

C.I.A. NETWORK

# Asset Strategy in Brief

April 2025



**BNP PARIBAS**  
**WEALTH MANAGEMENT**

The bank  
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# Summary

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# Macro and market views

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## Macro and Market Views

	<b>Macro</b>		<ul style="list-style-type: none"> <li>– Rising policy uncertainty and tariff concerns are starting to weigh on US domestic investment and consumption.</li> <li>– In the eurozone, consumer confidence remains on an upward trend as the ECB continues to reduce benchmark interest rates. The announced German stimulus plan should boost long-term potential growth. Chinese stimulus could bring positive surprises.</li> </ul>
	<b>Rates</b>	=	<ul style="list-style-type: none"> <li>– Positive on core eurozone government bonds and on UK gilts</li> <li>– Following the 2 April announcement of further US tariffs, we upgrade US Treasuries to Positive. We initiate a 3-month target on 10Y US Treasury yields at 4.0%</li> <li>– US, Euro central banks to cut benchmark rates to 4%, 2% by end-2025</li> <li>– We see both the US 2-year and 10-year yields at 4.25% in 12 months. Our 12-month target on the German 10-year bund yield is 2.5%.</li> </ul>
	<b>Credit</b>	+	<ul style="list-style-type: none"> <li>– We stay Positive given the strong technicals, high carry and low volatility. We prefer maturities of up to 10 years in the eurozone and maturities of up to 5 years in the US.</li> <li>– We continue to like EUR IG corporate bonds, and we stay Positive on UK IG corporates (offering a 5.5% average yield).</li> </ul>
	<b>Equities</b>	+	<ul style="list-style-type: none"> <li>– Following the 2 April US tariff announcement, we downgrade Equities to Neutral</li> <li>– Favour UK, Japan, China. We downgrade the US to Negative.</li> <li>– Positive on Health Care, Utilities, Industrials and European Financials.</li> <li>– Negative on US IT and Consumer Discretionary.</li> <li>– We downgrade US Materials &amp; Financials from Positive to Neutral.</li> <li>– EU Utilities are upgraded from Neutral to Positive; EU travel and leisure from Neutral to Negative.</li> <li>– We remove our preference for US SMIDs</li> </ul>
	<b>Real Estate</b>	=	<ul style="list-style-type: none"> <li>– Lagged impact from higher interest rates to fade after stability in commercial real estate returns in Q2/Q3 2024. We see European real estate prices slowly stabilising, with rental yields now more attractive.</li> <li>– Industrial/logistics exposure preferred for healthy yields, higher expected rental growth on robust underlying demand growth.</li> </ul>
	<b>Commodities</b>	+	<ul style="list-style-type: none"> <li>– Gold: Positive view as EM central banks continue strategic purchases and Asian households remain buyers. Gold 12m target is USD 3200/ounce.</li> <li>– Negative stance on Oil, price range for Brent crude oil of USD 60-70 on weaker global oil demand, and higher OPEC and non-OPEC production.</li> <li>– We downgrade industrial metals from Positive to Neutral, in view of the expected global growth slowdown due to the trade war.</li> </ul>
	<b>FX</b>		<ul style="list-style-type: none"> <li>– EUR/USD: US dollar strength has reversed dramatically on the back of a weaker US growth outlook, and expectations of more Fed rate cuts this year. We have adjusted our 3-month and 12-month targets to 1.05 (value of one EUR).</li> <li>– USD/CNY: We are revising our 3-and 12-month USD/CNY target to 7.30.</li> </ul>

# Asset Allocation

## Allocation changes this month:

- ❑ **Equities:** We downgrade Global Equities to Neutral and US Equities to Negative. US Materials & US Financials are downgraded from Positive to Neutral. We remove our preference for US SMIDs. EU Utilities are upgraded from Neutral to Positive. EU Travel and Leisure from Neutral to Negative.
- ❑ **Bonds:** We tactically turn Positive from Neutral on US Treasuries.
- ❑ **FX:** EUR/USD: we have revised our 3-month and 12-month targets to 1.05 (value of one EUR). USD/CNY: We are revising our 3-and 12-month targets to 7.30. EUR/SEK: We change our 3-month target to 11 and our 12-month target to 11.20 (value of one EUR).
- ❑ **Commodities:** We downgrade Industrial Metals from Positive to Neutral, in view of the expected global growth slowdown due to the trade war.

Outlook Summary					
	Very underweight	Underweight	Neutral	Overweight	Very Overweight
Equities			=		
Government Bonds				+	
Corporate Credit				+	
Real Estate			=		
Alternatives				+	
Cash		-			

## Key macro & market forecasts

	GDP Growth %		Inflation %		Central Bank Rates %			Key market forecasts			
	2025e	2026e	2025e	2026e		Now	3M	12M		Now	12M
US	1.8	1.3	3.3	3.4	US Fed Funds Rate	4.50	4.25	4.00	US 10Y yield %	4.01	4.25
Eurozone	1.3	1.5	2.2	2.0	ECB Deposit Rate	2.50	2.25	2.00	Euro 10Y yield %	2.54	2.50
Japan	1.0	0.2	3.2	2.1	Bank of Japan Policy Rate	0.50	0.75	1.00	UK 10Y Yield %	4.39	4.00
UK	1.1	0.9	3.3	2.5	Bank of England Base Rate	4.50	4.25	3.5	S&P 500	5693	n/a
China	4.5	4.3	0.8	1.0	China 7D reverse repo rate	1.50	1.40	0.9	Euro STOXX 50	5396	n/a
									Oil Brent USD/bbl	67.81	60-70
									Gold USD/oz	3083	3200

Source: BNP Paribas WM. As at 04 April 2025

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# Bonds

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# Fixed Income at a glance

March was characterised by the EU spending package, concerns about growth in the US, shifts in central bank expectations and uncertainty in US policy including tariff anxiety. This has led to sharp movements in long-term bond yields and wider credit spreads for lower-rated corporate bonds.

**Amid these uncertainties, we tactically turn Positive from Neutral on US Treasuries. Higher bond yields in EUR core and UK government bonds present an opportunity to lock in attractive yields. We also prefer to stay in quality in credit and we favour EUR IG credit.**

## Central Banks

The Fed has paused its rate-cutting cycle for the moment. We still expect 2 rate cuts this year, leading to a terminal rate of 4%. We also expect 2 rate cuts from the ECB, and a terminal rate of 2%.

## Corporate Investment Grade (IG) Bonds

**+** We prefer EUR IG (Positive view) over USD IG (Neutral view) due to its better credit metrics and lower volatility. We prefer maturities up to 10 years in the eurozone and up to 5 years in the US.



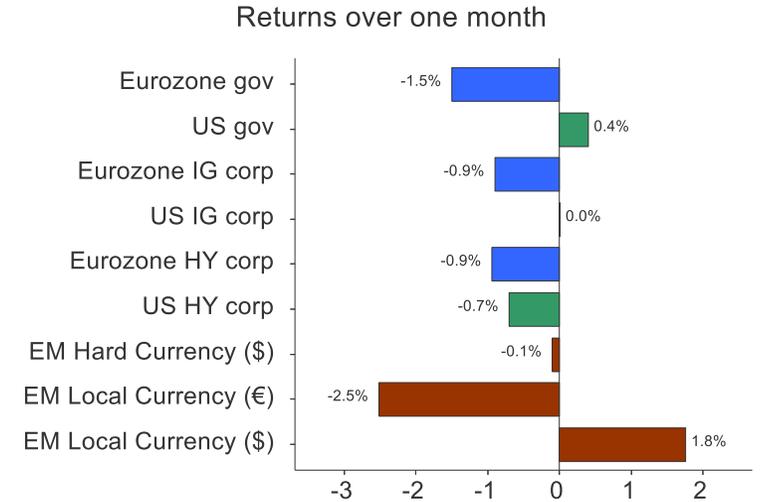
10-year yield	03/04/2025	12-month target
US	4.18	4.25
Germany	2.73	2.50
UK	4.52	4.00

## Government Bonds

**+** We tactically turn Positive from Neutral on US Treasuries given their safe-haven characteristics. We are Positive on German and UK government bonds as well as on US inflation-linked bonds.

## Corporate High Yield (HY) Bonds

**=** We expect spreads to widen in the face of weak growth, but only modestly, as corporate fundamentals are in good shape and demand for yield is solid.



Source: LSEG Datastream, Bloomberg and JPM indices, 02/04/2025

## Peripheral bonds

**=** We expect peripheral spreads to remain compressed for the next few months, and we think they will widen in H2 2025. We keep a Neutral view on the asset class.

## Emerging Market (EM) Bonds

**=** We prefer a Neutral view since the unpredictable US policy and its impact on growth, inflation and the dollar can hurt EM countries.

**+** **-** **=** Our position for this month  
**▲** **▼** Evolution of our position since last month

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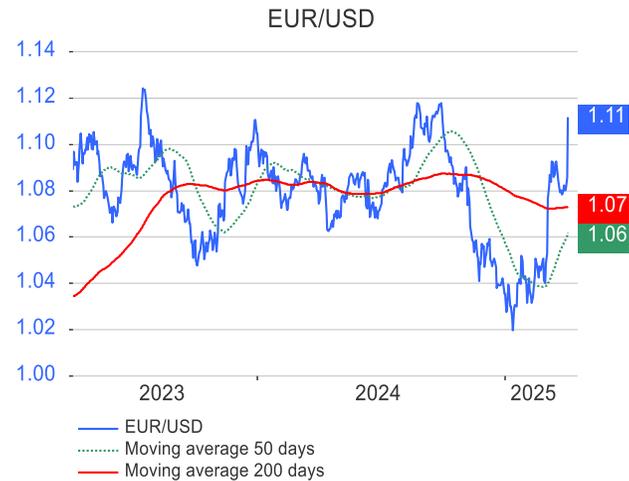
# Currencies

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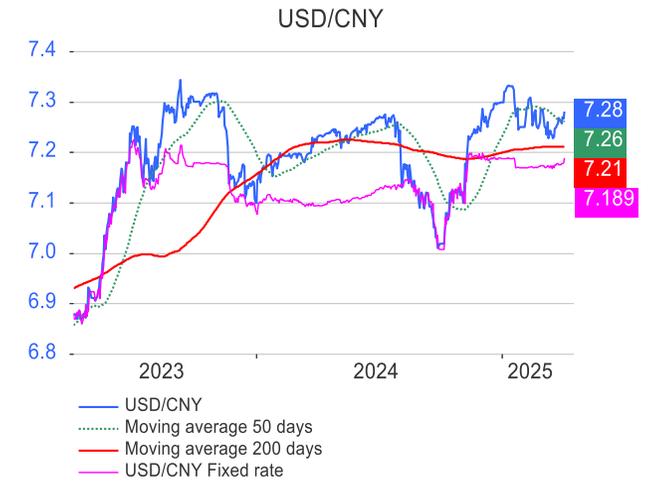


# Currencies at a glance

- EUR/USD:** We see two reasons to expect the USD dollar to rebound from its recent weakness: i) higher US inflation due to higher tariffs is likely to lead to fewer rate cut expectations in the US, while expectations of a J-curve pattern for the eurozone could lead to expectations of more rate cuts, and ii) sustained uncertainty and risk aversion have historically been supportive for the USD. **Taking these factors into account, we have adjusted our 3-month and 12-month targets to 1.05 (value of one EUR).**
- USD/CNY:** The PBoC left the 1Y & 5Y policy rate (LPR) unchanged at 3.1% and 3.6% respectively in March. We expect the CNY to stabilise against the USD this year. Moreover, the central bank is keeping the USD/CNY fixing flat at around 7.17 despite the additional US tariffs. The +2% band rule implies that the USD/CNY can't really go above 7.32. **We are revising our 3-and 12-month USD/CNY targets to 7.30.**



Source: LSEG Datastream, 03/04/2025



Source: LSEG Datastream, 03/04/2025



**>> TARGET 12M EUR/CHF: 0.94**

The SNB cut rates by 25bp in March. The terminal rate is **0.25%**. The EUR/CHF is not expected to appreciate much due to the improving economic outlook in the eurozone. Switzerland has higher than expected tariffs and, although pharmaceuticals have been temporarily excluded, further announcements may be made. **We maintain our 3- and 12-month EUR/CHF targets at 0.94 (value of one EUR).**



**>> TARGET 12M EUR/GBP: 0.83**

The BoE held the Bank Rate at **4.50%** in March. As expected, the UK faces the US minimum tariffs imposed by the US. The interest rate differential should continue to support the GBP. The GBP should remain strong against the euro. **Our 3-month and 12-month targets remain at 0.83 (value of one EUR).**



**>> TARGET 12M USD/JPY: 150**

The BoJ held its monetary policy at **0.50%** in March. We expect two more hikes this year and two more in 2026, with a terminal rate of 1.50%. Tariffs on Japan are higher than expected. This could weigh on the economic outlook. The upside for the yen is limited given the US Fed rate outlook. **Our 3-month and 12-month targets for USD/JPY are 150 (the value of one USD).**



**>> TARGET 12M EUR/SEK: 11.20**

The Riksbank left its key rate unchanged at **2.25%** in March. We believe the reasons for the outperformance are the end of the Riksbank's easing cycle, upside inflation surprises, improving macroeconomic data and the outperformance of Swedish equities. However, we believe that the SEK remains sensitive to tariffs. **We change our 3-month EUR/SEK target to 11 and our 12-month target to 11.20 (value of one EUR).**



**>> TARGET 12M USD/MXN: 22**

The Banxico cut its policy rate by 50bp to **9%** in March as expected. We are cautious on the MXN due to uncertainty over potential changes to the USMCA, a more dovish stance from the central bank, and the impact of a tougher stance on immigration. **Considering these factors, our USD/MXN 3-month target is 21 and our 12-month target is 22 (value of one USD).**



**>> TARGET 12M USD/CAD: 1.40**

The Bank of Canada lowered its interest rate by 25 basis points to **2.75%** in March. US tariff uncertainty is still weighing on the currency. This leaves the CAD vulnerable. However, a likely deal, more fiscal stimulus and the upcoming 2025 election could provide support for the CAD. **Given these factors, our 3-month target for the CAD is 1.45 and our 12-month forecast is 1.40 (value of one USD).**

# Forex at a glance

## FX FORECASTS EUR

	Country		Spot 03/04/2025	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1.11	Positive	1.05	Positive	1.05
	United Kingdom	EUR / GBP	0.84	Neutral	0.83	Neutral	0.83
	Japan	EUR / JPY	161.70	Positive	158	Positive	158
	Switzerland	EUR / CHF	0.95	Neutral	0.94	Neutral	0.94
	Australia	EUR / AUD	1.75	Positive	1.59	Positive	1.64
	New-Zealand	EUR / NZD	1.90	Positive	1.75	Positive	1.75
	Canada	EUR / CAD	1.56	Positive	1.52	Positive	1.47
	Sweden	EUR / SEK	10.78	Negative	11.00	Negative	11.20
	Norway	EUR / NOK	11.43	Neutral	11.60	Neutral	11.30
Asia	China	EUR / CNY	8.12	Positive	7.67	Positive	7.67
	India	EUR / INR	95.01	Positive	92.40	Positive	92.40
Latam	Brazil	EUR / BRL	6.22	Positive	6.09	Neutral	6.30
	Mexico	EUR / MXN	22.12	Neutral	22.05	Negative	23.10

Sources: BNP Paribas, LSEG

## FX FORECASTS USD

	Country		Spot 03/04/2025	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1.11	Negative	1.05	Negative	1.05
	United Kingdom	GBP / USD	1.32	Negative	1.27	Negative	1.27
	Japan	USD / JPY	145.44	Negative	150.00	Negative	150.00
	Switzerland	USD / CHF	0.86	Negative	0.90	Negative	0.90
	Australia	AUD / USD	0.64	Positive	0.66	Neutral	0.64
	New-Zealand	NZD / USD	0.58	Positive	0.60	Positive	0.60
	Canada	USD / CAD	1.40	Negative	1.45	Neutral	1.40
Asia	China	USD / CNY	7.30	Neutral	7.30	Neutral	7.30
	India	USD / INR	85.45	Negative	88.00	Negative	88.00
Latam	Brazil	USD / BRL	5.60	Negative	5.80	Negative	6.00
	Mexico	USD / MXN	19.89	Negative	21.00	Negative	22.00
EMEA	South Africa	USD / ZAR	18.74	Positive	18.00	Positive	17.50
	USD Index	DXY	102.07	Positive	106.56	Positive	106.30

Sources: BNP Paribas, LSEG

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# Equities

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# Liberation Day

## The risks are rising

- **Demolition Day** - The result of Trump's tariff announcement is clearly negative for growth on a global basis and even carry stagflationary elements for the US economy. Thus, economic uncertainties are unlikely to retreat materially. They could even accelerate again at any time, e.g. as a response to other countries' retaliation. Hence, we revise our long-held positive stance on equities and downgrade our overall view from Overweight to Neutral.
- **Winter is coming - we downgrade our view on the US equity market from Neutral to Underweight.** The effects from the tariff announcements should have negative impacts on consumption while driving up companies' input costs. Thus, profits may face pressure from two sides, but this is not yet reflected in analysts' estimates. The still high level on concentration in US mega cap names is another reason for concern. Valuations are still well above historic turning points and companies could face regulatory pressures in the US while being an obvious target for European retaliatory measures. We stick to our preference for the equal-weighted S&P in the US.
- **It could still get worse -** While we keep our regional preferences, we would advise reviewing high exposure to global trade and US tariffs sensitivity. The longer the trade uncertainties and high tariff levels persist, the more negative the overall consequences will be. In such scenario another review of the overall equities allocation would be appropriate.



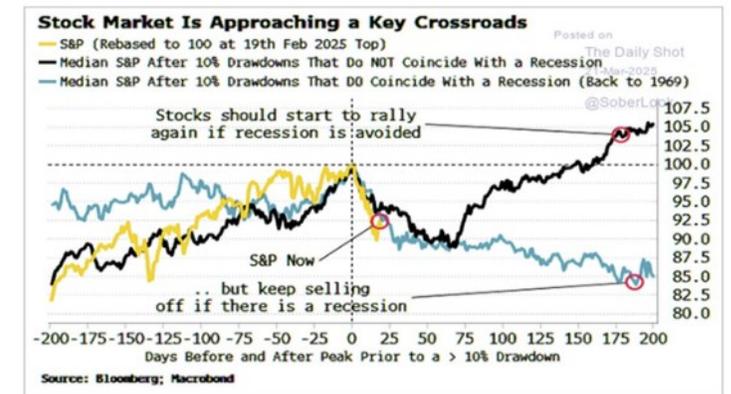
## Main recommendations

- ➔ **Losing faith in US Small Caps.** The risks for a severe growth slowdown, driven by a deterioration of consumption, are rising. We thus remove our preference for US SMIDs. Quality mid and even large caps should do better in this environment. Prefer the equal-weighted S&P.
- ➔ **It's not over until it's over -** we have previously argued that valuations of US mega caps are unsustainable. Despite the recent underperformance of ~ 15pp vs the SPW, we still think it may be too early to aggressively reposition in US mega tech. Firstly, valuations are still above previous turning points. Second, regulatory risk has increased following the recent anti-trust comments from FTC chair Ferguson.
- ➔ **We downgrade US Materials and US Financials from Positive to Neutral** due to the expected US economic slowdown. These sectors were not that cheap. **We also downgrade EU Travel and Leisure from Neutral to Negative** as such expenses are likely to fall sharply.
- ➔ **At contrary, EU utilities are upgraded from Neutral to Positive** as they should outperform in the current uncertain context and with the support of German/ EU infrastructure plans.



The key risks are further increases in tariffs in a new round of escalation. In addition, the inflationary impact needs to be monitored as it could prevent the FED from supporting a slowing economy with lower interest rates. The risk of recession has increased.

## Recession or no Recession?



## DAX VS BUND (DIV) YIELD SPREAD AT DECADE LOWS



Source: BNP Paribas, Bloomberg

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Classification : Internal

# Asian Equities view

## ASIA COUNTRY PREFERENCE



### COUNTRY

China  
Singapore  
South Korea  
Indonesia

Taiwan, Thailand  
Malaysia  
Philippines  
India

- China reported surprisingly robust economic activity to start the year. Retail sales, fixed asset investment and industrial production all grew more than expected in January and February, though unemployment rose to a two-year high. The “Two Sessions” earlier in the month were also generally viewed as proactive, with the fiscal budget deficit to rise to around 4% of GDP, while monetary easing seems set to continue. A clear focus on AI was also established to foster more technology breakthroughs and become more self-reliant. Beijing also unveiled plans to boost consumption, focusing on raising income, stabilising property and stock markets, as well as improving medical and pension services. China equities continue to outperform YTD, particularly Chinese tech. We are still in the midst of a near-term consolidation after being technically overbought. Even with the re-rating, valuations are still cheap. Recent earnings and guidance from big techs have also been very positive. Flows towards Chinese equities are increasing as global institutional investors seek to rebuild China exposure. We continue to be Positive on China equities particularly techs and high dividend plays (banks, telecom). Further corrections can be seen as an opportunity to increase Chinese exposure.

## Interest in Chinese Equities has been increasing

### Close to half the investors seek to build China exposure

FMS current stance/positioning on China equities



Source: BofA Asia Fund Manager Survey, as of 18 March 2025

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# Commodities

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# Commodities at a glance

After a decent performance in Q1, **industrial metals** are now correcting as high US import tariffs have increased fears of a major global growth slowdown. In addition, the fears of US tariffs led to a rush to buy copper, which is now easing as copper has been exempted for the time being.

**Brent** recently fell below USD 70 on expectations of lower demand due to the economic slowdown caused by the trade war. In addition, OPEC+ is starting to reverse its production cuts, and at a faster pace than originally announced. Tighter US sanctions on Iran, Venezuela and possibly Russia only partially offset these supply/demand developments. **We remain negative, with a 12-month target range of USD 60-70.**

**Gold** rallied to a new all-time-high above the USD 3000 level, mainly supported by the uncertainties surrounding Trump's policies (trade tariffs, geopolitics, inflation, fiscal deficits...) and the re-escalation of the Middle-East conflict.

**We maintain our Positive mid/long term view and target price of USD 3200/oz.**

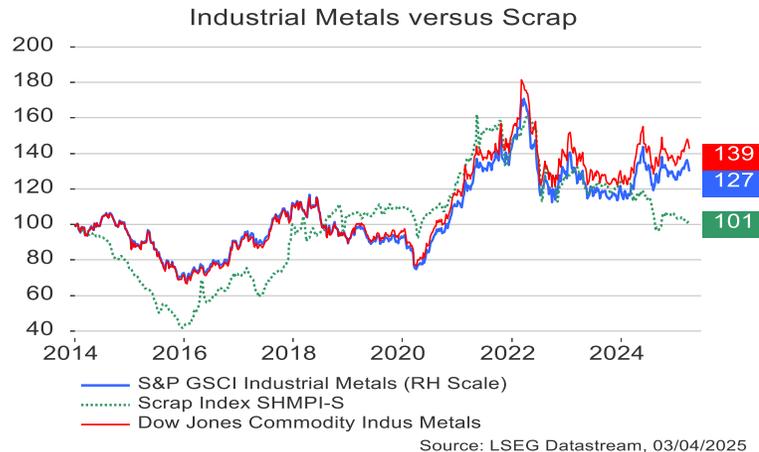
## BASE METALS

**=** We downgrade our view on industrial metals from Positive to Neutral, given the expected economic slowdown due to the trade war. Longer term, we continue to expect that growing demand for the energy transition and infrastructure to outpace expected supply growth.

**-** **We remain Negative, with a 12-month target range of USD 60-70.** Downside risks remain, given slower global growth, Trump's policy favouring lower oil prices, significant non-OPEC supply growth and the start of the unwinding of OPEC+ production cuts.

## GOLD

**+** We expect the uptrend to continue, with strong support from safe-haven demand due to high geopolitical and economic uncertainties related to Trump's policies and the trade war. In addition, central banks continue to accumulate gold reserves and falling interest rates and the USD are supportive. **12-month price target of USD 3200/oz.**



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# Alternative Investments

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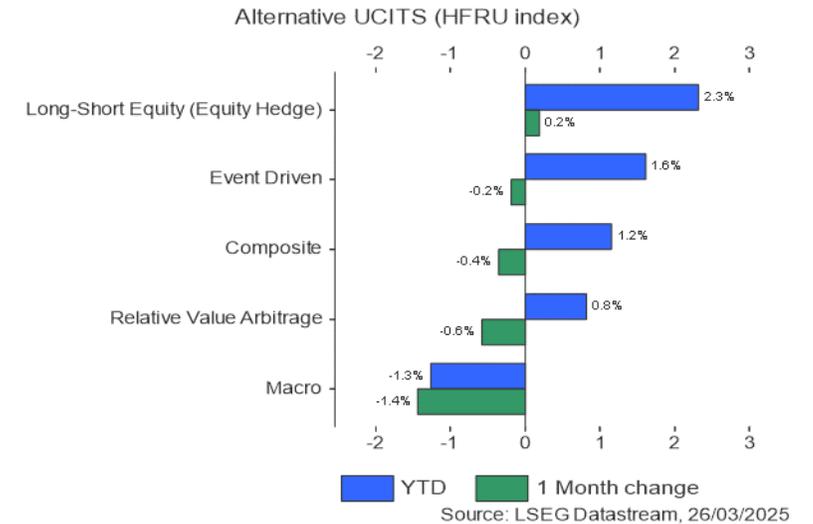


# Alternative Investments

Performance remains quite positive this year, especially for long-short equity and event driven.

Last month was also generally positive except for macro.

Positive opinion on Event Driven, Long-Short equity and Relative Value.



## Global Macro



**Neutral:** Markets are now contending with the unpredictability of the new Trump administration with potentially drastic moves. Whatever the outcome, bullish or bearish, macro managers will eventually be able to adjust to new situations, and trade them from either a long or short perspective.

## Event Driven



**Positive:** Donald Trump's election is expected to be a gamechanger for US M&A activity after years of reduced deal flow. A "friendlier" regulatory environment should encourage corporates to trigger deals, particularly in sectors such as Energy, Finance and Industry. But it will remain necessary to be cautious in certain sectors such as Media, and Technology.

## Long/Short Equity



**Positive:** Market breadth has recently improved following the recent period of outperformance that was concentrated in the "magnificent seven". Intra-market equity dispersion has returned to historically high levels, with a very wide gap between expensive and cheap stocks, paving the way for better long and short stock-picking opportunities.

## Relative Value



**Positive:** Credit dispersion may increase further as high yield companies react to "higher for longer" rates as their debt maturities approach.. Convertible bond arbitrage strategies are benefiting from increased issuance & refinancing/liability management. Government bond relative value arbitrage should benefit from diverging monetary policies & inflation, with less risk than directional macro trades



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