

C.I.A. NETWORK

Asset Strategy in Brief

AUGUST 2025



BNP PARIBAS
WEALTH MANAGEMENT

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

Alternative investments

01

Macro and market views



Macro and Market Views

| | | | |
|---|-------------|-----|--|
|  | Macro | | <ul style="list-style-type: none"> – The key question in the US: how will tariffs impact the US consumer and inflation? The first signs of tariff impacts to be seen in August. We expect further slowing of domestic consumption to occur over H2. – In the eurozone, consumer confidence is supported by continued ECB rate cuts. The announced German stimulus plan should boost long-term potential growth. Chinese stimulus could bring positive surprises. – The recent deal on tariffs is positive for growth despite the 15% tariffs on most goods. |
|  | Rates | + | <ul style="list-style-type: none"> – Positive on core eurozone government bonds (intermediate maturities preferred) and on UK gilts (12-month yield target is 4.2%). – Positive on US Treasuries; prefer intermediate (5-7 year) maturities. – US, Euro central banks to cut benchmark rates to 4%, 1.75% by end-2025 – We see the US 2-year yield at 3.6% in 12 months, 10-year yield at 4.25%. – Our 12-month target on the German 10-year bund yield is 2.75%. |
|  | Credit | + | <ul style="list-style-type: none"> – We stay Positive given solid corporate balance sheets and cash flows, strong technicals, high carry and low volatility. – We prefer intermediate maturities in the eurozone and in the US. – We continue to like EUR IG corporate bonds, and we stay Positive on UK IG corporates (offering a 5.5% average yield). |
|  | Equities | = | <ul style="list-style-type: none"> – We maintain a Neutral strategic view on Equities. The retail investor-led rebound in US stocks seems excessive, driving valuations to 20-year highs. – Positive on Europe on repatriation flows, better macro growth outlook and infrastructure & defence spending plans. – Favour UK, Japan, South Korea, China. Remain Negative on the US. – Positive on Health Care and Utilities. For the EU, Positive on Banks, Industrials and Materials. – Negative on US IT and Consumer Discretionary. |
|  | Real Estate | = | <ul style="list-style-type: none"> – European real estate prices started to recover in Q1 2025, with rental yields now more attractive at 4.3%-5.0% for prime European commercial property segments. Residential property prices are also rising in variable rate-sensitive markets such as Spain and the Netherlands. – Industrial/logistics exposure preferred for healthy yields, higher expected rental growth on robust underlying demand growth. |
|  | Commodities | +/- | <ul style="list-style-type: none"> – Gold: Neutral tactical view, Positive for the long term (buy on dips) as EM central banks continue to make strategic purchases and Asian households remain buyers. Gold 12m target USD 3300/ounce. Silver 12m target of USD 40/ounce. – Negative stance on Oil, price range for Brent crude oil of USD 60-70 on weaker global oil demand, potentially higher non-OPEC oil & gas supply and an expected reduction of OPEC+ production quota cuts in 2025. |
|  | FX | | <ul style="list-style-type: none"> – The prospect of weaker US growth, a lower Fed Funds rate and capital flows from the US back to Europe/Middle East/Asia could lead to a weaker US dollar. – Our EUR/USD 3-month target USD 1.15 and our 12-month target USD 1.20 (value of one EUR). Our 12-month USD/CNY target to CNY7.20 (per one USD) |



Asset Allocation

Allocation changes this month:

- ☐ Equities: No change
- ☐ Bonds: No change
- ☐ FX:
 - ☐ EUR/SEK: We maintain our 3-month target at 11 and adjust our 12-month target to 11 (value of one EUR).
- ☐ Commodities: No change

| 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 | 1.7 | 1.6 | 2.8 | 3.2 | US Fed Funds Rate | 4.50 | 4.25 | 3.50 | US 10Y yield % | 4.37 | 4.25 |
| Eurozone | 1.2 | 1.3 | 2.1 | 1.9 | ECB Deposit Rate | 2.00 | 1.75 | 1.75 | Euro 10Y yield % | 2.71 | 2.75 |
| Japan | 0.7 | 0.4 | 3.2 | 2.5 | Bank of Japan Policy Rate | 0.50 | 0.75 | 1.00 | UK 10Y Yield % | 4.61 | 4.20 |
| UK | 1.2 | 1.0 | 3.4 | 2.7 | Bank of England Base Rate | 4.25 | 3.75 | 3.50 | S&P 500 | 6362 | n/a |
| China | 4.8 | 4.5 | 0.0 | 1.0 | China 7D reverse repo rate | 1.40 | 1.20 | 1.00 | Euro STOXX 50 | 5393 | n/a |
| | | | | | | | | | Oil Brent USD/bbl | 73 | 60-70 |
| | | | | | | | | | Gold USD/oz | 3301 | 3300 |

Source: BNP Paribas WM. As at 30 July 2025

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Bonds

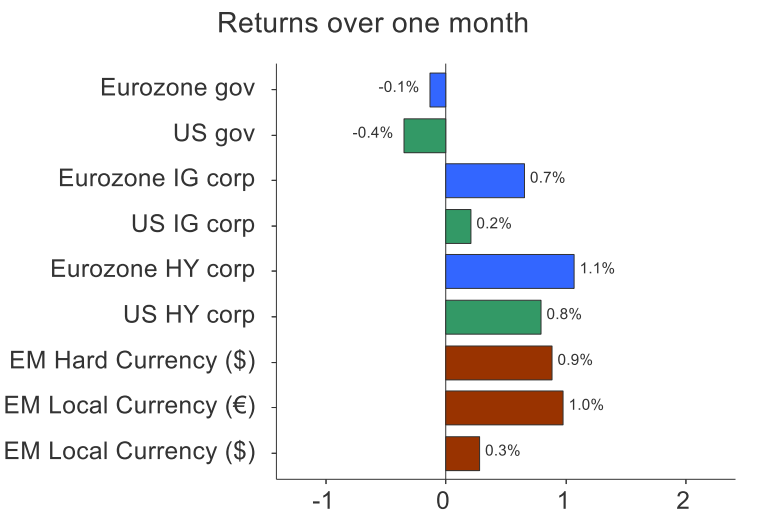


Fixed Income at a glance

Recent trade deals have reduced somewhat global uncertainty. European government bond yields have been hovering in a 2.60%-2.70% range over the past few weeks. In the US, fluctuations were somewhat bigger in the 4.20%-4.50% range. EU Inflation expectations, as measured by breakeven rates, have remained remarkably stable at around 2%. In the US, the figure has risen and hovering around 2.40%.

We continue to favour high-quality, highly liquid bonds, particularly US, UK and core EU sovereign bonds, US TIPS and EUR/UK investment grade corporate bonds.

| 10-year yield | 30/07/2025 | 12-month target |
|---------------|------------|-----------------|
| US | 4.37 | 4.25 |
| Germany | 2.71 | 2.75 |
| UK | 4.61 | 4.20 |



Source: LSEG Datastream, Bloomberg and JPM indices, 28/07/2025

Central Banks

The ECB will probably cut rates one last time (in September), leading to a terminal rate of 1.75%, and could hike rates in late 2026. In the US, the 30 July Fed meeting did not bring much news. Still highly data-dependent. We still expect two rate cuts this year and two in 2026 (terminal rate of 3.5%).

Corporate Investment Grade (IG) Bonds

⊕ We prefer EUR IG (Positive view) over USD IG (Neutral view) given its better credit metrics, lower volatility, and global move for diversification away from USD assets. We prefer maturities up to 7 years in the eurozone and up to 5 years in the US.



Government Bonds

⊕ We keep our US 10-year yield target at 4.25% in 12 months but we fear short-term volatility given high refinancing risks before year-end. German long-term rates should be less volatile in the short term and rise in 2026 (target 2.75% by mid-2026). We stay Positive on US, UK and German government bonds US TIPS.

Corporate High Yield (HY) Bonds

⊖ Defaults remain low and fundamentals are resilient. However, we prefer to maintain a Neutral stance as the asset class is overvalued and does not reflect the upcoming US slowdown.

Peripheral bonds

⊖ Peripheral spreads with Italian and Greek spreads at multi-year lows. Stronger fiscal positions, robust economic growth and ECB support have boosted investor confidence. Fund managers are now overweight periphery debt.

Emerging Market (EM) Bonds

⊖ Spreads have tightened, but global risks persist. While EM debt offers value, we believe that current valuations and macroeconomic uncertainty justify a balanced stance.

⊕ ⊖ ⊖ Our position for this month
▲ ▼ Evolution of our position since last month

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03

Currencies

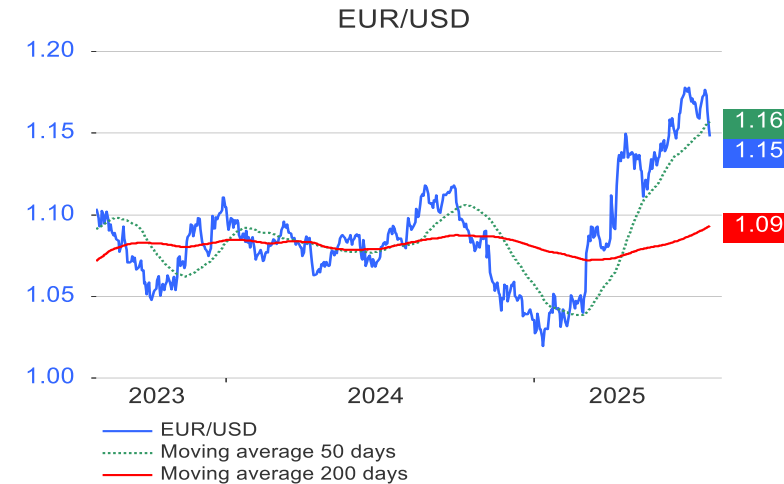


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Currencies at a glance

1. **The US dollar Index (DXY) has fallen by around 8% this year, with the USD dropping by 11% against the euro.** The USD lost its status of safe-haven currency which induces investors to increase FX hedge ratios. The recent USD rebound has been driven by a combination of the US-EU deal, USD data flow and hawkish repricing of the Fed. The rebound should be temporary.
2. **EUR/USD:** We continue to believe that US policy uncertainties, linked to tariffs, US debt sustainability, or political pressure on the Fed, are reducing the demand for US assets. We remain bullish on the EUR/USD. **Our 3-month target is 1.15 and our 12-month target is 1.20 (the value of one EUR).**



Source: LSEG Datastream, 30/07/2025



>> TARGET 12M EUR/CHF: 0.94

The SNB cut rates by 25bp in June to 0%. The EUR will be supported by better growth prospects linked to fiscal policies. A return to negative CHF interest rates could be challenging in the medium term. Sustained appetite for defensive currencies should limit any downside for the CHF. **Our 3- and 12-month EUR/CHF targets are 0.94 (value of one EUR).**



>> TARGET 12M EUR/GBP: 0.87

The BoE held interest rates at 4.25% in June. The GBP could weaken against the USD while stabilising at around current levels against the EUR. Fiscal concerns could weigh on the GBP but most of these effects seem priced. **Our 3-month target is 0.85 and our 12-month target is 0.87 (value of one EUR).**



>> TARGET 12M USD/JPY: 140

The BoJ maintained its policy rate at 0.5% in July. Risks to the JPY from Japanese politics are skewed to the downside, as public finances could worsen and put pressure on the JPY. However, given our scenario of a BoJ rate hike in October, the JPY should appreciate gradually. **Our 3-month target is 145 and our 12-month target is 140 (the value of one USD).**



>> TARGET 12M EUR/SEK: 11.00

The Riksbank cut its policy rate by 25bp to 2% in June. The reduced potential for further rate cuts, coupled with the interest rate differential, should continue to support the SEK. However, we think the rotation story for the SEK has largely played out. **Our 3-month EUR/SEK target is 11 and we adjust our 12-month target to 11 (value of one EUR).**



>> TARGET 12M EUR/NOK: 11.30

The Norges Bank lowered its deposit rate by 25bp to 4.25% in June. The NOK has depreciated excessively due to the unexpected rate cut and dovish stance adopted by Norges Bank. We believe that additional fiscal stimulus and positive interest rate differentials should provide support. **Our 3-month EUR/NOK target is 11.60 and our 12-month target is 11.30 (value of one EUR).**



>> TARGET 12M AUD/USD: 0.66

The RBA kept the policy rate unchanged at 3.85% in July. Newsflow around US tariffs for China was supportive for the AUD. We maintain our view that external factors, such as global risk appetite, US-China trade relations and Chinese growth will be the main drivers of the AUD. **Our 3- and 12-month AUD/USD targets are both 0.66 (value of one USD).**



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Currencies at a glance

FX FORECASTS EUR

| | Country | | Spot 30/07/2025 | Trend | Target 3 months (vs. EUR) | Trend | Target 12 months (vs. EUR) |
|-------|----------------|-----------|--------------------|----------|------------------------------|----------|-------------------------------|
| | United States | EUR / USD | 1.15 | Neutral | 1.15 | Negative | 1.20 |
| | United Kingdom | EUR / GBP | 0.86 | Neutral | 0.85 | Neutral | 0.87 |
| | Japan | EUR / JPY | 170.98 | Positive | 167 | Neutral | 168 |
| | Switzerland | EUR / CHF | 0.93 | Neutral | 0.94 | Neutral | 0.94 |
| | Australia | EUR / AUD | 1.78 | Neutral | 1.74 | Negative | 1.82 |
| | New-Zealand | EUR / NZD | 1.94 | Neutral | 1.92 | Negative | 2.00 |
| | Canada | EUR / CAD | 1.59 | Neutral | 1.61 | Negative | 1.68 |
| | Sweden | EUR / SEK | 11.16 | Neutral | 11.00 | Neutral | 11.00 |
| | Norway | EUR / NOK | 11.78 | Neutral | 11.60 | Positive | 11.30 |
| | | | | | | | |
| Asia | China | EUR / CNY | 8.25 | Neutral | 8.28 | Negative | 8.64 |
| | India | EUR / INR | 100.37 | Neutral | 98.90 | Negative | 105.60 |
| Latam | Brazil | EUR / BRL | 6.43 | Neutral | 6.44 | Negative | 6.96 |
| | Mexico | EUR / MXN | 21.59 | Neutral | 21.85 | Negative | 22.80 |

FX FORECASTS USD

| | Country | | Spot 30/07/2025 | Trend | Target 3 months (vs. USD) | Trend | Target 12 months (vs. USD) |
|-------|----------------|-----------|--------------------|----------|------------------------------|----------|-------------------------------|
| | Eurozone | EUR / USD | 1.15 | Neutral | 1.15 | Positive | 1.20 |
| | United Kingdom | GBP / USD | 1.33 | Neutral | 1.35 | Positive | 1.38 |
| | Japan | USD / JPY | 148.94 | Positive | 145.00 | Positive | 140.00 |
| | Switzerland | USD / CHF | 0.81 | Neutral | 0.82 | Positive | 0.78 |
| | Australia | AUD / USD | 0.65 | Positive | 0.66 | Positive | 0.66 |
| | New-Zealand | NZD / USD | 0.59 | Neutral | 0.60 | Neutral | 0.60 |
| | Canada | USD / CAD | 1.38 | Neutral | 1.40 | Neutral | 1.40 |
| | | | | | | | |
| Asia | China | USD / CNY | 7.18 | Neutral | 7.20 | Neutral | 7.20 |
| | India | USD / INR | 87.43 | Neutral | 86.00 | Neutral | 88.00 |
| Latam | Brazil | USD / BRL | 5.60 | Neutral | 5.60 | Negative | 5.80 |
| | Mexico | USD / MXN | 18.81 | Neutral | 19.00 | Neutral | 19.00 |
| EMEA | South Africa | USD / ZAR | 17.95 | Neutral | 18.00 | Positive | 17.50 |
| | USD Index | DXY | 99.82 | Neutral | 98.83 | Negative | 95.44 |

Sources: BNP Paribas, LSEG

Sources: BNP Paribas, LSEG

04

Equities



Latest message from Mr. Market: Everything is awesome

Too much complacency in the US

- **Earnings at risk from tariffs!** We see increasing evidence that US companies are absorbing a decent part of the tariff impact which will eventually have negative consequences on margins and earnings growth. The reported net profit margin for the current earnings season in the S&P 500 already fell to 12.3%, the lowest level in a year.
- **Meme stock gold rush!** Animal spirits in the US are back and the most speculative parts of the US equity market have made a roaring comeback lately. Driven by a surge in social media sentiment (stark contrast to overall consumer sentiment), we saw an “everything higher” move for stocks falling within the area of speculative trading retail darlings. A combination of high short interest, negative short P/L, high retail participation, and short gamma from options provided fertile ground for this rally. Historically, such episodes have been subsequently accompanied by above-average returns but have eventually led to market drawdowns.
- **Back to structural tailwinds for Europe!** The removal of a key element of uncertainty for Europe should allow the market to refocus on the positive macroeconomic tailwinds. These include higher defence expenditure as well as public and private infrastructure spending increases. The recently launched “Made for Germany” initiative, whereby 61 companies pledged to invest EUR 631bn until 2028, is a good example of increased confidence within the private sector.

Main recommendations



Bring your money home – We reiterate our overweight rating for European equities on the back of reduced uncertainties, strong structural tailwinds and undemanding valuations. We have a relative preference for domestically-oriented businesses which are geared towards the expansionary fiscal framework. The MDAX remains one of our top picks.



We remain Neutral on equities overall - Major global benchmarks are still heavily influenced by US equities that we expect to post a sluggish performance at best (especially true for euro-based investors). This should create a major drag on the performance of those indices going forward. Maybe even more importantly, we see a fairly high chance of a US-led correction once the “everything is awesome mood” of the market is tested by the tariff impact hitting the economy.

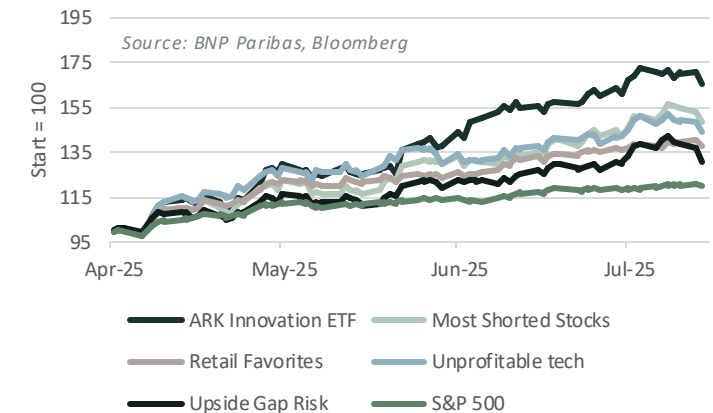


No Sector changes – The European banking sector, one of our key buy convictions, has disclosed robust Q2 results, so far. Other earnings releases have also validated our sector outlook. Notably, the recent US-EU agreement on tariffs and trade could lead to a short-term outperformance of European exporting sectors (consumption-related sectors, Health Care), driven by reduced uncertainty, against their more domestically-focused peers (such as Utilities, Telecoms, Insurance).

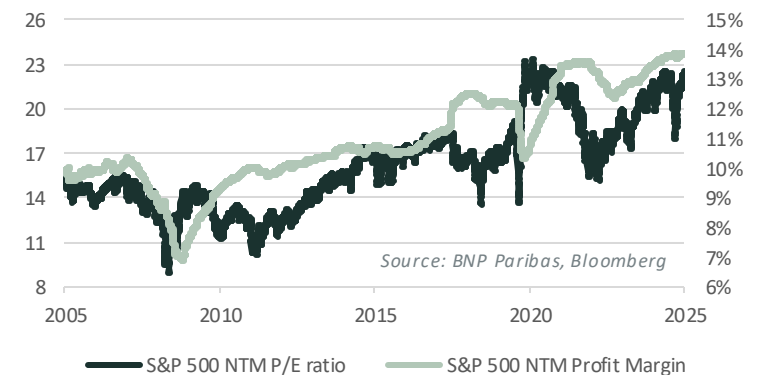


The key risk is a US recession, which would cause earnings growth to turn negative in most major markets. A stagflationary episode in the US, causing the Fed to raise interest rates, would be a kind of “black swan event”!

Speculative stocks in the US had a strong run



Falling margins may put pressure on valuations



05

Commodities

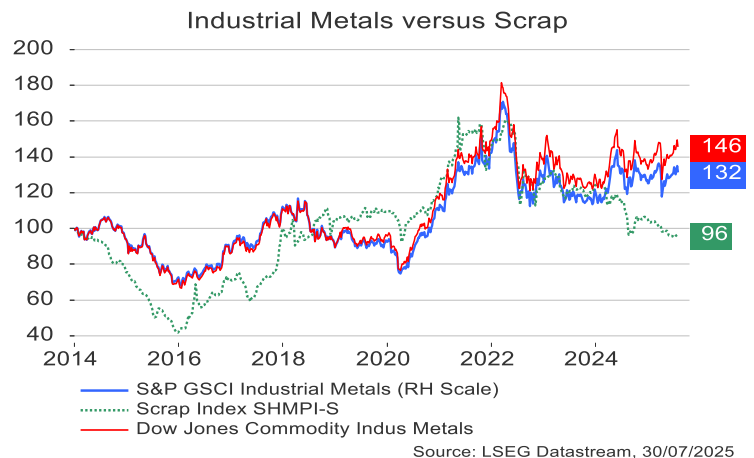


Commodities at a glance

The performance of **industrial metals** has been mixed year-to-date: iron ore (-5%) and zinc (-6%) have fallen, while copper (+11%), tin (+17%) and aluminium (+4%) are up. While the trade war has increased fears of a slowdown in global growth, there has also been some upfront buying of certain metals due to concerns about US tariffs. The US copper price recently strongly corrected from its previous rally and the price premium to LME has largely disappeared, as Trump has excluded refined copper from tariffs.

BASE METALS

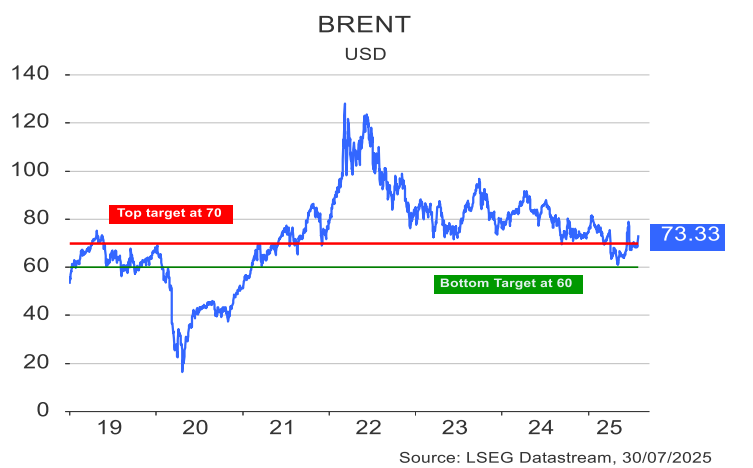
We remain Neutral in the short term, in view of the possible economic slowdown due to trade tariffs. In the longer term, however, we still expect the growing demand for the energy transition and infrastructure to outpace the expected growth in supply.



The Brent oil price recovered from USD 67 to USD 72 recently, as Trump has threatened additional sanctions on Russian oil exports, including secondary import duties on countries importing Russian oil. However, OPEC+ production hikes and non-OPEC supply additions will probably continue to weigh on oil prices in 2H25.

OIL

We maintain our Negative view, with a target range of USD 60–70, in view of limited demand growth, combined with substantial non-OPEC supply growth and OPEC+ production hikes. Stricter sanction enforcement could imply upward risk in the short term.



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

The gold price is consolidating around our target of USD 3,300, slightly correcting from a recent USD 3,440 high, due to easing trade tensions (in view of recent deals with Japan and EU). Also, silver and platinum partly corrected from their strong YTD rally (with recent highs of USD 39 and USD 1,475 respectively). Gold is still up 27% YTD silver +31%, and platinum +52%.

GOLD

We are tactically Neutral on gold. Short term, we expect ongoing consolidation due to the easing of trade tensions between the US and EU/Japan. Gold could continue to fulfil its safe-haven role if trade and/or military tensions were to re-escalate. **For the time being, we are staying Neutral. Our 12m target is USD 3,300/ounce. We still see more potential for silver.**



06

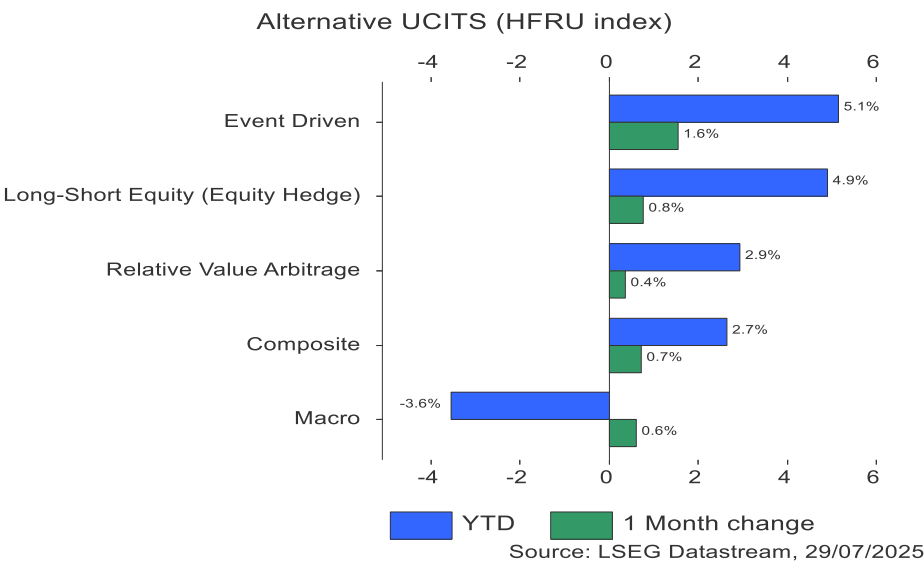
Alternative Investments



Alternative Investments

The past month was generally positive. Since January, performance has been positive overall, with Long-Short Equity being the best performers, while Macro has underperformed quite substantially.

Positive opinion on Long-Short equity and Relative Value.



Global Macro

Neutral: Markets have been contending with the unpredictability of the Trump administration, but daily declarations seem to be impacting markets gradually less. Macro managers should eventually be able to adjust to new situations, and trade those either from a long or short perspective. Both discretionary macro and CTAs tend to have significant uninvested cash as they primarily use futures and derivatives.

Event Driven

Neutral: Contrary to expectations, erratic Trump policies have been putting a damper on new deal volumes in Q1 2025. We expect a “friendlier” regulatory environment for corporates to trigger deals, with new heads of anti-trust agencies less inclined to challenge them. Indeed, most current deals have been progressing well with few challenges, and the strategy has been quite positive YTD.

Long-Short Equity

Positive: Market breadth has improved recently following the recent period of outperformance that was concentrated in the “magnificent seven”. Intra-market equity dispersion is back at 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 as high yield companies face “higher for longer” interest rates with their debt maturity approaching and some of them likely to struggle with under significantly higher funding costs. Convertible bond arbitrage benefits from increased issuance & refinancing/liability management, as long as the credit quality remains good enough. Government bond relative value arbitrage should benefit from diverging monetary policies & inflation, with less risk than directional macro trades.



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