

Equity Focus

Uncertainties discarded by the market.

Summary

1. **The risk of a recession is now decreasing after sharply increasing in April.** The US administration has toned down its vocal calls for large tariffs on some key trading partners after realising the potential damage to its own economy.
2. However, **historically high tariffs are going to be implemented (Chart 1), which will lead to lower growth and pressure on profit margins.** This has been disregarded by the market during the recent equity recovery.
3. **US equities have become expensive once again.** The recent recovery was driven primarily by retail investors who probably did not fully understand the long-term consequences of tariffs. US P/E levels are now back above 20, which is a level at which most institutional investors are reluctant to buy, particularly given the fairly optimistic earnings forecasts in the US.
4. **Therefore, we recommend diversification in terms of both asset classes and geography.** In Europe, we favour select themes such as electrification, infrastructure and EU strategic autonomy. Furthermore, supported by sizeable fiscal stimuli, a market segment worth revisiting is European SMID caps.
5. **Sector view: we downgrade EU Insurance from Positive to Neutral as it is no longer cheap after a strong rally this year. We also downgrade EU Media sector from Neutral to Negative as it is expensive and there are still questions relating to growth and the impact of AI.**

No sector change in the US.

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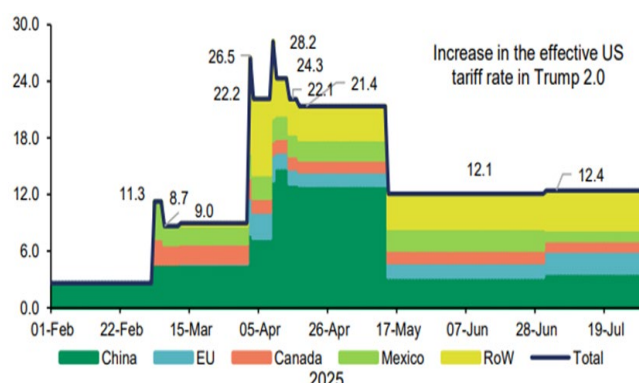
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CHART 1: HISTORICALLY HIGH TARIFFS ARE GOING TO BE IMPLEMENTED BY THE US



We use 2024 trade data (assumed unchanged) to calculate the trade-weighted average US tariff increase relative to the near 2.5% rate that prevailed before Trump imposed the first tariff of his second term. We assume implementation of additional tariffs on sectors that are currently exempt (see page 18) in Q3. Sources: US Census Bureau, Macrobond, BNP Paribas



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Focus on policies, not politics

"I, however, place economy among the first and most important republican virtues, and public debt as the greatest of the dangers to be feared." (Thomas Jefferson, 1816)

When we make decisions, we don't make them completely independent. There are always certain constraints which will influence those decisions. Think about the weather's impact on your plans to go to the beach. The same concept is true for business leaders and politicians. Thus, it is key to understand what the current constraints of a certain person are, if we want to make more realistic assumptions about their behavior. For politicians, one of the biggest constraints is the median voter's perception (MVP) of the impact of the politicians' actions on the MVPs daily life. Those can arise via taxes, asset prices or other things - economical and non-economical.

Even Donald Trump has some major constraints

The fiscal path of the USA has been a major issue for debate recently. While the huge stimulus programs certainly helped the USA to recover from the COVID-inflicted recession, there are little signs for a return to a more sustainable path of debt. As a result, the USA lost their last AAA credit rating when Moody's lowered their rating this May.

The USA are heavily in debt as their Debt / GDP ratio stands at 120.8% (Chart 2). Since current forecasts expects the US to continue to entertain budget deficits north of 6% p.a. until at least 2027, this number is likely to grow further. Such a development itself is not a strong constraint as long as the market doesn't question the sustainability of that debt. However, looking at the USA, things could start to become more complicated. The US Government is currently spending 18% of its tax income as interest payment. According

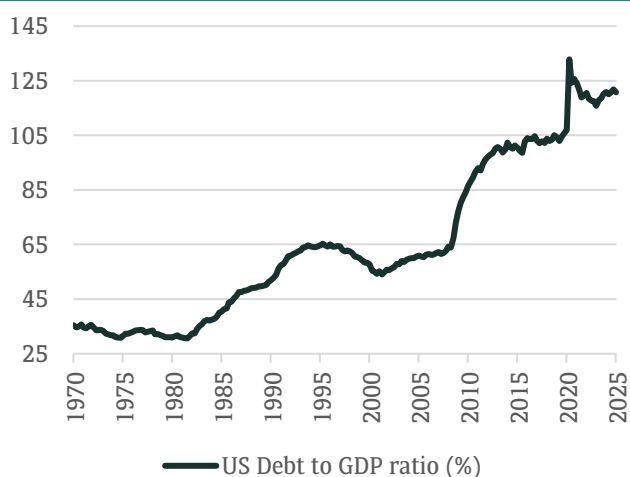
to the CBO, this number is expected to reach 22% within the next decade (Chart 3). With the average rate on outstanding debt standing at 3.3% (Charts 8 & 9), it becomes quite clear why Trump is so sensitive to the level of rates (and why he pushes the FED so hard to lower rates). Even more as ~ USD 11.6tn of US debt is maturing by the end of next year. Should rates keep climbing, which is not our central scenario as our 12-month target for 10Yr US yields stands at 4.25%, bond vigilantes could cause severe pain. Simultaneously, every increase in interest spendings lowers the fiscal room to conduct tax cuts without employing fiscal austerity. Thus, Trump needs economic growth, low inflation and growing revenues.

Trade hostility is nothing new

"I have made rigorous trade enforcement a central pillar of U.S. trade policy, and we have moved aggressively to protect American workers and to improve labor laws and working conditions with trading partners across the globe."

This sentence isn't from Donald Trump as readers might have guessed but from a 2015 speech delivered by Barack Obama. It serves as an example that foreign trade has been the US politicians' favorite scapegoat when it came down to explain the descent of the American middle class. It was an easy to go excuse as if prevented politicians from engaging in potentially painful reforms. This trend, despite the polarization between parties, seems to have reached a climax which helped Trump to get re-elected.

CHART 2: US DEBT TO GDP RATIO IS CLOSE TO PANDEMIC HIGHS



Source: BNP Paribas, FRED

CHART 3: MORE THAN 20% OF REVENUES WILL BE PAID AS INTEREST IN 2035



Source: BNP Paribas, CBO, Worldbank



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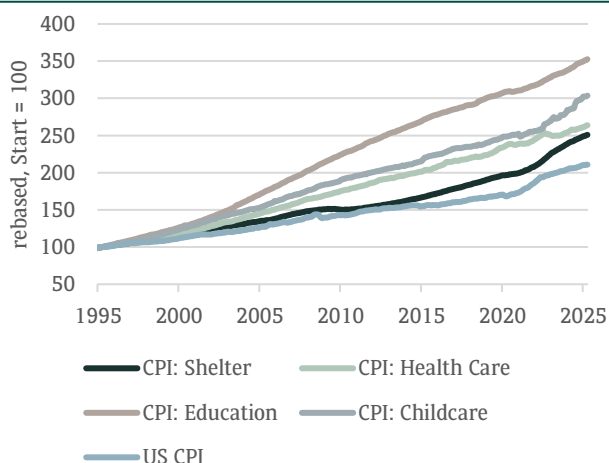
Tariffs don't solve the major problems

Nevertheless, the US is running a trade deficit with most countries and Trump is promoting the idea to fix the issues of the MVP via increasing protectionism while simultaneously reducing trade balances and collecting income to fund his fiscal policies. None of this is possible, though. Tariffs are not improving the job security for 90% of MVPs who work in services. They only make the live of those people more expensive. Neither are tariffs able to reduce the trade deficit. The trade deficit, in simple terms, exists because the US are spending too much and producing too little. This means that there are basically only two ways to reduce the deficit: spending less or producing more. Tariffs are not impacting the overall amount households are able to spend and with the economy being close to full employment, it's hard to see how it should help to increase production. The major achievement remains increasing prices which goes against the interest of the MVP.

One big beautiful TACO

Taking those major constraints into account helps to understand why Trump Always Chickens Out (TACO). Despite his fierce rhetoric, he can implement anti trade policies only to a certain extend as the consequences would not bode well with the MVP. We would expect Trump continue to play verbal hardball but to act in accordance with his constraints. He must avoid a recession and keep inflation at bay to see rates coming down. This should be good news for investors as the resulting volatility may create possibilities. At the same time, the economic impact of the created uncertainty should become increasingly visible in hard data. We thus remain selective within US equities and would prefer quality companies.

CHART 4: MIDDLE CLASS GOOD INFLATION OUTPERFORMED THE CPI BASKET



Source: BNP Paribas, Bloomberg



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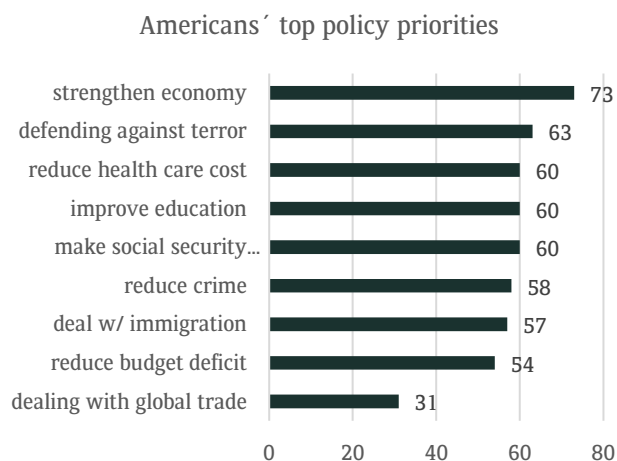
A tactical de-escalation, not a strategic reset

Those constraints are also the main reason why Trump agreed on a trade truce with China. He (and his party) can't afford to become the grinch that stole Christmas. After stark warnings that the China tariffs would put Christmas at risk, Trump had little choice but to agree on something quickly. Placing orders and having factories manufacture the products takes three months and then shipping them from China to the US takes another two. This means there is little time left for order if goods should arrive in US warehouses by mid September.

As soon as the holiday goods ordering season is over, Trump's pain point moves, and rhetoric might flare up again. However, as recently demonstrated when it delayed shipping of rare earth magnets, China is holding strong cards and plays them well. It looks much stronger and better prepared compared to the first trade war during Trump's first term.

When looking into the details of the Geneva truce, the US side was much more focused on rare earths while Chinese communication looked more for a broader reset that includes lifting export restrictions for all kind of (technological) goods. Given the importance of those materials and the global dependence on them, China looks to have the upper hand. While having access to the latest US chips would be a "nice to have" for China (remember DeepSeek as an example what China can do with "Tier 2" technology). The US and its allies on the other hand don't have that luxury as the alternatives to rare earths are - pun intended - "rare". We should thus expect the story to continue. But in the end, we think, the outcome may be much more beneficial to China as the market seems to be currently believing.

CHART 5: TRADE IS OF LITTLE IMPORTANCE FOR THE MVP



Source: BNP Paribas, Pew Research Center (2024 data)

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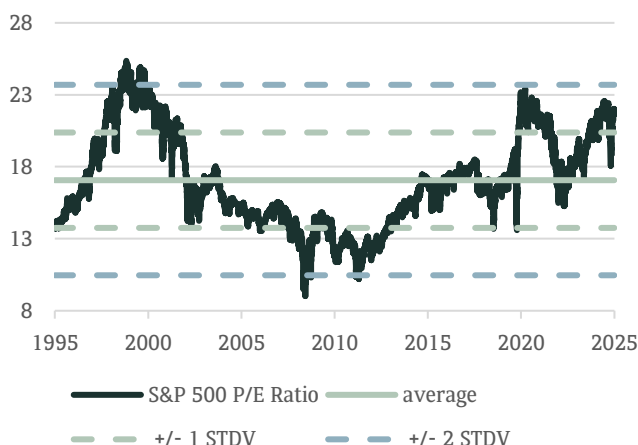
US equities: still expensive

US equities managed to recover all their losses the tariff tantrum created. The S&P 500 is back above 6000, trading only a whisker below its all time high. As the price increased, so did valuations. The P/E ratio is back at 22 (Chart 6) which represents the 90th percentile score when looking back until 1995. Such valuations seem to be detached from a reality in which the effective US tariff rate is at least six times as high as 12 months ago (Chart 1) and trade uncertainties remain elevated. We continue to expect the valuation to compress from the current blue-sky scenario. At the same time, the recent relief on the tariff side reduced the tail risk of a severe recession. This allows us to increase our target valuation range and the 2026 yoy EPS estimates. With 9%, we remain below consensus which currently expects 13.7% growth. For 2025, we stick to a 4% EPS growth forecast (lower than the market's expectations). The updated forecasts are shifting our S&P 500 target range slightly higher to 5.600 - 5.850 (Chart 10). We thus remain underweight US equities and prefer quality compounding, foreign focused companies within the US.

Tensions on the oil & gas markets

Israel's attack on Iranian nuclear facilities and on some key figures of the Iranian regime provoked a spike of the oil and gas prices. So far, Iranian oil & gas facilities have not been significantly damaged. The key risk would be a Strait of Hormuz blockade and/ or a transporters' fear that would dramatically reduce the traffic over there. Such event probability looks low as the US wants low(er) energy prices. Furthermore, China is a big importer of Iranian oil. **Therefore, we do not change our negative view on the energy sector, related to an oversupply on the oil market. Obviously, we follow closely this crisis' evolution.**

CHART 6: US EQUITIES ARE PRICED FOR PERFECTION (AGAIN)



Source: BNP Paribas, Bloomberg



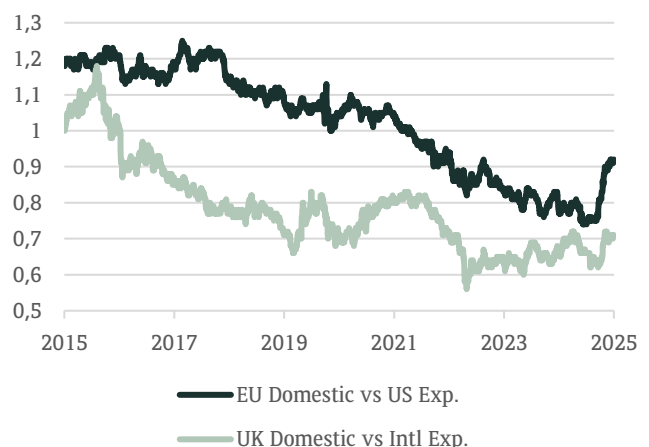
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European Equities: wait for it

European equities continue to outperform most of their global peers, let by the German DAX which continues to benefit from an expected increase in fiscal spending. Beneath the surface, we can observe an interesting trend though. Domestic stocks are beating exporters in the Eurozone and in the UK (the same is true for Japan as we expected) with the upmove starting in early April, as trade uncertainty spiked (Chart 7). We believe that further USD weakness (note that we recently increased our EUR/USD target to 1.20) and a continued stream of mixed trade headlines should keep benefitting domestic names. We thus expect this trend to continue with valuations of domestic stocks vs exporters looking particularly attractive in Europe. Another angle of this view may be the ongoing outperformance of SMIDs vs Large caps, a trade which is also geared to domestic vs foreign exposure. While UK small caps screen record cheap, Germany's MDAX offers the most direct exposure to increasing fiscal spending.

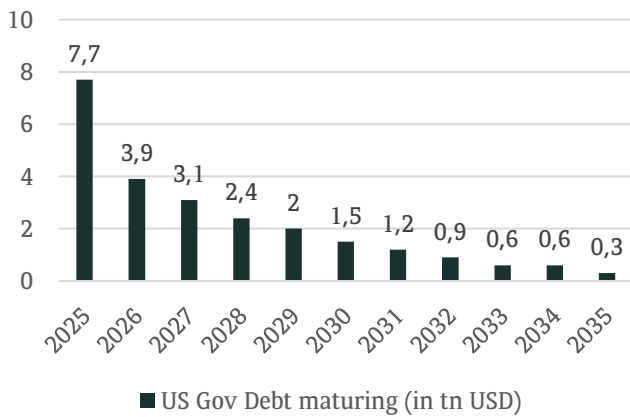
While the growth trajectory for European equities remains more favorable than for their US counterparts, valuations, at least compared to their own history, are no longer cheap. The P/E ratio trades a 14.6 which represents the 74th percentile score when looking back until 2007 (Chart 11). Given our view of a likely correction in the US market we maintain our overall neutral stance and continue to look to increase our allocation on dips.

CHART 7: DOMESTIC EXPOSURE STARTED TO OUTPERFORM



Source: BNP Paribas, Bloomberg

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CHART 8: THE INTEREST ON US DEBT IS EXPECTED TO RISE DUE TO REFINANCINGS...

Source: BNP Paribas, Bloomberg

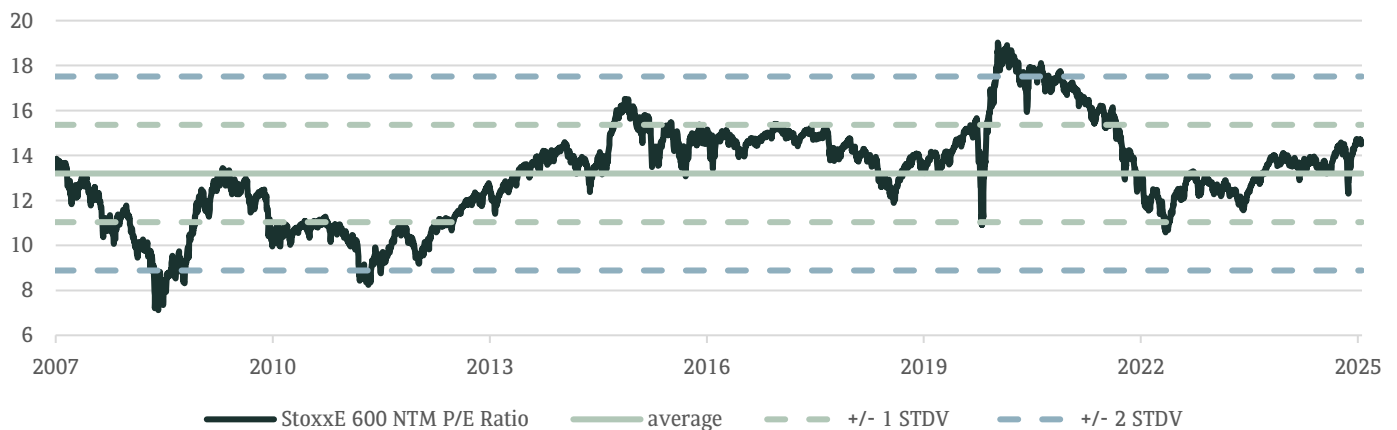
CHART 9: MOST LIKELY TO TAKE PLACE AT ABOVE AVERAGE RATES

Source: BNP Paribas, Bloomberg

CHART 10: A SLIGHTLY INCREASED TARGET RANGE FOR THE S&P 500

			2025 yoy EPS growth				
			2,0%	4,0%	6,0%	8,0%	10,0%
Forward P/E	24	Target	6.600	6.700	6.850	6.950	7.100
		Upside	10%	11%	14%	15%	18%
	23	Target	6.300	6.450	6.550	6.650	6.800
		Upside	5%	7%	9%	10%	13%
	22	Target	6.050	6.150	6.250	6.400	6.500
		Upside	0%	2%	4%	6%	8%
	21	Target	5.750	5.850	6.000	6.100	6.200
		Upside	-5%	-3%	0%	1%	3%
	20	Target	5.500	5.600	5.700	5.800	5.900
		Upside	-9%	-7%	-5%	-4%	-2%
	19	Target	5.200	5.300	5.400	5.500	5.600
		Upside	-14%	-12%	-10%	-9%	-7%
	18	Target	4.950	5.050	5.150	5.250	5.350
		Upside	-18%	-16%	-15%	-13%	-11%

Source: BNP Paribas, Bloomberg, based on S&p500 at 6025 and 2026 yoy EPS growth of 9%

CHART 11: EUROPEAN EQUITIES ARE NO LONGER CHEAP WHEN MEASURED AGAINST THEIR OWN HISTORY

Source: BNP Paribas, Bloomberg


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US Sector allocation & review

No change to our US sector allocation this month.

Great recovery in May

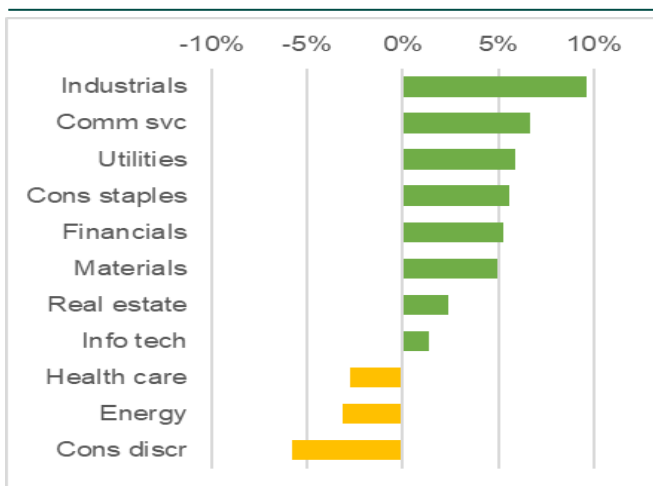
After an extremely volatile month of April, the US authorities decided to bring back a certain calm onto the equity markets. Mr. Bessent now seems to draft economic policies and willing to conclude more reasonable trade agreements. It has reassured the financial markets as well as some data showing the US economy is still doing well. Of course, a key question is how much support has been brought by front loading before tariffs enactment. One should know very soon.

In this context, **an almost perfect return reversal took place on the equity markets whereas sectors that dropped the most beginning of the year, i.e. mainly the expensive tech related sectors, outperformed the most during the April-May equity market recovery.** It is true that AI business still looks fine whereas trade and supply chain difficulties related to tariffs have been disregarded. They are likely to reappear soon, leading to a new burst of volatility.

Besides, Mr. Musk is unhappy about policy decisions going against his and Tesla's interests (cf. repelling of some parts of the IRA Act, such as a possible EV tax credit elimination). His quarrelling with Mr. Trump has put Tesla stock under heavy pressure beginning of June. **Other 'Mag-7' stocks also face various risks, quite ignored by the market,** such as antitrust probes, supply chain issues, uncertain ROI on their heavy investments in AI, stiff(er) competition, etc.

In general, we stay careful with US equities.

CHART 12 : US SECTOR PERFORMANCE YTD: INDUSTRIALS LEADING ; CONS. DISCR, ENERGY AND HEALTH CARE IN THE RED.



Source: S&P 500, 2025 performances as at 09 June 2025.



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The market is not pricing the likely economic slowdown, the loss in confidence, the disruptions and inflationary pressures that are coming. **Therefore, we stay defensive, and we underweight big tech, US consumption related stocks as well as energy.**

Note that despite high valuations, we do not completely reject technology. Whereas hyperscalers are expensive, some **software, cloud, network, storage and cybersecurity companies** are gaining a lot with AI.

We also suggest to play AI via its indirect winners, i.e. companies that should profit from productivity gains, but also those firms profiting from bottlenecks such as power or electrification related companies. **Therefore, Utilities remain a favourite sector.**

Next to Utilities, we like Health Care (HC) as it is pricing a very pessimistic outcome from the ongoing debates relating to the high price of medical treatments in the US. Some price reductions can be expected where abuses have been identified but we do not think that the result will globally be that bad. A big reshuffle of the US HC system would necessitate a deep reform as well as the US Congress' approval. It could take years. At present, HC earnings growth is as good as it has ever been (above 10% y/y). Besides, due to cheap valuations, we expect more M&A's this year.

Ideally, for HC equities to strongly recover, there should be some sector rotation with as possible catalyst an economic slowdown or some clarifications/decisions reducing the current uncertainties.

CHART 13 : US EQUITIES ARE EXPENSIVE, PARTICULARLY IT AND CONSUMPTION RELATED SECTORS

09-06-25	PE				EPS Growth - %			
	2025	2026	2027	12m fwd	2025	2026	2027	12m fwd
MSCI USA	23,0	20,2	17,8	21,7	9,3	14,0	13,4	11,2
MSCI USA ENERGY	16,0	13,3	10,7	14,7	-14,4	19,8	22,7	-1,4
MSCI USA MATERIALS	20,9	18,0	15,7	19,5	2,5	16,3	14,1	8,6
MSCI USA INDUSTRIALS	25,6	22,1	19,5	24,0	11,4	15,6	13,6	13,7
MSCI USA CONS DISCR	30,6	26,5	22,4	28,8	2,1	15,7	17,9	8,0
MSCI USA CONS STAPLES	23,1	21,5	19,9	22,3	0,1	7,4	8,0	3,2
MSCI USA HEALTH CARE	16,8	15,1	13,5	16,1	15,6	11,0	11,9	13,4
MSCI USA FINANCIALS	17,4	15,3	13,0	16,4	4,7	13,9	12,9	8,6
MSCI USA REAL ESTATE	39,5	34,4	31,6	37,2	-3,9	14,7	9,0	3,7
MSCI USA IT	29,9	25,4	22,4	27,4	18,8	17,8	13,4	17,4
MSCI USA COMM SERVICES	20,0	18,3	16,2	19,3	16,6	9,5	13,2	13,1
MSCI USA UTILITIES	18,7	17,3	16,1	18,1	5,2	8,1	7,6	6,5

Source: MSCI, BNP Paribas

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Sector allocation & review - Europe

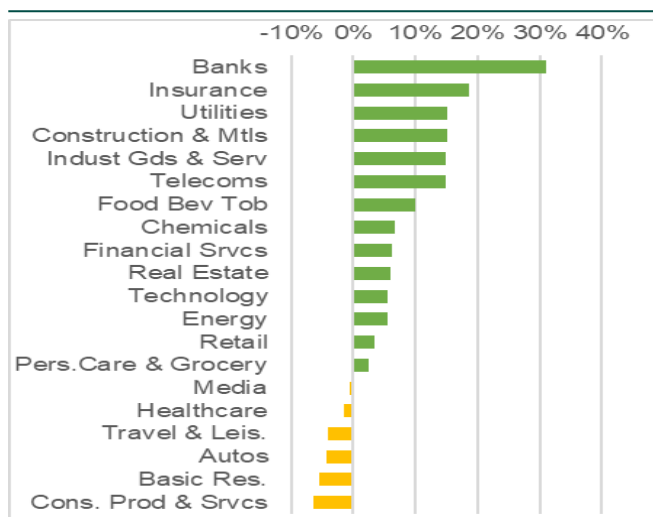
After the recent recovery and great performance, we suggest profit taking in expensive sectors.

After a volatile month of April, May was better. European equities gained more than 4% (even 5% when dividends are included) whereas US equities recorded +6%. Discussions are ongoing between Europe and the US on new trade agreements. The UK has already reached one (note however that imbalances between the US and the UK are small compared with other countries).

Thanks to US tariffs now expected to be lower than first announced, and thanks to extra European spending in infrastructure and defence, cyclical sectors outperformed defensives in May. We like those companies profiting from European defence and infrastructure plans. These are mainly Industrials, Construction Materials, Software and Utilities. We are positive on these sectors. Of course, Germany having much more fiscal leeway than other European countries, it has been a big equity market winner so far this year: DAX and MDAX index have both registered +21% in EUR against +12% for the European Stoxx600 (incl. dividends) and -3% for the MSCI World in EUR as of 9 June 2025.

In particular, the relatively tariffs insulated German mid caps have outperformed the rest of the market since the April trough (cf. MDAX index). We like this market segment. In general, European small caps represent an interesting diversification, but we would prefer to make sure the global economy does not slow down too much this Summer before turning positive on European 'smid' caps in general.

CHART 14: EUROPEAN SECTOR PERFORMANCE YTD: FINANCIALS AHEAD ; MAINLY CYCLICAL SECTORS ARE UNDERPERFORMING.



Source: Stoxx600, 2025 performances as at 09 June 2025.

Year to date, the most exposed sectors to tariffs and to the global economic slowdown - i.e. consumer discretionary, automobiles, energy and basic resources - keep underperforming. China, the World biggest consumer of basic resources, is still under pressure. At contrary, some European domestic and defensive sectors have become quite expensive after a great performance beginning of the year.

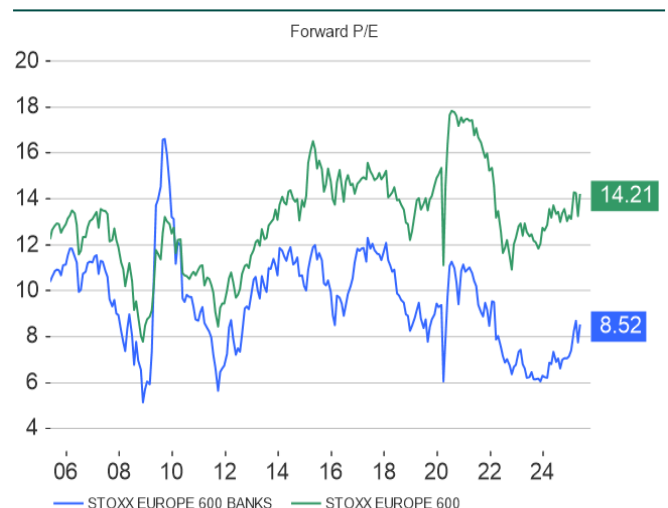
In June, we downgrade the Insurance sector from Positive to Neutral and the Media sector from Neutral to Negative.

European Insurance, at a P/E close to 12, is trading at the high end of its historical P/E range (see next page). For comparison purpose, note that banks are trading at a P/E ratio of 8,5 only (see below chart), despite their stellar performance of the last 2 years.

European Media is trading at an expensive P/E ratio above 17 (see next page), whereas AI full impact on the sector is still uncertain. New questions have appeared, for instance how much market share Meta Platforms is going to grab from traditional media in its attempt to automatise ad creation via AI.

Finally, regarding Health care, the news flow is not great although (expected) corporate earnings are solid. The weakening USD is a new concern for European exporters and must be watched. But we estimate that the pessimism related to tariffs and to possibly lower drug prices in the US is exaggerated. Rarely has the Health Care sector been so cheap.

CHART 15: AFTER A GREAT OUTPERFORMANCE OVER THE LAST 2 YEARS, EUROPEAN BANKS ARE STILL CHEAP !



Source: LSEG Datastream, 21/05/2025



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EU Insurance downgraded from Positive to Neutral and EU Media from Neutral to Negative.

EU Insurance from + to =

The European insurance sector is concentrated and rather multiline (contrary to the US market where insurers tend to be more specialized). A few big names make most of the representative index. In Europe, Germany and Switzerland hold the biggest market shares and capitalisations. Some deep restructuring have taken place in the insurance sector and the solvency ratios now stand at 214% in aggregate. It is considered as sound and capable to absorb shocks as big as the Covid. As a matter of fact, insurance is now characterized by large cash returns to shareholders.

This sector is also a compounder; premiums paid tend to increase year after year. Catastrophes are typically no major drag but rather an opportunity to charge even higher premiums. Only very major catastrophes can temporarily hit (re)insurers. The sector has strongly outperformed over the last 2 years. It has re-rated from a very cheap fwd P/E ratio of 9 in 2023 to a now **relatively expensive P/E ratio close to 12. This level historically did not hold.**

Risks have not disappeared: insurers are somewhat correlated to the good health of the economy and of the financial markets. Besides, with climate change, more major catastrophes could happen, creating unexpected losses in the P&C segment. Competition for new business is becoming fiercer whereas potential for further premium hikes now seems limited. **Therefore, we suggest at minimum to be more selective within the European insurance sector and to book some profits in case of a big exposure to it.**

CHART 16 : EUROPEAN INSURANCE IS TRADING AT THE HIGH END OF ITS VALUATION RANGE



EU media from = to -

This sector is quite small and concentrated. As a matter of fact, there are only 10 constituents in the Stoxx600 Media index. Wolters Kluwer is the biggest one, representing 1/3 of the index. This stock is expensive, currently trading at a P/E ratio around 30.

Historically, the sector has been underperforming in Europe. It is now getting better thanks to new business/ growth opportunities relating to their often-large databases, to the Internet and to AI.

A growing economy is a tailwind for the sector as it leads to increased marketing and advertising spending, as well as new investments that require support from the media sector.

We estimate that these positive trends are priced in. The P/E ratio of the sector is high both historically and when compared with the rest of the market.

Recently, new risks have emerged. For example, AI has created new opportunities, but on the other hand, Meta Platforms is trying to automate ads through AI. This could create fierce new competition for traditional advertisers. Other companies are exposed to language courses and exams, such as those required to get into American and British universities. This activity is slowing down due to new immigration restrictions in the US and in the UK, which is putting additional pressure on some specialized publishers.

The expected growth of the sector is now quite lower than beginning of the year. **Due to these headwinds, we would avoid the media sector for the time being.**

CHART 17 : EUROPEAN MEDIA IS EXPENSIVE AS COMPETITION AND DOUBTS RISE



European and US Sectors in a nutshell

Sector (STOXX Europe 600)	View			YTD	Out/ underperf. vs Index	Our view at a glance
	UW	N	OW			
Banks			X	31,14%	22,15%	withstand the current uncertainties. European infrastructures/ defense plans create new funding opportunities.
Construction Materials			X	15,17%	6,18%	(German) Infrastructure spending is a key catalyst. Rebuilding Ukraine another one. Heavy side names might benefit from US-China tariffs as they produce locally.
Financial Services			X	6,13%	-2,86%	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. Attractive valuations. It is a defensive compounder. Besides, this sector should be a key AI beneficiary.
Health Care			X	-1,36%	-10,35%	expect efficiency gains in a structually growing market (e.g. demographics, obesity etc). Key risks: weakening USD, tariffs & new US political risks/ some willingness to reduce treatments prices in the US.
Industrial Goods & Services			X	14,90%	5,91%	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.
Utilities			X	15,23%	6,24%	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			-5,49%	-14,48%	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			6,76%	-2,23%	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 (+ uncertainties related) could hurt.
Cons. Products and Services	X			6,37%	-2,62%	Despite higher consumption in Europe, the sector suffers from tariffs. Chinese consumption still sluggish. US consumption now being questioned as well. Be selective.
Insurance	X	←		18,55%	9,56%	Solid and rather defensive sector that has strongly outperformed the last 2 years. Cash returns still attractive but European insurance now looks fully priced at an average P/E of around 12. Be selective.
Real Estate	X			5,97%	-3,02%	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			3,49%	-5,50%	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			5,65%	-3,34%	Tariff risks in the semi space, after having felt 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			14,79%	5,80%	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			-4,31%	-13,30%	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			5,59%	-3,40%	Oversupply & new US administration policies are capping the upside in oil related. Saudi now flooding the market with more oil.
Food, Bev and Tobacco	X			9,98%	0,99%	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. Favour 'self help' stories.
Media Price EUR	X	←		-0,60%	-9,59%	Expensive sector with AI full impact on business models still unclear. Meta Platforms another threat as entering many (European) media businesses and grabbing more and more ads business/ market share.
Personal Care	X			2,57%	-6,42%	The sector still faces headwinds from rising input costs while consumers are increasingly price sensitive. Lack of upside catalysts.
Travel & Leisure	X			-4,15%	-13,14%	Lower oil prices a support but high competition in a context of geopolitical tensions, discouraging travelling.

Sector (S&P 500 Level 1)	View			YTD	Out/ underperf. vs Index	Our view at a glance
	UW	N	OW			
Health Care			X	-2,76%	-4,87%	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. However, political risks/ some willingness to reduce treatments prices in the US.
Utilities			X	5,89%	3,78%	Growth in power demand should remain solid due to AI tailwinds & electrification. EPS growth expectations accelerating. Accumulate.
Communication Services	X			6,64%	4,53%	The sector is dominated by 2 mega tech companies trading at lower P/Es than other 'Mag-7' but now facing antitrust and other issues. The rest of the sector is not cheap either. Be selective.
Financials	X			5,26%	3,15%	Profits and balance sheets quite solid but the economy is likely to significantly slow down in the US. Deregulation and possible tax cuts should provide backwinds in a near future.
Industrials	X			9,60%	7,49%	Re-shoring and US reindustrialization are supposed to be major backwinds. However, in the short term, tariffs uncertainties are very much hurting confidence, business and investments.
Materials	X			4,93%	2,82%	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			2,40%	0,29%	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			5,52%	3,41%	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			-5,81%	-7,92%	The sector is dominated by 2 mega tech companies currently de-rating and likely to keep suffering from trade/ political tensions. Be selective and diversify away from the 'Mag-7'.
Energy	X			-3,15%	-5,26%	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			1,35%	-0,76%	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 disappointing ROIs to come.



Valuations

TABLE 1: GLOBAL INDICES

Forward																	Composite	
Index	Level	1yr Range	EPS	Syr Z-Score	EPS change 4 weeks (%)	PE Ratio	Syr Z-Score	PB Ratio	Syr Z-Score	Div Yield	Syr Z-Score	ROE	Syr Z-Score	Earnings Yield	Syr Z-Score	vs. ACWI	Syr Z-Score	
MSCI ACWI	894	<div><div></div><div></div><div></div></div>	46,99	<div><div></div><div></div><div></div></div>	0,29	18,98	<div><div></div><div></div><div></div></div>	3,03	<div><div></div><div></div><div></div></div>	2,01	<div><div></div><div></div><div></div></div>	15,02	<div><div></div><div></div><div></div></div>	5,26	<div><div></div><div></div><div></div></div>	<div><div></div><div></div></div>	<div><div></div><div></div></div>	
MSCI World	3919	<div><div></div><div></div><div></div></div>	195,39	<div><div></div><div></div><div></div></div>	0,28	20,04	<div><div></div><div></div><div></div></div>	3,31	<div><div></div><div></div><div></div></div>	1,90	<div><div></div><div></div><div></div></div>	15,46	<div><div></div><div></div><div></div></div>	4,99	<div><div></div><div></div><div></div></div>	1,06	<div><div></div><div></div><div></div></div>	
MSCI Emerging Markets	1194	<div><div></div><div></div><div></div></div>	91,12	<div><div></div><div></div><div></div></div>	0,04	12,98	<div><div></div><div></div><div></div></div>	1,72	<div><div></div><div></div><div></div></div>	2,94	<div><div></div><div></div><div></div></div>	13,03	<div><div></div><div></div><div></div></div>	7,63	<div><div></div><div></div><div></div></div>	0,67	<div><div></div><div></div><div></div></div>	
S&P 500	6006	<div><div></div><div></div><div></div></div>	267,94	<div><div></div><div></div><div></div></div>	-0,27	22,41	<div><div></div><div></div><div></div></div>	4,60	<div><div></div><div></div><div></div></div>	1,39	<div><div></div><div></div><div></div></div>	18,93	<div><div></div><div></div><div></div></div>	4,46	<div><div></div><div></div><div></div></div>	1,23	<div><div></div><div></div><div></div></div>	
S&P 500 Equal Weighted	7226	<div><div></div><div></div><div></div></div>	399,28	<div><div></div><div></div><div></div></div>	-0,45	18,10	<div><div></div><div></div><div></div></div>	2,83	<div><div></div><div></div><div></div></div>	2,20	<div><div></div><div></div><div></div></div>	14,04	<div><div></div><div></div><div></div></div>	5,53	<div><div></div><div></div><div></div></div>	0,95	<div><div></div><div></div><div></div></div>	
Russell 2000	2144	<div><div></div><div></div><div></div></div>	76,98	<div><div></div><div></div><div></div></div>	-0,75	27,86	<div><div></div><div></div><div></div></div>	1,24	<div><div></div><div></div><div></div></div>	2,31	<div><div></div><div></div><div></div></div>	3,39	<div><div></div><div></div><div></div></div>	3,59	<div><div></div><div></div><div></div></div>	1,32	<div><div></div><div></div><div></div></div>	
NASDAQ 100	21798	<div><div></div><div></div><div></div></div>	798,03	<div><div></div><div></div><div></div></div>	-0,56	27,31	<div><div></div><div></div><div></div></div>	7,22	<div><div></div><div></div><div></div></div>	0,77	<div><div></div><div></div><div></div></div>	23,63	<div><div></div><div></div><div></div></div>	3,66	<div><div></div><div></div><div></div></div>	1,57	<div><div></div><div></div><div></div></div>	
MSCI USA Growth	27517	<div><div></div><div></div><div></div></div>	471,13	<div><div></div><div></div><div></div></div>	0,09	30,96	<div><div></div><div></div><div></div></div>	10,58	<div><div></div><div></div><div></div></div>	0,43	<div><div></div><div></div><div></div></div>	31,61	<div><div></div><div></div><div></div></div>	1,71	<div><div></div><div></div><div></div></div>	1,89	<div><div></div><div></div><div></div></div>	
MSCI USA Value	14562	<div><div></div><div></div><div></div></div>	223,20	<div><div></div><div></div><div></div></div>	-1,30	17,45	<div><div></div><div></div><div></div></div>	2,91	<div><div></div><div></div><div></div></div>	2,38	<div><div></div><div></div><div></div></div>	15,34	<div><div></div><div></div><div></div></div>	1,53	<div><div></div><div></div><div></div></div>	0,92	<div><div></div><div></div><div></div></div>	
STOXX Europe 600	552	<div><div></div><div></div><div></div></div>	36,72	<div><div></div><div></div><div></div></div>	-0,82	15,06	<div><div></div><div></div><div></div></div>	2,04	<div><div></div><div></div><div></div></div>	3,55	<div><div></div><div></div><div></div></div>	12,88	<div><div></div><div></div><div></div></div>	6,65	<div><div></div><div></div><div></div></div>	0,78	<div><div></div><div></div><div></div></div>	
STOXX Europe Mid 200	592	<div><div></div><div></div><div></div></div>	41,68	<div><div></div><div></div><div></div></div>	-0,33	14,21	<div><div></div><div></div><div></div></div>	1,65	<div><div></div><div></div><div></div></div>	3,86	<div><div></div><div></div><div></div></div>	10,66	<div><div></div><div></div><div></div></div>	7,05	<div><div></div><div></div><div></div></div>	0,72	<div><div></div><div></div><div></div></div>	
STOXX Europe Small 200	358	<div><div></div><div></div><div></div></div>	24,40	<div><div></div><div></div><div></div></div>	-1,22	14,70	<div><div></div><div></div><div></div></div>	1,52	<div><div></div><div></div><div></div></div>	3,29	<div><div></div><div></div><div></div></div>	10,10	<div><div></div><div></div><div></div></div>	6,81	<div><div></div><div></div><div></div></div>	0,74	<div><div></div><div></div><div></div></div>	
DAX	24014	<div><div></div><div></div><div></div></div>	1459,85	<div><div></div><div></div><div></div></div>	-0,83	16,56	<div><div></div><div></div><div></div></div>	1,87	<div><div></div><div></div><div></div></div>	3,01	<div><div></div><div></div><div></div></div>	10,40	<div><div></div><div></div><div></div></div>	6,08	<div><div></div><div></div><div></div></div>	0,84	<div><div></div><div></div><div></div></div>	
FTSE 100	8859	<div><div></div><div></div><div></div></div>	647,42	<div><div></div><div></div><div></div></div>	-1,68	13,64	<div><div></div><div></div><div></div></div>	2,01	<div><div></div><div></div><div></div></div>	3,54	<div><div></div><div></div><div></div></div>	13,39	<div><div></div><div></div><div></div></div>	7,31	<div><div></div><div></div><div></div></div>	0,71	<div><div></div><div></div><div></div></div>	
CAC 40	7779	<div><div></div><div></div><div></div></div>	518,87	<div><div></div><div></div><div></div></div>	-0,58	15,02	<div><div></div><div></div><div></div></div>	1,81	<div><div></div><div></div><div></div></div>	3,44	<div><div></div><div></div><div></div></div>	11,80	<div><div></div><div></div><div></div></div>	6,67	<div><div></div><div></div><div></div></div>	0,76	<div><div></div><div></div><div></div></div>	
FTSE MIB	40426	<div><div></div><div></div><div></div></div>	3417,24	<div><div></div><div></div><div></div></div>	-3,48	11,84	<div><div></div><div></div><div></div></div>	1,47	<div><div></div><div></div><div></div></div>	5,79	<div><div></div><div></div><div></div></div>	12,34	<div><div></div><div></div><div></div></div>	8,45	<div><div></div><div></div><div></div></div>	0,61	<div><div></div><div></div><div></div></div>	
Nikkei 225	38212	<div><div></div><div></div><div></div></div>	2008,31	<div><div></div><div></div><div></div></div>	-0,66	18,97	<div><div></div><div></div><div></div></div>	1,85	<div><div></div><div></div><div></div></div>	2,06	<div><div></div><div></div><div></div></div>	9,71	<div><div></div><div></div><div></div></div>	5,26	<div><div></div><div></div><div></div></div>	0,95	<div><div></div><div></div><div></div></div>	
Hang Seng	24163	<div><div></div><div></div><div></div></div>	2218,91	<div><div></div><div></div><div></div></div>	-1,05	10,90	<div><div></div><div></div><div></div></div>	1,25	<div><div></div><div></div><div></div></div>	3,23	<div><div></div><div></div><div></div></div>	10,83	<div><div></div><div></div><div></div></div>	9,18	<div><div></div><div></div><div></div></div>	0,55	<div><div></div><div></div><div></div></div>	

TABLE 2: EUROPEAN SECTORS

Index	Level	1yr Range	Forward										Composite				
			EPS	Spr Z-Score	EPS change 4 weeks (%)	PE Ratio	Spr Z-Score	PB Ratio	Spr Z-Score	Div Yield	Spr Z-Score	ROE	Spr Z-Score	Earnings Yield	Spr Z-Score	Upside to 12M Target Price*	vs. S&P 500 Spr Z-Score
STOXX Europe	552	→	36,72		-0.82	15.06		2.04		3.55		12.88		6.65		10%	1.00
STOXX 600 Consumer P&S	372	→	15,51		-1.52	23.96		3.50		2.07		14.57		4.16		13%	1.61
STOXX 600 Energy	118	→	10,41		-2.53	11.29		1.34		5.75		11.82		8.79		11%	0.74
STOXX 600 Food, Bev and Tobacco	197	→	12,46		-0.18	15.84		2.62		3.77		15.59		6.32		9%	1.08
STOXX 600 Personal Care	169	→	10,29		-0.89	16.42		2.97		3.38		16.62		6.08		8%	1.13
STOXX 600 Chemicals	1267	→	65,47		-2.33	13.98		2.03		2.87		9.56		5.17		11%	1.25
STOXX 600 Utilities	441	→	33,15		-0.10	13.30		1.62		4.82		11.96		7.51		7%	0.87
STOXX 600 Banks	277	→	30,52		-0.33	9.15		1.06		5.67		11.54		11.02		5%	0.60
STOXX 600 Real Estate	134	→	8,36		0.12	15.97		0.88		4.13		7.40		6.24		10%	0.99
STOXX 600 Technology	852	→	31,09		-0.43	27.56		5.45		1.19		13.88		3.65		12%	1.93
STOXX 600 Autom. & Parts	530	→	62,49		-2.37	8.44		0.63		5.00		6.53		11.78		13%	0.53
STOXX 600 Health Care	1079	→	68,14		-0.57	15.80		3.25		2.99		17.11		6.32		17%	1.11
STOXX 600 Financial Services	862	→	50,19		-1.70	17.43		1.70		2.72		8.18		5.82		9%	1.12
STOXX 600 Insurance	483	→	38,37		0.10	12.66		2.10		4.79		16.56		7.94		25%	0.86
STOXX 600 Telecom	261	→	15,89		-0.16	16.52		1.50		5.04		8.26		6.08		8%	1.05
STOXX 600 Media	467	→	26,33		0.51	17.74		2.98		2.69		13.45		5.64		15%	1.21
STOXX 600 Ind. Goods & Services	1009	→	46,62		-1.19	21.71		3.89		2.11		16.67		4.62		7%	1.50
STOXX 600 Consum. & Materials	804	→	46,68		0.16	17.22		2.32		2.75		13.23		5.80		7%	1.14
STOXX 600 Basic Resources	489	→	39,96		-1.88	12.29		1.14		3.89		9.04		8.16		15%	0.79
STOXX 600 Retail	452	→	26,13		-0.77	17.40		3.10		3.01		17.14		5.78		11%	1.20
STOXX 600 Travel & Leisure	260	→	21,43		0.81	12.11		2.75		2.90		21.35		8.25		17%	0.87
															*BDG consensus, NOT an official BNP target price		

*BBG consensus, NOT an official BNP target price

TABLE 3: US SECTORS

Index	Level	1yr Range	Forward														Composite	
			EPS		EPS change 4 weeks (%)		PE Ratio		PB Ratio		Div Yield		ROE		Earnings Yield		Potential Upside to 12M Target Price*	vs. S&P 500
			Syr Z-Score	EPS change 4 weeks (%)	Syr Z-Score	PE Ratio	Syr Z-Score	PB Ratio	Syr Z-Score	Div Yield	Syr Z-Score	ROE	Syr Z-Score	Earnings Yield	Syr Z-Score	Target Price*	Syr Z-Score	
S&P 500	6006	<div><div></div><div></div><div></div><div></div><div></div></div>	267,94	<div><div></div><div></div><div></div><div></div><div></div></div>	-0,27	22,41	<div><div></div><div></div><div></div><div></div><div></div></div>	4,60	<div><div></div><div></div><div></div><div></div><div></div></div>	1,39	<div><div></div><div></div><div></div><div></div><div></div></div>	18,93	<div><div></div><div></div><div></div><div></div><div></div></div>	4,46	<div><div></div><div></div><div></div><div></div><div></div></div>	10%	1,00	<div><div></div><div></div><div></div><div></div><div></div></div>
S&P 500 Consumer Discretionary	1725	<div><div></div><div></div><div></div><div></div><div></div></div>	64,10	<div><div></div><div></div><div></div><div></div><div></div></div>	-0,72	26,91	<div><div></div><div></div><div></div><div></div><div></div></div>	7,92	<div><div></div><div></div><div></div><div></div><div></div></div>	0,71	<div><div></div><div></div><div></div><div></div><div></div></div>	26,90	<div><div></div><div></div><div></div><div></div><div></div></div>	3,72	<div><div></div><div></div><div></div><div></div><div></div></div>	7%	1,29	<div><div></div><div></div><div></div><div></div><div></div></div>
S&P 500 Consumer Staples	901	<div><div></div><div></div><div></div><div></div><div></div></div>	39,82	<div><div></div><div></div><div></div><div></div><div></div></div>	-0,40	22,62	<div><div></div><div></div><div></div><div></div><div></div></div>	6,58	<div><div></div><div></div><div></div><div></div><div></div></div>	2,46	<div><div></div><div></div><div></div><div></div><div></div></div>	26,88	<div><div></div><div></div><div></div><div></div><div></div></div>	4,42	<div><div></div><div></div><div></div><div></div><div></div></div>	8%	1,08	<div><div></div><div></div><div></div><div></div><div></div></div>
S&P 500 Energy	634	<div><div></div><div></div><div></div><div></div><div></div></div>	39,76	<div><div></div><div></div><div></div><div></div><div></div></div>	-1,67	13,95	<div><div></div><div></div><div></div><div></div><div></div></div>	1,87	<div><div></div><div></div><div></div><div></div><div></div></div>	3,66	<div><div></div><div></div><div></div><div></div><div></div></div>	11,67	<div><div></div><div></div><div></div><div></div><div></div></div>	6,27	<div><div></div><div></div><div></div><div></div><div></div></div>	18%	0,66	<div><div></div><div></div><div></div><div></div><div></div></div>
S&P 500 Financials	847	<div><div></div><div></div><div></div><div></div><div></div></div>	49,18	<div><div></div><div></div><div></div><div></div><div></div></div>	-1,01	17,22	<div><div></div><div></div><div></div><div></div><div></div></div>	2,24	<div><div></div><div></div><div></div><div></div><div></div></div>	1,77	<div><div></div><div></div><div></div><div></div><div></div></div>	12,63	<div><div></div><div></div><div></div><div></div><div></div></div>	5,81	<div><div></div><div></div><div></div><div></div><div></div></div>	6%	0,72	<div><div></div><div></div><div></div><div></div><div></div></div>
S&P 500 Health Care	1560	<div><div></div><div></div><div></div><div></div><div></div></div>	93,32	<div><div></div><div></div><div></div><div></div><div></div></div>	-1,09	16,72	<div><div></div><div></div><div></div><div></div><div></div></div>	4,17	<div><div></div><div></div><div></div><div></div><div></div></div>	2,01	<div><div></div><div></div><div></div><div></div><div></div></div>	19,75	<div><div></div><div></div><div></div><div></div><div></div></div>	5,98	<div><div></div><div></div><div></div><div></div><div></div></div>	17%	0,77	<div><div></div><div></div><div></div><div></div><div></div></div>
S&P 500 Industrials	1223	<div><div></div><div></div><div></div><div></div><div></div></div>	48,92	<div><div></div><div></div><div></div><div></div><div></div></div>	0,02	24,99	<div><div></div><div></div><div></div><div></div><div></div></div>	6,26	<div><div></div><div></div><div></div><div></div><div></div></div>	1,47	<div><div></div><div></div><div></div><div></div><div></div></div>	24,05	<div><div></div><div></div><div></div><div></div><div></div></div>	4,00	<div><div></div><div></div><div></div><div></div><div></div></div>	4%	1,16	<div><div></div><div></div><div></div><div></div><div></div></div>
S&P 500 Information Technology	4672	<div><div></div><div></div><div></div><div></div><div></div></div>	155,50	<div><div></div><div></div><div></div><div></div><div></div></div>	0,08	30,04	<div><div></div><div></div><div></div><div></div><div></div></div>	10,77	<div><div></div><div></div><div></div><div></div><div></div></div>	0,63	<div><div></div><div></div><div></div><div></div><div></div></div>	31,94	<div><div></div><div></div><div></div><div></div><div></div></div>	3,33	<div><div></div><div></div><div></div><div></div><div></div></div>	12%	1,51	<div><div></div><div></div><div></div><div></div><div></div></div>
S&P 500 Materials	556	<div><div></div><div></div><div></div><div></div><div></div></div>	25,70	<div><div></div><div></div><div></div><div></div><div></div></div>	-0,19	21,63	<div><div></div><div></div><div></div><div></div><div></div></div>	2,73	<div><div></div><div></div><div></div><div></div><div></div></div>	2,02	<div><div></div><div></div><div></div><div></div><div></div></div>	12,17	<div><div></div><div></div><div></div><div></div><div></div></div>	4,62	<div><div></div><div></div><div></div><div></div><div></div></div>	10%	0,90	<div><div></div><div></div><div></div><div></div><div></div></div>
S&P 500 Real Estate	262	<div><div></div><div></div><div></div><div></div><div></div></div>	7,05	<div><div></div><div></div><div></div><div></div><div></div></div>	0,05	37,14	<div><div></div><div></div><div></div><div></div><div></div></div>	3,08	<div><div></div><div></div><div></div><div></div><div></div></div>	3,45	<div><div></div><div></div><div></div><div></div><div></div></div>	8,22	<div><div></div><div></div><div></div><div></div><div></div></div>	2,69	<div><div></div><div></div><div></div><div></div><div></div></div>	12%	1,49	<div><div></div><div></div><div></div><div></div><div></div></div>
S&P 500 Communication Services	364	<div><div></div><div></div><div></div><div></div><div></div></div>	17,88	<div><div></div><div></div><div></div><div></div><div></div></div>	0,07	20,38	<div><div></div><div></div><div></div><div></div><div></div></div>	4,24	<div><div></div><div></div><div></div><div></div><div></div></div>	1,06	<div><div></div><div></div><div></div><div></div><div></div></div>	20,19	<div><div></div><div></div><div></div><div></div><div></div></div>	4,91	<div><div></div><div></div><div></div><div></div><div></div></div>	8%	0,91	<div><div></div><div></div><div></div><div></div><div></div></div>
S&P 500 Utilities	407	<div><div></div><div></div><div></div><div></div><div></div></div>	22,98	<div><div></div><div></div><div></div><div></div><div></div></div>	-0,03	17,73	<div><div></div><div></div><div></div><div></div><div></div></div>	2,11	<div><div></div><div></div><div></div><div></div><div></div></div>	3,09	<div><div></div><div></div><div></div><div></div><div></div></div>	11,70	<div><div></div><div></div><div></div><div></div><div></div></div>	5,64	<div><div></div><div></div><div></div><div></div><div></div></div>	10%	0,73	<div><div></div><div></div><div></div><div></div><div></div></div>

*BBG consensus, NOT an official BNP target price

Source: BNP Paribas, Bloomberg

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.



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Our key convictions at a glance

		USA	Europe	Japan	Emerging Markets
Overall view		negative	neutral	positive	positive
What we (especially) like		Energy Infrastructure	UK European Banks	SMIDs Domestically oriented exposure Financials	China, Indonesia, Singapore, South Korea
What we don't (really) like		Growth Mega caps, particularly within consumer discretionary			
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

Moderate slowdown expected

BNP Paribas Forecasts

Geography	2024	2025	2025- Bloomberg Consensus	2026	2026- Bloomberg Consensus
United States	2.8	1.5	1.4	1.5	1.5
Japan	0.1	0.7	0.8	0.4	0.8
United Kingdom	1.1	1.2	1.0	1.0	1.1
Switzerland	0.9	1.3	1.1	1.5	1.4
Eurozone	0.8	1.1	0.8	1.3	1.1
Germany	-0.2	0.5	0.0	1.0	1.2
France	1.1	0.6	0.5	1.1	0.8
Italy	0.5	0.8	0.5	1.3	0.8
Emerging					
China	5.0	4.8	4.5	4.5	4.0
India**	8.2	6.5	6.3	6.3	6.3
Brazil	3.4	2.4	2.0	1.3	1.6

** Fiscal year

Source : BNP Paribas, Bloomberg - 27/05/2025

Despite recent tariff moderation, US inflation to remain high

BNP Paribas Forecasts

Geography	2024	2025	2025- Bloomberg Consensus	2026	2026- Bloomberg Consensus
United States	2.9	3.0	3.0	3.3	2.8
Japan	2.7	3.3	2.8	2.1	1.8
United Kingdom	2.5	3.3	3.0	2.6	2.3
Switzerland	1.1	0.2	0.4	0.7	0.7
Eurozone	2.4	2.1	2.1	1.9	1.9
Germany	2.5	2.3	2.2	2.0	2.0
France	2.3	0.9	1.1	1.2	1.6
Italy	1.1	1.7	1.8	1.7	1.7
Emerging					
China	0.2	0.0	0.3	1.0	1.0
India*	5.4	4.6	4.6	4.1	3.9
Brazil	4.4	5.5	5.3	4.8	4.3

* Fiscal year

Source : BNP Paribas, Bloomberg - 27/05/2025

FX FORECASTS EUR

Country	Spot 05/06/2025	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 0.84	Neutral	0.85	Negative	0.87
Japan	EUR / JPY 164.39	Neutral	167	Negative	168
Switzerland	EUR / CHF 0.94	Neutral	0.94	Neutral	0.94
Australia	EUR / AUD 1.76	Neutral	1.74	Negative	1.88
New-Zealand	EUR / NZD 1.89	Neutral	1.92	Negative	2.00
Canada	EUR / CAD 1.56	Negative	1.61	Negative	1.68
Sweden	EUR / SEK 10.95	Neutral	11.00	Positive	10.70
Norway	EUR / NOK 11.52	Neutral	11.60	Neutral	11.30
Asia					
China	EUR / CNY 8.23	Neutral	8.28	Negative	8.64
India	EUR / INR 98.31	Negative	101.20	Negative	105.60
Latam					
Brazil	EUR / BRL 6.41	Negative	6.67	Negative	7.20
Mexico	EUR / MXN 21.96	Negative	23.00	Negative	24.00

FX FORECASTS USD

Country	Spot 05/06/2025	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 1.36	Neutral	1.35	Neutral	1.38
Japan	USD / JPY 143.48	Neutral	145.00	Positive	140.00
Switzerland	USD / CHF 0.82	Neutral	0.82	Positive	0.78
Australia	AUD / USD 0.65	Neutral	0.66	Neutral	0.64
New-Zealand	NZD / USD 0.61	Neutral	0.60	Neutral	0.60
Canada	USD / CAD 1.37	Negative	1.40	Negative	1.40
Asia					
China	USD / CNY 7.18	Neutral	7.20	Neutral	7.20
India	USD / INR 85.81	Negative	88.00	Negative	88.00
Latam					
Brazil	USD / BRL 5.60	Negative	5.80	Negative	6.00
Mexico	USD / MXN 19.17	Negative	20.00	Negative	20.00
EMEA					
South Africa	USD / ZAR 17.71	Neutral	18.00	Neutral	17.50
USD Index	DX 98.74	Neutral	98.83	Negative	95.33

Sources: BNP Paribas, LSEG

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