

Sarasin Global Strategy

So, what's ahead for global markets in 2025?

January 2025

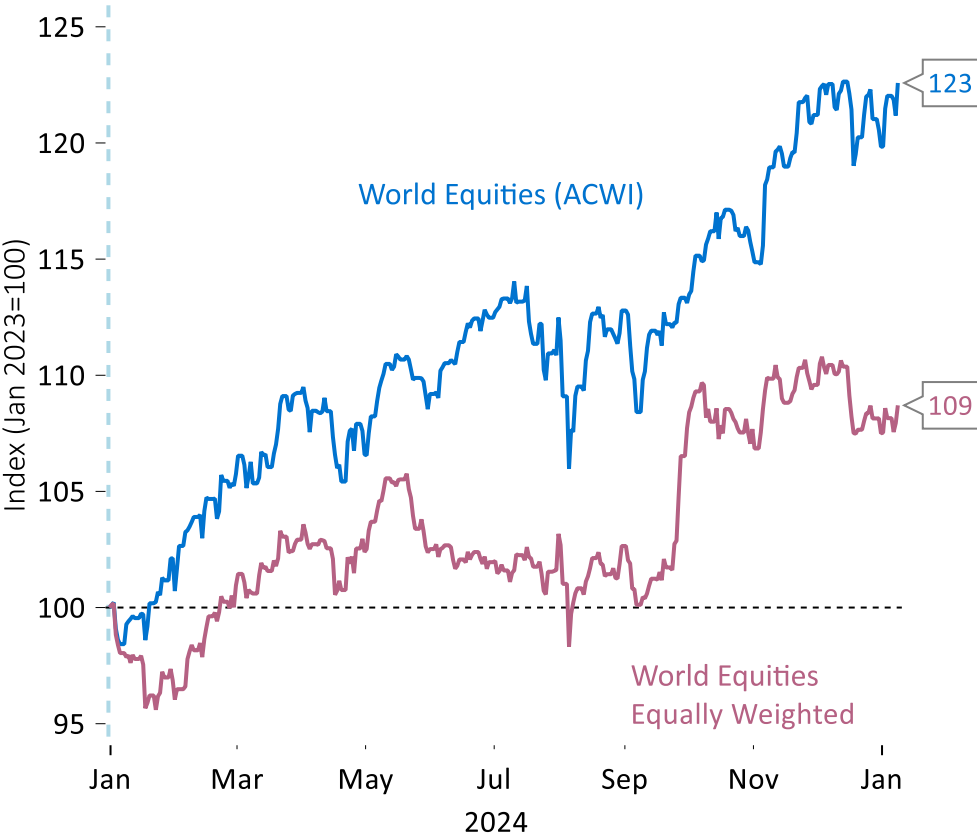
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Equity market review 2024

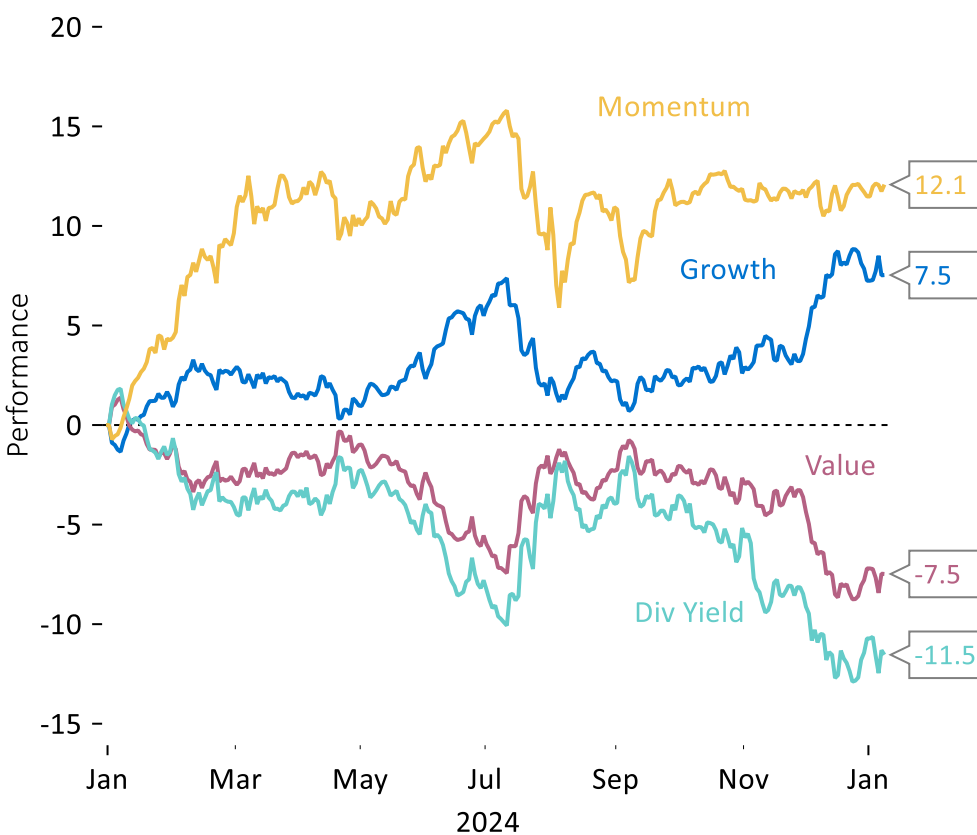
Momentum and growth styles powered equity returns in 2024

 World equity returns dominated by tech ‘super-caps’



Source: Macrobond, 09.01.25

 Index returns by style (relative to MSCI world index 2024)

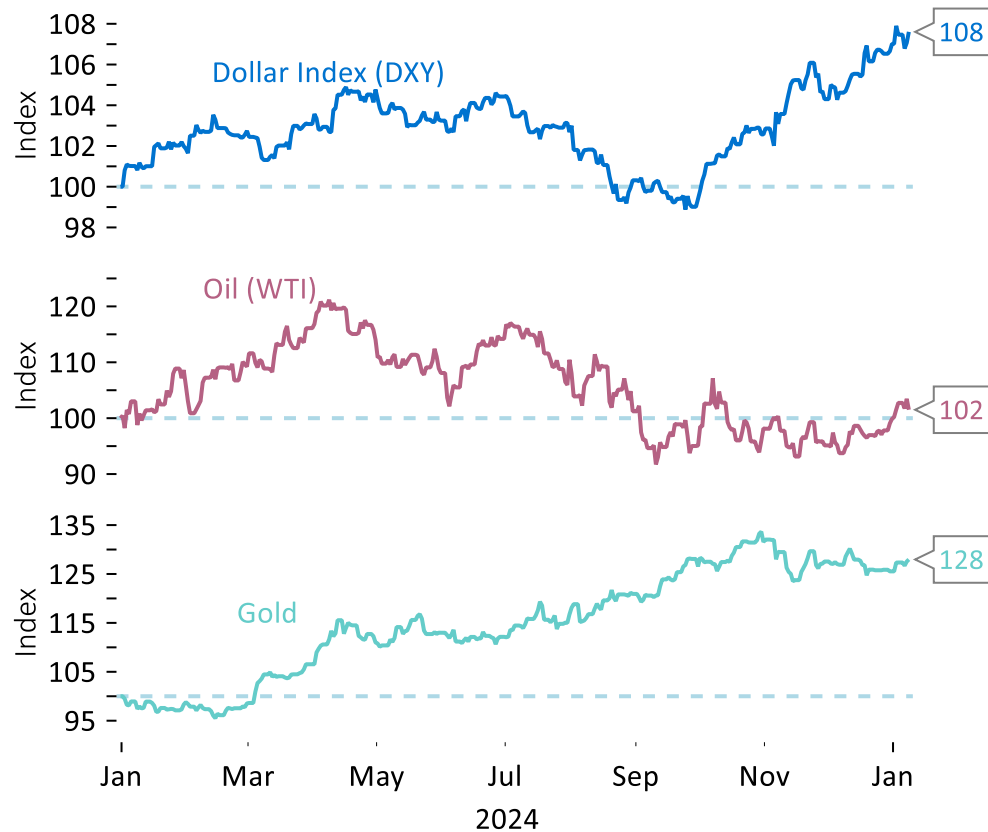


Source: Macrobond, 09.01.25

Past performance is not a reliable indicator of future results and may not be repeated.

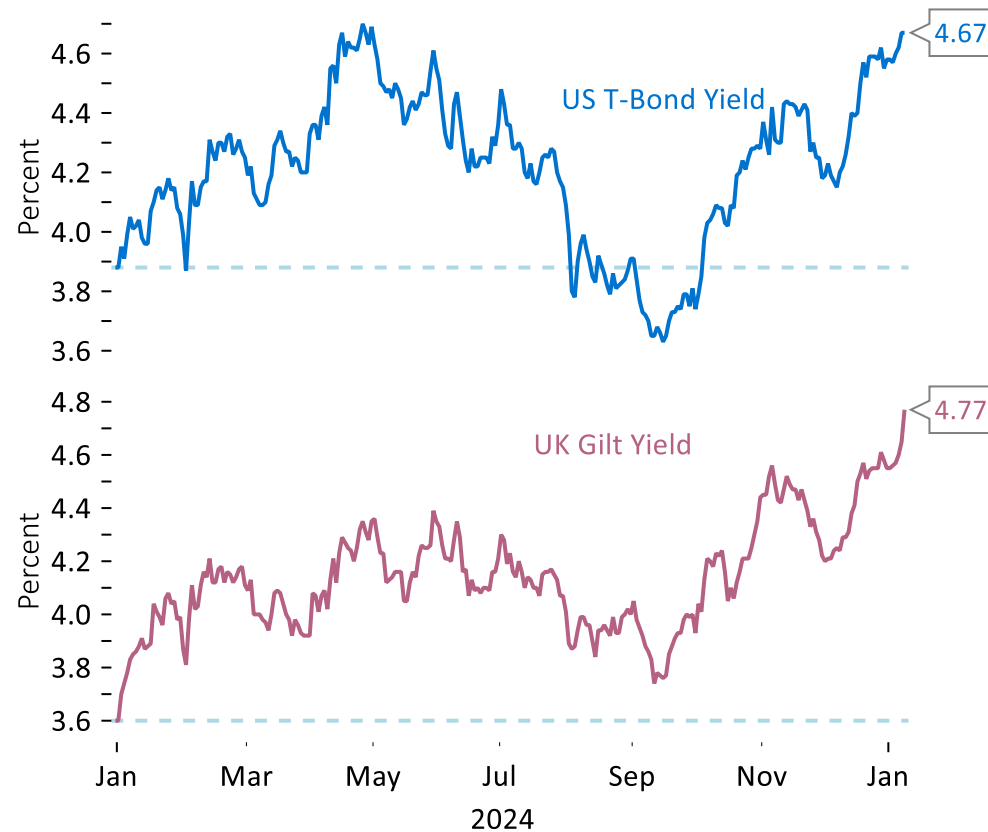
Global asset review 2024

Gold and the dollar rally in 2024 – oil prices little changed



Source: Macrobond, 09.01.25 WTI – West Texas Intermediate

Worries over fiscal sustainability send bond yields higher



Source: Macrobond, 09.01.25

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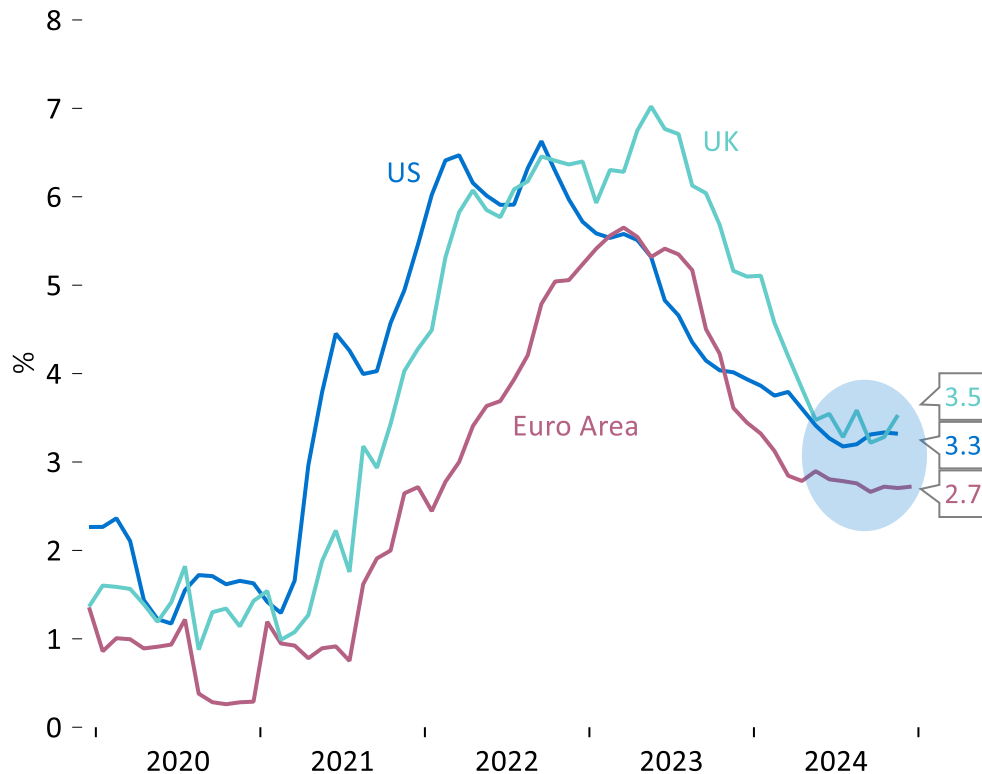
UK 10 year gilt peaked at 4.51 % after the infamous September 2022 Liz Truss budget

Risk 1: Core inflation still sticky – rate cuts forecast to slow



Core inflation remains sticky globally

Core Inflation

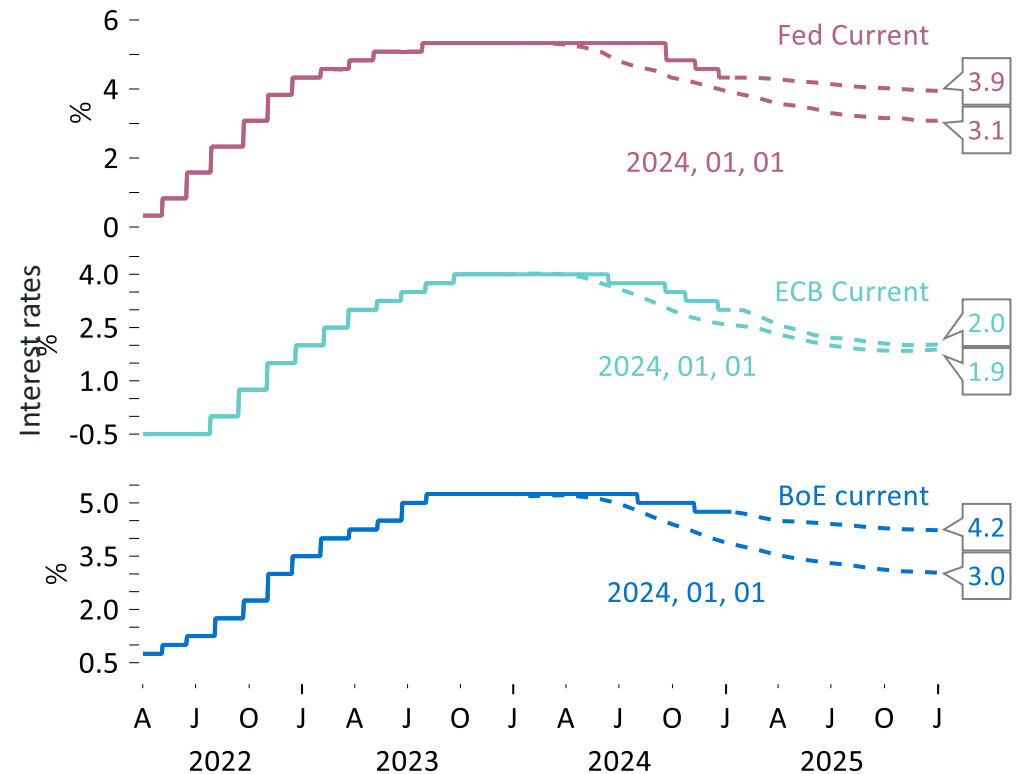


Source: Macrobond, 09.01.25



Implied path of interest rates compared to end 2023

Central Bank Market Implied Policy Rates



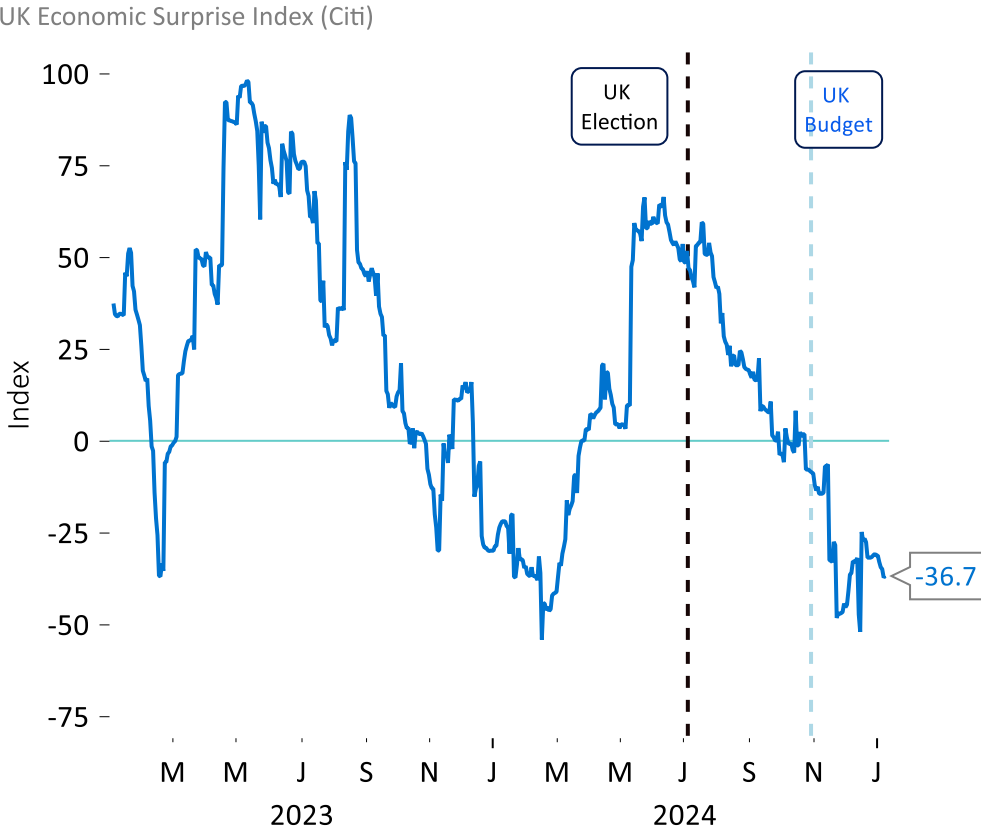
Source: Macrobond, 09.01.25

Markets now anticipate three fewer rate cuts in the US and four fewer in the UK by the end of 2025

Risk 2: UK growth and fiscal fragility

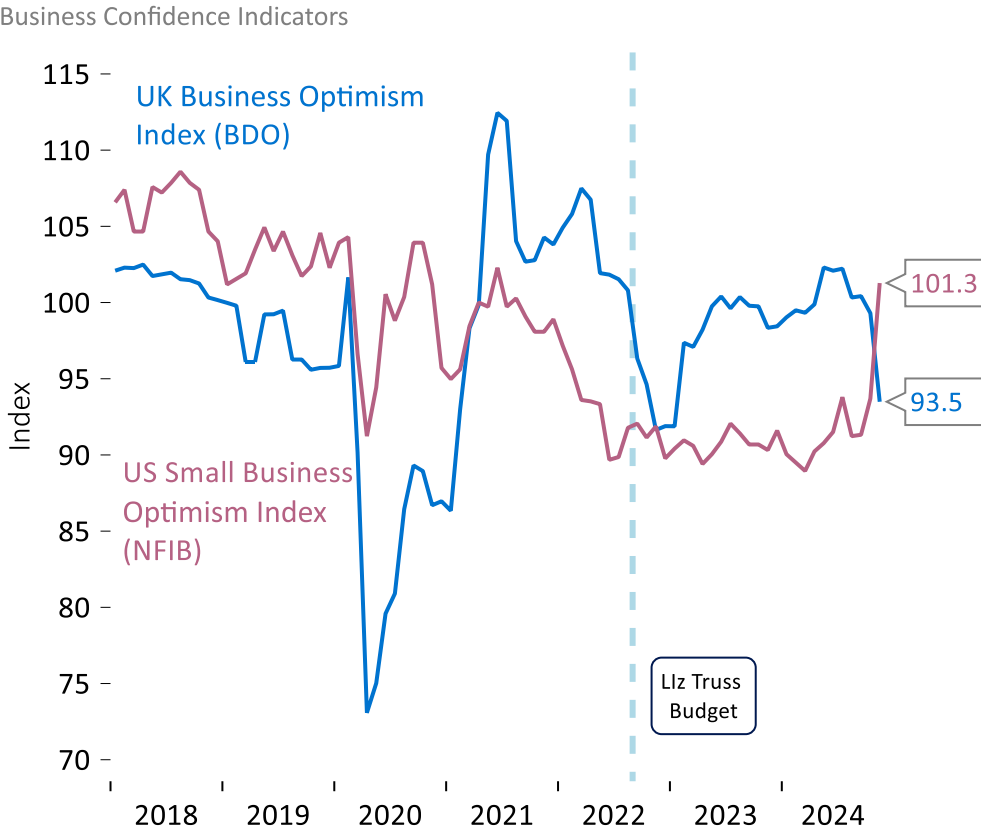
US business optimism soars since Trump win, while UK optimism collapses post-budget

UK economic momentum stalls into the budget



Source: Macrobond, 09.01.25

US and UK business confidence diverge post Trump–Starmer



Source: Macrobond, 09.01.25

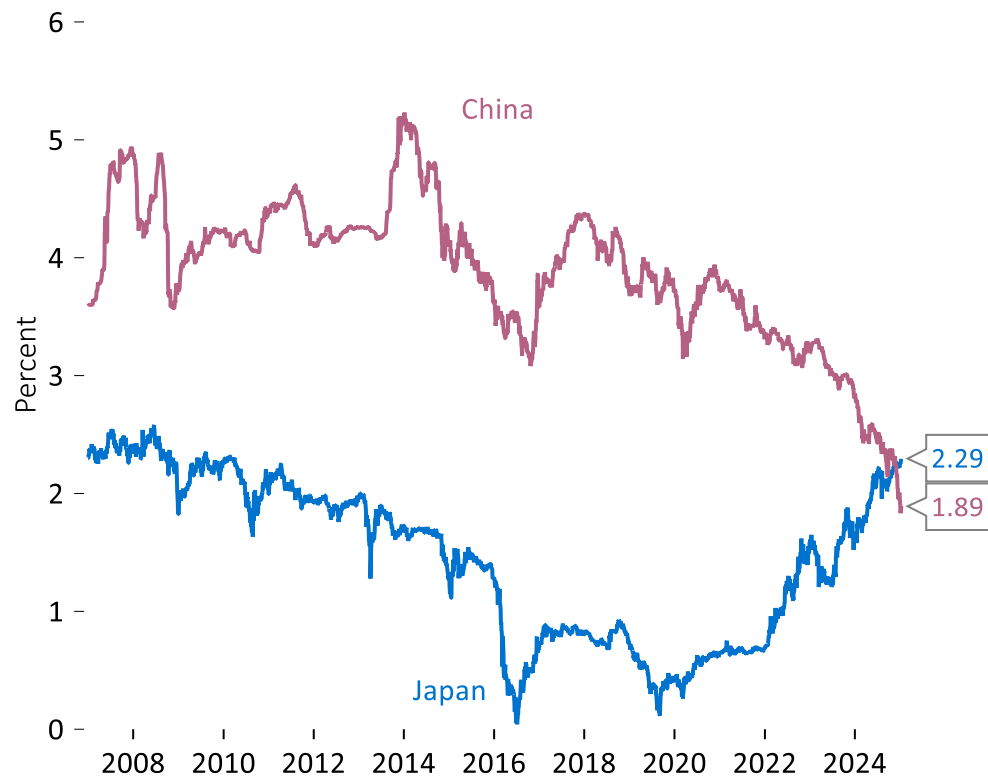
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Risk 3: China – deflation risks remain as corporate profits stall

China CPI rose just 0.1% in December with producer prices falling for the 27 month to -2.3%

Chinese bond yields fall to record low

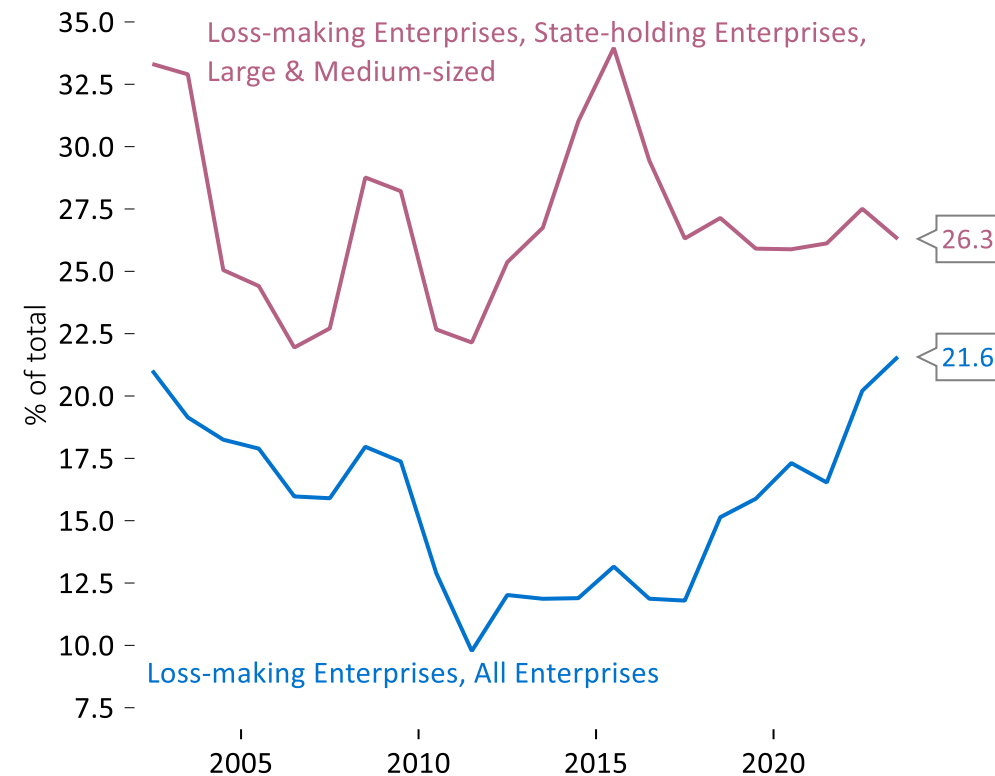
30 Year Government Bond Yield



Source: Macrobond, 09.01.25

It's not just state-owned enterprises that are loss making

China, Number of Loss-Making Enterprises



Source: Macrobond, 09.01.25

Policy summary

Global Strategy January 2025

Bonds	Underweight <ul style="list-style-type: none">• Neutral Govt: Long-term yields close to fair value – UK pension funds natural buyers• Underweight Inv. Grade Credit: Spreads are historically tight – reduce risk• Duration: Neutral
Equities	Overweight <ul style="list-style-type: none">• Equity: Tail risks of recession receding – clearly a pro-business / low tax Trump administration – earnings robust• Global Technology: Retain exposure on strong 2025 earnings forecasts and robust AI demand• Dividend Strategies: Value appearing after recent underperformance and strong dividend growth
Alternatives	Neutral <ul style="list-style-type: none">• Neutral Alternatives: Dividend income from renewables and infrastructure attractive as interest rates fall• Overweight Gold: Debt fears across Western economies and EM reserve bank buying support demand
Cash	Underweight <ul style="list-style-type: none">• Interest rates have peaked across Western markets
Risks	<ol style="list-style-type: none">1. Bond markets – US and UK deficits and sticky inflation trigger a return of the bond market ‘vigilantes’2. Global trade war – Trump tariff agenda invites global retaliation – China currency falls3. Major AI/Tech profit warning – US equity valuations contract on long-term earnings fears

Source: Sarasin & Partners, January 2025

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