



2H25 | INVESTMENT OUTLOOK

Impacts of Tariffs Set to Slowly Ripple Through

July 17, 2025

Executive Summary

Trade policy remains the key wildcard for the second half of this year. Short-term “mini deals” have done little to dispel the broader Section 232 fog: most pacts are narrow in scope, legal enforceability is unclear, and any US partner risks sudden tariff reversals if Washington re-tools a sector carve-out. The ongoing uncertainty has businesses deferring capex, supply chains lingering in limbo, and markets repricing higher risk premia – an environment likely to persist until durable, congress-approved agreements emerge.

Beneath the tariff veneer, US growth momentum is moderating. Manufacturing PMIs have slipped back into contraction, new-orders are soft, and industrial production has flat line – signaling a cooling cycle which may intensify if credit impulses and ISM new-orders continue their descent. However, financial conditions remain accommodative, and markets are pricing in an imminent resumption of the Fed rate-cut cycle. We see inflation re-accelerating in the coming months, which likely would pare year-end Fed cuts from two to one and trigger a market pullback. Simultaneously, further labor market deterioration and slowing growth would push the Trump administration to strike broader trade deals faster – helping tame inflation. As these headwinds abate, markets would start to price in a clearer path for rate-cuts between 4Q25 and 1Q26 thus setting the stage for equities to rebound towards new highs by year-end and into early next year. Until inflation data is released, however, we expect markets to grind higher on the back of light positioning and momentum catch-up.

Against this backdrop, we maintain a neutral allocation to equities. Valuations at 22.3x NTM EPS discount robust growth, while still-light positioning and bullish sentiment suggest further upside near-term even as the number of macro headwinds grows. We keep a disciplined approach, using higher-beta sectors and ETFs to capture selective momentum rather than broad equity exposure or an outright overweight. In fixed income, we stay defensive with an overweight to sovereign bonds and a neutral stance on credit – favoring selective, bespoke strategies over broader IG/HY allocations. We tactically flip neutral commodities after a strong run.

INVESTMENT STRATEGY VIEWS							
	Bearish	Neutral	Bullish		Bearish	Neutral	Bullish
Global Asset Allocation				Fixed Income			
Equities				Governments			
Fixed Income				Corporates			
Commo/Special Opp.				Investment Grade			
Alternatives				High Yield			
Cash				Duration			
Equities				Regions			
Regions				DM			
US				EM			
Europe				Currencies			
APAC				USD			
EM				EUR			
Sectors				JPY			
Communication Services				GBP			
Consumer Discretionary				CHF			
Consumer Staples				SEK			
Energy				Other			
Financials				Legend			
Health Care				■ - Current View			
Industrials							
Information Technology							
Materials							
Real Estate							
Utilities							

Global Macro Outlook

The Tariff Saga Continues

Short-term deals are inherently narrow and leave critical questions unanswered. Fully fledged trade agreements typically take years – rarely less than three – to negotiate. Hastily arranged pacts tend to look more like memorandum-of-understanding frameworks than binding accords. Case in point: the recent US-UK “agreement” has identified broad areas of cooperation but drilled down on only a handful of sectors, leaving most disputes “open for further dialogue”. Worse still, key details on final legal status and treatment of future sector-based tariffs remain unresolved.

A more fundamental obstacle is the clash between country-wide reciprocity and sector-specific Section 232 tariffs. The US-UK deal, for example, included an auto export quota to waive steel and aluminum duties but conspicuously omitted any pharmaceutical carve-out thus forcing a fallback to the default 232 region. If Washington later swaps in a new sector tariff, does it supersede reciprocal country tariff or does the original deal hold sway? White House guidance on “Liberation Day” hinted 232 measures would prevail, but most U.S. trading partners will not accept a framework that can be unilaterally overridden by US policy.

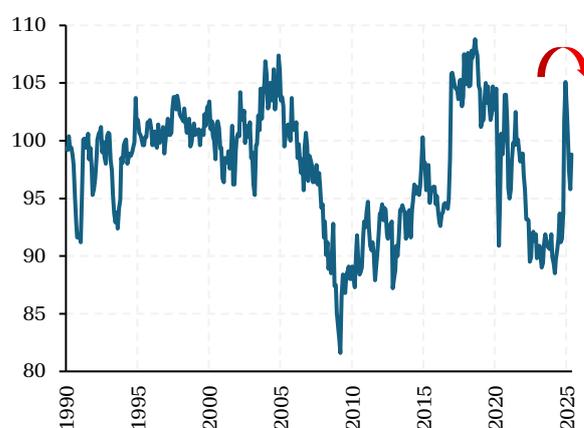
Legal and procedural uncertainty now pervades negotiations. Any comprehensive trade deal will require congressional approval – and most likely a Supreme Court review of Section 232 authority – before taking effect. Meanwhile, companies must navigate a patchwork of provisional arrangements, never quite sure whether today’s concessions are not going to be overturned by tomorrow’s tariffs. The timing, scope, and enforceability of the Section 232 measures remain highly ambiguous.

The policy fog is more than a negotiation headache as it injects volatility into global markets. Supply chains stay on standby, capex are deferred, and risk premia tick higher. In the absence of clear, durable rules, businesses price in the possibility of sudden tariff swings, driving up costs for both manufacturers and consumers. Over the medium-term, uncertainty undermines investment, slows GDP growth, and pushes central banks to weigh trade-induced inflation vs broader economic slack.

A More Balanced Optimism

Trade frictions have dominated headlines over the past six months. The century high US tariff impact will be reflected through both a slower growth and stickier inflation. The effervescence after Trump’s election quickly eroded as tariffs were announced. The NFIB small-business optimism index retraced a large share of its post-election gains (**Exhibit 1**). Uncertainty has abated (89%) but remains elevate. Hiring and capex plans remain the two pain points.

Exhibit 1: US NFIB Small Business Optimism

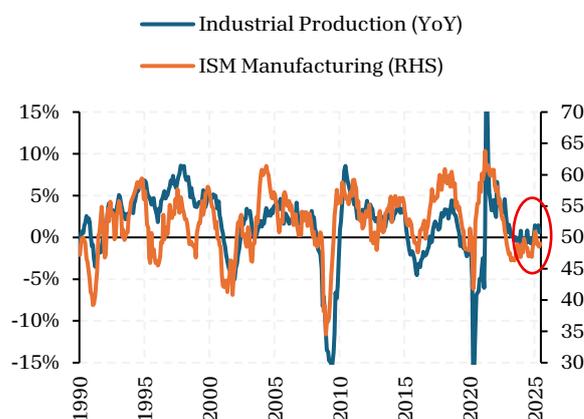


Sources. MAM Research, NFIB.

Manufacturing Activity in Limbo

The goods sector’s strong start to 2025 looked set to shore up overall growth but that momentum has evaporated as post-election optimism faded. In the last four months, PMI slipped back into contraction territory (49-50), driven by softer new orders and rising inventories. At the same time, industrial production flatlined on a YoY basis (**Exhibit 2**).

Exhibit 2: US Industrial Production and ISM Mfg.

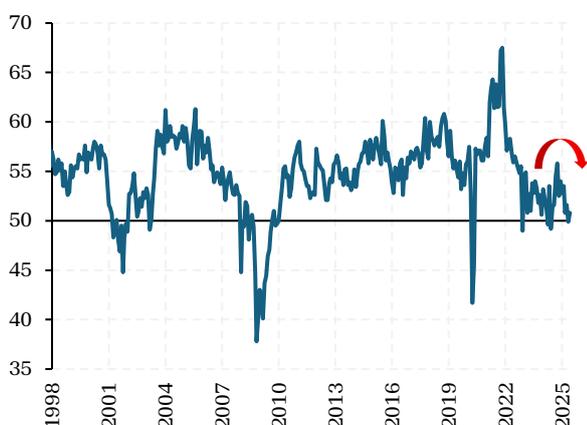


Sources. MAM Research, ISM.

Services Giving Up Some Relative Strength

Service sector resilience underpinned US growth – until recently, when the ISM Services PMI slipped into contraction. After dipping to 49.9 in May, the index only recovered to 50.8 in June (**Exhibit 3**). Underneath the surface, business activity remains elevated (54.4), but backlogs have plunged to their weakest since August 2023 (42.2), and employment contracted for three months running. Data paints a sector increasingly more exposed to high financing costs and a weakening end-market demand. With PMIs near the 50-mark, any further slip could tip services into a sustained downturn in 2H25.

Exhibit 3: ISM Services

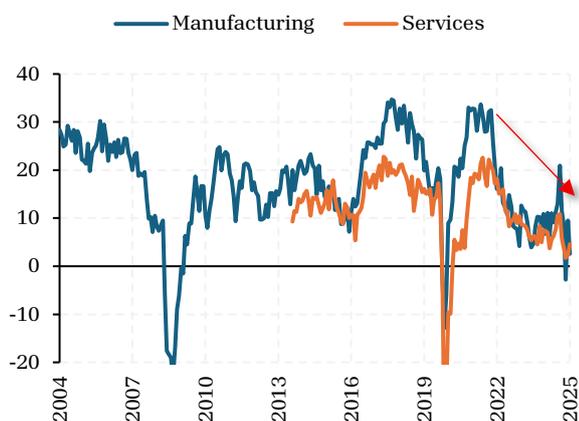


Sources. MAM Research, ISM.

Capex – Where Do We Go from Here?

Real business equipment spending was one of the few bright spots in 1Q25 GDP with core capital goods orders. However, most gains reflected tariff “front-running” rather than sustainable demand. Capex intentions in manufacturing and services sectors dropped sharply since (**Exhibit 4**), with net plans to boost spending having all but evaporated.

Exhibit 4: Capex Intentions Composites

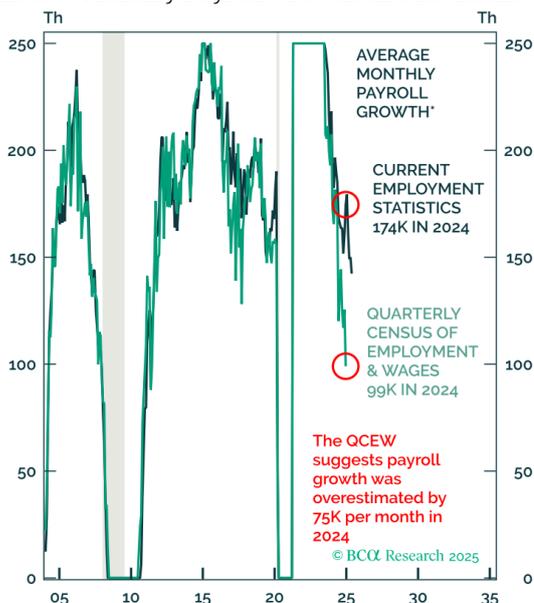


Sources. MAM Research, Regional Fed Districts.

U.S. Labor Market, Not Out of the Woods Yet

The labor market has been characterized as “solid” or “resilient” throughout the first half of this year, but yellow flags are persisting. Payrolls continue to slow gradually with recurring downward revisions to first prints. According to the Quarterly Census of Employment and Wages (key input into the benchmark revisions), monthly payrolls were overstated by around 75k per month in 2024 (**Exhibit 5**).

Exhibit 5: Monthly Payroll Growth and Revisions

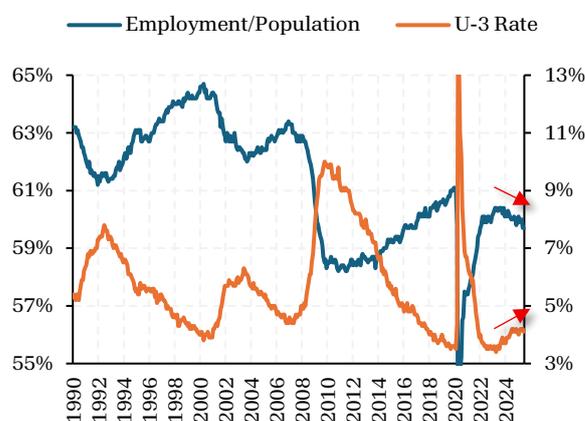


*Shown as 12-month moving average

Sources. BCA Research.

While the unemployment rate dropped to 4.12%, a weak labor demand continues to show in the lower employment-to-population ratio (**Exhibit 6**). Labor force participation continues to slip as people fall out of the labor force. The outlook is markedly grim for college graduates. Unlike in past cycles, their unemployment rate is higher than other workers.

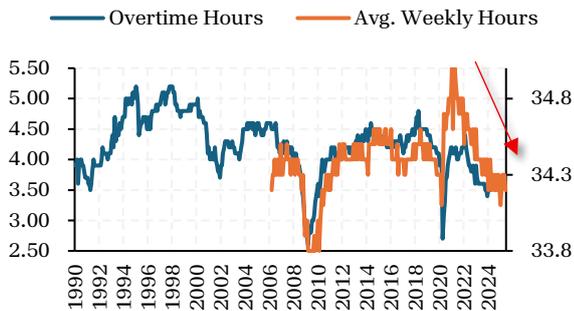
Exhibit 6: Employment/Population vs. U-3 Rates



Sources. MAM Research, BLS.

The US labor market is not as strong as headline numbers suggest. Overtime hours have retraced to 3.7 per week, temp-staffing employment continues to contract, and average weekly hours softened to 34.2 (Exhibit 7). JOLTS shows new hire down to 3.4% and quits plateauing near 2.1% (Exhibit 8) a sign that, while layoffs remain muted, employers are curbing headcount growth and hours worked.

Exhibit 7: Overtime Hours and Avg. Weekly Hours



Sources. MAM Research, BLS.

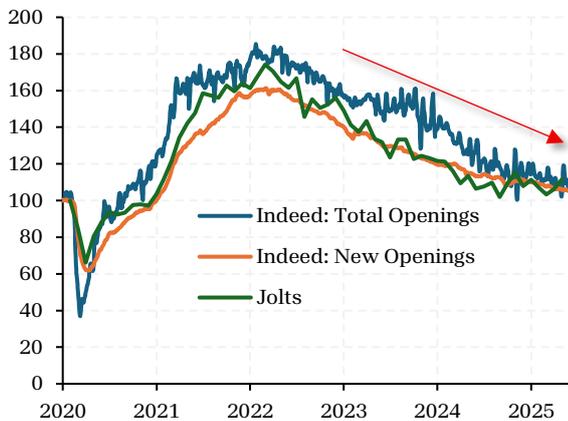
Exhibit 8: JOLTS Hiring and Quit Rates



Sources. MAM Research, BLS.

Real-time measures of job openings suggest these trends are carried into the summer (Exhibit 9). As the US economy operates on the flatter side of the Beveridge curve, any further decline in openings is likely to translate into higher unemployment.

Exhibit 9: Real-Time Job vs. JOLTS Openings



Sources. MAM Research, Indeed, LinkUp.

Cooling in the labor market eased price pressures, in turn putting a lid on wage inflation (Exhibit 10), despite the new immigration policies, as expected.

Exhibit 10: US Wage & Employment Cost Growth

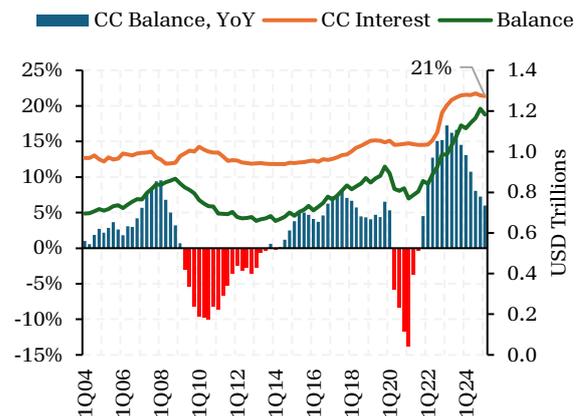


Sources. MAM Research, BLS, Atlanta Fed.

US Consumer Credit in Limbo

Excess pandemic savings have been drawn. In the absence of higher income growth, US consumers will be hard-pressed to maintain their current pace of spending. Revolving credit is now at \$1.3 trillion, up 6% YoY. Concurrently average bank credit-card APRs remained in the mid-21%, intensifying debt-service pressure on households and underscoring stretched consumer balance sheets despite seeing moderation in credit card growth (Exhibit 11).

Exhibit 11: Credit Card Balances

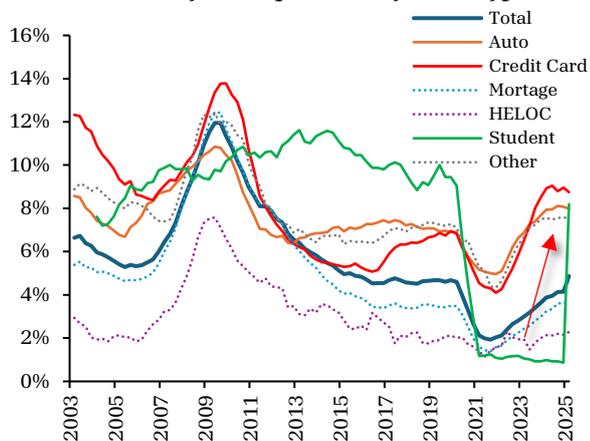


Sources. MAM Research, NY Fed.

Delinquencies in multiple categories (credit cards, auto loans) have stopped deteriorating – albeit still at 2011 levels, a time when the unemployment rate was double what it is today. However, student loan delinquency rates have spiked after the expiration of the moratorium (Exhibit 12). Nearly ten million Americans are delinquent on their student loans, with around half not having made a single payment

in 360+ days. As of early May, a lack of repayments will now impact credit scores. FICO scores could go down 65 points on average with as much as 10% of US households facing a steep decline in their credit score, impacting their ability to obtain loans.

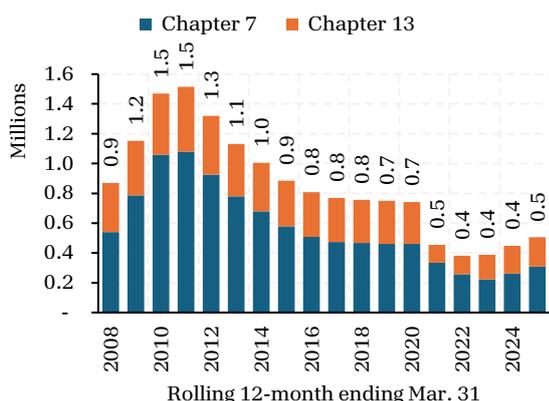
Exhibit 12: 30-Day Delinquencies by Loan Type



Sources. MAM Research, Bloomberg

US consumer bankruptcies continued to normalize (**Exhibit 13**) though remain below post-GFC highs. Elevated living costs and high borrowing expenses are core drivers behind the rise in filings, while the resumption of student loan repayments should add further pressure to household balance sheets. The lack of meaningful relief on interest rates or prices could see these numbers perking higher although they are likely to remain below previous highs.

Exhibit 13: US Consumer Bankruptcies



Sources. MAM Research, United States Courts.

Fiscal Deficit Overdose?

Deficits should rise in the US and euro area albeit for distinct reasons. The key drivers in the US are slower growth and rising interest costs. Germany

is projected to run its largest deficit outside of a recession since unification with infrastructure and defense as main drivers. China’s fiscal policy still remains modestly expansionary meanwhile other Asian countries are constrained by elevated debt.

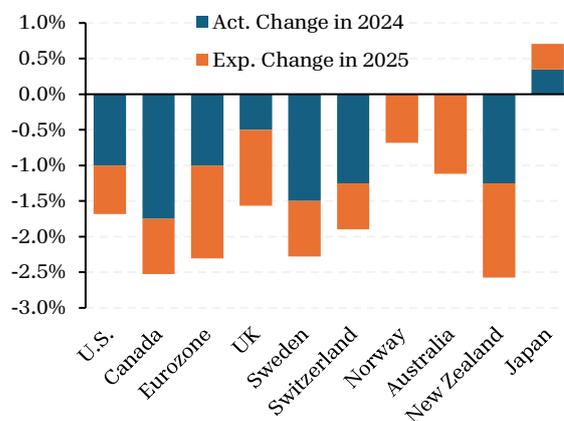
The forced catch-up in Treasury issuance, some USD 1.5-1.7tn of T-bills hitting the market between August and year-end to refill the Treasury General Account, will push front-end rates sharply higher, steepening the short end of the curve and repricing funding costs. In turn, the surge in issuance risk premium is likely to keep short-term rates elevated well into next year, setting up the stage for globally divergent monetary policy paths.

Persisting Divergent Monetary Policy Paths

Tariffs tend to boost inflation with a 1–3-month lag before slowing growth with a 6–12-month lag, so the Fed will be more concerned about its inflation mandate than employment until later in the year. The FOMC minutes published recently support this stance. A majority still has lingering concerns over inflation. “Most participants” still argue tariffs may lead to persistent inflation and risk destabilizing inflation expectations. Should inflation accelerate between June and September, as we expect, then the minutes indicate that more FOMC participants could prefer to keep the policy stance unchanged.

The inflation backdrop in the US vs. the rest of the world is likely to further support monetary policy divergence. Norway and Australia, who held rates on hold this year, are only set to modestly cut in the second half of the year. Australia already stayed on pause, pending further development on inflation. The ECB is one of the few likely to cut interest rates by over 50bps before year end (**Exhibit 14**).

Exhibit 14: Global Central Bank Policy Rates

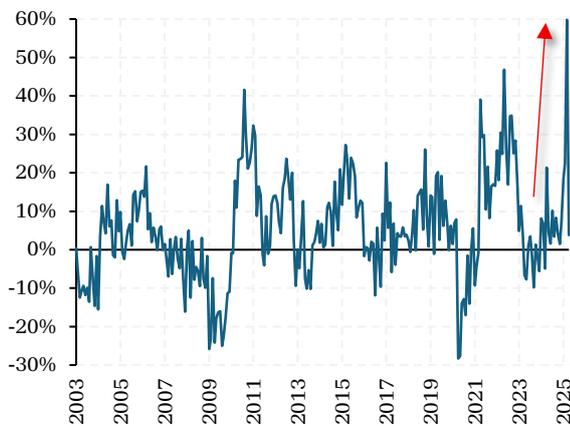


Sources. MAM Research, Bloomberg.

Europe Isn't Immune to Trade Tensions

EU exports to the US spiked in March (**Exhibit 15**) but have since reverted back to January levels and account for just 3.2% of EU GDP. European goods face 10% US tariffs across the board (25% on autos, 50% on steel and aluminum) while Chinese exports to the EU jumped 12% YoY in May even as their US shipments plunged 25%. A 10% in EUR/CNY this year (at an 11-year high) has further eroded Euro-area competitiveness vs. China whose productivity nearly doubled. A European Commission survey found German firms are the least competitive they have been in three decades (**Exhibit 16**).

Exhibit 15: European Exports to the US (YoY)



Sources. MAM Research, Bloomberg

Exhibit 16: German Business Competitiveness



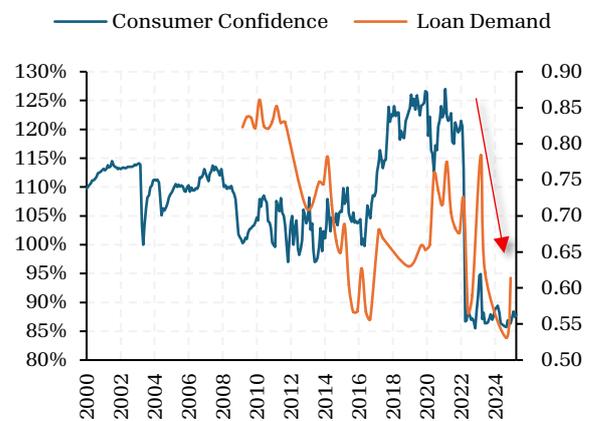
Sources. BCA Research

Germany's phased fiscal stimulus package should eventually cushion the export slowdown, but its slow implementation will blunt near-term impact. Other large economies like France, Spain, Belgium, Italy, and Greece, all have debt-to-GDP ratios north of 100%, limiting their ability to deploy offsetting fiscal measures. As a result, Europe's response to US trade pressure may prove uneven and modest.

China Recovery Contingent on Further Stimulus

China's economy has held up better than expected so far this year, partly due to its ability to redirect exports away from the US but also due to its more supportive fiscal policy. Unlike last year, aggregate government spending has risen more rapidly. Yet, private sector loan demand remains anemic with both households and firms still very much focused on deleveraging (**Exhibit 17**). The housing market remains weak. Housing starts are down 71% from their peak and floor space sold is down 53%. After showing tentative signs of stabilization earlier this year, home prices fell again in May.

Exhibit 17: China Loan Demand and Consumer Conf.



Sources. MAM Research, PBOC, NBSC

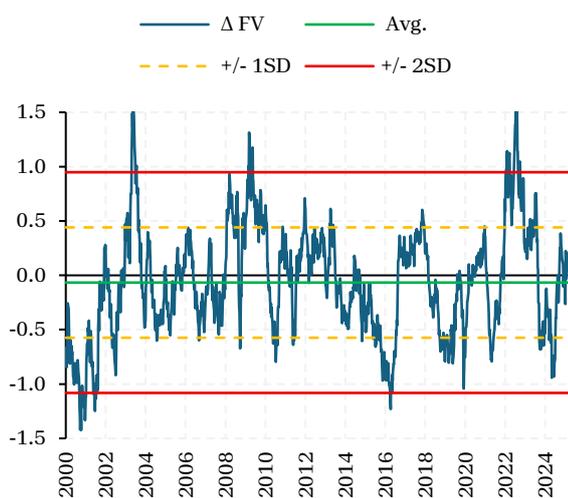
Asset Class Views

Fixed Income | Staying Defensive

We hold a constructive stance on sovereign bonds while maintaining a more neutral stance on credit heading into 2H25. The outlook for duration in the short-term is tough to draw, especially in the US. On the one hand, markets have already priced considerable growth optimism. On the other hand, downside risks and macro uncertainty remain all but under appreciated. The looming surge in debt issuance in the coming months should establish a floor on yields. Provided the economy, and most notably the labor market continues to be resilient, we would favor being neutral duration.

Our sovereign valuation model implies US 10-Year Treasuries are trading at fair value (**Exhibit 18**). Within a broader quantitative framework, there is scope to be modestly negative duration with a 1–3-month view (momentum and technicals) but more positive duration over a 12 month (fundamentals). Inflation remains the wildcard with the Fed still projecting core PCE at around 3.1% by year-end, meaning any resurgence in upward price pressure would likely postpone rate cuts and keep front rates elevated. If inflation normalizes and the fiscal impulse remains muted, it should keep a lid on long-dated Treasury yields.

Exhibit 18: US 10-Year Treasury Fair Value Model

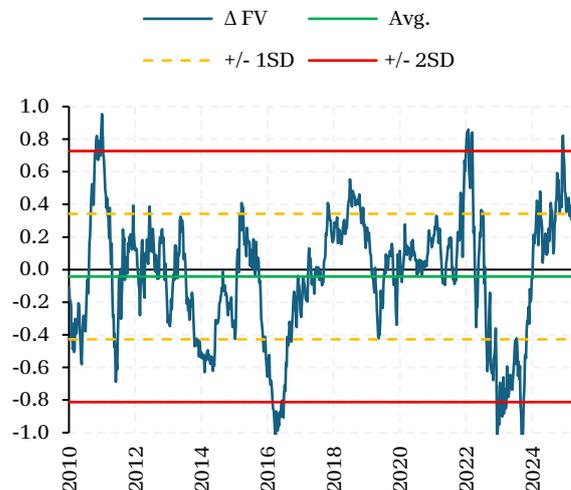


Sources. MAM Research, Bloomberg

We remain more constructive on European rates, most notably German Bund yields, where the fiscal exuberance risk is less pronounced. Our sovereign valuation model also suggests German 10-Year are trading one standard deviation cheap relative to their fair value (**Exhibit 19**). Inflation risks are also

less pronounced there, thus carrying a higher level of duration given the value is more attractive here.

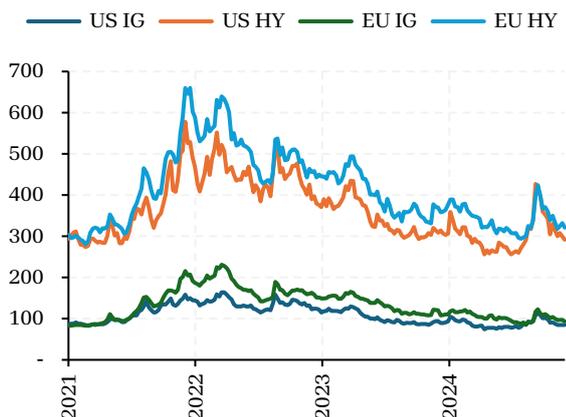
Exhibit 19: German Bunds 10-Year Fair Value Model



Sources. MAM Research, Bloomberg

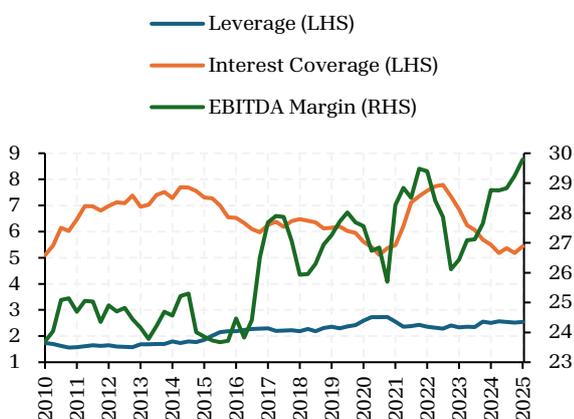
By contrast, corporate credit continues to exhibit unappealing risk-reward characteristics. Spreads are exceptionally tight, offering limited room for further compression. Although investment grade credit spreads widened by 30-40bps and high yield by 120-150bps in April amid the “Liberation Day”, they have since tightened back to end-2024 levels (**Exhibit 20**). If anything, European IG spreads are tighter today than at the start of 2025. Importantly, we are quite negative on US high yield. Spreads sit at the 8th percentile, while fundamentals remain poor. Leverage is elevated (median debt/EV at 50%, highest since Covid, and in the 93rd percentile since 2010) and interest coverage is thin (average at 2.7x, continuing its downtrend since 2022). Cash levels as a percentage of debt are back to 2019 lows, thus leaving issuers little cushions. High profitability is offering a veneer of safety, but it does not justify in our view the valuations or offset the risk of a wider downturn. Instead of a broad market exposure, we favor more targeted credit strategies such as direct bond investments, long-short funds, or private credit vehicles where idiosyncratic security selection enables a pickup in yields. We continue to steer away from benchmark driven credit allocations per the poor fundamental backdrop. While corporate margins sit at record highs, IG interest coverage ratios have plunged to their weakest levels since 2010, and leverage is hovering near its pandemic-era peak (**Exhibit 21**). We remain positive about emerging market debt.

Exhibit 20: US and EU Credit Spreads



Sources. MAM Research, Bloomberg

Exhibit 21: Corporate Balance Sheets Review

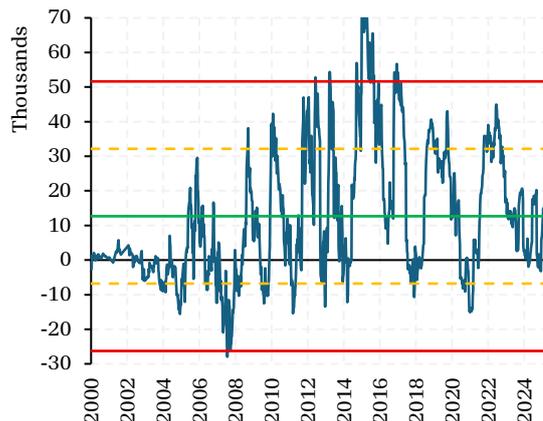


Sources. MAM Research, Bloomberg

Currencies | USD Range-Bound Near-Term

The dollar looks set to carve out a near-term floor after its sharp 1H25 slide, underpinned by markets pricing already two rate cuts this year – a view that implicitly inflation will remain subdued. However, the lagged impact of tariff-driven price pressures is likely to percolate through in 2H25, complicating the Fed’s calculus and making further easing more fraught than current futures suggest. While dovish positioning fueled by fiscal-dominance fears and tariff-driven inflation risks lifted USD risk premia, recent softer jobless claims and Fed’s consistent messaging prompted a dial back of aggressive rate-cut expectations. Tariff headlines remain the key idiosyncratic driver: delays or rollbacks could cap USD upside, whereas new measures could quickly revive it. Modest net-short positioning (**Exhibit 22**) means we could see an initial short-covering bump but the overall light positioning limits how big and sustained any squeeze can be. A lasting Fed-driven rally would require fresh buying from higher yields or shift in risk sentiment, but we see it as unlikely.

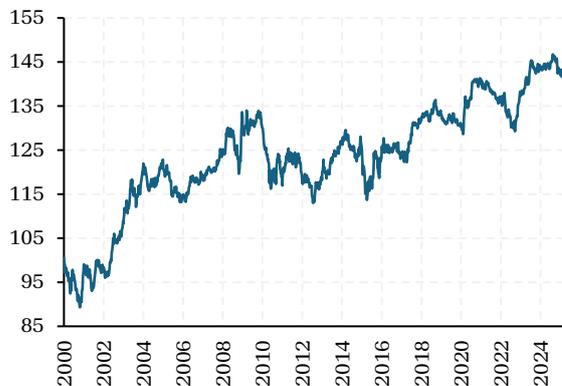
Exhibit 22: USD Net Non-Commercial Positioning



Sources. MAM Research, Bloomberg

The euro hit fresh highs in June (its trade-weighted index hit a record) (**Exhibit 23**) fueled by stronger European growth and wider yield differentials. At Sintra, ECB Vice-President Guindos warned a EUR/USD above 1.20 would complicate policy, signaling only mild resistance to further gains. With markets pushing back expected rate cuts to September/December and pricing a terminal rate near 1.5% by year end, the pair should trade near the 1.18-1.20 band, but upside may stall if Chinese demand softens or the US tariffs snag key exports.

Exhibit 23: EUR Trade-Weighted Index



Sources. MAM Research, Bloomberg, GS

The April global market tumult and seemingly glass half empty approach to a challenged UK economy have shaken GBP sentiment in 2025. The GBP TWI (Trade Weighted Index) is broadly unchanged this year (**Exhibit 24**). However, we would argue for a secular appreciation in GBP from here. While the market concerns over the twin deficits are valid, a number of elements make us constructive. The UK service sector dominance insulates the economy from the worst excesses of tariffs, notably with the UK having secured a trade deal with the US. Then, whilst the global economy is moving progressively

more protectionist, the UK (ironically) is reducing trade barriers with the EU. The direction of travel is becoming clear to us. Geopolitics is likely to play a dominant role in forging closer links to Europe. The UK macro-outperformance vs. Eurozone is a base case this year and with USD de-risking flows benefiting UK companies, the UK offers attractive entry levels based on valuation and composition. Unlike the EUR, GBP also barely benefited from the USD supply with positioning remaining very light. The broader USD de-risking and above dynamics make us constructive on the currency.

Exhibit 24: GBP Trade-Weighted Index



Sources. MAM Research, Bloomberg, GS

Equities | Neutral

The stock market is not pricing in a slowdown. In a mild economic slowdown, the S&P 500's P/E ratio usually falls down to the high teens. During a deep recession, it can often drop in the low teens or even high single digits. At 22.3x NTM EPS (**Exhibit 25**), markets are effectively pricing robust growth. The bulk of the rally post-“Liberation Day” is effectively all multiple expansion and not fundamental.

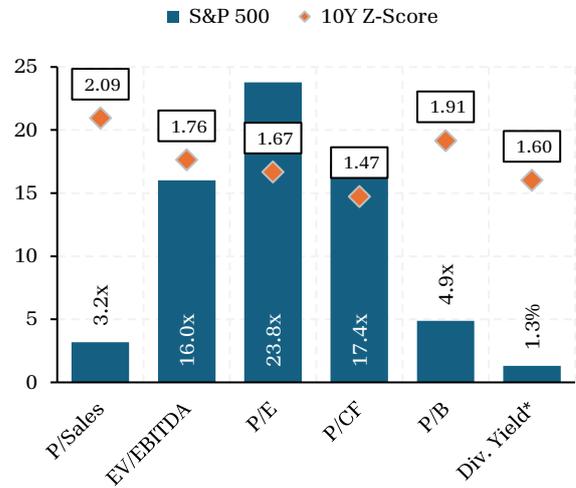
Exhibit 25: S&P 500 NTM P/E Ratio



Sources. MAM Research, Bloomberg

Valuations are extreme, no matter how we look at them (**Exhibit 26**). Mega cap dominance had been a distorting factor effect, but breadth has improved noticeably in recent months.

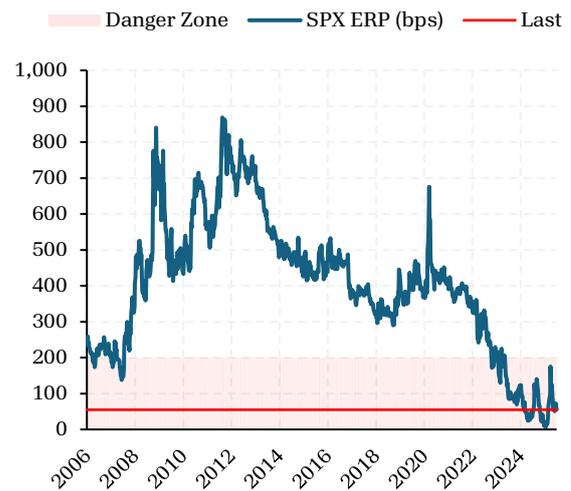
Exhibit 26: S&P 500 NTM P/E Ratio



Sources. MAM Research, Bloomberg. *Z-Score Inverted

Historically, there has been a strong relationship between an index's NTM P/E ratio and subsequent 3-year returns. Today's multiples suggest inflation adjusted annual returns are close to 3.0% over the next three years, which is significantly lower than its historical 6.4% average. US Equity risk premium is near zero (**Exhibit 27**), investors are effectively paying instead of getting paid to take on risks.

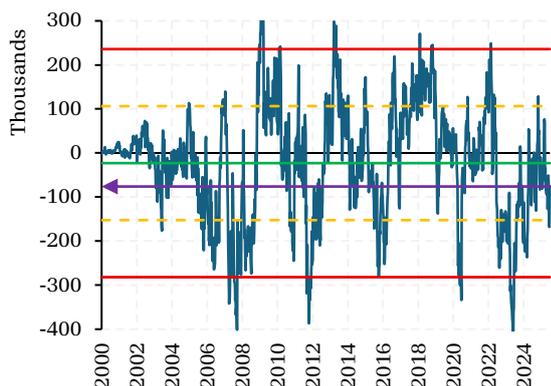
Exhibit 27: US Equity Risk Premium



Sources. MAM Research, Bloomberg.

However, investor positioning remains relatively light (**Exhibit 28**). Momentum is strong, volatility is compressing, and systematic strategies are set to be net buyers for yet a few more weeks as realized volatility compresses and forces some buying.

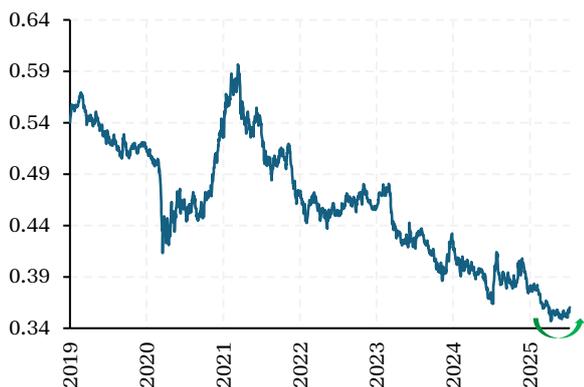
Exhibit 28: US Equity Net Non-Commercial Exposure



Sources. MAM Research, Bloomberg, CFTC

While small caps have participated in the market rally from the April 2025 lows, the Russell 2000 still remains well below its all-time highs meanwhile both the Nasdaq 100 and S&P 500 have made new highs in recent weeks. In the context of a weaker relative pricing and supplier bargaining power, it makes sense. However, on a go forward basis, as trade pressures abate, deals are negotiated, and inflationary pressures abate thus leaving room for the Fed to resume its easing cycle, then small caps should outperform. If markets begin discounting these outcomes, small caps can start performing earlier than most expect at a time when exposure to this size factor remains somewhat limited. We have been seeing some early signs of strength in recent weeks and expect this trend to continue as we progress through 2H25 (**Exhibit 29**).

Exhibit 29: US Small vs. Large Caps



Sources. MAM Research, Bloomberg

Non-US stocks tend to be more cyclical in nature than their US peers thus suffer disproportionately in a global slowdown. Yet, looking beyond today’s cycle, they trade at a steep discount on numerous metrics (**Exhibit 30**). Europe, in particular, offers new secular dynamics that are setting the stage for stronger relative returns in the years ahead.

Structural reforms and deeper capital markets are key factors to consider. The ECB urged to channel retail savings into European markets to finance EU priorities. Harmonized savings standard – shifting towards default passive or target-date fund models (akin to the US 401(k)s) – can mobilize household assets, boost participation, and investments.

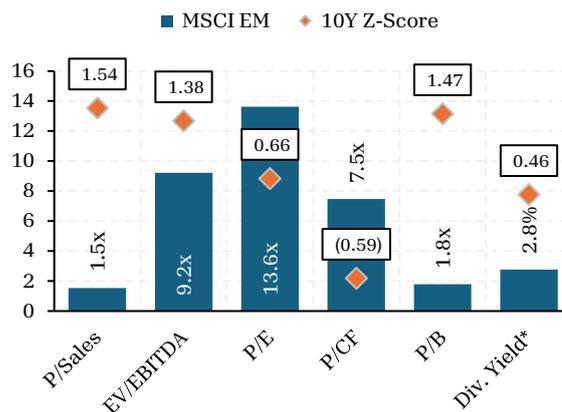
Exhibit 30: Euro Stoxx 600 Valuations



Sources. MAM Research, Bloomberg

Emerging markets equities would also suffer under an economic slowdown scenario. However, their superior long-term economic growth profile and relatively cheap valuation (**Exhibit 31**) allows them to outperform as the economic picture improves. Geographic selectivity remains an important factor within the broader EM allocation, underweighting for instance China on a Taiwan tail risk basis.

Exhibit 31: Emerging Markets Valuations

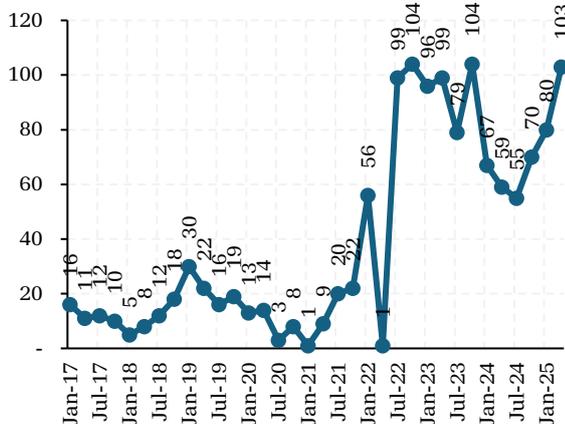


Sources. MAM Research, Bloomberg

The 2025 market correction has dramatically and disproportionately depressed biotech valuations, particularly amongst early-stage companies and recent IPOs. In many cases, valuations no longer reflect fundamental drivers of companies despite multiple catalysts like idiosyncratic value creation events (FDA trial successes). Roughly 100 biotech

companies are currently trading at a negative EV (**Exhibit 32**). Amongst these are companies with a strong science and validated assets. Based on 2022 precedents (time when the biotech sector was in a similar setup), we initiated an active position.

Exhibit 32: Nb. Of Negative EV Biotech Companies

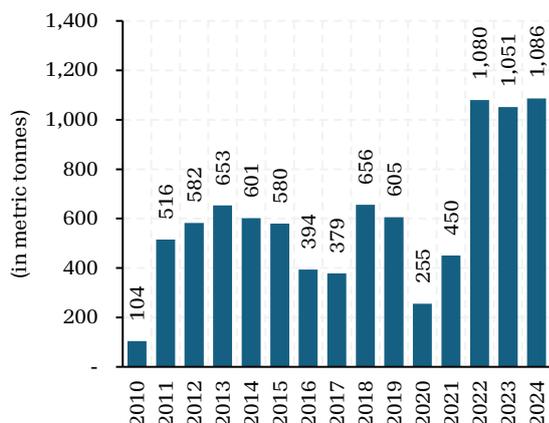


Sources. MAM Research, Bloomberg

Commodities | Defensive Tilt

After a strong first quarter, gold has mostly paused for a breather in recent months – fluctuating below \$3,400 since mid-April. The stasis will inevitably end. However, the next big move is likely to be a breakout above the resistance level rather than a prolonged slump. The main driver of the yellow metal’s three-year rally is still in play. Specifically, central banks’ appetite for gold remains insatiable (**Exhibit 33**). President Trump’s numerous policy pivots are only going to amplify this trend as trust in the US administration erodes.

Exhibit 33: Central Banks Net Gold Purchases

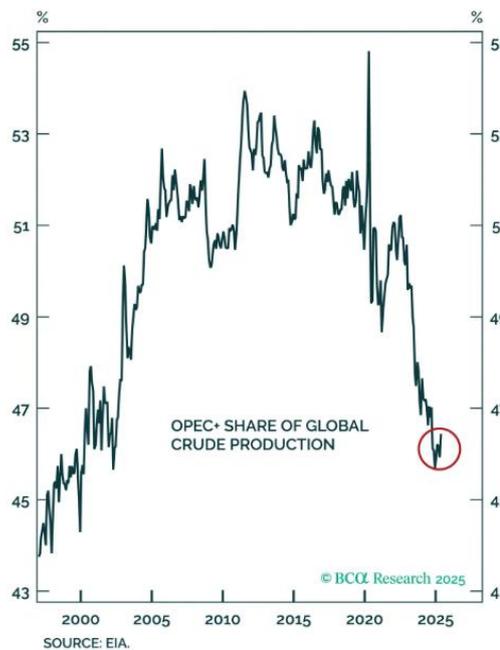


Sources. MAM Research, Metal Focus Data

Oil markets only modestly flinched in the face of tensions in the middle east. Though we argued the closure of the Strait of Hormuz was an unlikely tail event, the lack of hit to major export infrastructure

in Iran (majorly destined to China) was also a key supportive factor. As a result, the bar is now higher for markets to become concerned about potential supply disruptions. Instead, crude fundamentals will dominate market dynamics for the rest of the year. OPEC cannot be relied on to prevent a selloff either. There are already tentative signs it is trying to reclaim part of its lost market share (**Exhibit 34**). The coalition appears to be front-loading a rollback of its voluntary cuts and taking advantage of strong seasonal oil demand plus inventory drawdowns. The futures curve already prices for a surplus in oil markets to emerge next year. IEA, EIA, and OPEC anticipate resilient demand growth this year and next but in the context of a global trade contraction these forecasts appear overly optimistic. Scope for bearish surprises therefore remain high and could keep a lid on oil prices in the near-to-medium term.

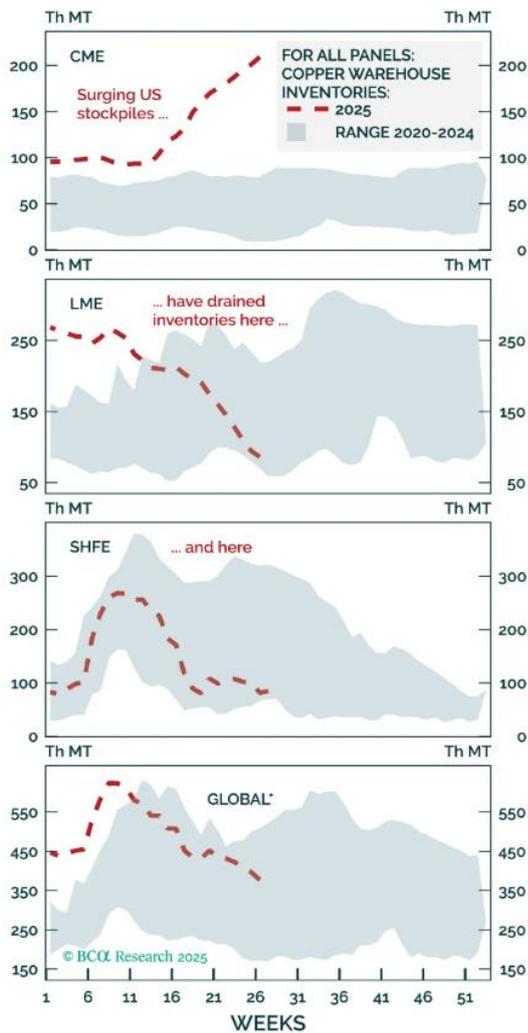
Exhibit 34: OPEC+ Market Share



Sources. MAM Research, EIA

Copper has been a standout outperformer amongst industrial metals (all flat to down YTD). However, it has not been rallying on fundamentals but rather speculations of it being subject to tariffs driving front-loaded US imports of copper. The re-routing of copper flows comes at the expense of stockpiles elsewhere (**Exhibit 35**). While inventories in the US soared, LME and SHFE stocks are at the bottom of their 2020-2024 range at this time of the year. Any resolution of Section 232 tariff may undermine or reverse its rally. We hold a defensive tilt given the weak near-term manufacturing backdrop.

Exhibit 35: Distribution of Copper Inventories

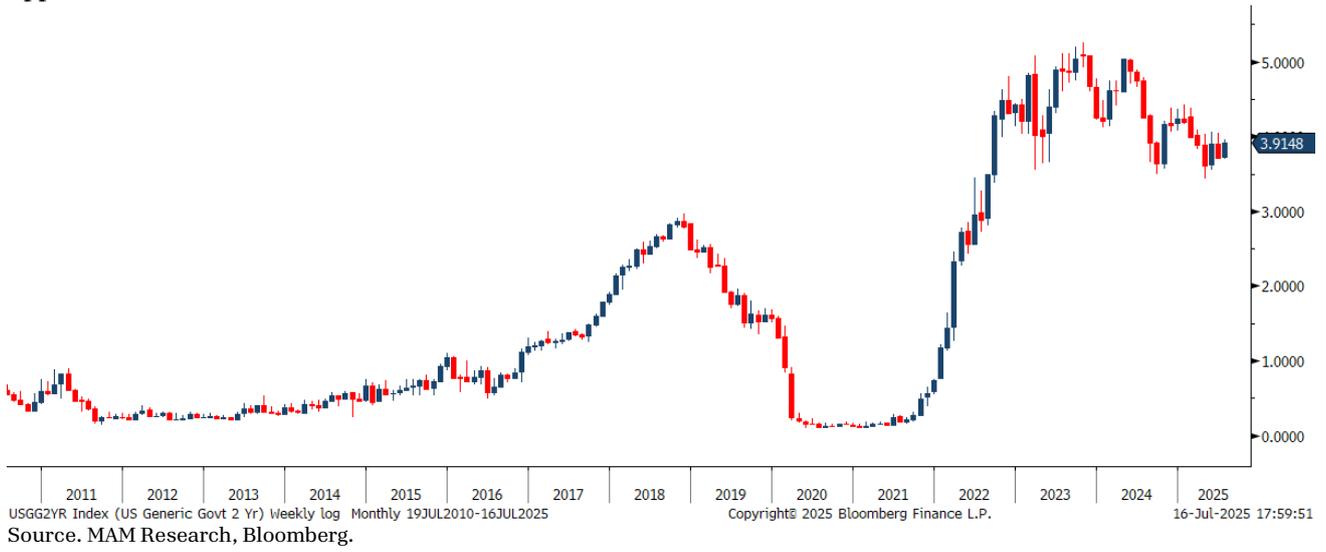


Sources: BCA Research, CME, LME, SHFE

In aggregate, within the commodities spectrum, we maintain a bullish long-term outlook, but cognizant of the strong run in 1H25, helped by a significantly weaker dollar, we are turning slightly more neutral over the short term.

Appendices

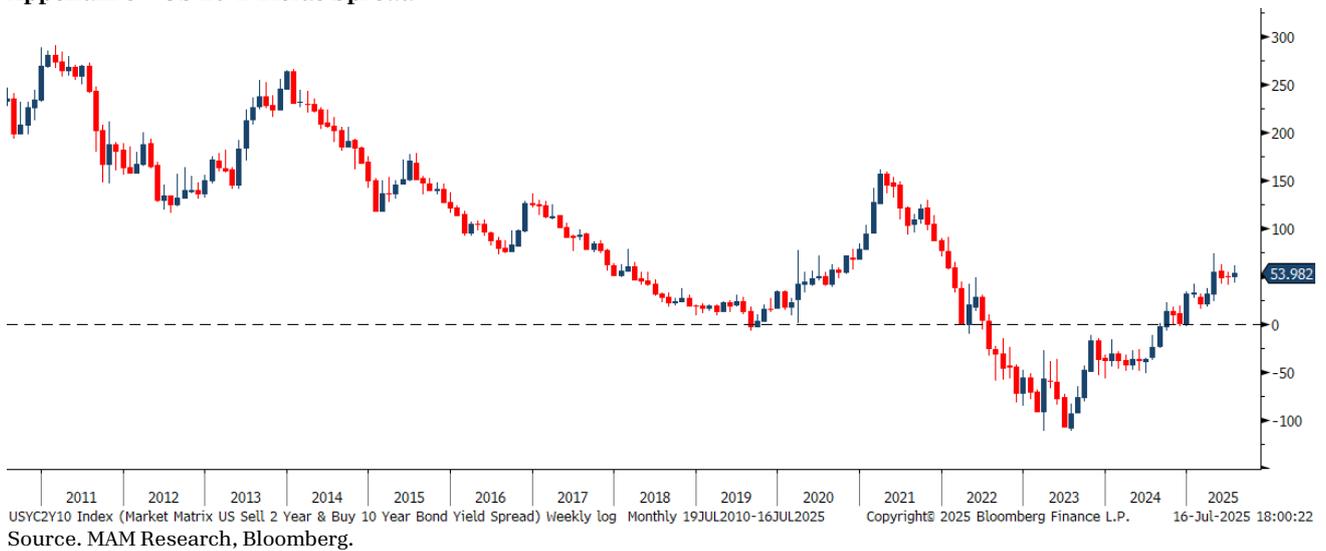
Appendix 1 – US 2Y Yields



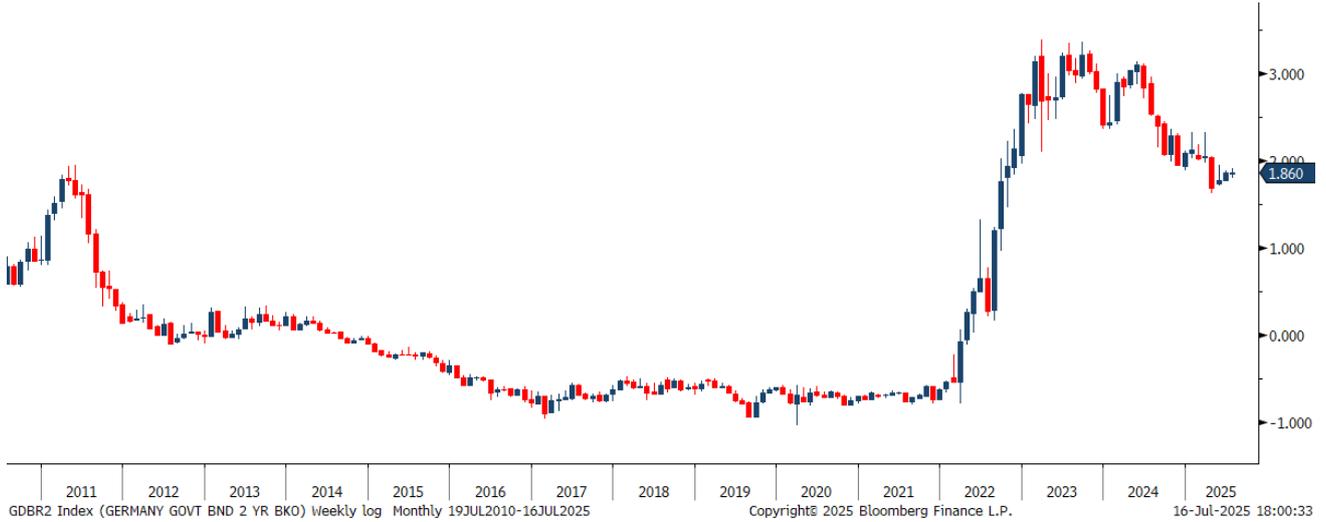
Appendix 2 – US 10Y Yields



Appendix 3 – US 10-2 Yields Spread



Appendix 4 – German 2Y Yields



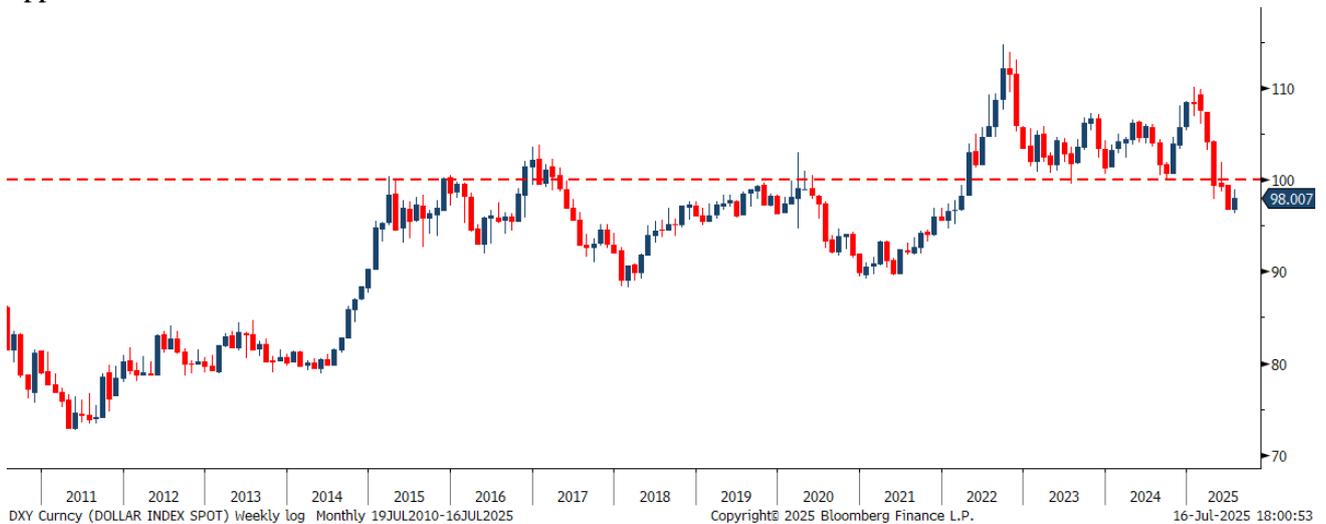
Source. MAM Research, Bloomberg.

Appendix 5 – German 10Y Yields



Source. MAM Research, Bloomberg.

Appendix 6 – USD Dollar



Source. MAM Research, Bloomberg.

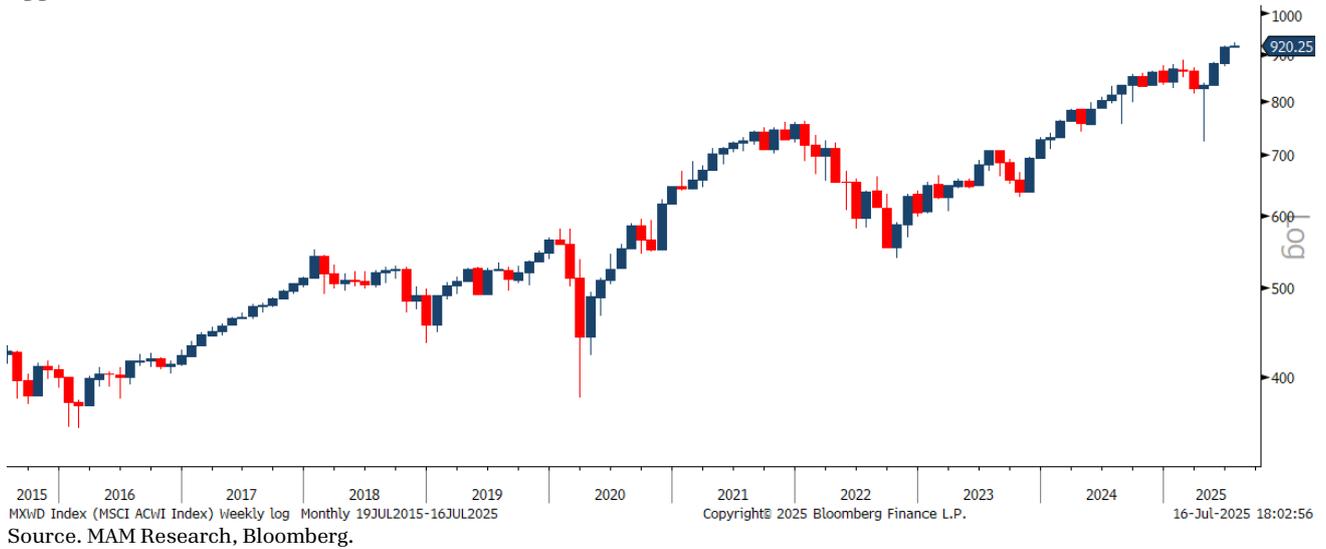
Appendix 7 – EUR vs. USD



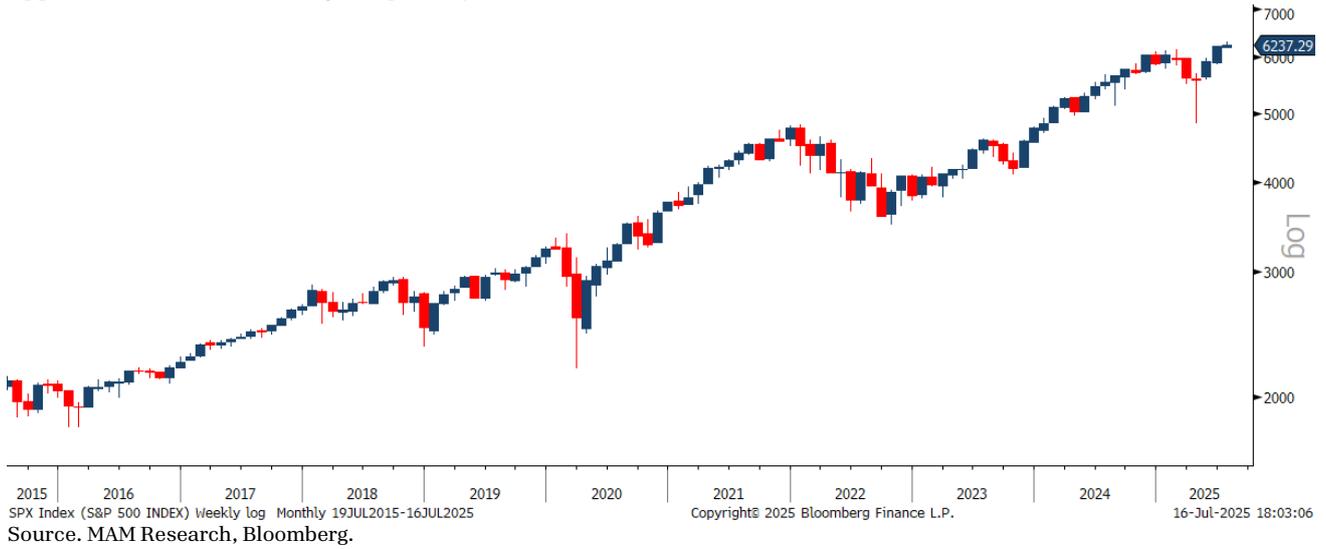
Appendix 8 – GBP vs. EUR



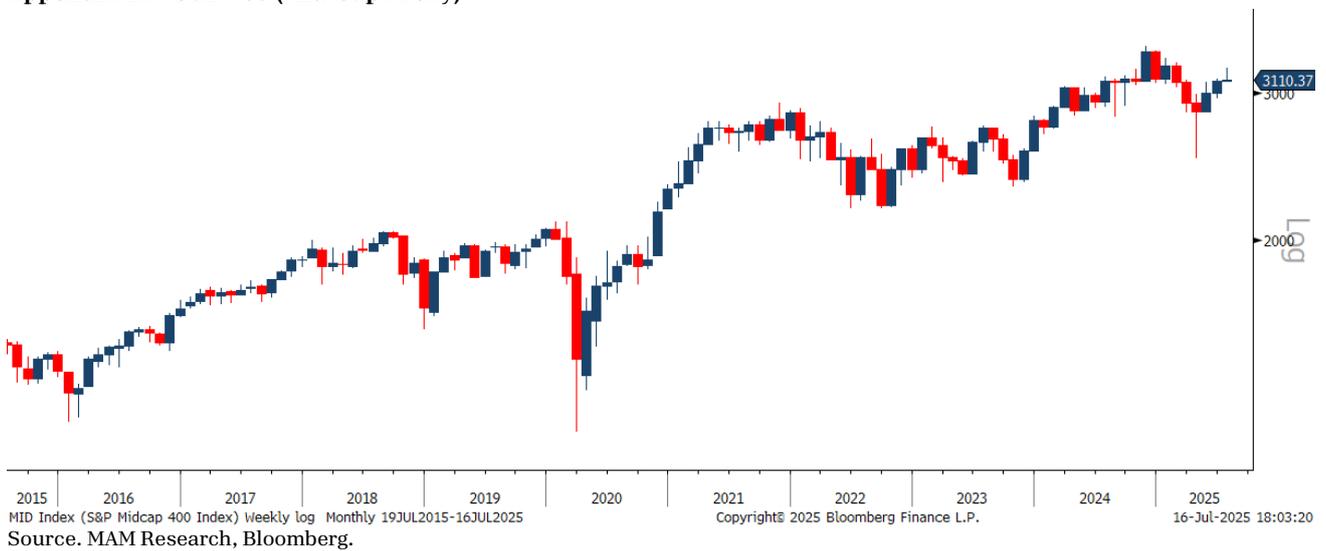
Appendix 9 – MSCI World



Appendix 10 – S&P 500 (Large-Cap Proxy)



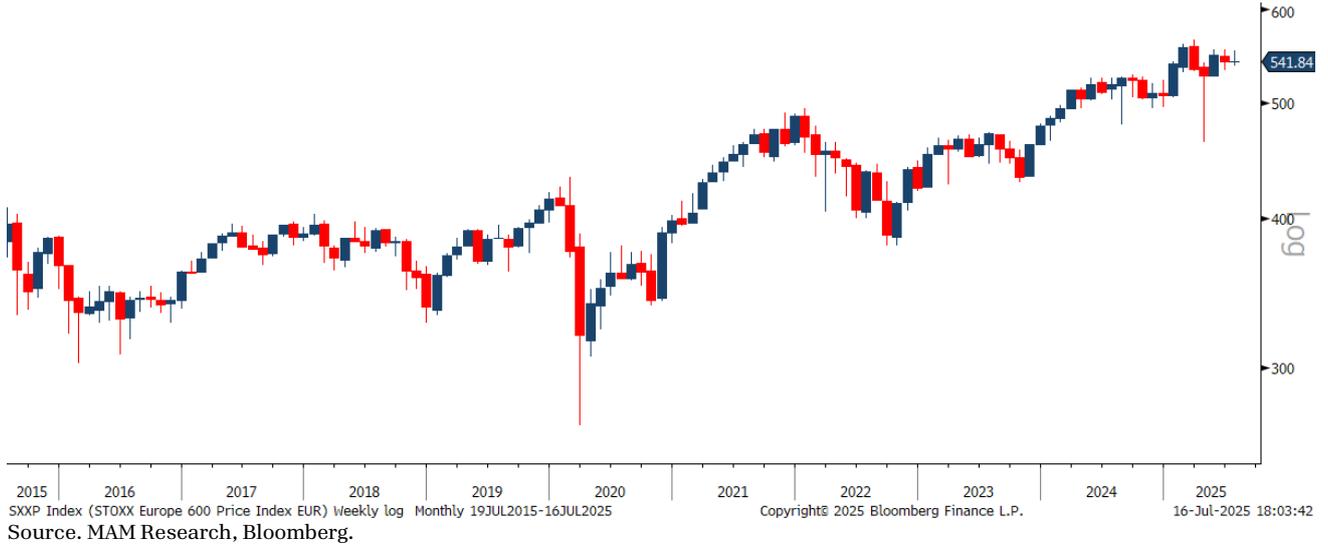
Appendix 11 – S&P 400 (Mid-Cap Proxy)



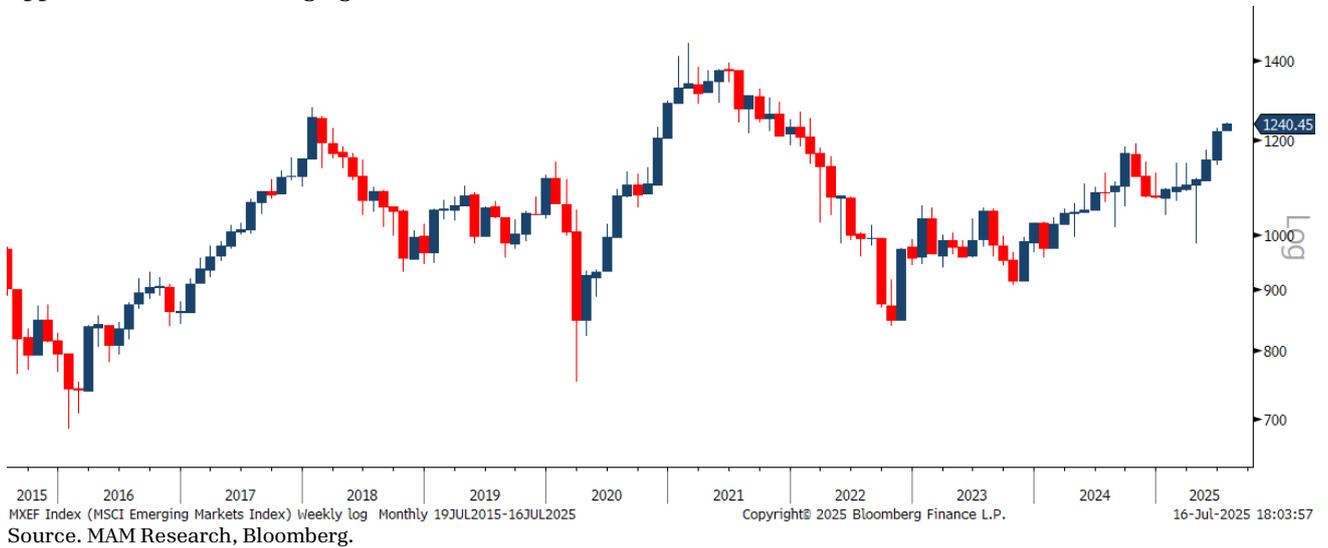
Appendix 12 – Russell 2000 (Small-Cap Proxy)



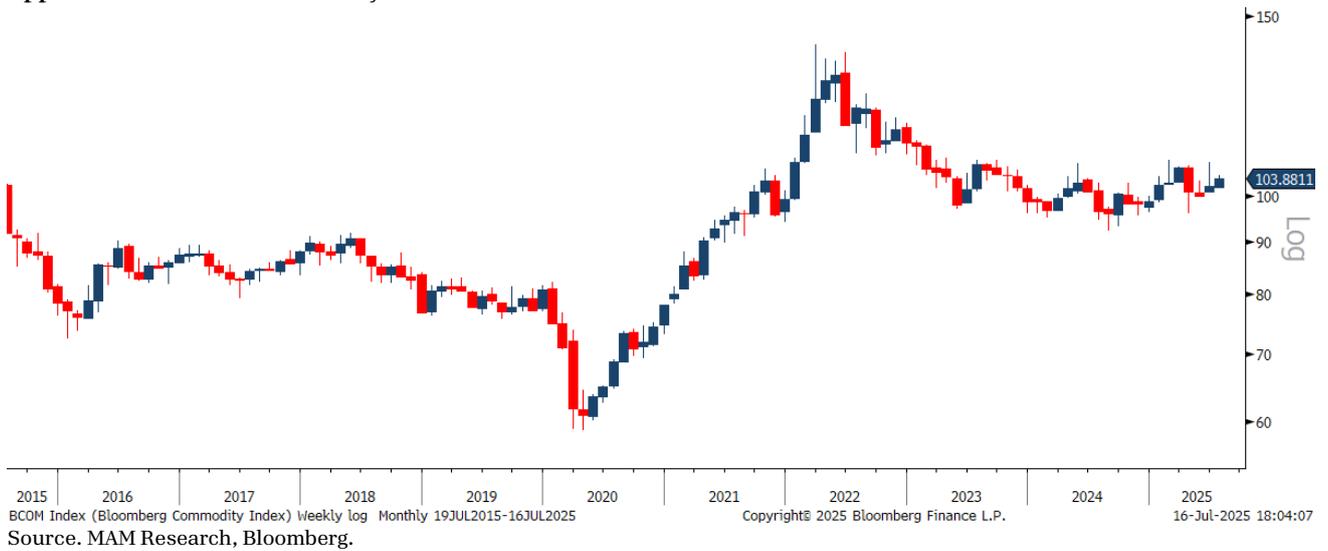
Appendix 13 – EuroStoxx 600



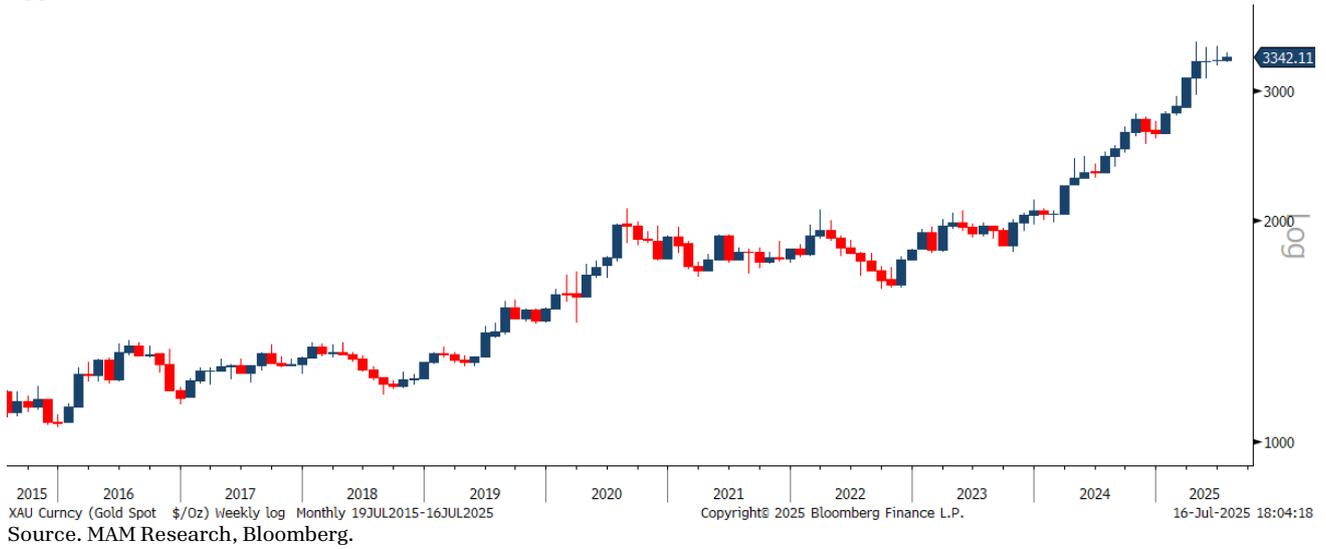
Appendix 13 – MSCI Emerging Markets



Appendix 14 – Broad Commodity Index



Appendix 15 – Gold (USD Terms)



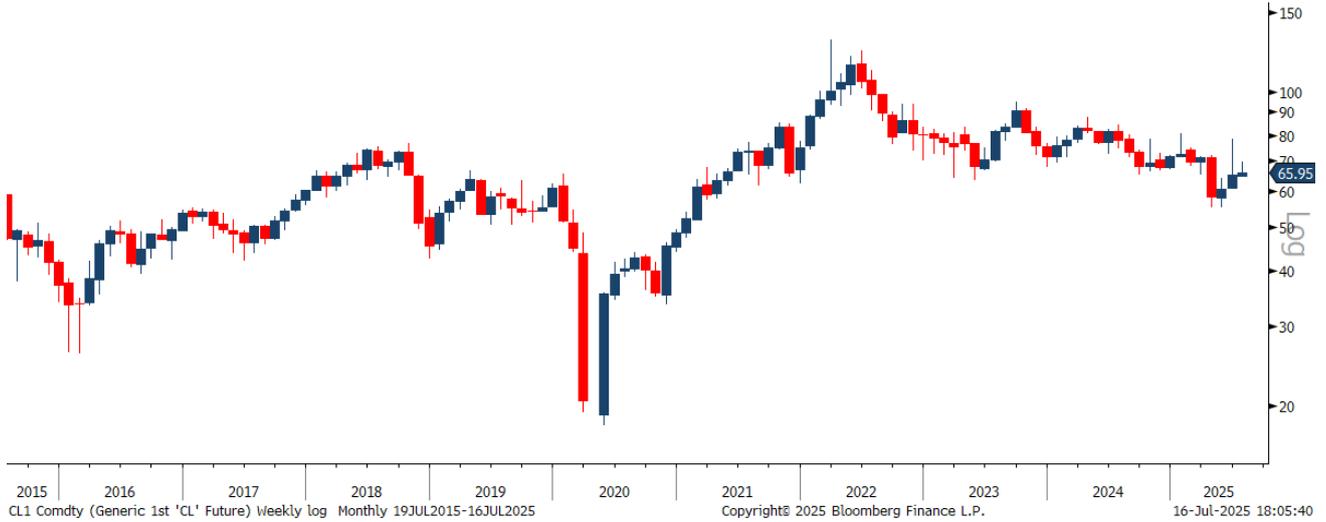
Appendix 16 – Silver (USD Terms)



Appendix 17 – Platinum (USD Terms)

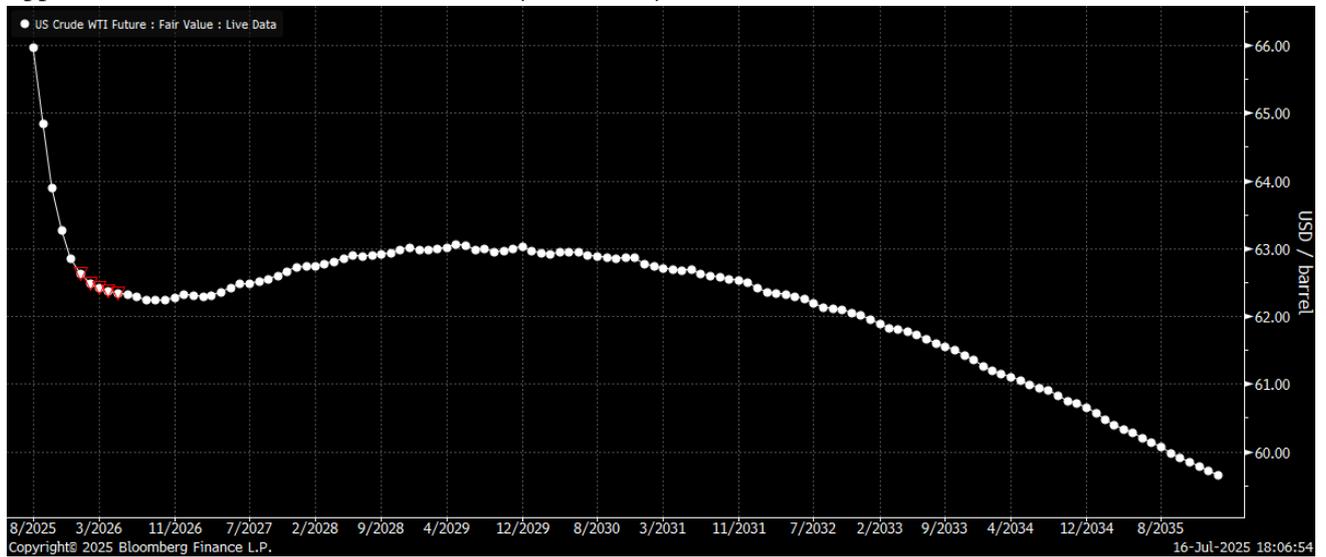


Appendix 18 – WTI Crude Oil (USD Terms)



Source. MAM Research, Bloomberg.

Appendix 19 – WTI Crude Oil Futures Curve (USD Terms)



Source. MAM Research, Bloomberg.

Appendix 20 – Copper (USD Terms)



Source. MAM Research, Bloomberg.

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