

Six Minute Strategy

Is MAGA triggering a US recession?

March 2025

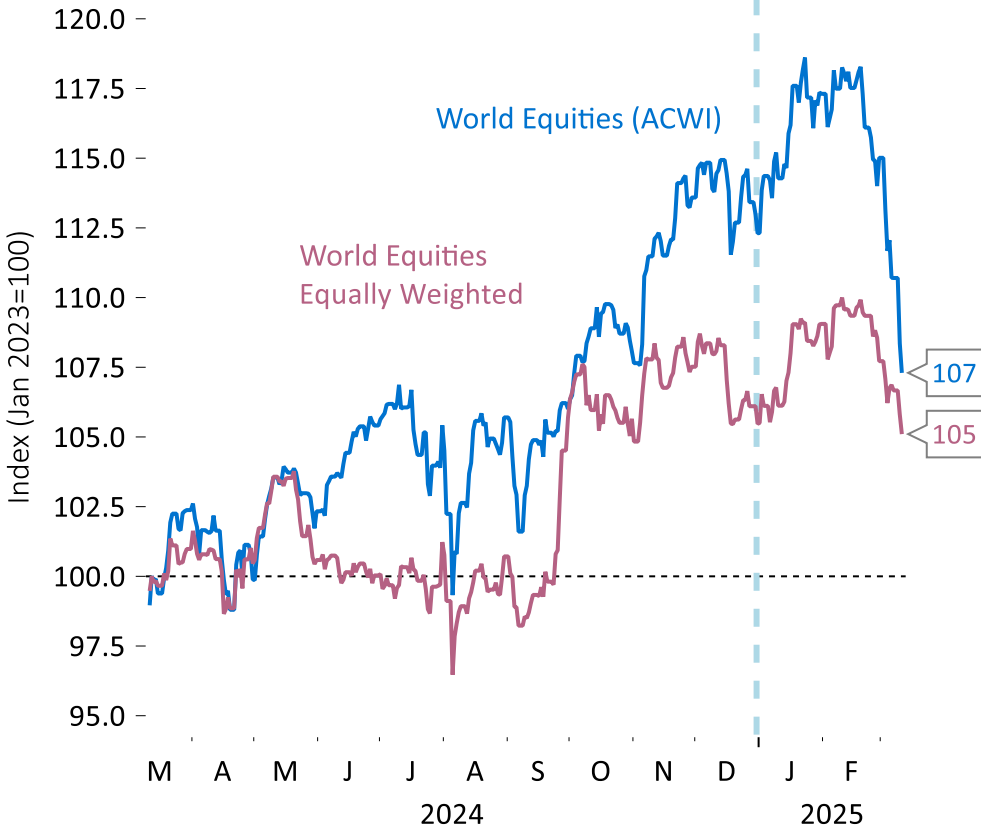
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Global equity rally pauses as market leadership evolves



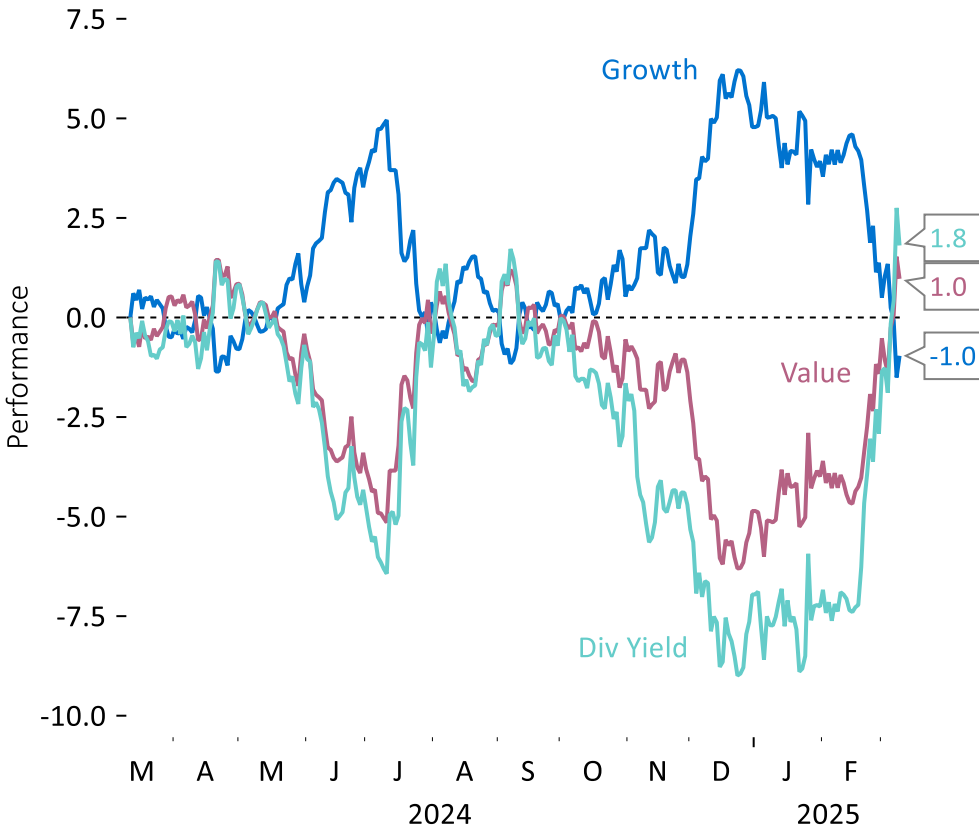
US 'super-caps' start to de-rate in the face of US political risk



Source: Macrobond, 12.03.25



Index returns by style (relative to MSCI world)



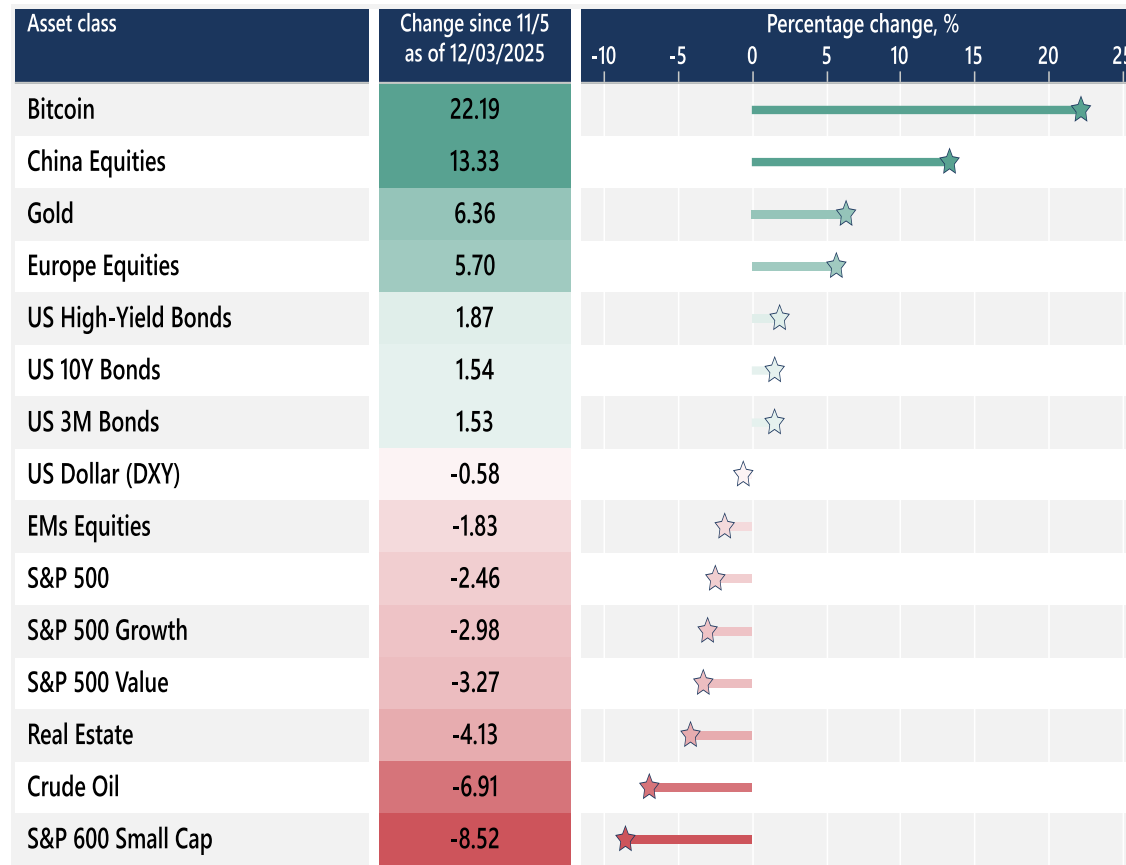
Source: Macrobond, 12.03.25

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

Market performance since Trump victory

Chinese and European equities now *outperforming* S&P500 since US election

Impact of Trump's election victory on asset class performance



Source: ICE BofAML, LBMA, Macrobond, MSCI, FTSE Russell, S&P Global, ICE 12.03.25

MACROBOND

Trump 2.0 more decisive and aggressive than 1.0

1 Tariffs

- 25% tariffs on Canada and Mexico
- 10-20% tariffs on China imports
- 25% tariffs on all steel and aluminium imports
- Canada, China and the EU have retaliated

2 Tax cuts

- \$4.5trn tax cut
- \$2trn spend cut
- \$300bn spending for border and defense
- \$2.8trn higher debt. A government shut down on 14 March remains a risk

3 Deregulation

- DOGE reducing federal workforce by 250K employees
- Agency functions curtailed or limited
- Legal and disruption risk

4 Immigration

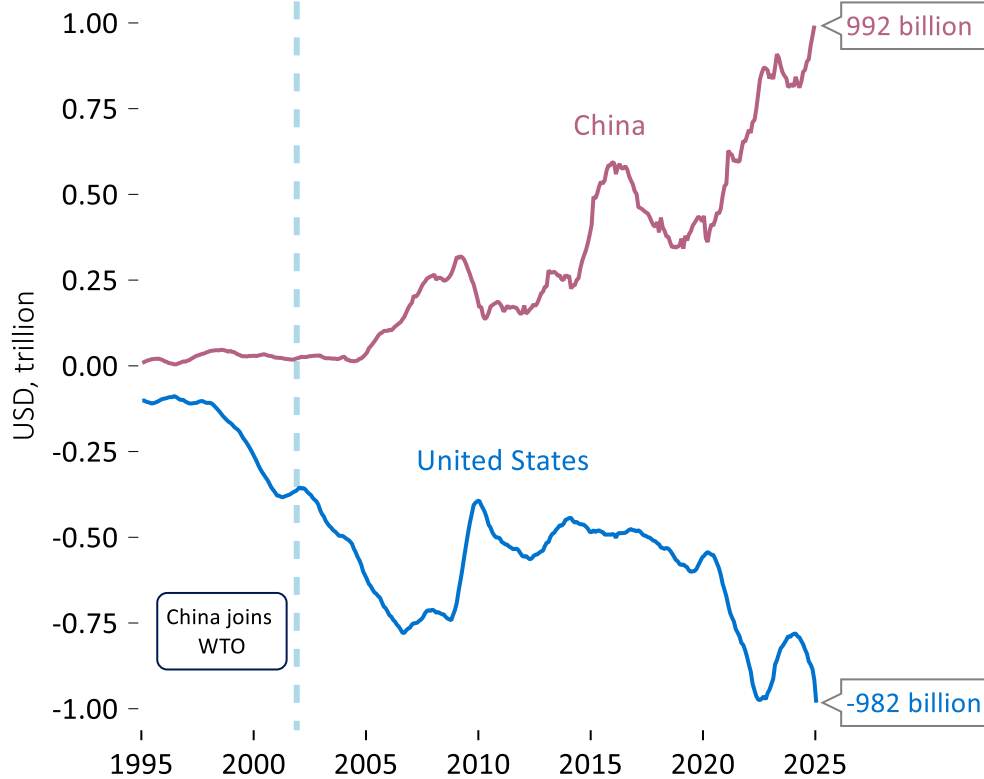
- Deportation rate similar to Obama administration
- New orders requiring all undocumented workers to register raises the risk of higher levels of deportation

Trade relationships and regulations scrutinised



Trade balances: China vs US, 1995–2025

Total Trade Balances

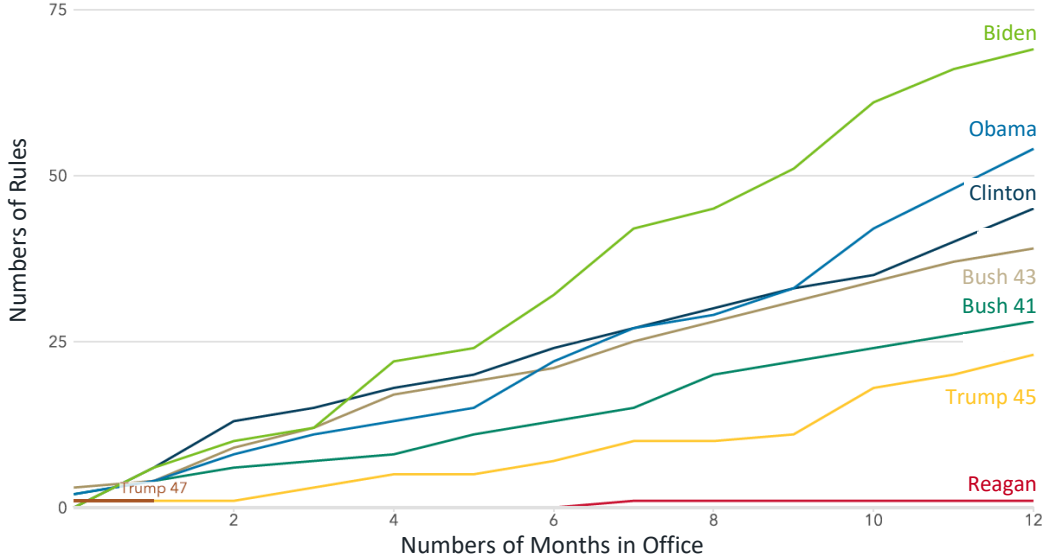


Source: Macrobond, 12.03.25



Significant rules adopted by successive US administrations

Cumulative economically significant final rules published by Administration in first year



Regulatory Studies Center
THE GEORGE WASHINGTON UNIVERSITY

Source: Office of the Federal Register (federalregister.gov) for Biden administration and all subsequent administrations; Office of Information and Regulatory Affairs (reginfo.gov) for all prior administrations.

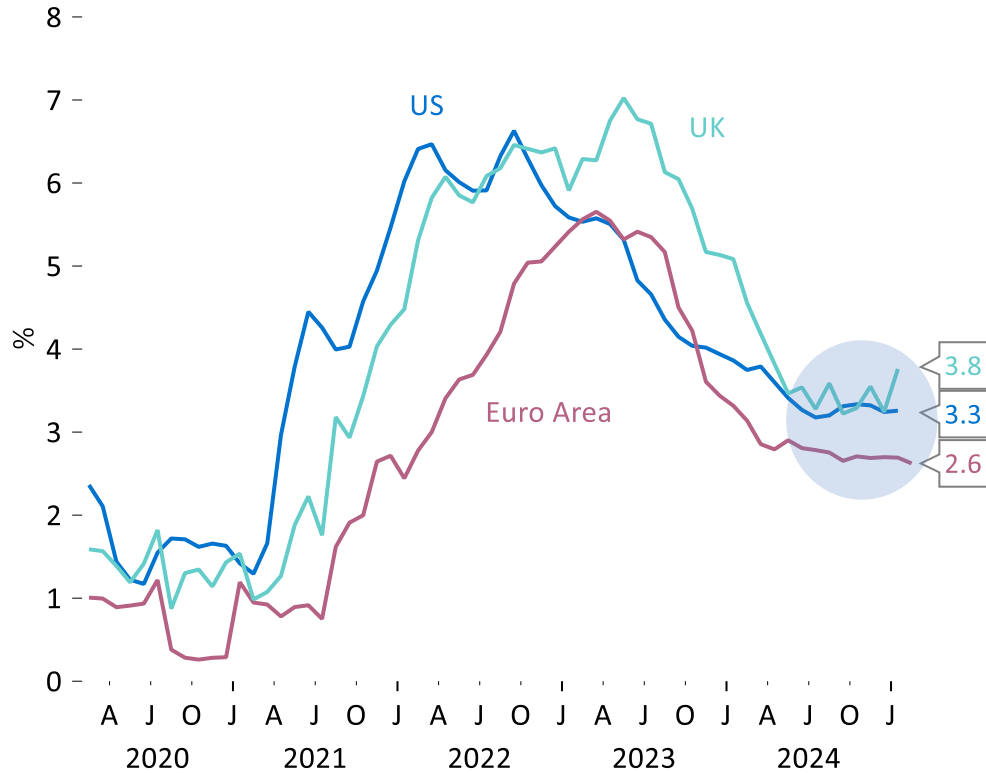
Updated: March 05, 2025

Core inflation still sticky and US confidence fading = Stagflation?



Core inflation remains sticky globally

Core Inflation

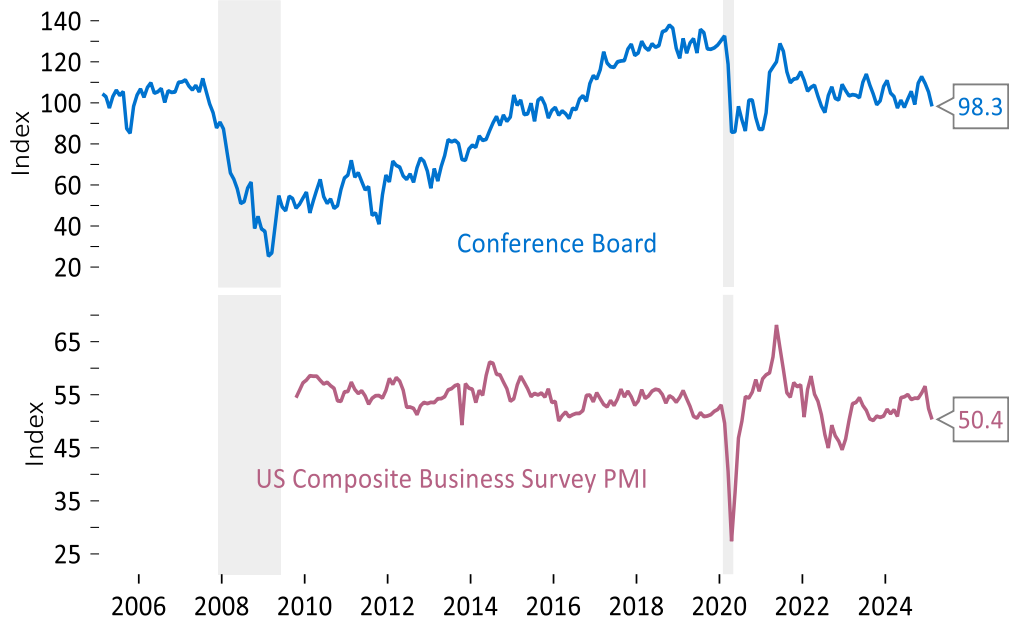


Source: Macrobond, 12.03.25



US consumer and business confidence fading

Consumer and Business Confidence
Shaded areas US recessions



Source: Macrobond, 13.03.25

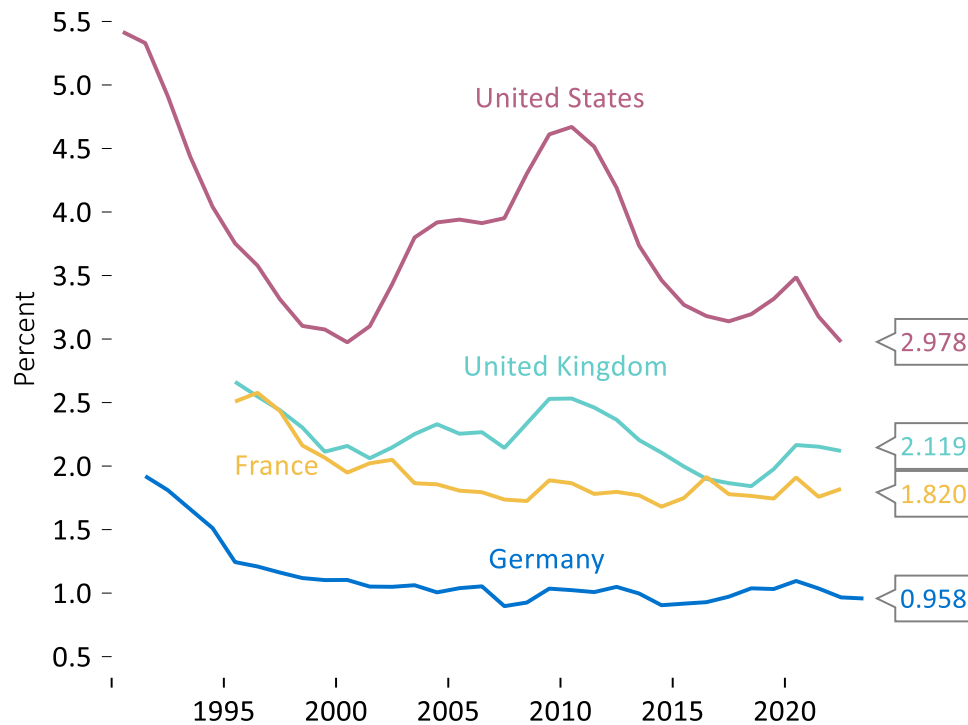
Europe debates an overdue defence and public investment plan

FT economist poll suggests Germany can take on EUR 2trn in debt over the next decade without risk



Europe defence spending undershoots

Defence Spending, Percent of GDP

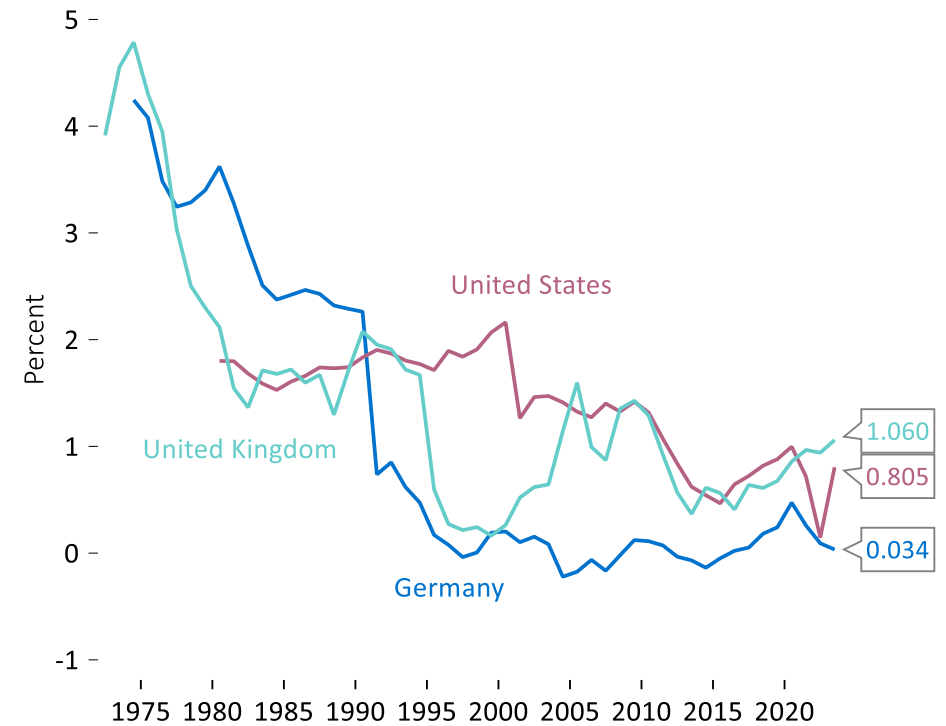


Source: Macrobond, 12.03.25



Germany has underinvested for 30 years

Public Net Investment (% of GDP)



Source: Macrobond, 12.03.25

“In view of the threats to our freedom and peace on our continent, the rule for our defence now has to be ‘whatever it takes’”

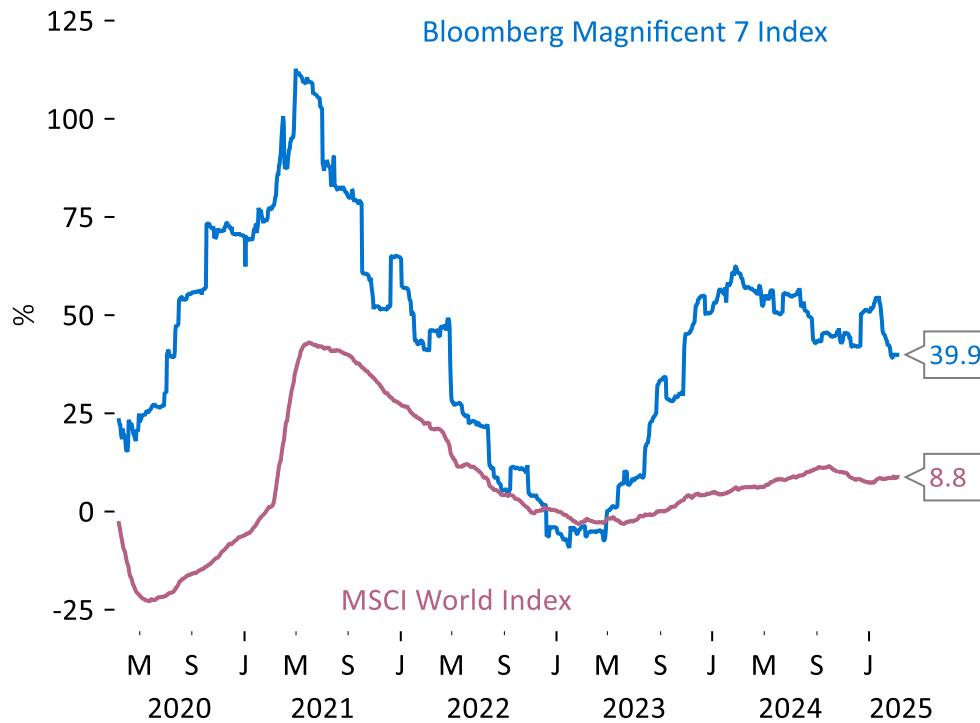
Chancellor Elect Friedrich Merz, 10 March 2025

Global earnings and dividend growth still robust



Forecast year 1 earnings growth still robust

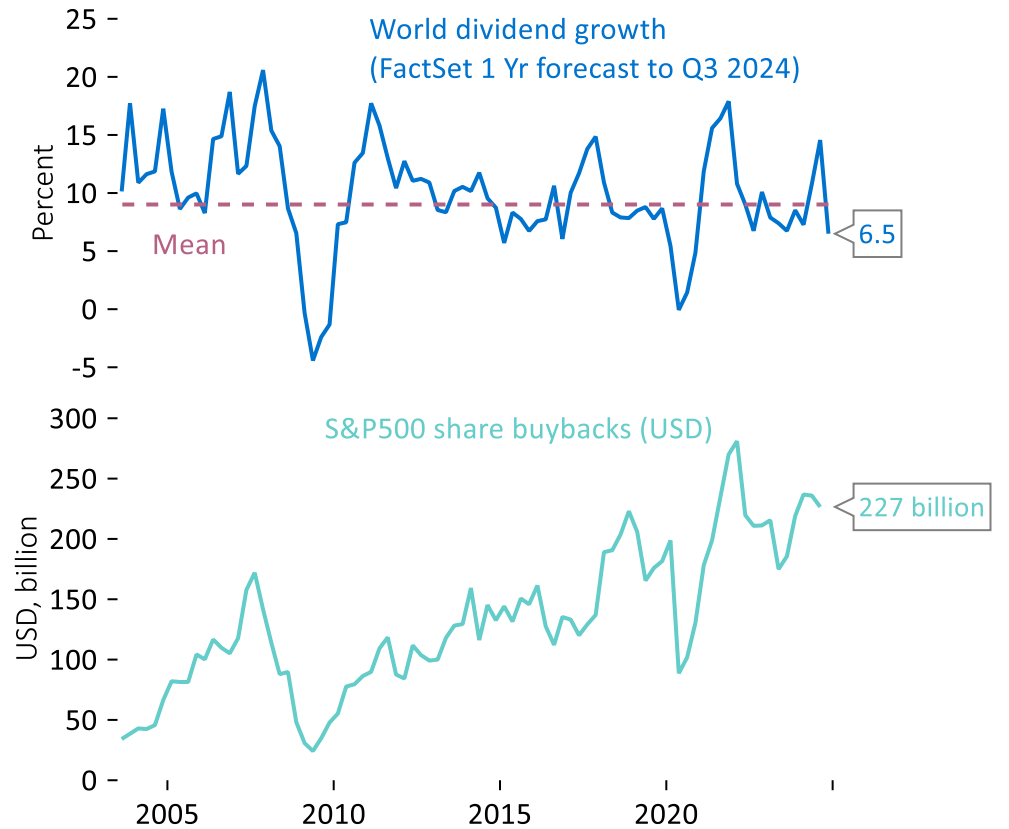
12 month forward earnings estimates (Bloomberg)



Source: Macrobond, 12.03.25



Global dividend growth and US stock buybacks plentiful



Source: Macrobond, 12.03.25

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Policy summary

Global Strategy March 2025

Bonds	Neutral/Underweight <ul style="list-style-type: none">• Neutral Govt: Long-term yields close to fair value – UK pension funds natural buyers• UW inv. grade credit: Spreads are historically tight – reduce risk
Equities	Neutral <ul style="list-style-type: none">• Equity: Earnings outlook remains solid but there are growing risks of a US slowdown – lower gas prices and higher defence spending support European growth• Valuation: Equity risk premium and market concentration are elevated
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	Overweight <ul style="list-style-type: none">• Policy and geopolitical uncertainty has increased markedly
Risks	<ol style="list-style-type: none">1. Global trade war – Trump tariff agenda invites global retaliation – US economy slows2. Disorderly bond markets – Budget deficits and sticky inflation trigger a return of the bond ‘vigilantes’3. Major AI/Tech profit warning – US equity valuations contract on long-term earnings fears

Source: Sarasin & Partners, February 2025

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