

# Six Minute Strategy

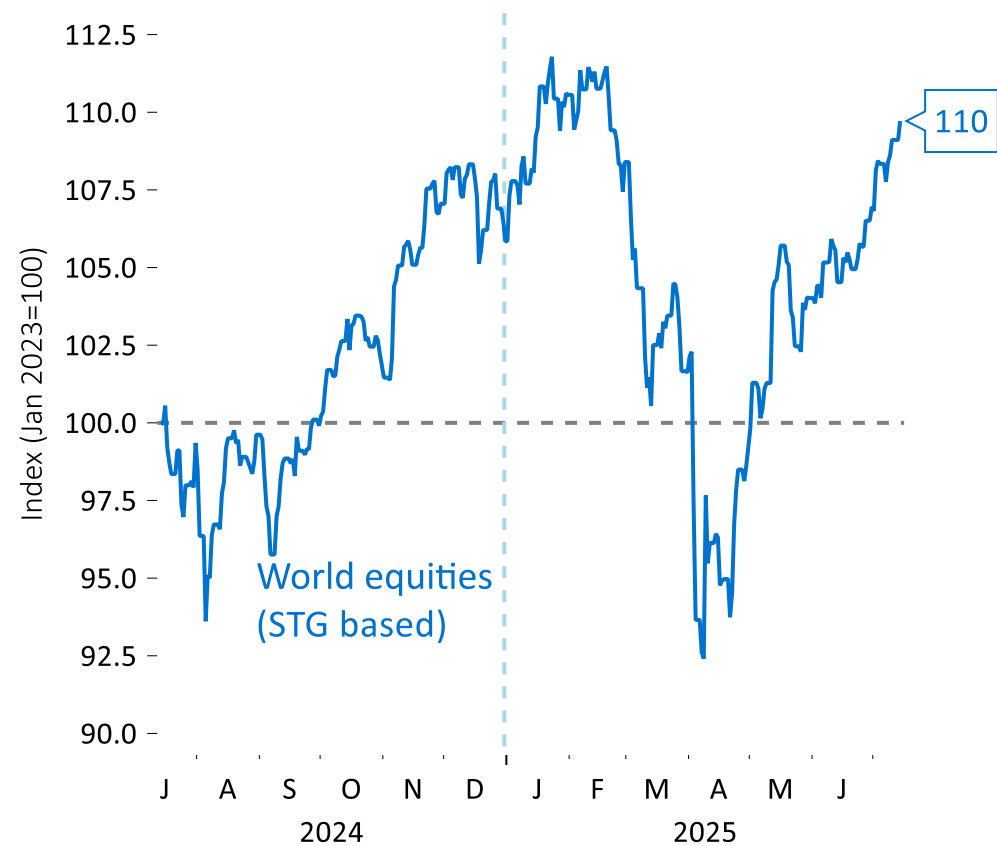
## Tariffs, tensions - and a reluctant rally

July 2025

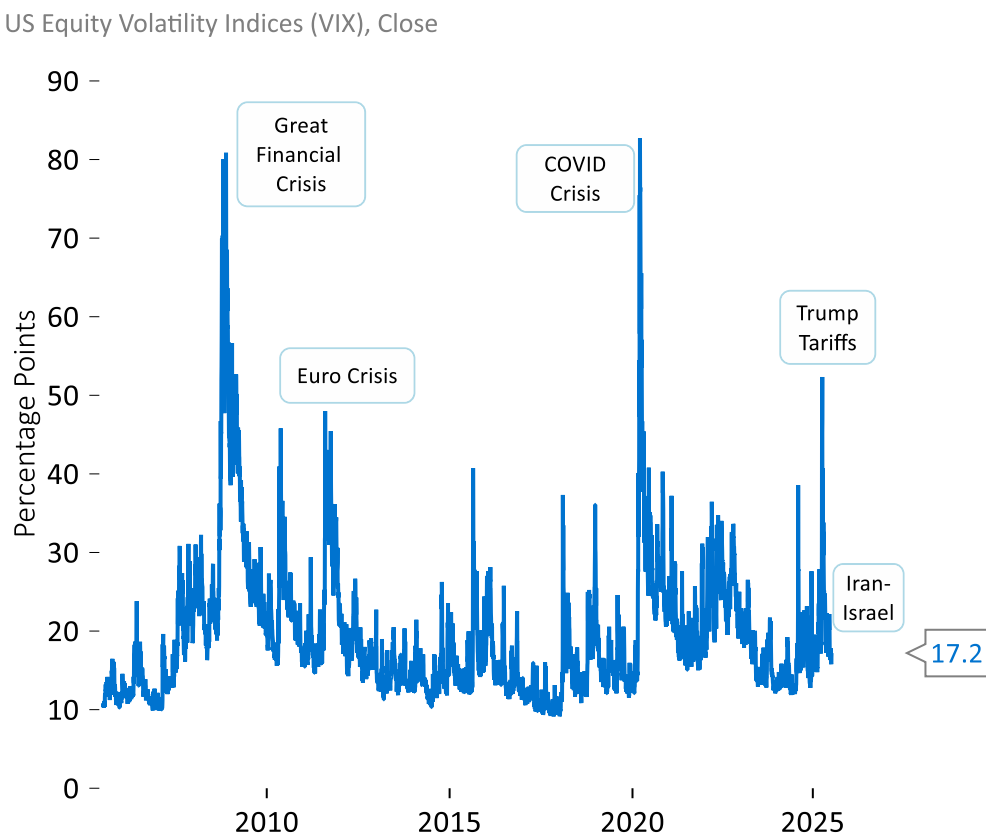


# Global equity sell-off and recovery

## Equities rally from Liberation Day sell-off



## Volatility over Iran conflict extraordinarily subdued



Source: Macrobond, 15.07.25

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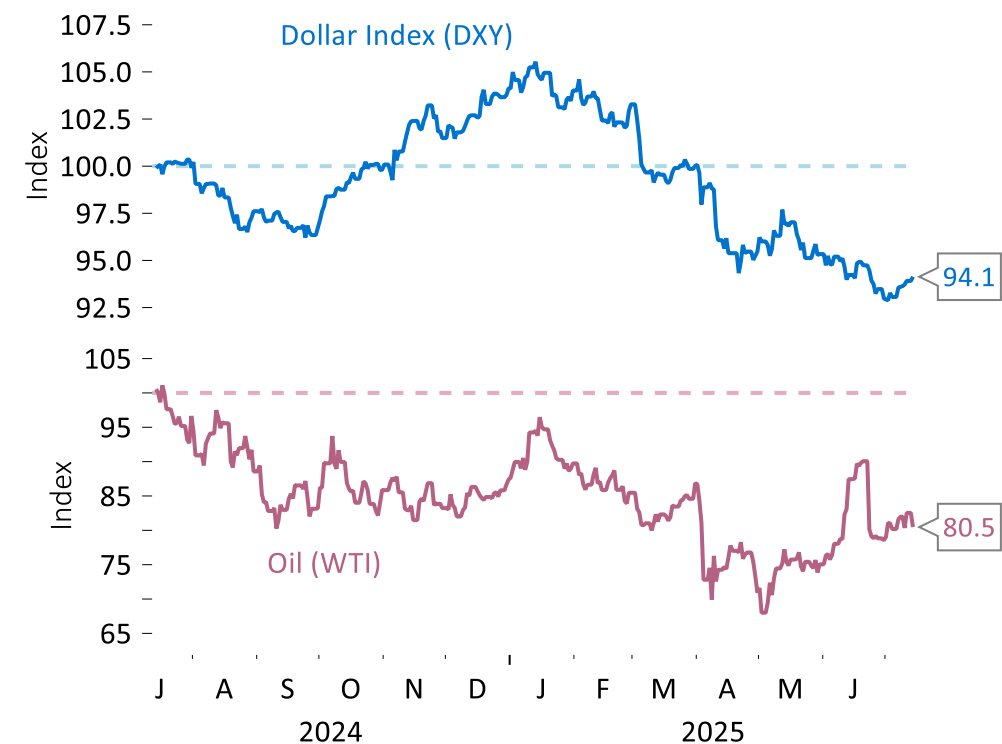
Past performance is not a reliable indicator of future results and may not be repeated.

# Other assets

Dollar and oil begin to stabilise – all major markets see yield curves steepen

 Dollar declines start moderate – oil rallies from lows

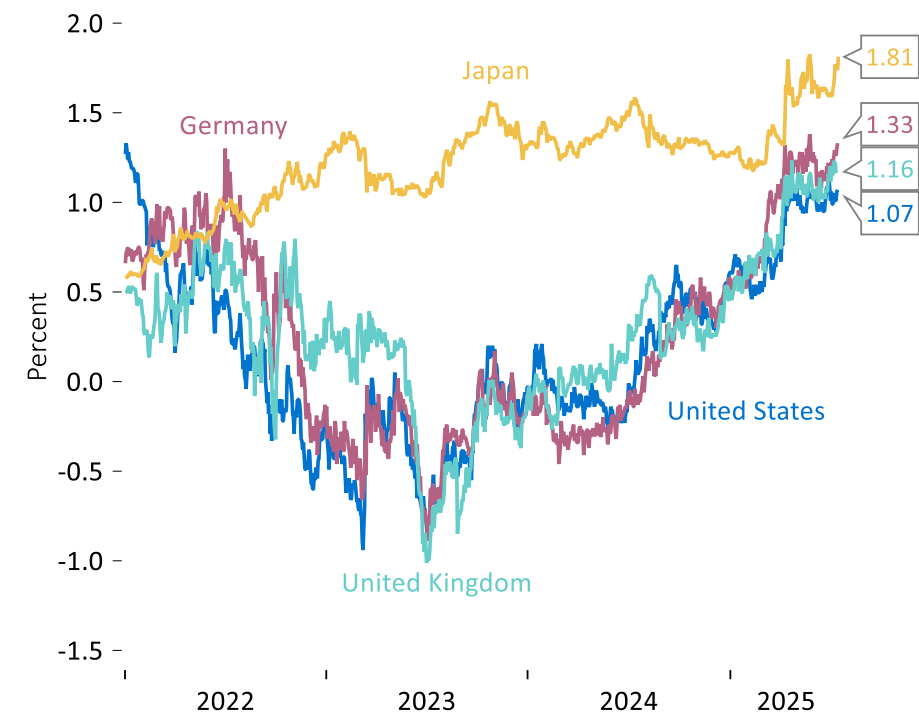
One year asset class performance  
1Yr ago = 100



Source: Macrobond, 15.07.25

 Yield curve steepens

Government Bond Yield Curve Slope (20-2yrs)



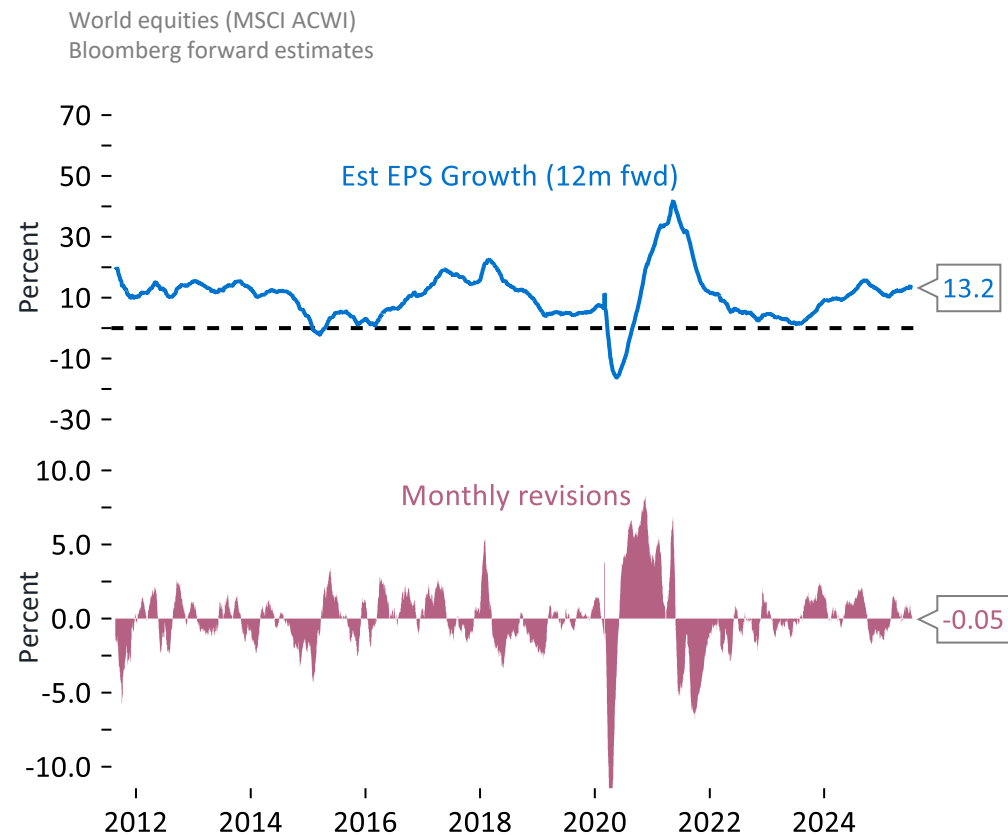
Source: Macrobond, 15.07.25

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# Global earnings and dividend growth

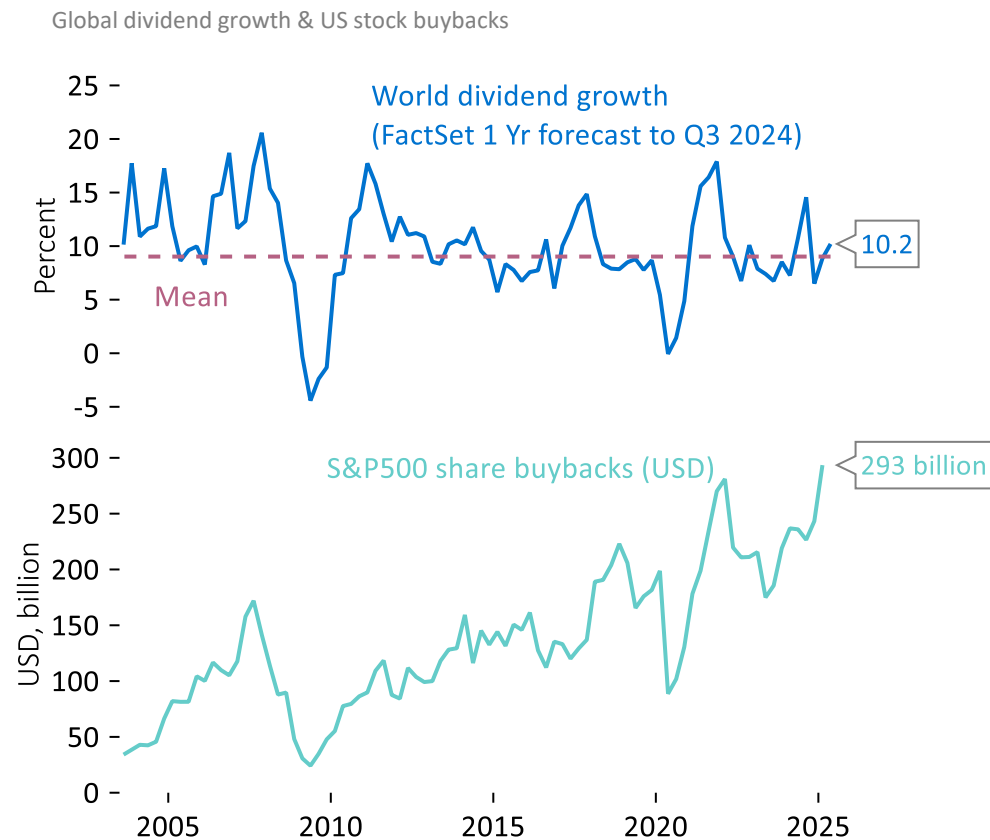
Downward earnings revisions are not visible yet – dividends and buybacks remain robust

## Global earnings growth still robust



Source: Macrobond, 15.07.25

## Global dividend strong and US buy-backs at record levels

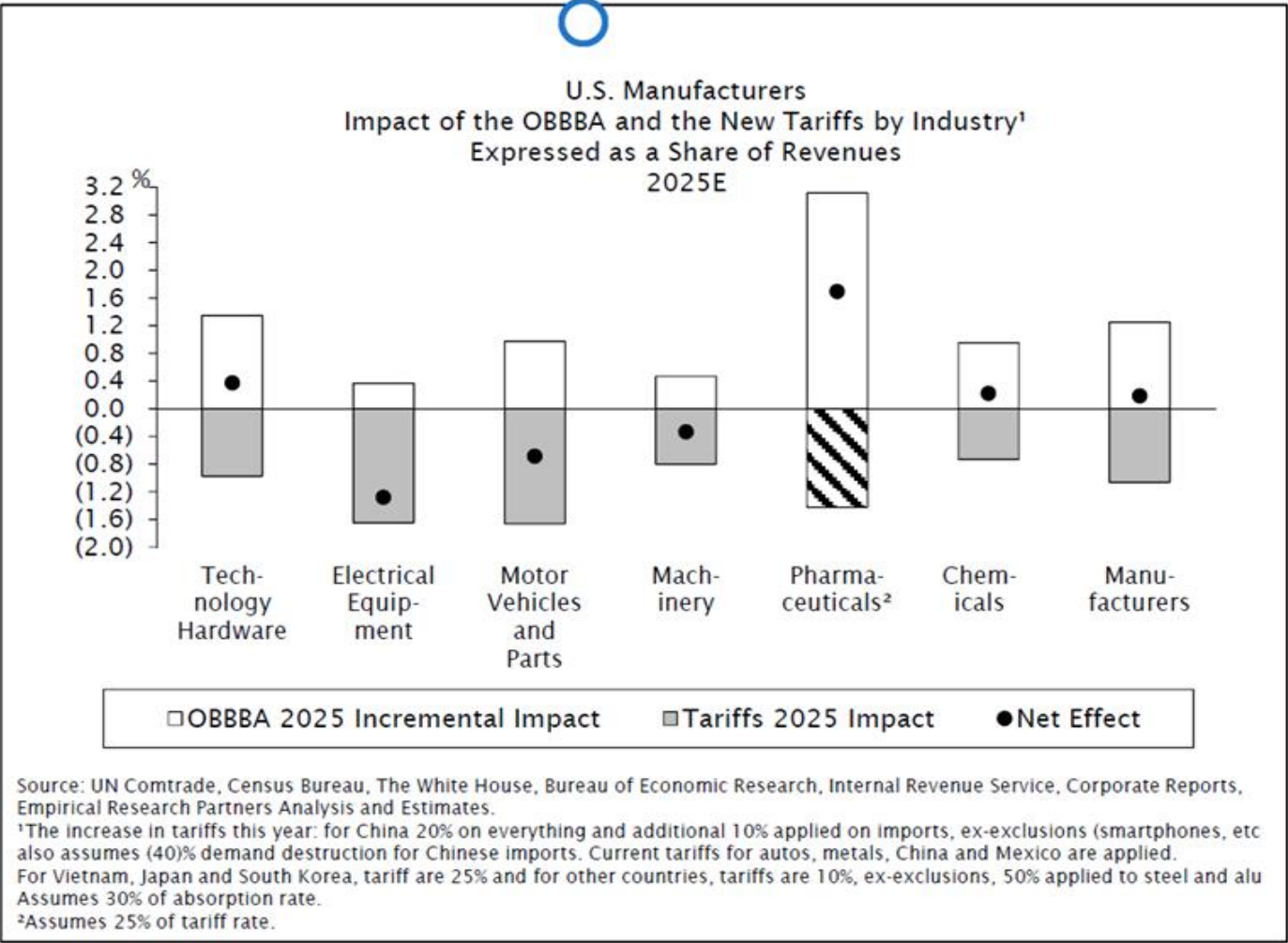


Source: Macrobond, 15.07.25

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# US corporate revenues

Tariffs and the impact from OBBBA are about a wash across US industry groups



Source: Empirical Research LLC July 2025  
OBBBA = 'One Big Beautiful Bill'

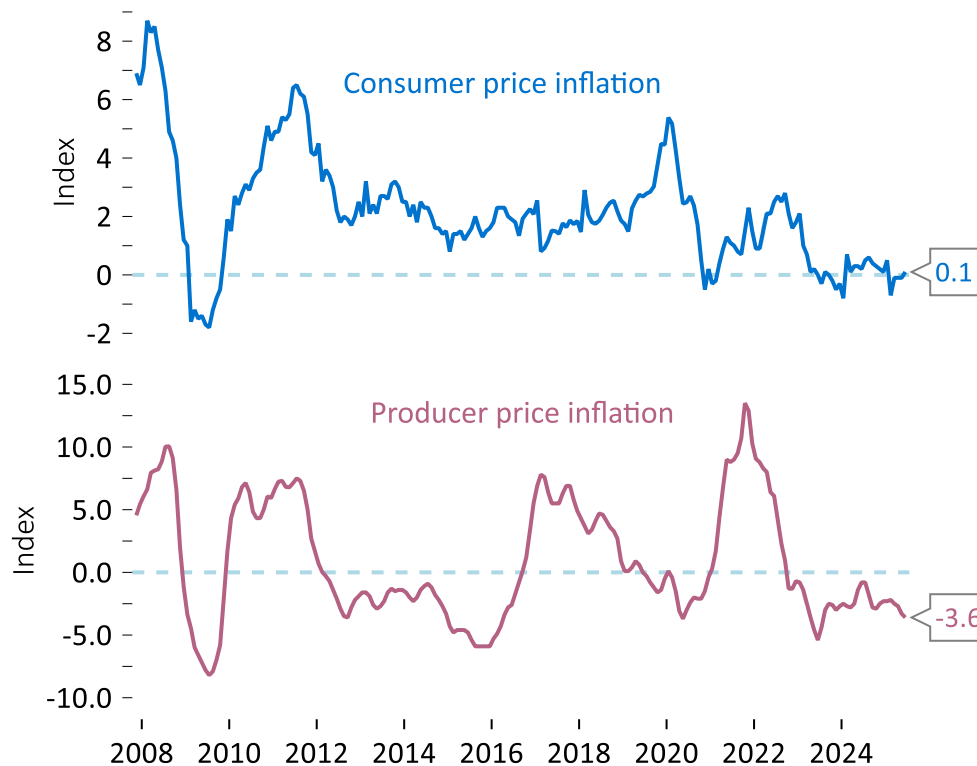
# China: Still a long road to economic reflation

Tariff impact already being felt – flood of Chinese exports to RoW likely



**Stubborn Chinese deflation suggests fiscal stimulus needed**

China inflation measures

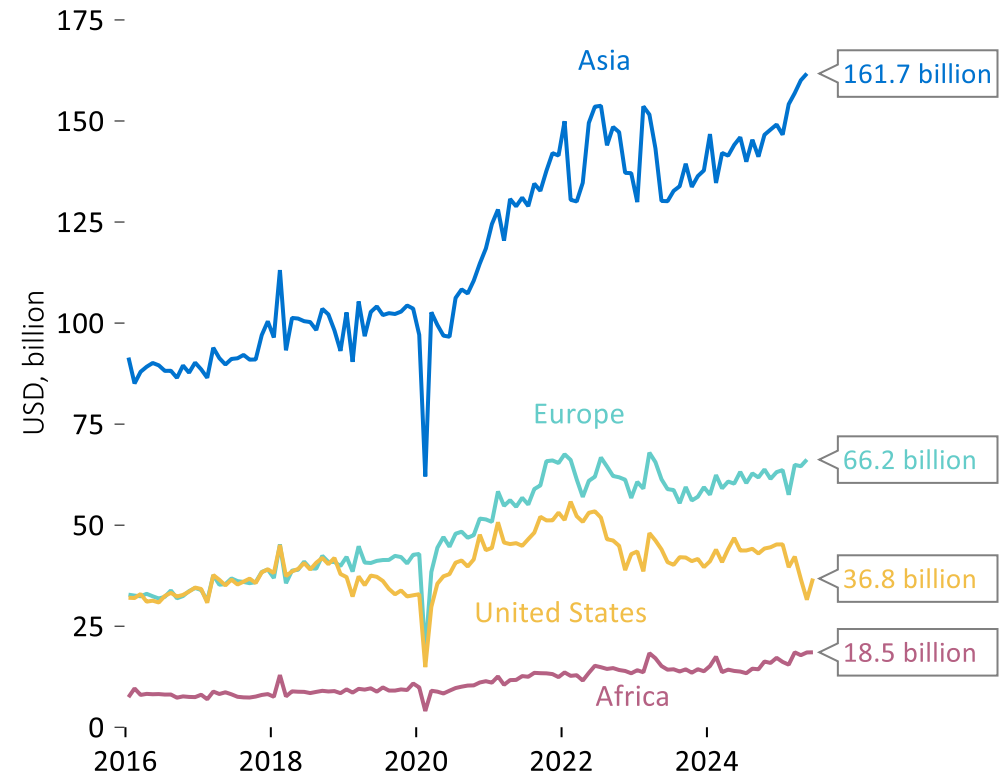


Source: Macrobond, 15.07.25



**China export to US redirected through Asia**

China, Foreign Trade, Export, Countries, Export, Value, USD



Source: Macrobond, 15.07.25

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# UK: Public finances stretched

Gilt market 'vigilantes' keep watch on UK fiscal position

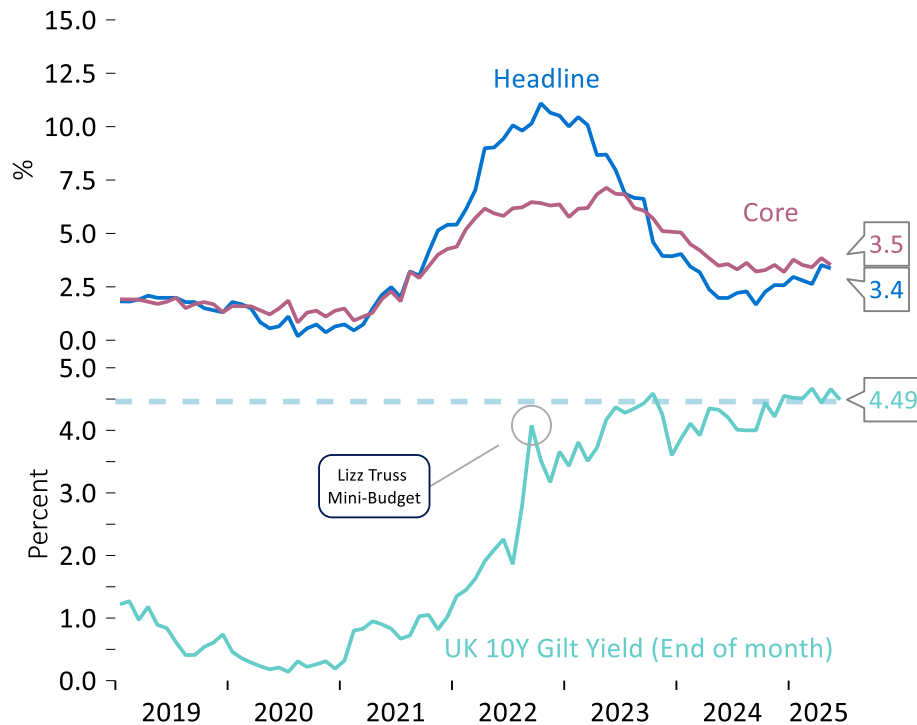


UK inflation near peak – gilts nervous of UK fiscal discipline



Reeve's 2024 budget left UK tax/GDP highest since 1970's

UK Inflation & Unemployment

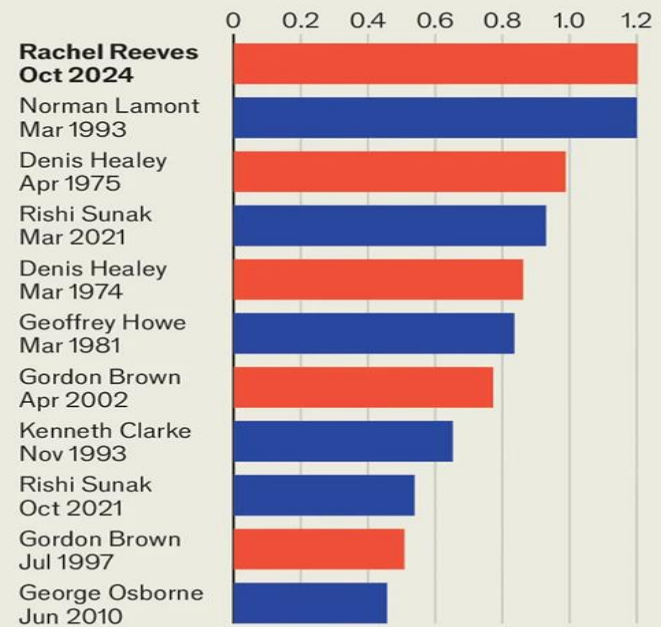


Source: Macrobond, 15.07.25

## Chancellors of gloom

Britain, largest tax increases in budget\*  
1970-2024, % of GDP

Labour Conservative



Sources: OBR; ONS;  
The Economist

\*Five-years forward,  
historical or forecast

'UK underlying debt has risen by 24 per cent of GDP over the past 15 years and by 60 per cent of GDP over the past 20.' - OBR, July 2025

# Policy summary

Global Strategy July 2025

Bonds	<p><b>Underweight</b></p> <ul style="list-style-type: none"><li>• <b>Neutral government:</b> yields offer value amid likely further interest rate cuts across most major economies</li><li>• <b>Underweight credit:</b> spreads remain historically tight – offering little overall value</li></ul>
Equities	<p><b>Neutral</b></p> <ul style="list-style-type: none"><li>• <b>Equity:</b> Global equity earnings remain robust – buybacks and dividend growth strong</li><li>• <b>Valuation:</b> US equities expensive but AI-linked earnings still climbing – RoW valuations broadly neutral</li></ul>
Alternatives	<p><b>Neutral</b></p> <ul style="list-style-type: none"><li>• <b>Alternatives:</b> diversified exposure to absolute return funds, private equity, and infrastructure</li><li>• <b>Overweight gold:</b> EM central bank buying supports demand – gold in bank reserves now greater than euros</li></ul>
Cash	<p><b>Neutral</b></p> <ul style="list-style-type: none"><li>• Long-term dollar depreciation against a broad basket of currencies – Asian currencies are the main beneficiaries</li></ul>
Risks	<ol style="list-style-type: none"><li>1. <b>Stagflation:</b> tariff retaliation lowers growth and leaves inflation sticky – US labour shortage worsens</li><li>2. <b>Government debt climbs:</b> bond yields rise – US dollar falls – risk of bond market ‘vigilantes’</li><li>3. <b>War risks:</b> Iran-Israel ceasefire fails – incremental Chinese blockade of Taiwan</li><li>4. <b>Climate risks:</b> 2024 hottest year on record – 2025 likely worse – greenhouse gas emissions stubbornly high</li></ol>

Source: Sarasin & Partners, 14.07.25



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