and Germany in particular, seem to be willing to increase spending to fuel growth. Our estimates suggest that the combined impact of increased infrastructure and defence spending, and a positive shock to business confidence will boost German GDP growth by around 0.5% in 2025, and more importantly, lead to a 1.5% boost to potential GDP by 2030. European growth would benefit as well. (see Chart 4).

...But don't ignore the risks

As mentioned, the spending plans are only proposals for now. Even if implemented, The war in Ukraine continues and a solution allowing broad-based reconstruction efforts is still not yet on the table. Most importantly, Trump has so far been occupied with Mexico and Canada, leaving Europe relatively unscathed in terms of tariffs. This will not last forever, with further tariffs to be announced by the Trump administration on 2 April.

CHART 4: POTENTIAL IMPACT ON EUROPEAN GROWTH



Sources: Eurostat, NiGEM, Macrobond, BNP Paribas

TABLE 2: REARM EUROPE AT A GLANCE

Proposal	Description
Escape clause	Allows countries to increase defence spending without entering into an excessive deficit procedure.
New funding instrument	New instrument of EUR150bn of loans to member states.
EU budget	Directing more EU resources to defence spending.
Private resources	Accelerating the savings and investment union and involving the European Investment Bank.

Source: BNP Paribas, European Commission

Why we are (still) not turning outright bullish on Europe

Too fast and too far

European equities continue to march higher. The DAX has enjoyed its best start to the year since 2015 (Chart 7) while the Euro STOXX 50 has finally returned to its 2000 high. As investors started the year relatively pessimistic on European equities, an improved growth outlook has caused a huge shift in positioning, both outright and relative to the USA (Chart 5). The rally has driven valuations above long-term average. Higher valuations in conjunction with higher rates have driven a decline in equity risk premia, at the lowest level in almost 20 years (Chart 6).

Is this time different?

Despite this rerating, the valuation discount against the US is still material. However, the rally pushed Europe's valuation discount versus the US above its long-term structural downtrend (Chart 8).

Sustaining such a move would require a structural shift in economic dynamics. The last time Europe outperformed the US for a long period was in 2017, a period with European growth and PMI levels substantially above the respective US readings.

We wait for some evidence

In summary, we feel that the market is already pricing an optimistic scenario. While we acknowledge that the direction of travel is important, we would prefer to see more evidence for the Goldilocks scenario becoming reality, be it via further improvements in PMI data, positive GDP growth revisions or rising earnings estimates. Until then, we see the risk of disappointments, especially after such a strong run, and remain Neutral on eurozone equities.

Why we are still bullish on Equities as a whole?

The case for US equities is not dead (yet)

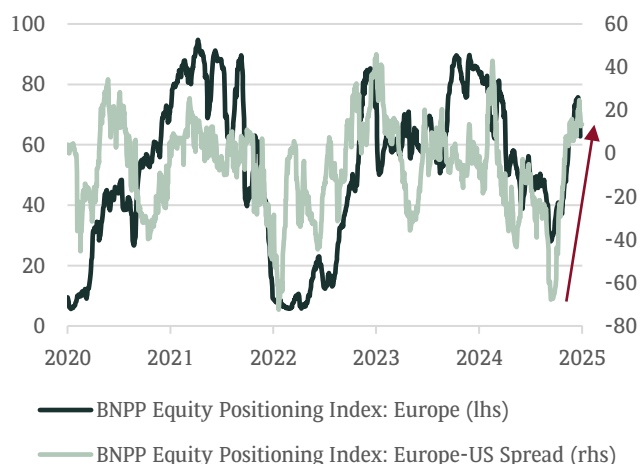
While the risks in the US are clearly rising, we would like to point out that hard data has remained relatively solid for now. This includes the job market, even if it is showing ongoing signs of a slowdown. Unless it collapses, a cooling labour market may be welcome news as it helps tame inflation, leaving the Fed more room to maneuver. Looking a bit further out, there are also important aspects of President Trump's agenda—i.e., tax cuts and regulatory easing—that should support growth

At the same time, sentiment in the US switched from optimistic to pessimistic at record speed, increasing the chance for a technical rebound (Chart 9 & Table 3).

What could make us change our mind?

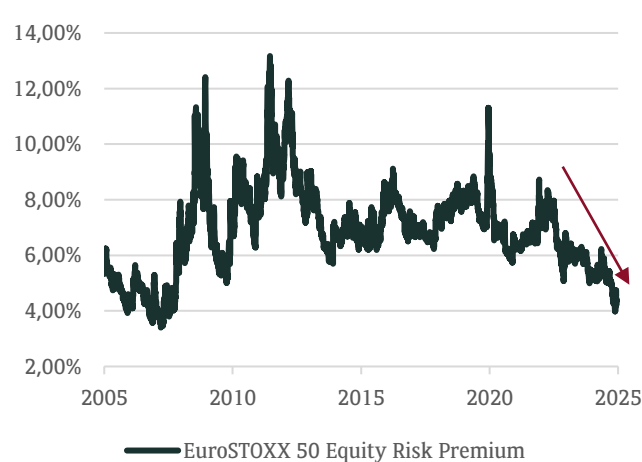
In a nutshell, we see rising downside risks for growth in the US while European growth could improve. At the same time, both markets look to be ripe for a rebound. We thus feel comfortable with being overweight equities while staying neutral in terms of regional exposure both in Europe and the US. But we adopt a state of high vigilance. **Further improvements (or actual implementations) in terms of fiscal spending and higher growth in Europe would warrant an upgrade of the region. However, should the geopolitical situation deteriorate, we would likely take a more cautious view on stock markets.**

CHART 5: POSITIONING IN EUROPEAN EQUITIES RECOVERED STRONGLY



Source: BNP Paribas, Bloomberg

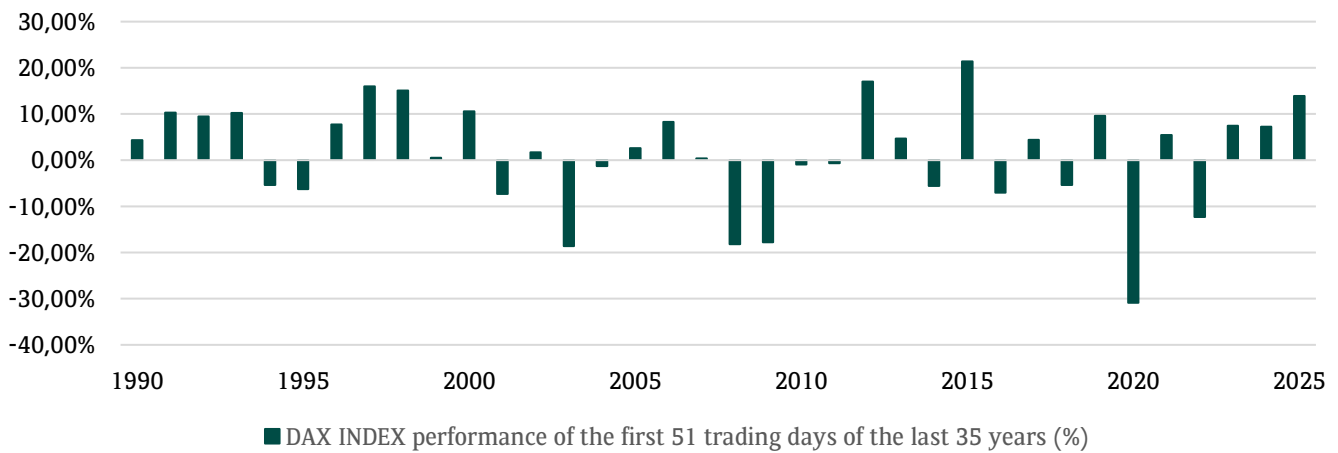
CHART 6: EUROPEAN EQUITY RISK PREMIUM IS TRADING AT MULTI-YEAR LOWS



Source: BNP Paribas, Bloomberg

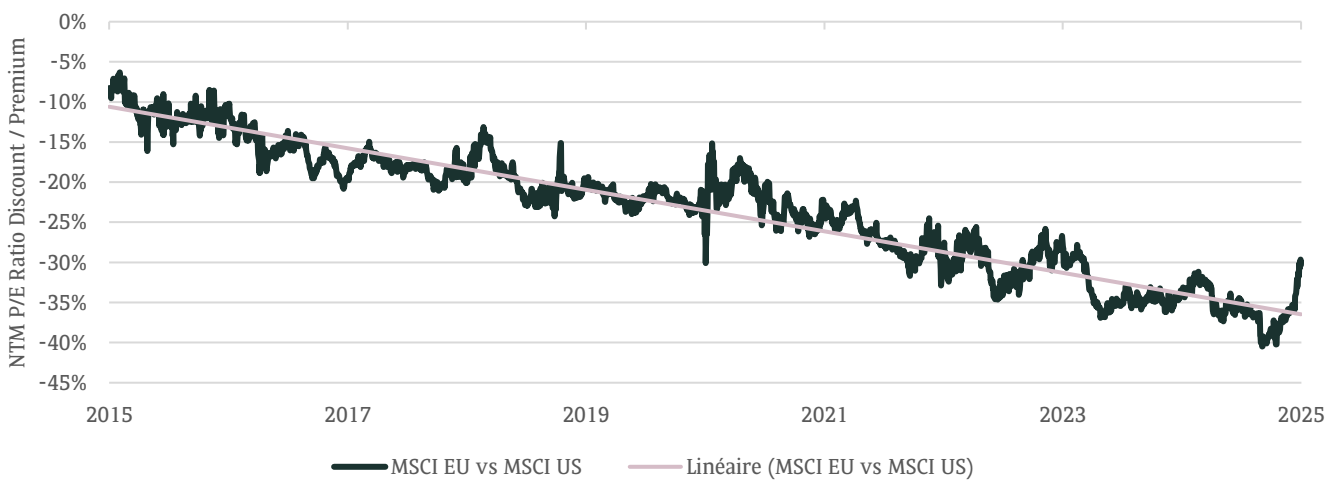


CHART 7: THE DAX JUST HAD THE BEST START TO THE YEAR SINCE 2015



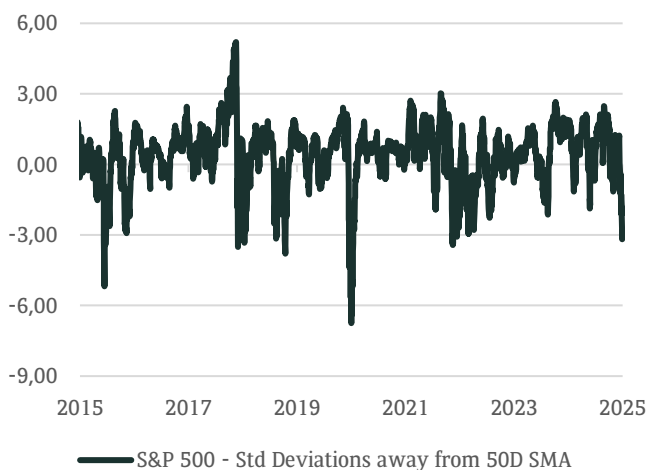
Source: BNP Paribas, Bloomberg

CHART 8: EUROPE ´S VALUATION DISCOUNT NARROWED, RISING ABOVE THE LONG-TERM STRUCTURAL DOWNTREND



Source: BNP Paribas, Bloomberg

CHART 9: THE S&P 500 TRADES AT EXTREME OVERSOLD LEVELS....



Source: BNP Paribas, Bloomberg

TABLE 3:WHICH PRODUCED SOLID FORWARD RETURNS

		1M FWD return	3M FWD return	6M FWD return	12M FWD return
S&P 500 closes > 3 SD below 50-DMA	Average	2,1%	6,2%	10,5%	21,4%
	Median	1,2%	5,3%	11,5%	18,6%
	Hit ratio	61,2%	73,5%	73,5%	88,8%
All periods	Average	0,9%	2,5%	5,2%	10,4%
	Median	1,3%	3,3%	5,9%	11,9%
	Hit ratio	64,2%	70,2%	74,9%	78,9%

Source: BNP Paribas, Bloomberg, Data since 1985

Global Observations

Mexico - more trouble ahead

Mexico faces a tough year in 2025 shaped by shifting internal and external dynamics. Mexico's fiscal policy should remain constrained by rising social spending, limited budgetary flexibility and a widening deficit. Externally, a more protectionist US trade policy will put strains on the bilateral relationship. Our economic outlook for the year points to subdued Mexican growth, driven by softer private consumption, a weaker export performance, and declining fixed investment amid heightened domestic and foreign uncertainties. As inflation is likely to stay above target, the potential relief from cutting rates are limited (Table 4).

The dire economic outlook has been reflected by equity performance. Since April 2024, the MSCI Mexico fell by 27%, underperforming both the MSCI Latin America and the MSCI Emerging Markets. Valuations are subdued, too. In terms of P/E ratio, the MSCI Mexico trades 1.5 standard deviations below its own 20-year average and the discount to the MSCI World stands at 40% (Chart 10). While we acknowledge that a lot of pessimism is already in the price, **we see a lack of upside catalysts and thus remain underweight.**

Japan - a fresh breeze of tailwinds

Albeit global tariff tensions are likely to persist, Japan cleared the event risks around a January Bank of Japan rate hike and the first salvo of tariff announcements from the US. We believe that light positioning among foreign investors in conjunction with undemanding valuations (Chart 11) should provide fertile grounds for future returns, boosted by

several tailwinds:

(i) Seasonality - Since 2005, the TOPIX produced an average accumulated return of 4.5% during March to June.

(ii) Earnings - Supported by a weaker Yen, earnings should be strong enough to dispel concerns about any persisting earnings weakness.

(iii) Corporate Governance - We expect the topic to regain momentum ahead of the AGM season in June as managements should be keen to show their commitment to improving shareholder value / returns.

We reiterate our overweight rating for Japan with a special focus on domestic exposure and corporate governance reform achievers.

China - New opportunities in the Year of the Snake

The recently started Chinese Lunar New Year 2025 marks the start of the Year of the Snake, a time of transformation, wisdom, and personal growth. According to Chinese astrology, the Snake symbolizes intelligence, mystery, and renewal. In 2025, the Wood Snake brings opportunities for growth and change.

Apparently, this is also true for Chinese tech companies. The launch of the DeepSeek large language model seems to have served as a wake-up call for the potential of the sector. China has the highest Gen-AI patent share and is outgrowing the world in new patent registrations (Chart 12).

A change in tone of Chinese officials also eased fears about regulation. Premier Xi Jinping told business leaders at a symposium that their companies needed to innovate, grow and remain confident despite China's economic challenges. He also said it was the "right time for private enterprises and private entrepreneurs to fully display their talents". This has been widely interpreted as the government telling private tech firms that they are back in good graces.

Valuations and earnings trends remain attractive, especially vs the US (Charts 13 & 14). In the short-term, the market looks technically overbought and could see some consolidation. In the medium term, **we continue to be positive on China equities**, particularly on technology and high dividend plays with a domestic focus such as banks & telecoms.

CHART 10: MEXICO TRADES AT A SIGNIFICANT DISCOUNT TO GLOBAL EQUITIES



Source: BNP Paribas, Bloomberg.



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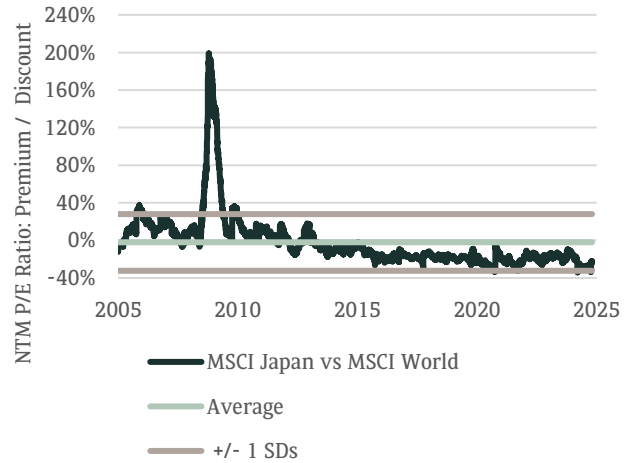
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TABLE 4: MEXICAN ECONOMIC FORECASTS

	2023	2024	2025	2026
GDP (yoy in %)	3.2	1.5	0.5	1.2
Headline Inflation (EoP, % yoy)	4.6	4.2	3.7	3.6
Policy rate %(year end)	11.25	10.0	8.25	7.75

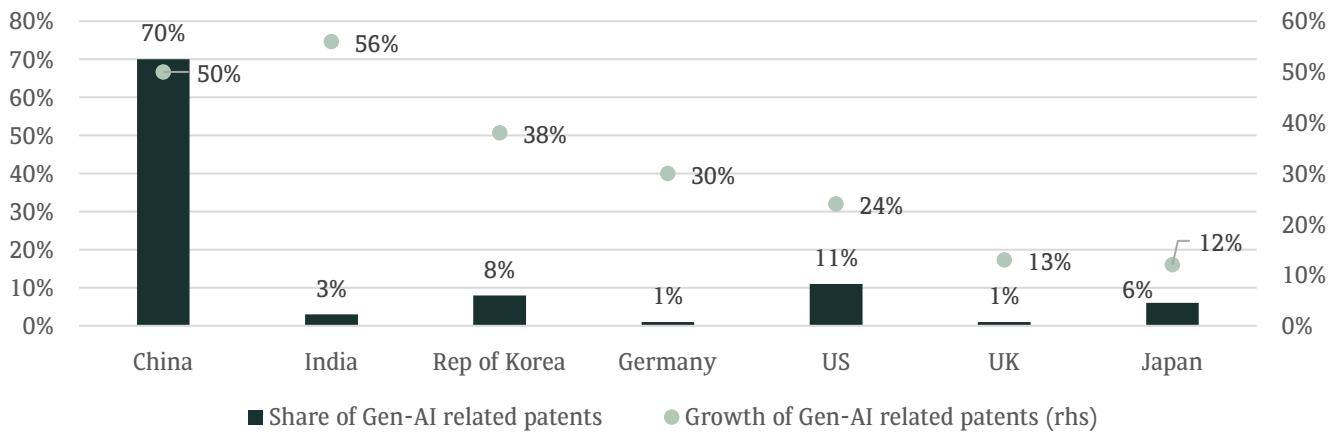
Source: BNP Paribas, Bloomberg

CHART 11: JAPAN STILL TRADES AT A DISCOUNT TO GLOBAL EQUITIES



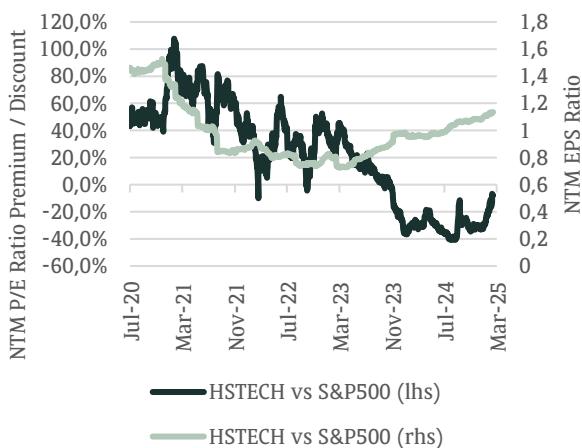
Source: BNP Paribas, Bloomberg.

CHART 12: CHINA HAS THE LARGEST SHARE OF ALL PATENT FAMILIES PUBLISHED GLOBALLY AND IS STILL GROWING AT THE RATE OF 50% PER YEAR.



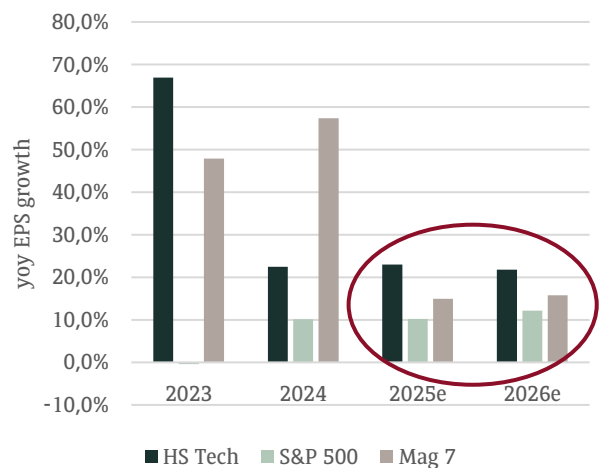
Source: BNP Paribas, WIPO -> 2014 - 2023

CHART 13: HS TECH OFFERS A DISCOUNT TO THE US DESPITE FASTER EPS GROWTH



Source: BNP Paribas, Bloomberg

CHART 14: CHINA TECH EARNINGS ARE EXPECTED TO OUTPERFORM



Source: BNP Paribas, Bloomberg

Q4-2024 Earnings: solid, particularly for Banks (+) and Health care (+)

Results were strong in the US, mild in Europe but generally quite better than expected

Excellent results at the US large banks

The season got a very strong start with 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.

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 main US banks, especially if deregulation and tax cuts were to be confirmed.

European banks also maintain a strong potential

In aggregate, European banks' results were good. Growth is not so impressive like in the US, but even after the recent recovery, European banking stocks valuations are still 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 Deep Seek has been released, despite good results (see table below), the high profitability of the sector is questioned, in particular the ROI that hyperscalers with gain from their huge investments in AI.

Therefore, some big tech names are now somewhat controlling their expenses, for instance Microsoft has announced it will lease less new space in datacentres than originally planned.

We continue to recommend diversify out of Mega caps/ hyperscalers when investing in technology.

Conclusion regarding US Q4-2024 results

US results have been strong in general - as we expected - and Q4 2024 is now showing a year-on-year growth above 14% (8% was expected at start-2025).

Double digit earnings growth is expected in the US

Downward revisions to the expected full year 2025 profits are being observed. Earnings growth is still expected to hit +12% in 2025 and +14% in 2026 (current IBES consensus).

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

Europe

At almost +5% so far, Q4-2024 earnings have been substantially above the 0% that was expected in early January. Financials (+), Health Care (+) and some industrials (+) announced very good results.

Small caps have been very disappointing so far, recording "no earnings growth", according to Bank of America (+15% was expected).

Qua perspectives, earnings growth is expected to accelerate, mainly in H2, and to reach +7.3% in 2025 (current consensus). Trade tensions are creating new uncertainties. On the other hand, the new defence and infrastructure spendings in Europe are medium-term supports, especially for Industrials.

TABLE 5: SOLID US RESULTS IN Q4, PARTICULARLY COMMUNICATION SERV. (=) & FINANCIALS (+). ENERGY (-) ON THE WEAK SIDE.

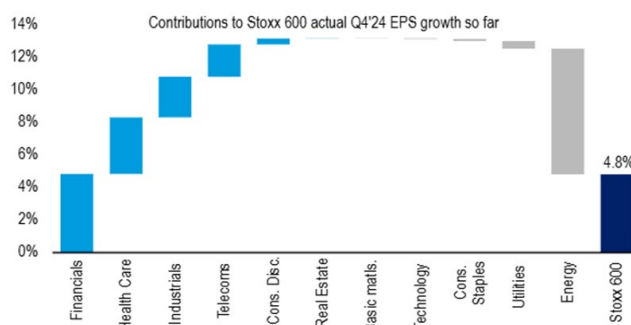
Consensus expectations based on current constituents and diluted shares

Sector	Earnings	Sales
	YoY%	YoY%
Consumer Discr	23.5%	5.9%
Consumer Staples	0.1%	1.8%
Energy	(29.1%)	(2.0%)
Financials	27.3%	6.7%
Health Care	12.2%	9.2%
Industrials	5.9%	(2.7%)
Technology	16.8%	11.7%
Materials	(3.3%)	4.6%
Real Estate	6.7%	8.1%
Communic. Serv.	31.3%	7.4%
Utilities	11.6%	4.5%
S&P 500	14.2%	5.3%

Source: Factset, BofA, BNP Paribas

CHART 15: EUROPEAN CORPORATES ANNOUNCED RESULTS QUITE BETTER THAN EXPECTED. HIGHEST CONTRIBUTIONS TO EARNINGS GROWTH TOOK PLACE IN OUR FAVORITE SECTORS.

Financials, healthcare and industrials remain the major contributors to the 5% growth in earnings so far, while energy remains the primary drag



Source: BofA European Equity Quant Strategy, Factset
Based on companies that report quarterly figures



US Sector allocation & review (now neutral on this region)

We downgrade the US Consumer Discretionary and US Information Technology sectors both from Neutral to Underweight.

Mag 7 not so magnificent anymore

Differently from 2017, Trump 2.0. has decided to act in a fast and significant manner regarding tariffs. Mexico, Canada and China have already been badly hit despite some back and forth on certain items. Europe is also on the list. While it is not clear how much extra taxes or reshoring to the US these measures will bring, it is disturbing international trade and supply chains and this, in a context of a **slowing down US economy, particularly American consumption.**

Sectors likely to be heavily disrupted by trade tariffs include Consumer Discretionary, Automobile, Industrials, Tech Hardware and Semiconductors. These latter 2 sectors represent 60% of the US Information Technology index.

We have long warned that the Mag 7 group are very highly valued. Both Consumer Discretionary and Information Technology sectors are expensive (early March, forward P/Es were close to 30x). Besides, DeepSeek has created new uncertainty, especially regarding the returns on investment that hyperscalers will achieve on their heavy AI-related capex spending.

In addition to rich valuations, expected earnings for the coming 2-3 years could also be too optimistic.

Due to these uncertainties, we downgrade Consumer Discretionary and Information Technology from Neutral to Negative.

Accordingly, some Technology sub-sectors and stocks could profit from the tense environment and from a faster adoption of AI such as cloud, cybersecurity, e-commerce or some software and services, but these represent smaller weights in the US indices compared to hardware & semiconductors.

We still advise to diversify outside Tech, and particularly outside the Mag 7.

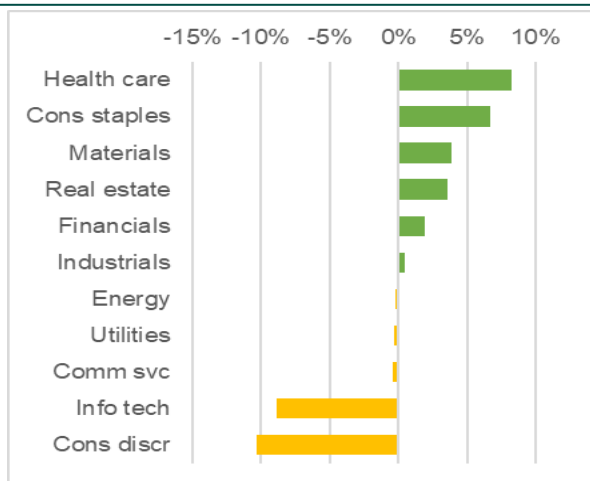
Prefer Financials, Health Care, Industrials and Utilities

Financials results and outlooks are solid for these sectors (cf. our section on Q4-2024 earnings). Accordingly, Industrials and Utilities corporate results were much less impressive than the former two but bear in mind that there is a real willingness of the new US administration to reindustrialize their country which means protectionism, reshoring, better infrastructures, electrification, etc. These are important supports for Industrials and Utilities.

Avoid consumption related stocks

There are clear signs of a slowdown in the US consumption, after a few elevated spending years. High inflation expectations persist and are accentuated by tariffs. Consumer Discretionary (-) and Staples (-) are not cheap, trading on average at forward P/Es close to 30 for Discretionary and around 23 for Staples (compared to an expected growth this year of less than 4% for this latter sector. No bargain here!).

CHART 16 : US SECTOR PERFORMANCE YTD: DEFENSIVES ARE LEADING; SECTORS EXPOSED TO MAG-7 IN THE RED.



Source: S&P 500, 2025 performances as at 06 March 2025.



TABLE 6: US CONS. DISCR. & INFO TECH FWD P/E QUITE HIGH. AT CONTRARY, FINANCIALS AND HEALTH CARE LOOK RELATIVELY CHEAP.

03-03-25	PE				EPS Growth - %			
	2025	2026	2027	12m fwd	2025	2026	2027	12m fwd
MSCI USA	23,4	20,4	18,2	22,7	12,1	14,4	12,5	12,6
MSCI USA ENERGY	15,1	12,7	11,2	14,6	1,0	19,2	11,4	4,1
MSCI USA MATERIALS	20,9	17,8	16,0	20,3	5,8	17,1	12,0	8,0
MSCI USA INDUSTRIALS	24,1	20,8	18,4	23,4	14,7	15,8	12,4	15,3
MSCI USA CONS DISCR	30,5	26,1	22,3	29,7	8,9	16,7	17,0	10,2
MSCI USA CONS STAPLES	22,5	20,9	19,2	22,1	2,7	7,9	8,5	3,9
MSCI USA HEALTH CARE	18,0	16,3	14,6	17,7	19,1	10,5	11,5	17,4
MSCI USA FINANCIALS	17,7	15,5	13,9	17,2	6,7	13,8	11,6	8,0
MSCI USA IT	30,9	26,4	23,3	29,5	20,3	17,2	13,5	19,5
MSCI USA COMM SERVICES	21,4	18,8	16,5	20,9	12,8	13,8	13,8	12,9
MSCI USA UTILITIES	18,2	16,8	15,6	18,0	6,8	8,2	7,7	7,1

Source: MSCI, BNP Paribas

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Sector allocation & review - Europe

In Europe, we accentuate our pro-cyclical stance. Chemicals go from Underweight to Neutral and Real estate is downgraded from Positive to Neutral.

Whereas economic surprises and earnings momentum are under pressure in the US, at contrary, the expected German fiscal boost should further support the economic cycle in Europe.

We have shown earlier in this report that earnings in Europe have been quite better than expected, particularly for Financials, Health Care and Industrials, three key favourite sectors.

We expect some chemical reaction to the German fiscal boost.

We have been negative on this sector due to overcapacity, lack of competitiveness (high energy costs) and strong competition from China in a context of slow Chinese growth, accentuating further the willingness of the country to export its surplus.

Now, an economic improvement in China is being observed and some key client industries of the chemicals sector that were facing a sharp slowdown are stabilising, for instance automobile. Furthermore, the expected lower energy prices should bring further support to this industry.

Therefore, this month, we increase our rating on the chemicals sector from underweight to neutral.

Regarding automobile (-), as explained last month, it is a sector that could be badly hit by tariffs. Therefore, despite it is relatively cheap, we believe there are better opportunities in other cyclical sectors.

European Consumer Staples (-) and Discretionary (=) are suffering from expected US tariffs.

We explained in previous publications that despite a consumption recovery in Europe, at minimum, we would be very selective within Staples (-) and Discretionary (=). These sectors are not cheap, and many names could be hit by tariffs. Despite the recent derating, we expect uncertainty to continue to weight on these sectors.

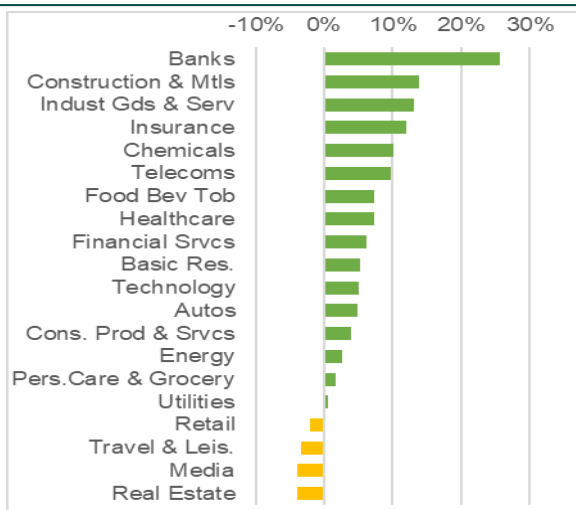
Health Care sector (+)... in good health!

Due to new expansionary policies, we maintain a pro-cyclical stance for Europe. For diversification purpose, among defensives, we recommend Health care. There are some fears that the sector could also be hit by tariffs, but we do not think it will significantly weight on earnings as (i.) the sector maintains pricing power; (ii.) Health Care could be part of the German and possibly other countries/ EU infrastructure plans; (iii.) Valuations are still low, especially relative to earnings expectations.

We downgrade Real Estate from + to =

Other defensive sectors look less attractive in this context. Real estate is very cheap but sensitive to interest rates/ bond yields. It will suffer from crowding out effect when countries increase and finance their extra budgets for defence and infrastructure. Therefore, our downgrade from + to =. Be selective in this sector.

CHART 17: EUROPEAN SECTOR 2025 PERFORMANCE YTD: FINANCIALS & CYCLICALS ARE LEADING. DEFENSIVES ARE UNDERPERFORMING.



Source: Stox600, 2025 performances as at 06 March 2025.

CHART 18: THE WORST SEEMS TO BE OVER FOR EUROPEAN CHEMICALS. BUT REAL ESTATE RECOVERY IS DELAYED ONCE AGAIN.



Source: LSEG Datastream, 10/03/2025

Among defensives, we prefer Health Care (+) to Consumer Staples (-)

Health Care

Underperformance in 2023 and 2024

The last 2 years, the equity market attention was concentrated on tech stocks as well as on those sectors necessary to power it (cf. electrification theme). All other sectors underperformed. Regarding Health Care, the sector was far from matching the high-tech growth rates, except some specific segments such as those names proposing obesity solutions.

Solid fundamentals

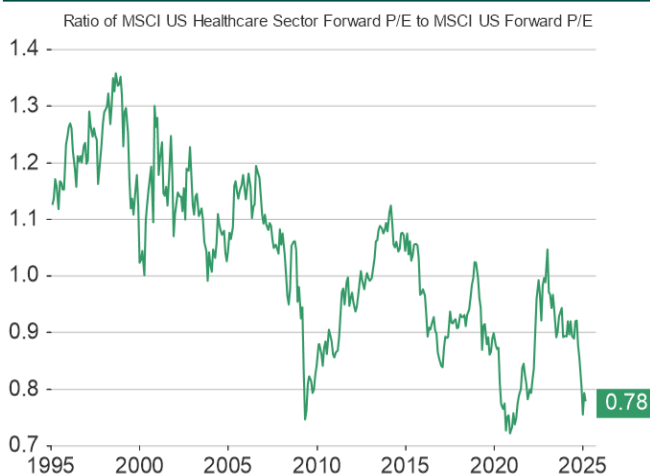
In a context where expensive momentum stocks are now facing a de-rating due to earnings growths expected to slow down (forecasts are probably still too optimistic), Health Care possesses just the opposite characteristics: the sector displays solid balance sheets in general and trades at relatively cheap valuations, after having underperformed since early 2023, i.e. more or less since the beginning of the AI frenzy.

Besides, earnings growth is reaccelerating and should rise to a CAGR of more than 10% for the period 2025-2027. Such high rates have not been seen for quite some time. We do not think that the new US administration policies will significantly hurt earnings. At contrary, demographics are still very supportive.

Cheap valuations

Early March, the sector globally traded at a P/E of 17.5, compared with 19 for the MSCI World Index. The gap is even wider in the US (see chart below). Historically, such wide valuation gap between Health Care sector and the rest of the market has always been a good purchase opportunity.

CHART 20: HEALTH CARE IS TRADING AT AN ATTRACTIVE DISCOUNT (>20%), PARTICULARLY IN THE US. IT IS TYPICALLY A BUY OPPORTUNITY.



Source: LSEG Datastream, 28/02/2025

Consumer Staples

Recently, similar market behaviour to Health Care

The last few years, Staples have also underperformed the rest of the market for similar reasons as Health Care (AI frenzy). However, contrary to health care, we are not convinced that the current US economic slowdown, nor that the momentum stocks de-rating represent a great buy opportunity for staples.

Staples looks fully priced

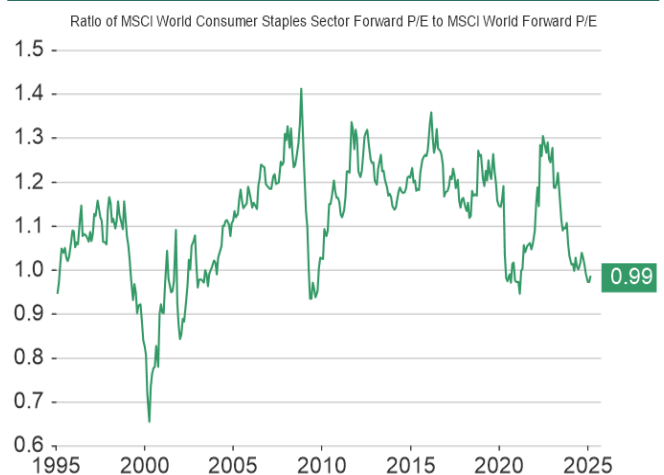
Historically, the sector traded at a small premium to the market, around 10% (see exhibit below), due to its lower volatility and whereas it registered similar earnings growth as the rest of the market. These growth rates (+5 to 10% per year) are not going to be met in 2025. After a dull Q4-24 (see earnings section), only +3 to 4% is expected for European and US staples in 2025, before a reacceleration toward 8% in 2026 and 2027. It is quite lower than Health Care.

Consumers walking away from premium brands

Consumer Staples are often 'premium' names. In case of a sharp US economic slowdown, consumers will trade down, especially the low-income ones, already badly hit by inflation. Tariffs will also push consumers to redirect some spending to cheaper brands. And this, in a context where consumers are paying more attention to their health and are walking away from some well-known brands, considered unhealthy.

We believe that the Staples sector (-) is fully priced, especially in the US (Staples P/E = 22). There are better opportunities in other defensive sectors.

CHART 21: STAPLES ARE TRADING AT AN AVG P/E IN LINE WITH THE REST OF THE MARKET DESPITE MUCH LOWER EXP. EARNINGS GROWTH RATES



Source: LSEG Datastream, 03/03/2025

Industrials (+) & Defence

We are positive on Industrials both in Europe and in the US

Industrials is a diversified sector, with several interesting themes to play

Contrary to other sectors, the industrials sector very diverse: its 10 largest constituents account for 20% of the index. For comparison purpose, Apple alone represents 20% of the IT sector.

Industrials is composed of several quite different subsectors: Aerospace and Defence is the largest one (20% of the sector), all other sub-sectors represent each less than 10% of the index: machinery, electrical components, conglomerates, trading companies, rail transportation & various other services.

Industrials are good vehicles to play some themes we like and put forward the last few years in our strategy publications.

Some of these themes are currently in the spotlight, for instance the US reindustrialisation, reshoring, electrification, or more recently the obvious infrastructure (re)development and the defence budgets currently negotiated in Europe, particularly in Germany, as well as the 'rebuilding Ukraine'.

Industrials should do well in the medium term as there is a visible demand, supported by Western governments. In the short term, some selectiveness is necessary as valuations are quite high (P/E above 20 on average, a small premium to the rest of the market - see exhibit below) and there is some political back and forth.

Comforting however is that the latest corporate results were encouraging both in the US and in Europe.

Focus on Aerospace and Defence

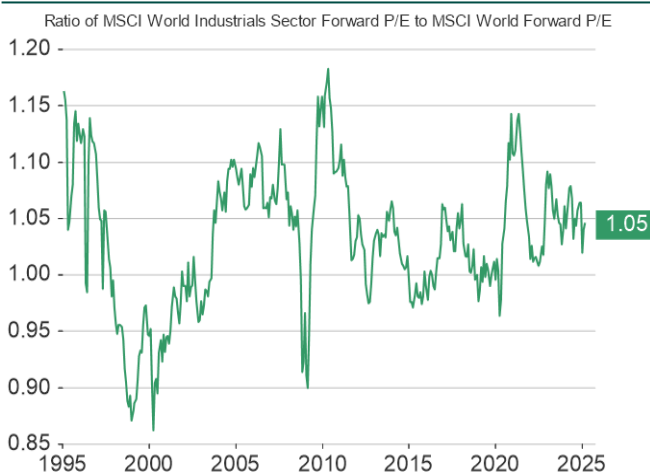
Defence is a small and narrow segment, part of the Aerospace & Defence subsector (A&D), which accounts for about 20% of the Industrials sector (this latter represent 10,8% of the MSCI World index). Therefore, **A&D is around 2% of the MSCI World index.** The biggest chunk of A&D is Aerospace.

The Defence segment is dominated by big US names. Many of them are controversial. **When including defence-exposed names outside Industrials (IT, consulting, etc), we estimate that "conventional defence" is less than 1% of the World index.** Therefore, our investment universe is quite narrow. In Europe, the largest companies are Rheinmetall, Leonardo and Thales. These are now trading at high valuation multiples, incorporating lots of positive news regarding future contracts. Rheinmetall has a 2025 P/E ratio above 30, more than double the 2025 European market P/E.

Valuations are likely to remain high medium term. But for stock prices to go even higher, these companies will have to deliver and hopefully announce earnings better than the high expectations embedded in their stock prices. Bear in mind there are challenges on the way. You do not double this type of business in a few years time without glitches. Challenges abound such as getting enough quality components, electronics, qualified labour, and high-end materials.

Although a small exposure seems justified in the current context, it is probably better to invest via a diversified solution and to accumulate on weakness.

CHART 22: INDUSTRIALS (+) ARE NOT CHEAP ON AVERAGE, BUT VISIBILITY IS RELATIVELY GOOD AND SO WERE THE LATEST CORPORATE RESULTS



Source: LSEG Datastream, 28/02/2025

CHART 23: THE (CONVENTIONAL) MARKET VECTOR GLOBAL DEFENSE INDUSTRY INDEX HAS GAINED +50% OVER THE LAST 12 MONTHS



Source: Market Vector, BNP Paribas

European and US Sectors in a nutshell

Sector (STOXX Europe 600)	View			YTD	Out/ underperf. vs index	Our view at a glance
	UW	N	OW			
Banks			X	25,70%	16,77%	Despite recent great performances, valuations are still attractive as earnings have been growing fast/ better than expected. Balance sheets are solid.
Construction Materials			X	13,80%	4,87%	Rebuilding Ukraine has acted as a key catalyst recently. (German) infrastructure spending is another boost. Heavy side names might benefit from US-China tariffs as they produce locally.
Financial Services			X	6,13%	-2,80%	Improving capital markets activity and expected deregulation offer support, especially to exchanges and private markets. Stay selective among asset managers due to challenges from the active to passive shift.
Health Care			X	7,29%	-1,64%	This sector should be a key AI beneficiary: expect efficiency gains in a structurally growing market (e.g. demographics, obesity etc). Attractive valuations. It is a defensive compounder. Key risks: tariffs & new US political risks have appeared.
Industrial Goods & Services			X	13,18%	4,25%	(German) Infrastructure spending and 'rebuilding Ukraine' are new supports. Also beneficiary of defence spending, re-/nearshoring, investments in data centers and renewable energy projects.
Insurance			X	12,04%	3,11%	The economic environment is very supportive for this sector. Excess capital is supporting shareholder returns. Valuations are in line with history, offering further re-rating potential.
Basic Resources		X		5,21%	-3,72%	The sector has the highest correlation to China in Europe due to the high revenue exposure (~ 36%). We still prefer names exposed to energy transition & precious metals.
Chemicals	→	X		10,13%	1,20%	The sector should profit from the infrastructure plan in Germany as well as the rebuilding of Ukraine. Strong competition from China however and tariffs could hurt.
Cons. Products and Services		X		3,94%	-4,99%	Despite stronger consumption in Europe, the sector suffers from tariffs. Chinese consumption still sluggish. The sector is not cheap, especially after its January rebound. Be selective.
Media Price EUR		X		-3,86%	-12,79%	The sector still suffers from investors trying to make up their mind how AI will impact business models. Part of the sector is well positioned to benefit from AI as owning a lot of data.
Real Estate		X	←	-3,96%	-12,89%	Defensive sector hit by rising yields and by the likely crowding out effect from new European expansionary budgets. Logistics and data center enjoy tailwinds from e-commerce/ AI. Be selective.
Retail		X		2,02%	-6,91%	The sector has now found some capital discipline allowing for cash distribution. However, tariffs could put pressure on margins as imported goods could become more expensive.
Technology		X		4,99%	-3,94%	Prefer software names which should continue to benefit from B2B investments in AI supported efficiency upgrades.
Telecommunications		X		9,79%	0,86%	Improving corporate results, the industry's falling capital intensity driven by the fibre cycle & the sector's free M&A option are supporting performance.
Travel & Leisure		X		-3,39%	-12,32%	Lower oil prices should improve airlines and cruise lines margins but some other costs are rising. Besides, competition is high in a context of geopolitical tensions, not encouraging travelling.
Utilities		X		0,64%	-8,29%	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.
Autom. & Parts		X		4,93%	-4,00%	Automotives still weak due to rising competition weak China, high EV investment costs, excess inventories, and bad pricing. Trade tensions are creating further uncertainties.
Energy		X		2,71%	-6,22%	Oversupply & new US administration policies are capping the upside in oil related.
Food, Bev and Tobacco		X		7,31%	-1,62%	The threat of tariffs weights on sentiment. Valuations are broadly in line with historical averages. Lack of upside catalysts.
Personal Care		X		1,74%	-7,19%	The sector still faces headwinds from rising input costs while consumers are increasingly price sensitive. Lack of upside catalysts.

Sector (S&P 500 Level 1)	View			YTD	Out/ underperf. vs Index	Our view at a glance
	UW	N	OW			
Financials			X	1,97%	-0,46%	Profits are still solid in the context of a growing economy. Market & M&A activities are supporting big banks earnings. Deregulation and possible tax cuts should provide additional tailwinds.
Health Care			X	8,23%	5,80%	Solid earnings in a structurally growing market (e.g. demographics, obesity etc). It is a defensive compounder. AI to bring more efficiency gains. Further deregulation could bring extra support.
Industrials			X	0,47%	-1,96%	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. Re-shoring to bring further support.
Materials			X	3,86%	1,43%	While we remain cautious with chemicals, we do like stocks with exposure to precious metals/ energy transition metals mining. The sector should also somewhat benefit from reshoring.
Utilities			X	-0,31%	-2,74%	Growth in power demand should remain solid due to AI tailwinds & electrification. EPS growth expectations accelerating. Accumulate on weakness.
Communication Services		X		-0,38%	-2,81%	The sector is dominated by 2 mega tech companies trading at much lower P/E's than other 'Mag-7' but not so cheap either in the current context. Idem for the rest of the sector. Be selective.
Real Estate		X		3,54%	1,11%	Despite a recent recovery due to a switch to defensives on the US equity markets, activity is still sluggish in residential RE. New construction activity is muted. Commercial RE also looks stressed.
Consumer Staples		X		6,65%	4,22%	After the recent (defensive) recovery, the sector looks fully priced. Costs are rising due to tariffs. Besides, consumers may continue to "trade down" due to current economic uncertainties.
Consumer Discretionary		X	←	-10,28%	-12,71%	The sector is dominated by 2 mega tech companies currently de-rating and likely to keep suffering from trade tensions. Be selective and diversify away from the 'Mag-7'.
Energy		X		-0,25%	-2,68%	Oversupply capping the upside in oil related. We prefer energy infrastructure names as they benefit from rising transportation and storage needs while paying attractive dividends.
Information Technology		X	←	-8,86%	-11,29%	Trading at heavy premium vs the market. Growth expectations are slowing, making it harder to justify the valuation premium. Worries of AI-related overinvestments rise & of disappointing ROIs to come.

Valuations

TABLE 7: GLOBAL INDICES

Index	Level	1yr Range	Forward													Composite	
			EPS	EPS change		PE Ratio	PB Ratio		Div Yield	ROE	Earnings Yield	vs. ACWI	Syr Z-Score				
			Syr Z-Score	4 weeks (%)	Syr Z-Score	Syr Z-Score	Syr Z-Score	Syr Z-Score	Syr Z-Score	Syr Z-Score	Syr Z-Score						
MSCI ACWI	831		46.52	0.51	17.77	2.86	2.05	15.18	5.60	n.a.	n.a.						
MSCI World	3643		193.71	0.62	18.70	3.11	1.95	15.60	5.32	1.06							
MSCI Emerging Markets	1111		84.55	-1.20	13.12	1.63	2.94	12.18	7.61	0.72							
S&P 500	5599		268.72	-0.40	20.84	4.28	1.46	19.14	4.80	1.22							
S&P 500 Equal Weighted	6946		403.66	-0.94	17.13	2.70	2.13	14.40	5.81	0.96							
Russell 2000	2026		79.47	-5.54	25.50	1.24	2.40	2.22	3.92	1.30							
NASDAQ 100	19596		797.48	0.31	24.57	6.31	0.85	23.04	4.07	1.50							
MSCI USA Growth	24477		465.21	0.08	27.50	9.13	0.47	30.75	1.90	1.78							
MSCI USA Value	14141		227.95	-0.48	16.75	2.79	2.47	15.39	1.61	0.95							
STOXX Europe 600	541		37.53	-2.01	14.42	1.97	3.39	13.10	6.93	0.79							
STOXX Europe Mid 200	565		42.74	-0.37	13.22	1.56	3.95	11.56	7.57	0.72							
STOXX Europe Small 200	343		25.80	-11.34	13.29	1.41	3.45	10.32	7.53	0.71							
DAX	22676		1488.22	-0.48	15.24	1.79	2.75	11.04	6.56	0.83							
FTSE 100	8541		701.39	-2.05	12.18	1.83	3.79	14.03	8.21	0.68							
CAC 40	7989		532.81	-1.35	14.99	1.86	3.23	12.10	6.67	0.82							
FTSE MIB	38307		3438.81	-1.69	11.14	1.39	5.25	12.53	8.98	0.61							
Nikkei 225	36819		1981.68	-0.50	18.58	1.82	2.19	9.76	5.38	0.99							
Hang Seng	23600		2257.92	3.35	10.45	1.25	3.51	10.99	9.57	0.57							

TABLE 8: EUROPEAN SECTORS

Index	Level	1yr Range	Forward													Composite	
			EPS	EPS change		PE Ratio	PB Ratio		Div Yield	ROE	Earnings Yield	Upside to 12M Target Price*	vs. SXXP 5yr Z-Score				
			Syr Z-Score	4 weeks (%)	Syr Z-Score	Syr Z-Score	Syr Z-Score	Syr Z-Score	Syr Z-Score	Syr Z-Score							
STOXX Europe	541		37.53	-2.01	14.42	1.97	3.39	13.10	6.93	13%	1.00						
STOXX Europe Consumer P&S	401		16.17	-1.66	24.78	3.37	1.98	14.36	4.04	14%	1.75						
STOXX Europe Energy	116		12.08	-3.19	9.61	1.19	5.15	12.22	10.41	13%	0.66						
STOXX Europe Food, Bev. and Tobacco	192		12.46	-0.92	15.37	2.61	3.82	16.18	6.51	11%	1.10						
STOXX Europe Personal Care	167		10.50	-0.40	15.34	3.00	3.41	16.88	6.27	9%	1.16						
STOXX Europe Chemicals	1299		66.51	-1.31	13.53	2.08	2.80	9.74	5.12	10%	1.32						
STOXX Europe Utilities	395		32.34	0.14	11.98	1.52	5.26	11.91	8.35	15%	0.82						
STOXX Europe Banks	258		23.80	0.81	8.66	1.00	5.70	11.51	11.55	5%	0.59						
STOXX Europe Real Estate	122		8.44	-25.75	14.46	0.80	6.38	6.73	6.91	54%	0.33						
STOXX Europe Technology	814		34.19	-1.53	23.80	4.22	1.20	17.34	4.20	23%	1.71						
STOXX Europe Autom. & Parts	578		76.22	-5.51	7.58	0.66	4.56	8.38	13.19	11%	0.50						
STOXX Europe Health Care	1117		68.49	-1.71	16.31	3.38	2.53	17.22	6.13	20%	1.20						
STOXX Europe Financial Services	859		55.86	-8.45	15.37	1.61	2.78	9.65	6.50	12%	1.04						
STOXX Europe Insurance	462		38.01	-0.83	12.14	1.99	4.97	16.46	8.23	1%	0.86						
STOXX Europe Telecoms	251		16.80	0.36	14.34	1.46	4.24	9.01	6.69	12%	1.00						
STOXX Europe Media	452		24.71	-1.82	18.29	3.89	2.80	18.01	5.47	20%	1.35						
STOXX Europe Ind. Goods & Services	977		46.34	-0.06	20.81	3.63	2.16	16.60	4.80	10%	1.49						
STOXX Europe Constrn & Materials	776		47.52	-0.21	16.33	2.23	2.85	13.51	6.12	9%	1.13						
STOXX Europe Basic Resources	526		44.31	-6.68	11.86	1.16	3.39	9.52	8.43	21%	0.79						
STOXX Europe Retail	410		26.38	-1.68	15.18	2.75	4.00	17.95	6.59	22%	1.09						
STOXX Europe Travel & Leisure	251		22.17	-1.94	11.31	2.64	3.01	22.58	8.84	28%	0.85						

*BVG consensus, NOT an official BNP target price

TABLE 9: US SECTORS

Index	Level	1yr Range	Forward													Composite	
			EPS	EPS change		PE Ratio	PB Ratio		Div Yield	ROE	Earnings Yield	Potential Upside to 12M Target Price*	vs. S&P 500 5yr Z-Score				
			Syr Z-Score	4 weeks (%)	Syr Z-Score	Syr Z-Score	Syr Z-Score	Syr Z-Score	Syr Z-Score	Syr Z-Score							
S&P 500	5599		268.72	-0.40	20.84	4.28	1.46	19.14	4.80	23%	1.00						
S&P 500 Consumer Discretionary	1586		65.39	-0.37	24.25	7.02	0.78	27.24	4.12	23%	1.25						
S&P 500 Consumer Staples	870		33.97	-0.84	21.77	6.14	2.54	27.58	4.59	11%	1.11						
S&P 500 Energy	667		46.19	0.06	14.43	1.96	3.41	13.60	6.93	20%	0.65						
S&P 500 Financials	792		48.27	-1.33	16.40	2.15	1.86	12.72	6.10	18%	0.74						
S&P 500 Health Care	1682		95.01	-0.22	17.70	4.43	1.82	20.82	5.65	16%	0.88						
S&P 500 Industrials	1099		49.79	-0.88	22.07	5.62	1.62	24.42	4.53	17%	1.10						
S&P 500 Information Technology	4125		151.08	0.78	27.30	9.89	0.72	32.76	3.66	30%	1.48						
S&P 500 Materials	533		25.76	-2.09	20.70	2.61	2.05	12.04	4.83	18%	0.93						
S&P 500 Real Estate	260		6.38	-0.37	37.28	3.03	3.54	8.16	2.68	14%	1.60						
S&P 500 Communication Services	332		17.86	0.00	18.60	3.99	0.95	20.67	5.38	24%	0.90						
S&P 500 Utilities	390		22.28	-0.73	17.50	2.02	3.14	11.60	5.72	12%	0.78						

*BVG consensus, NOT an official BNP target price

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		neutral	neutral	positive	positive
What we (especially) like		Banks Energy Infrastructure	UK Banks	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 German infrastructure related names	Governance Reform achievers	APAC Tech
	Global Basis	Precious and energy transition metal miners Financial Services Healthcare			

Economic, FX forecast tables

Slightly downward revision for EU growth forecast

BNP Paribas Forecasts

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

** Fiscal year

Source : BNP Paribas, Bloomberg - 24/02/2025

FX FORECASTS EUR

Country	Spot 25/02/2025	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
United States	EUR / USD 1.05	Positive	1.02	Positive	1.02
United Kingdom	EUR / GBP 0.83	Neutral	0.83	Neutral	0.83
Japan	EUR / JPY 156.51	Positive	153	Positive	153
Switzerland	EUR / CHF 0.94	Neutral	0.94	Neutral	0.94
Australia	EUR / AUD 1.66	Positive	1.55	Positive	1.59
New-Zealand	EUR / NZD 1.84	Positive	1.70	Positive	1.70
Canada	EUR / CAD 1.50	Neutral	1.48	Positive	1.43
Sweden	EUR / SEK 11.14	Negative	11.40	Negative	11.70
Norway	EUR / NOK 11.68	Neutral	11.60	Positive	11.30
Asia					
China	EUR / CNY 7.63	Neutral	7.55	Neutral	7.55
India	EUR / INR 91.55	Neutral	89.76	Neutral	89.76
Latam					
Brazil	EUR / BRL 6.05	Positive	5.92	Neutral	6.12
Mexico	EUR / MXN 21.48	Neutral	21.42	Negative	22.44

Sources: BNP Paribas, ISEF

US and UK inflation remain at risk

BNP Paribas Forecasts

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

* Fiscal year

Source : BNP Paribas, Bloomberg - 24/02/2025

FX FORECASTS USD

Country	Spot 25/02/2025	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
Eurozone	EUR / USD 1.05	Negative	1.02	Negative	1.02
United Kingdom	GBP / USD 1.27	Negative	1.23	Negative	1.23
Japan	USD / JPY 149.09	Neutral	150.00	Neutral	150.00
Switzerland	USD / CHF 0.89	Negative	0.92	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 1.43	Neutral	1.45	Positive	1.40
Asia					
China	USD / CNY 7.26	Neutral	7.40	Neutral	7.40
India	USD / INR 87.21	Neutral	88.00	Neutral	88.00
Latam					
Brazil	USD / BRL 5.76	Neutral	5.80	Negative	6.00
Mexico	USD / MXN 20.46	Negative	21.00	Negative	22.00
EMEA					
South Africa	USD / ZAR 18.40	Positive	18.00	Positive	17.50
USD Index	DXY 106.31	Positive	109.14	Positive	108.91

Sources: BNP Paribas, ISEF

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