AURIS
WEALTH MANAGEMENT

Market Insight

Summer 2025

Economic context

The moment of reckoning is approaching for the global economy. So far, activity has absorbed the shock of tariffs and Trump's constant reversals on the issue rather well (Chart **#1**).

In this respect, US growth has done more than hold up, and confidence seems to be returning. The job market is showing some resilience, with private sector job creation exceeding expectations and the unemployment rate falling to 4.1%. But upon closer inspection, all is not so rosy. Job creation is mainly coming from the public sector, while private employment is showing signs of slowing, and the decline in the unemployment rate is partly linked to migrant deportations. Inflation, for its part, is not a concern for the moment, and its main components are trending downward. The tariffs are expected to have only a transitory effect on prices, mainly during the second half of the year. Finally, let's note the approval of Donald Trump's *Big Beautiful Bill*, which will partially support American growth at the cost of a significant shift in the trajectory of American debt **#2**).

In Europe, growth remains modest, and the currently anticipated scenario for US tariffs is emerging around a universal rate of 10%, to which specific amounts are added depending on the sector (steel and aluminium, automobiles, pharmaceuticals). In this scenario, the consequences for European growth are relatively limited, but a higher rate of 30%, as Donald Trump is again threatening, would lead to stagnation in European growth. European activity should also be supported by the decline in inflation, a consequence of lower energy prices. Real wage growth should finally support the decline in the savings rate in the second half of the year. Similarly, sentiment indicators are recovering. Combined with the recovery in lending, consumption and investment should in turn contribute to the European recovery (**#3**).

In China, the recovery remains timid, even though consumption is benefiting from the state aid recently distributed to citizens. The country remains subject to deflationary forces, particularly due to competition between companies, a competition that the government would like to reduce. Finally, the government is once again considering supporting the economy through yet another stimulus package worth around $200 billion to boost consumption and counter the impact of US tariffs.

Central Banks

Investors are beginning to price in a full cycle of rate cuts by the Fed, likely to begin as early as September and continue throughout 2026. This scenario lends some credence to Donald Trump's repeated pressure on John Powell (**#4**). The FED must also deal with the depreciation of the dollar, a factor that must be accounted for due to its inflationary effect on imports, estimated at +0.3% on the CPI for a 10% depreciation.

The ECB is adopting a somewhat wait-and-see stance regarding tariffs, but it will necessarily have to adopt a more accommodative stance by the end of the year, given the downward trajectory of inflation, a phenomenon accentuated by the appreciation of the euro.

This wait-and-see approach by central banks, combined with the upcoming increase in sovereign debt issuance, is currently pushing long-term rates higher. A situation to monitor.

Financial Markets

US markets have returned to their highs, driven by the relative calm on the tariff front, expectations surrounding AI and the rise in related stocks, as well as the anticipation of a more accommodative Fed in the fall. Although we remain constructive for the second half of the year, the magnitude of the rally observed in the US markets calls, in our opinion, for a consolidation phase, or even a technical correction, given the exuberant signals emitted by technical indicators.

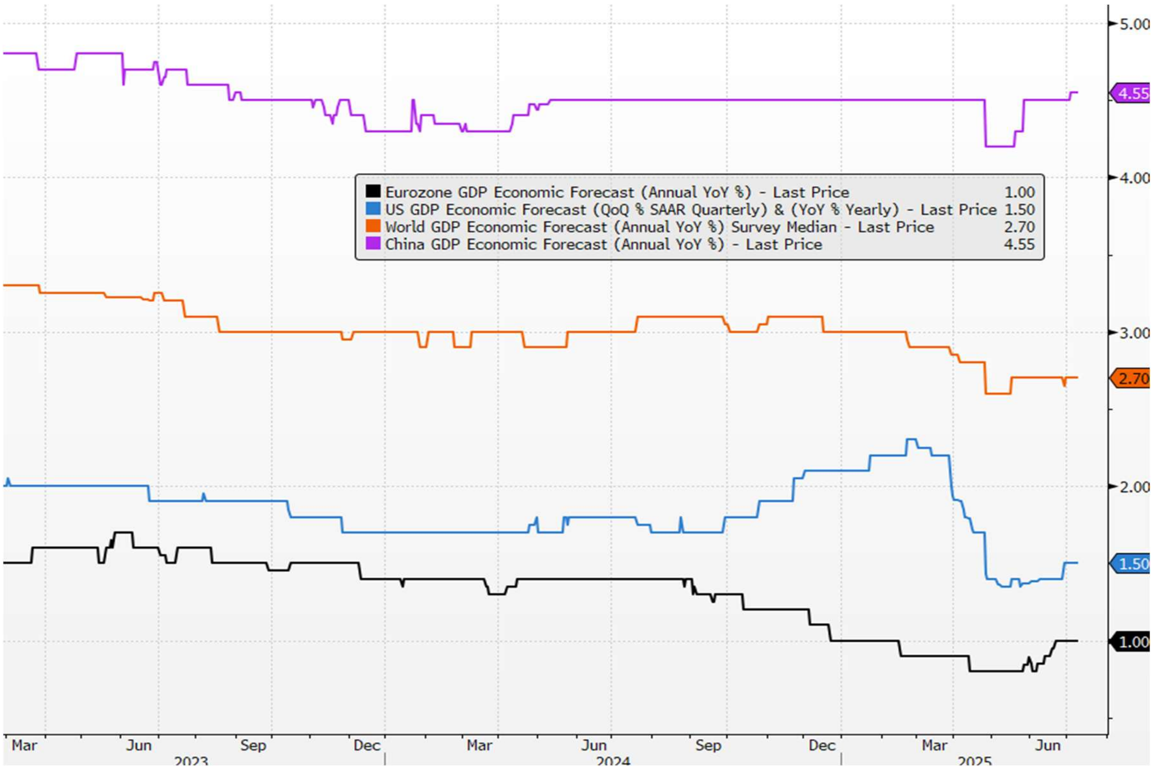
European markets are also trading close to their highs, but valuations remain significantly less stretched than those for US equities. Furthermore, earnings growth expectations, now down to 0% for this year, appear relatively easy to exceed. These are all factors likely to encourage the return of international investors, who were very present at the beginning of the year but reduced since Liberation Day. Finally, helped by the weakness of the dollar, emerging markets are doing well, with the exception of the Chinese markets which remain below the highs recorded at the start of the year.

Investment policy

- Having quickly returned to their highs, US equity markets have factored in the potential good news: monetary easing by the Fed, a depreciating dollar, and AI. But it's only truly after the summer that we'll be able to assess the feasibility of a Fed rate cut cycle, once the real impact of tariffs on the economy has been measured.
- Growth is expected to accelerate in H2, and valuations remain attractive in the Eurozone. International investor flows are expected to return after a pause.
- Visibility in China remains poor, and the stimuli are insufficient to warrant an overweight position for the time being.
- The structural changes induced by tariffs will be long-lasting and disparate across countries. There will be winners and losers, so we must be selective.
- The *Big Beautiful Bill* substantially increases US debt, Japanese rates are under pressure, and German issuance in H2 must be absorbed by the markets.
- While spread levels are tight in High Yield, fundamentals remain favourable for the moment and flows are supporting the asset class.

Graphs

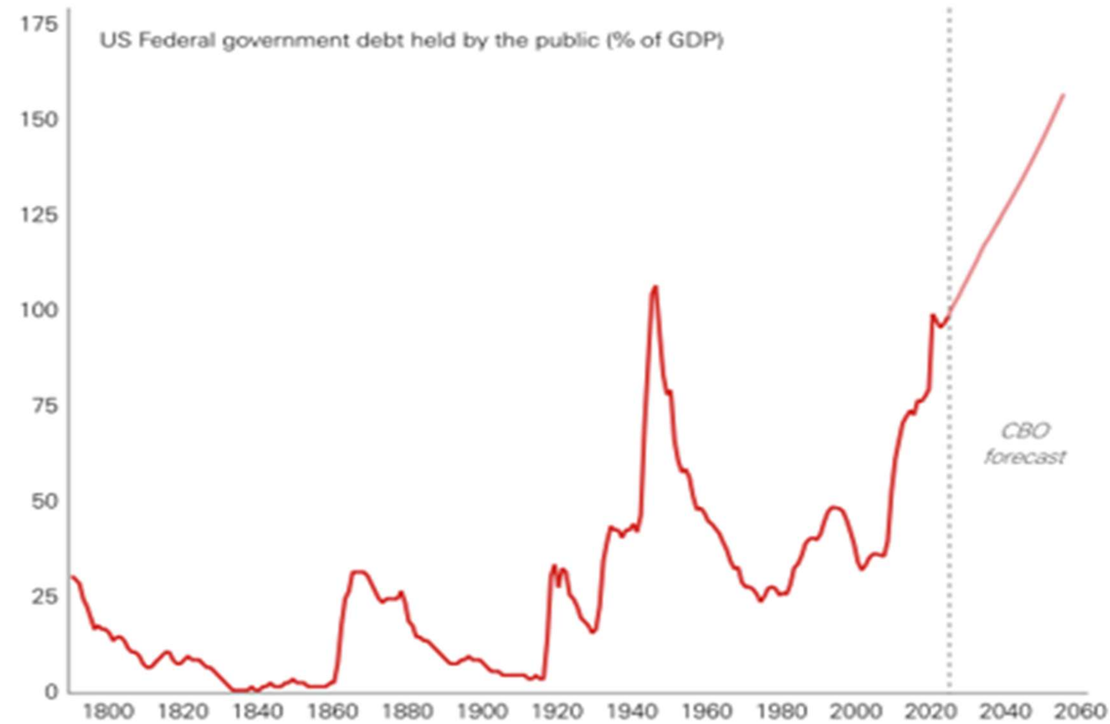
#1 Growth forecasts for 2025



Source : Bloomberg

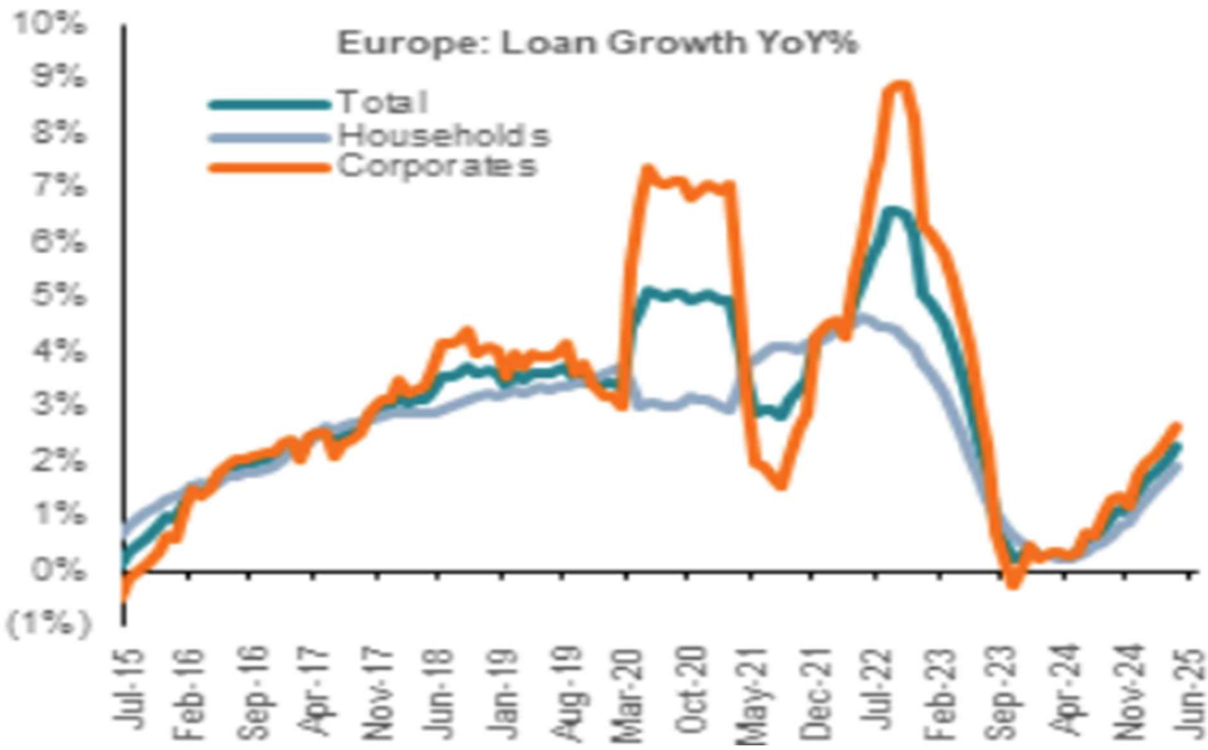
#2 Evolution and projections of the American debt

US debt ratio, and CBO projections



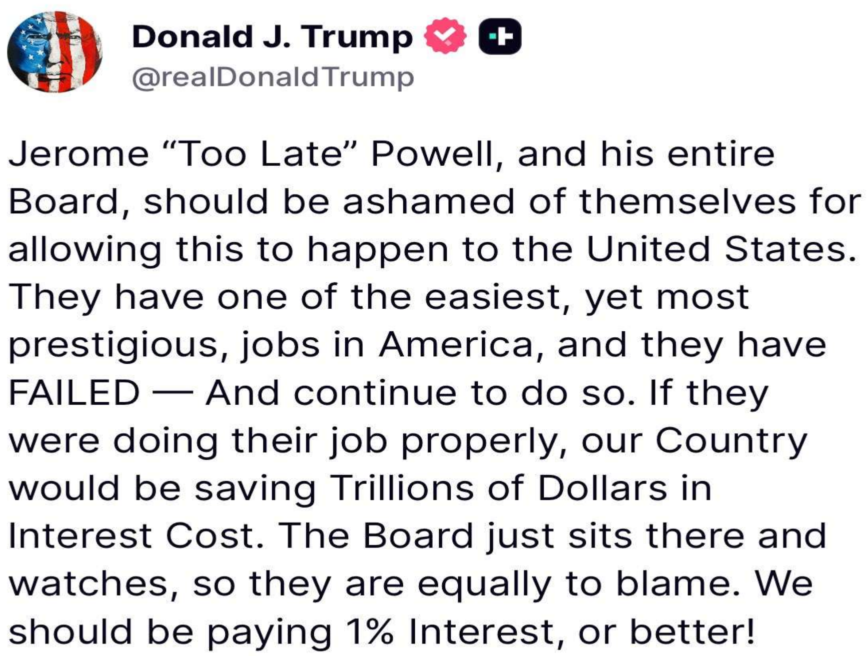
Source : CBO

#3 Growth in loans to businesses and households



Source : Exane

#4 One of Donald Trump's tweets


Donald J. Trump
@realDonaldTrump

Jerome "Too Late" Powell, and his entire Board, should be ashamed of themselves for allowing this to happen to the United States. They have one of the easiest, yet most prestigious, jobs in America, and they have FAILED — And continue to do so. If they were doing their job properly, our Country would be saving Trillions of Dollars in Interest Cost. The Board just sits there and watches, so they are equally to blame. We should be paying 1% Interest, or better!

Source : X

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