APRIL 2025

Equity Focus
A man-made problem

Summary

1. **Nothing but a relief rally –** D. Trump announced a 90 Day pause to retaliatory tariffs, which caused a huge relief rally. We don´t think this changed the overall picture and recommend to fade this rally!
2. **Demolition Day–** The outcome is clearly negative for growth on a global basis and even carries stagflationary elements for the US economy. As a result, **we revise our long held positive stance on equites and downgrade our overall view from overweight to neutral.**
3. **US equities:** We see further risks to EPS growth expectations, for Large and Small caps. We thus neutralize our preference for US SMIDs, making the equal weighted S&P our preferred US investment. More importantly though**, we reduce our overall stance on US Equities from neutral to negative.**
4. **Europe:** EPS growth in Europe is at risk, too. We see increasing spill over risks from slower global growth as the overall tariff rates have been above expectations. Europe trades at much lower valuations than US equities and positioning remains light. **We thus reiterate our neutral view on the region. Within Europe, UK equities still look attractive. Beyond, we see room for domestic exposure to outperform.**
5. At the sector level in the US, **we downgrade both US Consumer Discretionary and US Information Technology from Neutral to Negative**.
6. In Europe, we increase our cyclical bias further by **upgrading European Chemicals from Negative to Neutral downgrading European Real Estate from Positive to Neutral**

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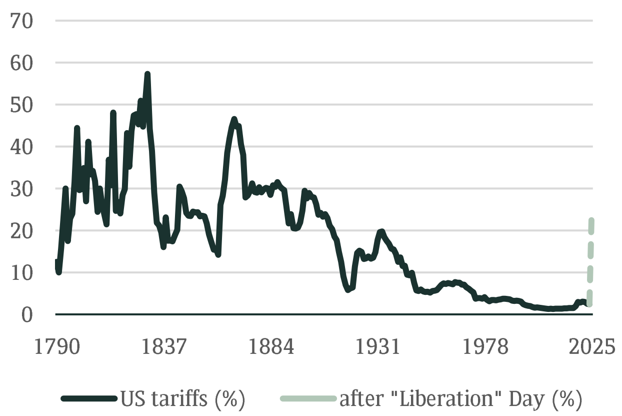
CHART 1: US TARIFFS ARE CLIMBING TO THE HIGHEST LEVELS IN 100+ YEARS



Source: BNP Paribas, Yale Budget Lab

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BNP PARIBAS WEALTH MANAGEMENT

The bank for a changing world

Trump can change his mind faster than we can write our reports

Update to incorporate the 90 Day tariff pause

The biggest surprise from the latest U-turn in tariff policies may be the fact that we´re still surprised. Trump once again proved that he is able to change his mind in lightspeed and, more importantly, that Trump isn't immune to pressure from tanking markets.

While the US administration is pressing ahead with record tariff levels against China (125%), a 90 day pause is granted for all other countries. During this period, tariff levels are reduced to 10%. Markets embraced the move and initiated a massive relief rally.

Does this change our mind?

We were in the final innings of completing this report when the news arrived, and the initial impulse was for rewriting major parts of it. After a deep breath and a longer though period we decided to not change the original text. Why? Because **we don´t think that the announcement is having a major impact on our world view**: The economic paradigm is still the same, a wholesale retreat from free trade into protectionism and accompanied by massive policy uncertainty. If any, this development is confirming our view that **"Liberation Day" was unlikely to mark "peak-tariff-uncertainty".** All the pause is doing is kicking the can further down the road. What concessions is Trump expecting to keep retaliatory tariffs off the table? What if negotiations take more than 90 days?

Anchoring Bias in action

The anchoring bias is a cognitive bias that causes us to rely heavily on the first piece of information we are given about a topic. It´s important to be aware of this bias when contextualizing the latest news.

We should not forget that we still have a 10% global tariff rate which will remain in place for the foreseeable future. Even worse, the US are now charging 125% tariffs on China. Until the 2nd of April this was close to most people's worst case scenario. It just no longer feels like that as the anchor set by Trump was even worse. In that respect it´s worth to highlight that the feeling of relief may be nothing more than a feeling. If we are understanding correctly, **the latest announcement shifts tariff rates between countries a lot — but leaves the average US tariff rate only a little reduced, and still at historic highs.**

This is just a relief rally

So all that has happened is that we removed the extreme left tail risk somewhat but kept in place the basic formula that could easily push the US economy into a recession. Therefore, we believe, **the current move is just a relief rally, representing an opportunity to <u>reduce</u> exposure** We take further comfort from the move in stocks with high China exposure, which are also surging heavily today. In the light of 125% tariffs, this makes little economic sense.

Don´t bet on the FED

The release of the minutes from the Fed's March FOMC meeting showed greater uncertainty and stagflationary worries among members. The minutes indicated "almost" all Fed officials saw greater upside to inflation and risks to employment "tilted to the downside". Hence, the market assumption for an aggressive easing campaign from the FED looks increasingly unlikely.

PICTURE 1: THE POST THAT PROPELLED STOCKS HIGHER

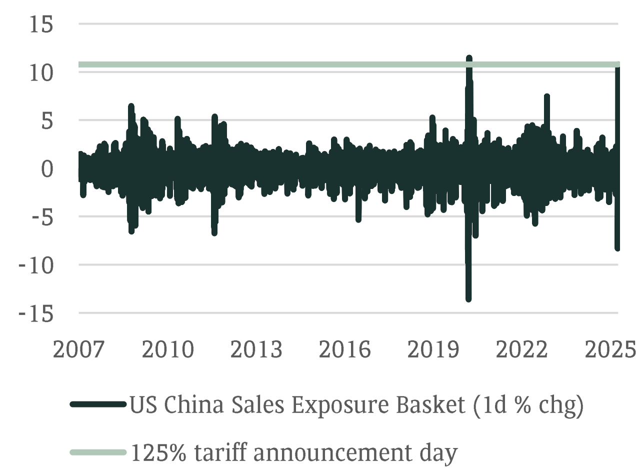
Donald J. Trump
@realDonaldTrump

Based on the lack of respect that China has shown to the World's Markets, I am hereby raising the Tariff charged to China by the United States of America to 125%, effective immediately. At some point, hopefully in the near future, China will realize that the days of ripping off the U.S.A., and other Countries, is no longer sustainable or acceptable. Conversely, and based on the fact that more than 75 Countries have called Representatives of the United States, including the Departments of Commerce, Treasury, and the USTR, to negotiate a solution to the subjects being discussed relative to Trade, Trade Barriers, Tariffs, Currency Manipulation, and Non Monetary Tariffs, and that these Countries have not, at my strong suggestion, retaliated in any way, shape, or form against the United States, I have authorized a 90 day PAUSE, and a substantially lowered Reciprocal Tariff during this period, of 10%, also effective immediately. Thank you for your attention to this matter!

1.34k ReTruths 5.3k Likes Apr 09, 2025, 12:18 PM

Source: Truth Social

CHART 2: US CHINA EXPOSED STOCKS RALLY DESPITE RECORD TARIFFS



Source: BNP Paribas, Bloomberg

When Liberation Day becomes Demolition Day

Downgrading Global Equites to Neutral

We witnessed one of the biggest hikes in tariff rates in US history. According to our estimates, the rate will jump from ~ 2.5% to ~ 22%, its highest level since 1910. This is a substantially larger hike than we or the market anticipated. The outcome is clearly negative for growth on a global basis and even carries stagflationary elements for the US economy**. As a result, we revise our long held positive stance on equites and downgrade our overall view from overweight to neutral.**

The longer high tariff levels are kept in place and uncertainty remains high, the more negative the overall consequences will be. In such a scenario a further reduction of equity risk could follow.

A man-made recession in the USA?

Trumps announcements are unlikely to mark "peak-tariff- uncertainty". We would expect uncertainty to plateau at elevated levels. The consequences for the economy steaming from prolonged unpredictability in trade policies may be as negative as the impact from the tariffs themselves but could be more durable. Sentiment among business leaders and consumers already reversed course and bodes poorly for both, consumption and corporate investments.

We saw the chance of a US recession at 35% – steaming from a risk of a collapse in business confidence and the risk that the FOMC hikes the economy into recession to address runaway inflation. We think the risk of both these tails has materially increased, with both a higher risk of an abrupt pullback in businesses' investment and hiring plans, and an increased risk that consumers perceive the US government as not committed to price stability

Downgrading US Equites to Negative

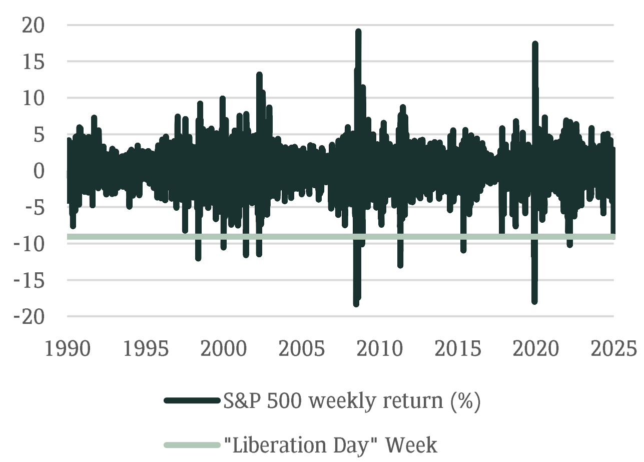
None of these risks seem to be fully reflected in earnings estimates for the US stock market. Hence, we see room for further cuts to EPS expectations. Watch the upcoming earnings season in this respect. We expect corporate commentary to turn increasingly cautious. The share of S&P 500 downgrading their outlook vs all guidance given (up, down & unchanged) for Q1 2025 reached a 10-year high.

Valuations are another reason for concern. Despite the recent pullback, P/E levels are still not cheap. Falling earnings in conjunction with investors demanding a higher risk premium (aka a falling P/E ratio) should put pressure on the market. To make things worse, the Magnificent 7 could stay a drag for performance. Not only are their valuations still well above historic turning points, but the companies could also face regulatory pressures in the US while being an obvious target for European retaliatory measures.

Talking about SMIDs, the perspectives have also soured materially. Higher rates and a slowing economy should provide serious headwinds. We see an increasing risk that earnings growth risks will be disappointed again.

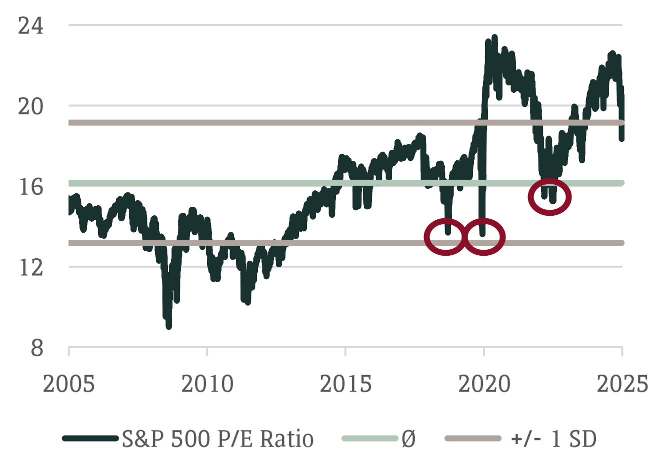
We thus neutralize our preference for US SMIDs, making the equal weighted S&P our preferred US investment. More importantly though, due to the reasons outlined above, we reduce our overall stance on US Equities from neutral to negative.

CHART 3: „LIBERATION DAY" TURNED INTO DEMOLITION DAY AS STOCKS COLLAPSED



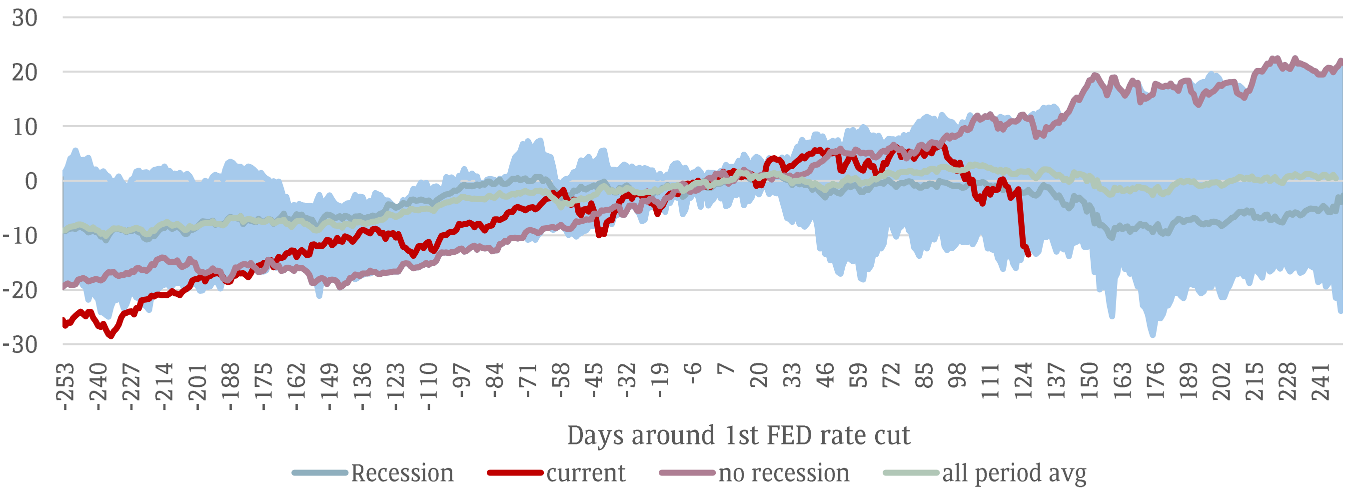
Source: BNP Paribas, Bloomberg

CHART 4: VALUATIONS ARE NOT CHEAP AND ABOVE PREVIOUS TURNING POINTS



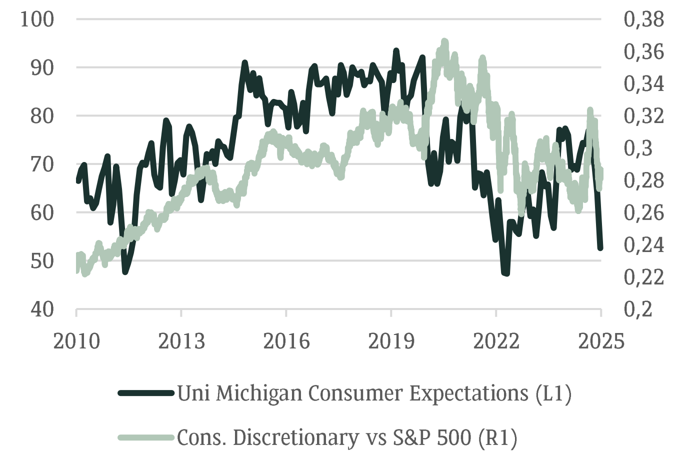
Source: BNP Paribas, Bloomberg

CHART 5 : THE MARKET SHIFTED FROM PRICING A GOLDILOCKS SCENARIO TO RECESSION



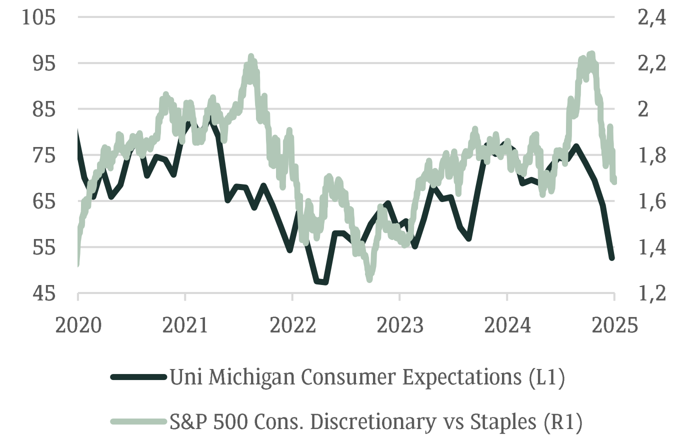
Source: BNP Paribas, Bloomberg

CHART 6: THE MARKET REFLECTS A WEAKENING CONSUMER....



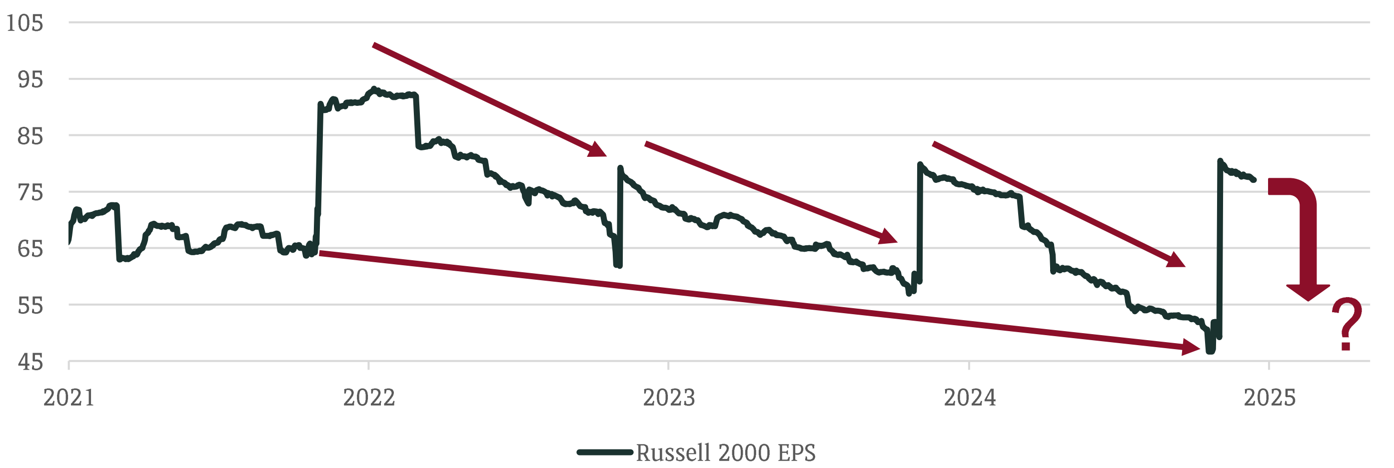
Source: BNP Paribas, Bloomberg

CHART 7: ....THAT NEEDS TO ADOPT CONSUMPTION PATTERNS



Source: BNP Paribas, Bloomberg

CHART 8: IS THE RUSSELL ADDING ANOTHER CHAPTER TO THE STORY OF DISAPPOINTED HOPES IN EPS GROWTH?



Source: BNP Paribas, Bloomberg

How bad could it become?

A deep dive into US earnings

The risks to growth did increase recently, globally and in the US particularly. Higher tariffs, weaker economic growth, and greater inflation should put US company earnings under pressure. As a rule of thumb, each percent change in US GDP growth equals roughly 3-4% of S&P 500 EPS growth and each 5 pp increase in the average tariff rate should lower EPS growth by up to 2%. Putting those numbers in the context of our recently adjusted economic forecasts and the raised tariff rate, we arrive at a worst case hit to US 2025 EPS growth of ~ 9%. If we take the expected 2025 yoy EPS growth the market was pricing around election day (~ 13%), the realized earnings growth might turn out to be ~ 4%.

Earnings growth isn´t the only headwind to the market though. Slowing growth and rising uncertainty should make investors demand a higher equity risk premium (ERP) for taking equity risk. A higher ERP is usually translated in lower P/E ratios. The market entered the year at a forward P/E ratio of 22, based on forward earnings expectations. Those corrected towards 18,3 since, which already marks a decent rerating. We would highlight though, that the long-term average P/E for the S&P is around 16,6 and that during the last three major S&P downturns, the P/E multiple fell to much lower levels. Thus, we think the risks for a further compression in P/E levels is still there but would expect a slight recovery as we still foresee the uncertainty to partially fade later in the year. Based on those assumptions, we arrive at a year end target range of 5150 – 5450 for the S&P 500 (see Table 1).

How about Europe?

Our baseline assumption for tariffs on Europe were a bit below the recent announcement. As already argued, the optimism in European equities had gone too far. We feared that markets were too focused on the positive impacts from the fiscal stimulus while ignoring other risks such as tariffs. Those seem to be materializing now. Besides the direct impact, we see increasing spill over risks from slower global growth as the overall tariff rates have been above expectations. With the good news from Germany´s fiscal boost already priced, we see a lack of further upside catalysts in the current environment.

EPS growth at risk.......

On a broader index level, the US are still the biggest single country source of revenues for European companies. Thus, a slowdown should directly impact EPS growth. If we further account for the risk of European growth ending up below our forecast, lower oil prices (Brent is down 18% ytd) and the impact from a stronger Euro (+6,8% ytd), the picture becomes even less appealing. Hence, despite the recent repricing of EPS growth expectations, we might see further downside towards 0% EPS growth in 2025. Albeit not our base, European EPS fell on average by 9% in mild downturns and 33% in hard landing scenarios.

.....BUT valuations and positioning provide cushion

Europe trades at much lower valuations than US equities and positioning remains light. **We thus reiterate our neutral view on the region. Within Europe, UK equities still look attractive. Beyond, we see room for domestic exposure to outperform.**

CHART 9: THE ERP FOR US EQUITIES IS STILL WELL BELOW IST AVERAGE

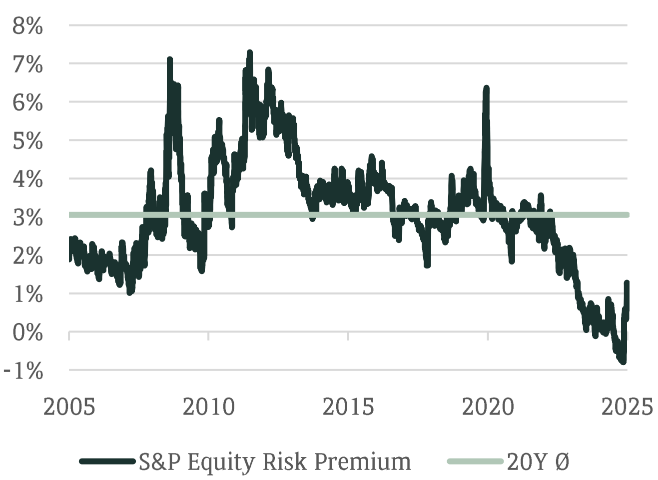
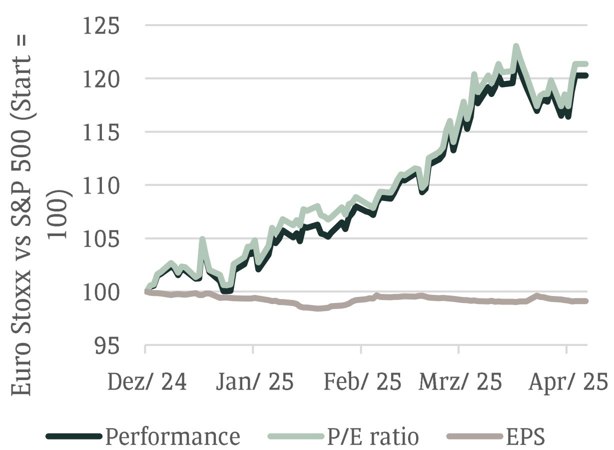
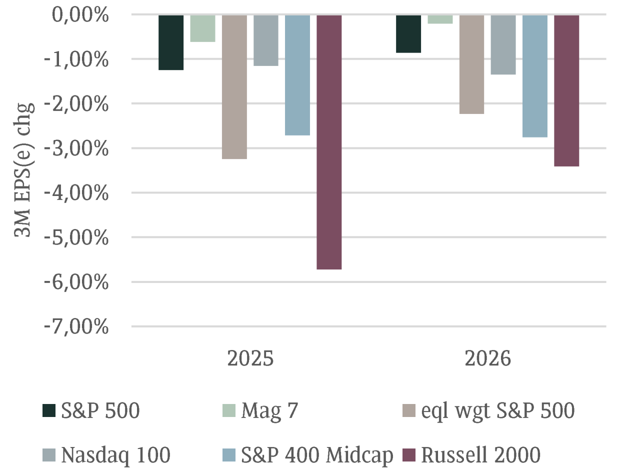


CHART 10: EUROPE´S RECENT OUTPERFORMANCE WAS BASED ON HOPE



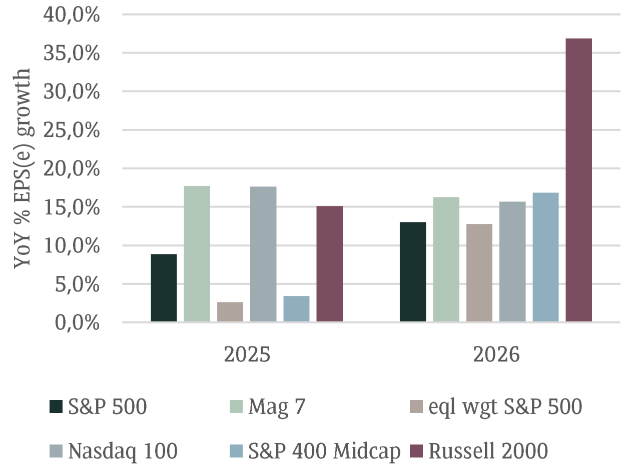
Source: BNP Paribas, Bloomberg

CHART 11 : DESPITE RECENT ADJUSTMENTS IN EPS GROWTH EXPECTATIONS.....



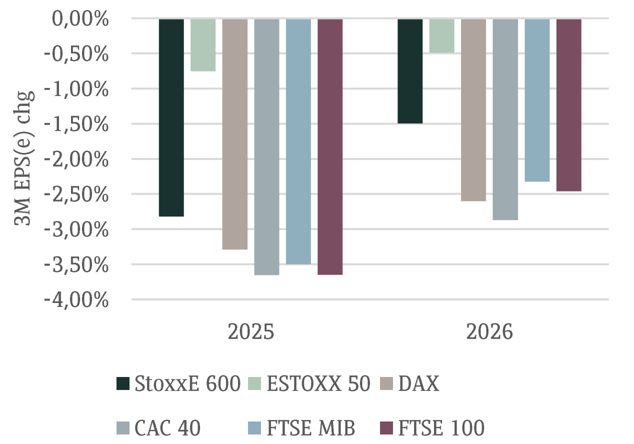
Source: BNP Paribas, Bloomberg

CHART 12 : ...EARNINGS ESTIMATES IN THE US STILL LOOK VULNERABLE



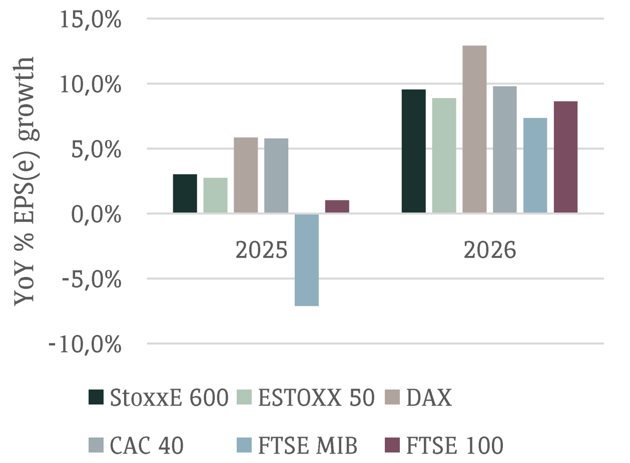
Source: BNP Paribas, Bloomberg

CHART 13 : GROWTH EXPECTATIONS HAVE ALREADY BEEN ADJUSTED LOWER.....



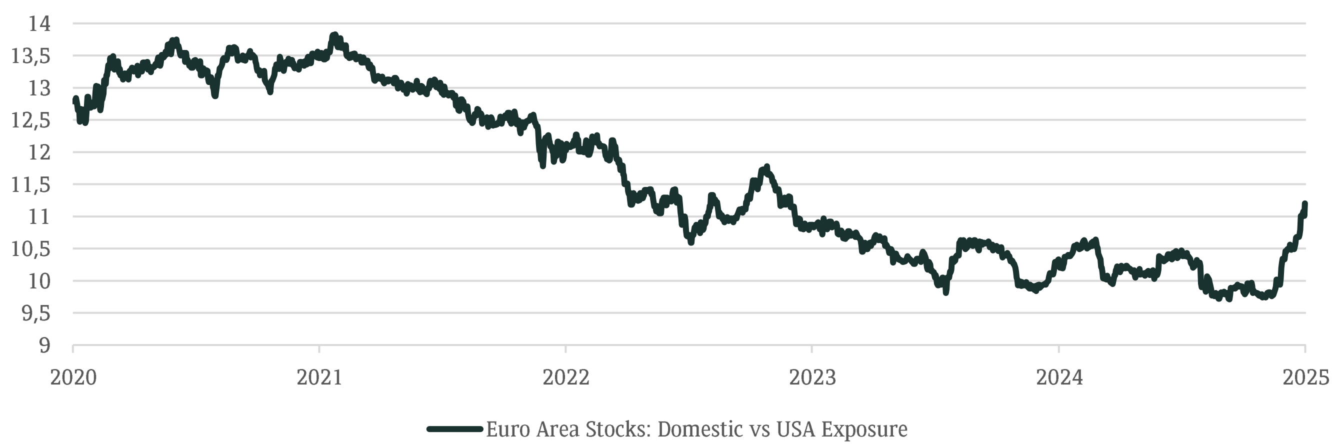
Source: BNP Paribas, Bloomberg

CHART 14 : .... BUT COULD STILL PROVE TO BE TOO OPTIMISTIC



Source: BNP Paribas, Bloomberg

CHART 15 : EUROPEAN EQUITIES ARE REACTING TO DIVERGING ECONOMIC TRENDS



Source: BNP Paribas, Bloomberg

TABLE 1: S&P 500 VALUATION & EPS GROWTH MATRIX -> OUR CURRENT ASSUMPTIONS POINT TO LITTLE UPSIDE INTO YEAR END AT BEST

			2025 yoy EPS growth				
			2,0%	4,0%	6,0%	8,0%	10,0%
Forward P/E	22	Target	5.850	6.000	6.100	6.200	6.350
		Upside	13%	16%	18%	20%	23%
	21	Target	5.600	5.700	5.800	5.950	6.050
		Upside	9%	10%	12%	15%	17%
	20	Target	5.350	5.450	5.550	5.650	5.750
		Upside	4%	6%	8%	9%	11%
	19	Target	5.050	5.150	5.250	5.350	5.450
		Upside	-2%	0%	2%	4%	6%
	18	Target	4.800	4.900	5.000	5.100	5.200
		Upside	-7%	-5%	-3%	-1%	1%
	17	Target	4.550	4.650	4.700	4.800	4.900
		Upside	-12%	-10%	-9%	-7%	-5%
	16	Target	4.250	4.350	4.450	4.500	4.600
		Upside	-18%	-16%	-14%	-13%	-11%

Source: BNP Paribas, Bloomberg
Upside is calculated vs 5160 // Forward P/E assumes 6% EPS growth for 2026

TABLE 2: STOXX EUROPE VALUATION & EPS GROWTH MATRIX -> OUR CURRENT ASSUMPTIONS POINT TO MID TO HIGH SINGLE DIGIT UPSIDE

			2025 yoy EPS growth				
			-5,0%	-2,5%	0,0%	1,5%	3,0%
Forward P/E	15	Target	535	550	565	575	580
		Upside	14%	17%	20%	22%	23%
	14	Target	500	515	530	535	545
		Upside	6%	10%	13%	14%	16%
	13,5	Target	485	495	510	515	525
		Upside	3%	5%	9%	10%	12%
	13	Target	465	480	490	500	505
		Upside	-1%	2%	4%	6%	7%
	12,5	Target	450	460	470	480	485
		Upside	-4%	-2%	0%	2%	3%
	12	Target	430	440	455	460	465
		Upside	-9%	-6%	-3%	-2%	-1%
	11	Target	395	405	415	420	430
		Upside	-16%	-14%	-12%	-11%	-9%

Source: BNP Paribas, Bloomberg
Upside is calculated vs 470 // Forward P/E assumes 4% EPS growth for 2026

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

We downgrade US Financials and Materials from Positive to Neutral

All US sectors are now in the red YTD as at 7th of April (see below)!

We were careful in our US sector allocation before the bulk of tariffs announcement. And the "results board" presented by Trump went far beyond all expectations.

Sectors exposed to international trade have of course performed very poorly the last few weeks, in particular: Consumer Discretionary, Automobile, Industrials, Tech hardware and Semiconductors. We were negative on most of these.

We had also warned for a long time about the expensiveness of the MAG-7. Accordingly, they might be oversold now, and some short-term rebound could be expected. But in case of overexposure, take this chance to reduce your risk further as long as news flow remains negative. Bear in mind they are also relatively more exposed to global growth risks.

In general, be careful with expensive stocks as any disappointment regarding Q1 corporate results and outlook (coming soon) will be severely sanctioned due to the current very fragile equity market.

Many US companies are going to see their profits being squeezed if the high tariffs decided by the US administration are implemented. Higher import prices will increase costs whereas final prices are likely to increase to somewhat compensate tariffs. Consumers will reduce their spending, especially as a big chunk of the savings of the Covid years is now gone, and they will want to rebuild some.

We downgrade Financials and Materials from Positive to Neutral

Balance sheets are quite solid, and the US economy has been strong, therefore, at this stage, we expect a significant slowdown but not a US recession.

US cyclicals are likely to keep underperforming in this context. Some materials companies in the US have released a weak outlook already whereas the P/E of the sector is in line with the still expensive S&P 500 (see chart below).

Regarding Financials, P/Es are lower. However, their earnings might suffer due to the expected lower consumption in the US and due to lower asset prices.

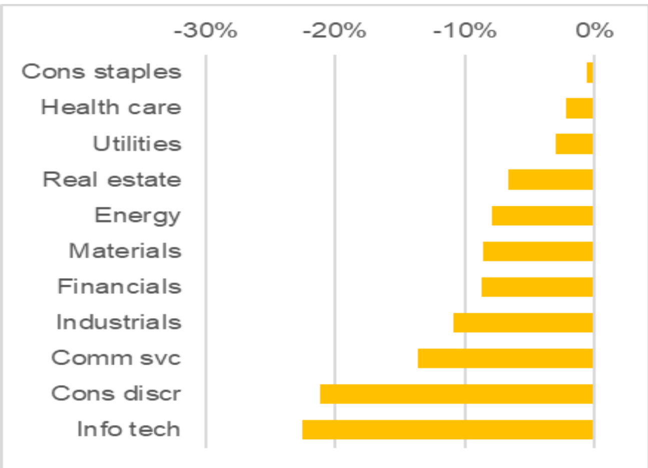
In the case of Banks, our positive rating rested on the expected corporate tax cuts & deregulation (both are not done yet) and on the investment banking activities recovery. Trading activities are good, but likely not enough to compensate the more sluggish lending and corporate banking activities that we now expect.

Therefore, we downgrade both Materials and Financial sectors form Positive to Neutral. Prefer the more defensive segments and names, for instance the more previsible Insurance sector.

Regarding Industrials (+), bear in mind that reshoring/ US reindustrialisation are medium term supports.

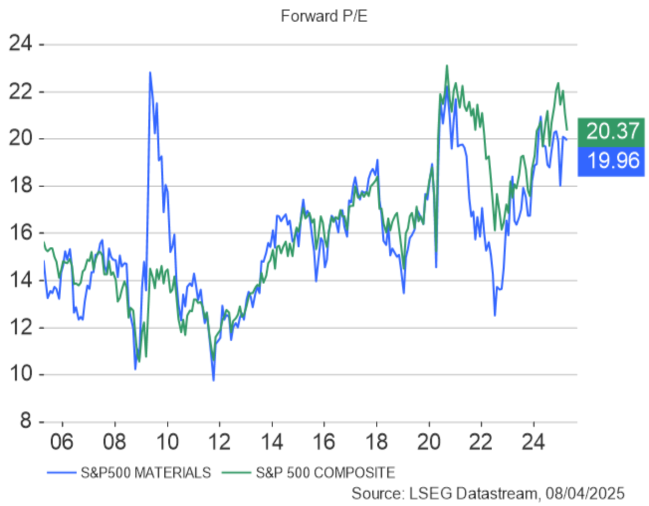
In general, keep a defensive bias in the US as long as uncertainty remains so high. We like Health Care and Utilities. And avoid consumption related stocks, as explained previously.

CHART 16 : US SECTOR PERFORMANCE YTD: ALL SECTORS ARE IN THE RED. DEFENSIVES ARE OUTPERFORMING.



Source: S&P 500, 2025 performances as at 07 April 2025.

CHART 17 : US MATERIALS SECTOR : VALUATIONS ARE ON THE HIGH SIDE



Sector allocation & review - Europe

In Europe, we upgrade Utilities from Neutral to Overweight and we downgrade Travel & Leisure from Neutral to Negative.

The situation in Europe has also become more complicated after the "punishment' announced by Trump on the 2nd of April.

There were hopes of an acceleration in the European recovery thanks to the new fiscal stimuli, supporting sectors such as construction materials, industrials, chemicals and even banks. But this recovery might take a bit of time to materialize. In the meantime, tariffs could hurt the European growth.

We estimate that the correction of European Banks and other Financials (+) is exaggerated. We reiterate our positive stance on these. Of course, asset managers might face lower income in the coming months in a context of tinier margins. On the other hand, exchange platforms are currently making good business. In general, Financials are still (too) cheap in Europe, especially in a context where Europe is still likely to register a positive GDP growth this year.

The correction of the Health Care sector (+) seems exaggerated as well: it is already pricing a (very) high level of tariffs, if not a sharp depreciation of the USD. Health Care corporates have many ways to adapt, and pipelines look promising.

Apart from health care, defensives have outperformed the last few weeks, but we would be quite selective. After the recent re-rating and outperformance, we estimate that some sectors now have a limited potential, such as telecoms (=) or consumer staples (-).

In this new World in gestation, we like Utilities

Beyond its defensiveness characteristics and its typical resilience in economic slowdown context, this sector ticks quite a few other boxes:

- Lower energy prices and lower expected inflation in Europe in general will help the sector (tariffs should be deflationary for Europe)

- Power/ electricity demand is expected to structurally increase due to AI, EV, and other new technologies

- Infrastructure plans will necessitate the development of new utilities capacity ; besides, it has been agreed in Germany that 100 bln EUR of its infrastructure plan should go to renewables

- Reasonable valuations in a context of accelerating earnings growth at utilities (a scarcity in the current economic context!)

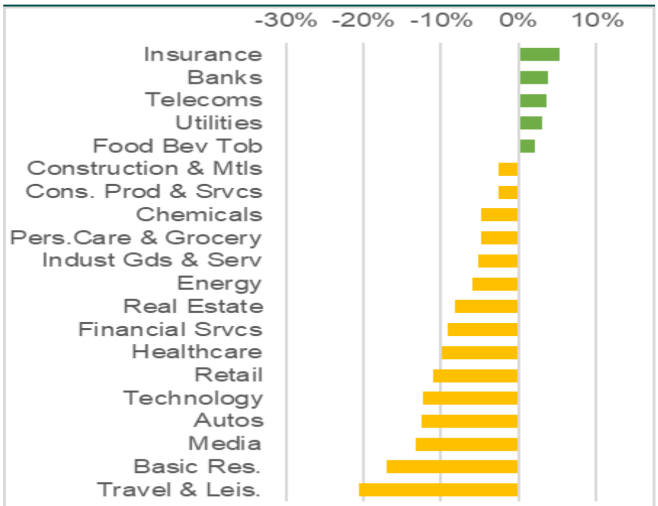
Therefore, this month, we upgrade European Utilities from Neutral to Positive.

At contrary, European Travel and Leisure is downgraded from Neutral to Negative.

Accordingly, falling energy prices are a support. But we think it will be largely insufficient to compensate the sharp fall we expect in travel and leisure expenses.

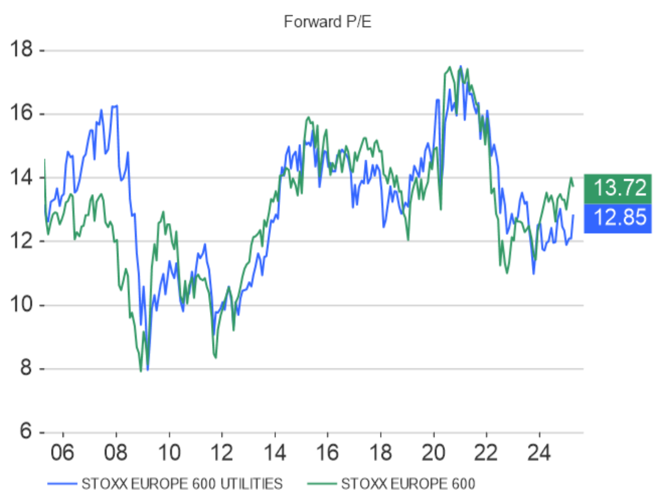
Considering rising uncertainties around the world, people will be much less willing and able to travel in 2025, that it be for business of for leisure.

CHART 18 : EUROPEAN SECTOR PERFORMANCE YTD: FINANCIALS & DEFENSIVES ARE LEADING.



Source: Stoxx600, 2025 performances as at 08 April 2025.

CHART 19 : EUROPEAN UTILITIES ARE RELATIVELY CHEAP AND COULD EVEN PROFIT FROM THE TROUBLED CONTEXT



Source: LSEG Datastream, 08/04/2025

European and US Sectors in a nutshell (data as of 7th of April 2025)

Sector (STOXX Europe 600)	View UW	View N	View OW	YTD	Out/ underperf. vs index	Our view at a glance
Banks			X	3,82%	9,10%	Attractive valuations, provided Europe does not enter recession. Balance sheets are solid and should withstand the current crisis. European infrastructures/ defense plans create new funding opportunities.
Construction Materials			X	-2,69%	2,59%	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	-9,14%	-3,86%	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	-9,92%	-4,64%	Attractive valuations. It is a defensive compounder. Besides, this sector should be a key AI beneficiary: expect efficiency gains in a structually growing market (e.g. demographics, obesity etc). Key risks: tariffs & new US political risks have appeared.
Industrial Goods & Services			X	-5,13%	0,15%	The sector is being hit by tariff uncertainties but (German) infrastructure spending and 'rebuilding Ukraine' are big counterweights. Also beneficiary of defence spending, re-/nearshoring, investments in data centers and renewable energy projects.
Insurance			X	5,18%	10,46%	This relatively defensive sector should outperform as long as asset prices don't enter in a free fall. Excess capital is supporting shareholder returns. Valuations are reasonable, offering further re-rating potential.
Utilities		→	X	3,00%	8,28%	European infrastructure spending and energy independence willingness are new supports whereas (Green) Power demand should continue to grow. A more dovish ECB would also help valuations.
Basic Resources		X		-16,94%	-11,66%	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		-4,90%	0,38%	The sector should profit from the infrastructure plan in Germany as well as from the rebuilding of Ukraine. Strong competition from China however and tariffs could hurt.
Cons. Products and Services		X		-12,97%	-7,69%	Despite higher consumption in Europe, the sector suffers from tariffs. Chinese consumption still sluggish. US consumption now being questioned as well. Be selective.
Media Price EUR		X		-13,26%	-7,98%	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		-8,16%	-2,88%	Defensive sector potentially hit by new European expansionary budgets but relatively insulated from the current trade war. Logistics and data center enjoy tailwinds from e-commerce/ AI. Be selective.
Retail		X		-10,94%	-5,66%	The sector has now found some capital discipline allowing for cash distribution. However, tariffs now putting pressure on margins as imported goods are becoming more expensive.
Technology		X		-12,28%	-7,00%	Tariff risks in the semi space, while feeling the pinch from weak auto & cellphone demand. Prefer software names which should continue to benefit from B2B investments in AI supported efficiency upgrades.
Telecommunications		X		3,61%	8,89%	Improving corporate results, the industry's falling capital intensity driven by the fibre cycle & the sector's free M&A option are supporting performance.
Auto & Parts	X			-12,43%	-7,15%	Automotives still weak due to rising competition with China, high EV investment costs, excess inventories, and bad pricing. Trade tensions are creating further complications.
Energy	X			-6,01%	-0,73%	Oversupply & new US administration policies are capping the upside in oil related. Saudi seem to have accepted to flood the market with more oil.
Food, Bev and Tobacco	X			2,15%	7,43%	Valuations are rich compared with the rest of the market and considering the sluggish earnings growth of the sector. Lack of upside catalysts except for its defensive profile.
Personal Care	X			-4,91%	0,37%	The sector still faces headwinds from rising input costs while consumers are increasingly price sensitive. Lack of upside catalysts.
Travel & Leisure	X ←			-20,60%	-15,32%	Lower oil prices a support but high competition in a context of geopolitical tensions, discouraging travelling.

Sector (S&P 500 Level 1)	View UW	View N	View OW	YTD	Out/ underperf. vs index	Our view at a glance
Health Care			X	-2,26%	11,67%	Solid earnings in a structually growing market (e.g. demographics, obesity etc). It is a defensive compounder. AI to bring more efficiency gains. Further deregulation could bring extra support. New political risks however in the US.
Industrials			X	-10,86%	3,07%	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. New risk: elevated tariffs hurting confidence and investments.
Utilities			X	-3,07%	10,86%	Growth in power demand should remain solid due to AI tailwinds & electrification. EPS growth expectations accelerating. Accumulate.
Communication Services		X		-13,61%	0,32%	The sector is dominated by 2 mega tech companies trading at much lower P/Es than other 'Mag-7' but not so cheap either in the current context. Idem for the rest of the sector. Be selective.
Financials		X ←		-8,77%	5,16%	Profits and balance sheets quite solid but the economy is likely to dramatically slow down in the US. Deregulation and possible tax cuts should provide tailwinds in a near future.
Materials		X ←		-8,66%	5,27%	In the short term, this sector will be impacted by the US economic slowdown but medium term, it should benefit from reshoring/ reindustrialization/ lower energy prices. Better to focus at the moment on stocks with exposure to precious metals/ energy transition metals mining.
Real Estate		X		-6,70%	7,23%	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			-0,58%	13,35%	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			-21,12%	-7,19%	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			-7,98%	5,95%	Oversupply now pushing down oil related. We prefer energy infrastructure names as they benefit from rising transportation and storage needs while paying attractive dividends.
Information Technology	X			-22,51%	-8,58%	Trading at heavy premium vs the market. Growth expectations are slowing, making it harder to justify the valuation premium. Rising worries of AI-related overinvestments & of disappoiting ROIs to come.

Valuations

TABLE 3: GLOBAL INDICES

Index	Level	1yr Range	Forward 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	Composite vs. ACWI	5yr 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 4: EUROPEAN SECTORS

Index	Level	1yr Range	Forward 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*	Composite vs. SXXP	5yr Z-Score
STOXX Europe	541		37,53		-2,01	14,42		1,97		3,39		13,10		6,93		13%	1,00	
STOXXE 600 Consumer P&S	401		16,17		-1,66	24,78		3,97		1,98		14,96		4,04		14%	1,75	
STOXXE 600 Energy	116		12,08		-3,19	9,61		1,19		5,15		12,22		10,41		19%	0,66	
STOXXE 600 Food, Bev and Tobacco	192		12,46		-0,92	15,37		2,61		3,82		16,18		6,51		11%	1,10	
STOXXE 600 Personal Care	167		10,50		-0,40	15,94		3,00		3,41		16,88		6,27		9%	1,16	
STOXXE 600 Chemicals	1299		66,51		-1,31	19,53		2,08		2,80		9,74		5,12		10%	1,32	
STOXXE 600 Utilities	395		32,94		0,14	11,98		1,52		5,26		11,91		8,35		15%	0,82	
STOXXE 600 Banks	258		29,80		0,81	8,66		1,00		5,78		11,51		11,55		5%	0,59	
STOXXE 600 Real Estate	122		8,44		-25,75	14,46		0,80		6,38		6,73		6,91		54%	0,93	
STOXXE 600 Technology	814		34,19		-1,53	23,80		4,22		1,20		17,34		4,20		23%	1,71	
STOXXE 600 Autom. & Parts	578		76,22		-5,51	7,58		0,66		4,56		8,38		13,19		11%	0,50	
STOXXE 600 Health Care	1117		68,49		-1,71	16,31		3,38		2,53		17,22		6,13		20%	1,20	
STOXXE 600 Financial Services	859		55,86		-8,45	15,37		1,61		2,78		9,65		6,50		12%	1,04	
STOXXE 600 Insurance	462		38,01		-0,83	12,14		1,99		4,97		16,46		8,23		1%	0,86	
STOXXE 600 Telcos	251		16,80		0,36	14,94		1,46		4,24		9,01		6,69		12%	1,00	
STOXXE 600 Media	452		24,71		-1,82	18,29		3,89		2,60		18,01		5,47		20%	1,35	
STOXXE 600 Ind. Goods & Services	977		46,94		-0,06	20,81		3,63		2,16		16,60		4,80		10%	1,49	
STOXXE 600 Constrn & Materials	776		47,52		-0,21	16,33		2,23		2,85		13,51		6,12		9%	1,13	
STOXXE 600 Basic Resources	526		44,31		-6,68	11,86		1,16		3,99		9,52		8,43		21%	0,79	
STOXXE 600 Retail	410		26,98		-1,68	15,18		2,75		4,00		17,95		6,59		22%	1,09	
STOXXE 600 Travel & Leisure	251		22,17		-1,94	11,31		2,64		3,01		22,56		8,84		28%	0,85	

*BBG consensus, NOT an official BNP target price

TABLE 5: US SECTORS

Index	Level	1yr Range	Forward 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*	Composite vs. S&P 500	5yr 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		29%	1,25	
S&P 500 Consumer Staples	870		39,97		-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		4,49		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		6,98		-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	

*BBG 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.

Data from 10th April 2025

Our key convictions at a glance

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

Economic, FX forecast tables

Revisions reflecting US uncertainty and EU optimism

BNP Paribas Forecasts

GDP Growth %	2024	2025	2025 Prior Estimates	2026	2026 Prior Estimates
United States	2,8	1,8	2,3	1,3	1,3
Japan	0,1	1,0	1,1	0,2	0,2
United Kingdom	0,8	1,1	1,1	0,9	0,9
Eurozone	**0,8**	**1,3**	**0,9**	**1,5**	**1,0**
Germany	-0,2	0,6	0,2	1,3	0,5
France	1,1	0,8	0,7	1,2	0,9
Italy	0,5	0,9	0,8	1,4	1,0
Emerging					
China	4,9	4,5	4,5	4,3	4,3
India**	8,2	6,2	6,2	6,7	6,7
Brazil	3,4	2,1	2,1	1,0	1,0

** Fiscal year

Source : BNP Paribas, Bloomberg - 27/03/2025

US inflation risk revised lower but still elevated

BNP Paribas Forecasts

CPI Inflation %	2024	2025	2025 Prior Estimates	2026	2026 Prior Estimates
United States	2,9	3,3	3,4	3,4	3,9
Japan	2,7	3,2	3,1	2,1	2,1
United Kingdom	2,5	3,3	3,2	2,5	2,5
Eurozone	**2,4**	**2,2**	**2,1**	**2,0**	**2,0**
Germany	2,5	2,4	2,4	2,1	1,8
France	2,3	1,0	1,1	1,2	1,2
Italy	1,1	1,9	2,0	1,8	1,9
Emerging					
China	0,3	0,8	0,8	1,0	1,0
India*	5,4	4,8	4,8	4,2	4,2
Brazil	4,4	5,3	5,3	4,8	4,8

* Fiscal year

Source : BNP Paribas, Bloomberg - 27/03/2025

FX FORECASTS EUR

	Country		Spot 27/03/2025	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1.08	Positive	1.05	Positive	1.05
	United Kingdom	EUR / GBP	0.83	Neutral	0.83	Neutral	0.83
	Japan	EUR / JPY	163.04	Positive	158	Positive	158
	Switzerland	EUR / CHF	0.95	Neutral	0.94	Neutral	0.94
	Australia	EUR / AUD	1.71	Positive	1.59	Positive	1.64
	New-Zealand	EUR / NZD	1.88	Positive	1.75	Positive	1.75
	Canada	EUR / CAD	1.55	Neutral	1.52	Positive	1.47
	Sweden	EUR / SEK	10.82	Neutral	11.00	Negative	11.20
	Norway	EUR / NOK	11.35	Negative	11.60	Neutral	11.30
Asia	China	EUR / CNY	7.85	Positive	7.67	Positive	7.67
	India	EUR / INR	92.63	Neutral	92.40	Neutral	92.40
Latam	Brazil	EUR / BRL	6.19	Neutral	6.09	Neutral	6.30
	Mexico	EUR / MXN	21.90	Neutral	22.05	Negative	23.10

Sources: BNP Paribas, LSEG

FX FORECASTS USD

	Country		Spot 27/03/2025	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1.08	Negative	1.05	Negative	1.05
	United Kingdom	GBP / USD	1.30	Negative	1.27	Negative	1.27
	Japan	USD / JPY	150.99	Neutral	150.00	Neutral	150.00
	Switzerland	USD / CHF	0.88	Neutral	0.90	Neutral	0.90
	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	7.27	Neutral	7.30	Neutral	7.30
	India	USD / INR	85.79	Negative	88.00	Negative	88.00
Latam	Brazil	USD / BRL	5.74	Neutral	5.80	Negative	6.00
	Mexico	USD / MXN	20.28	Negative	21.00	Negative	22.00
EMEA	South Africa	USD / ZAR	18.25	Neutral	18.00	Positive	17.50
	USD Index	DXY	104.34	Positive	106.56	Neutral	106.30

Sources: BNP Paribas, LSEG

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