The **Art of the Deal** meets the **Art of War**

- **Last week saw lower US treasury yields supporting all asset classes, except US stocks held back by tech**
- **Some level of nervosity is palpable in Washington as uncertainty hits consumer and business sentiments**
- **Our extremely diversified and slightly defensive positioning works well so far.**

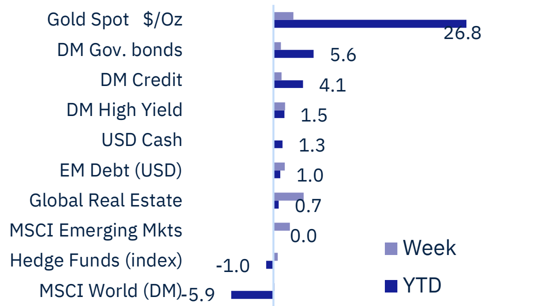
Last week was shorter due to Easter holidays, but it was positive for all major global asset classes. The main reason was US Treasury yields falling, which weighed on the US dollar but provided a welcome pause in risk-aversion. All asset classes benefitted, except US stocks, held back by the tech sector at the forefront of the current trade war.

As we said repeatedly during our Global Investment Outlook, 2025 is not about 2025 but about how the Winds of Change will impact the future. Q1 was actually positive for the global economy, including growth and inflation in the US, while March surprised on the upside in trade and manufacturing activity. But while hard data is positive, uncertainty about the future is only growing, as shown by soft data. The same happens with corporate earnings: Q1 numbers are so far fine, but many companies simply do not provide forward looking guidance anymore or condition them to several scenarios.

As a consequence, signs of nervosity are starting to appear in Washington. The US administration expresses frustration about China not initiating discussions to mitigate tariffs. The Art of the Deal set a very aggressive starting point to trigger negotiations, but China's Art of War is about preparation, patience, and playing with their opponent's weakness. One of them is the fact that between positive hard data and inflationary risks, the Fed will not come to help if it has no reason to, which led President Trump to allude to replacing the Fed chairman – which would certainly not reassure markets.

The investment outlook is thus all about US policies and the responses from the world, with a high level of uncertainty. The good news however is that diversification works reasonably well. So far this year, our three profiles are either positive or marginally negative, benefitting from the positive returns of gold and bonds, and from our current caution towards DM stocks. Have a great week.

ASSET CLASSES USD % TOT.RETURN, LAST WEEK AND YTD 2025



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Cross-asset Update

After +13% in 2023 and +27% in 2024, gold, the world's oldest store of value, continues to print all-time highs almost every day in 2025. This year alone, and despite providing zero yield to investors, gold is already up +26%.

We have been lucky enough to carry an overweight in gold for long, including most of last year. In last December, we came out with a 2025 year-end fair value of $2,900 an ounce, which looked quite bullish back then as gold was trading around $2,600. We highlighted the virtues of gold as a genuine diversifier for portfolios and as a relevant edge for the upcoming uncertainty we saw from the "Winds of Change" of 2025.

As we write today, gold is trading at $3,350 which is way above our initial expectation. Still, we have kept our overweight within our global asset allocation and have just released a note in which we have upgraded our year-end fair value to $3,500 an ounce.

We indeed believe that the outlook for gold has turned increasingly bullish amid shifts in U.S. economic policy and global monetary dynamics. Under President Trump's administration, a renewed focus on reshoring manufacturing and reducing trade deficits is expected to shrink dollar circulation, elevating gold's role as a 'neutral' reserve asset in a multipolar world. Central banks and institutional investors are responding accordingly. Speculation is also rising around a potential revaluation of U.S. gold reserves—last valued at $42.22/oz—which could inject over $750 billion into the Treasury General Account and help reduce foreign-held debt. This so-called "monetization" would echo historical precedents and mark a significant policy shift.

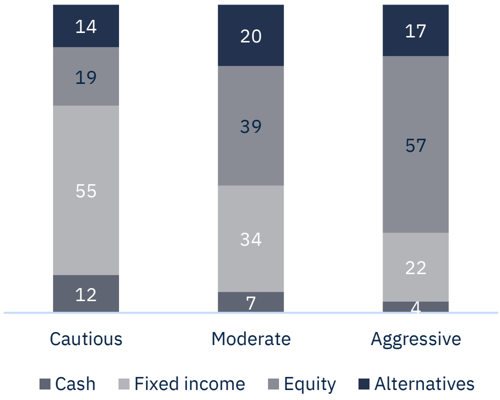
Reflecting these developments, gold's fair value is now seen at $3,500/oz – this is a fundamental view which doesn't look pessimistic to us, even if the currently ballistic market action suggests that our fair value could be met in a matter of days. Still, that's how we work and for the time being, we keep an overweight in our global asset allocation.

Our current positioning is:

- overweight on cash (for risk mitigation but also flexibility and even yield)
- overweight on fixed income, especially government bonds with neutral duration but also high yield which we tactically prefer to credit
- underweight in stocks from developed markets (which is also the reason why we are slightly overweight on high yield corporate bonds, a matter of relative preference within risk assets). We are neutral on emerging markets within the equity asset class.
- Underweight on alternatives except an overweight on gold: we are cautious on hedge funds in a context of brutal market gyrations, and marginally underweight on real estate.

So far, our three TAA profiles deliver respectively +2%, +0.3% and -1.2% in US dollars as of Friday 17th of April, after +5%, +10% and +12% last year.

TACTICAL ASSET ALLOCATION: SIMPLIFIED POSITIONING

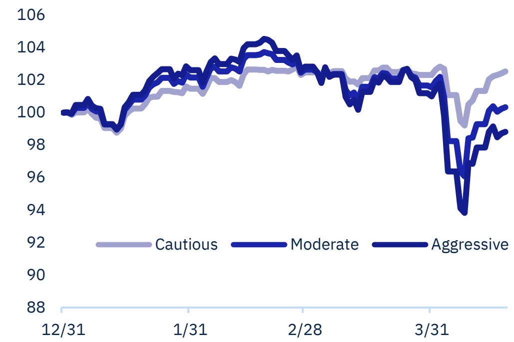


TAA – RELATIVE POSITIONING – MODERATE PROFILE

UW/N/OW: Underweight/Neutral/Overweight

	UW	N	OW
Cash			>>
DM Gov.			>>
DM Credit	<		
DM H. Yield			>
EM Debt		=	
DM Equity	<<		
EM Equity		=	
Gold			>
Hedge Funds	<<		
Real Estate		=	

TAA – 2025 INDICATIVE PERFORMANCE



Source: Bloomberg. CIO Office calculation based on TAA applied to market indices, net total return in USD.

Fixed Income Update

US Treasury yields have remained volatile even though they have come down from the highs achieved last Monday. There have been movements of 7 to 10 bps everyday in the 10-year yield putting into question the status of Treasuries as a safe haven asset. Chairman Powell's speech at the Chicago Economic Forum last week did not deviate from his earlier statement. He emphasized that the Fed is ready to wait till more policy clarity emerges. He also added that the labour market is in pretty good shape but without price stability there can be no robust employment generation. This was in stark contrast to Monday's remarks by Waller who mentioned that in the event of a toss-up between weak economy and a higher inflation, the Fed would be ready to support growth. Waller is widely anticipated to succeed Powell.

More importantly, the Fed's independence is under question. Last Thursday, President Trump raised the pressure on the Fed to cut rates by calling for removal of Chairman Powell. Trump said he had been a "terrible" Fed chair who had been "too slow" to cut rates. In a 1935 case, known as Humphrey's Executor, Congress gave members of independent agencies job protections to shield them from dismissal. However, the Trump administration may no longer defend the Humphrey's Executor precedent and could push the Supreme Court to reverse it. Some of the cases the administration is fighting for removal of agency chairpersons reaches culmination at the Supreme court around September this year. If Supreme court rules in favour of the government, that would increase the power of the President to remove the Fed Chair. However, Treasury secretary Bessent and National Economic Council Director Hassett, have been advising against this move as that could roil the financial markets.

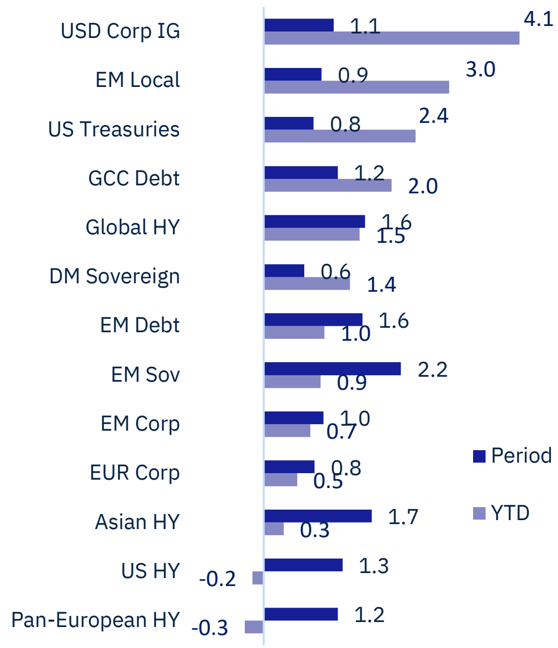
Credit spreads have been stable in the holiday shortened week. High Yield was the best performer as HY spreads compressed by 10 bps. High Yield funds continue to see outflows. According to a JPM estimate, HY and LL funds have now unwound approximately ~$11.5bn and $12.9bn, respectively, of the $39.8bn and $37.4bn of net inflows experienced since November 2023 (-25-30%). On the brighter side, borrowers entered this period with solid credit fundamentals, having benefited from a stretch of supportive conditions. Rating actions have been balanced, refinancing activity has been robust, and the net negative outlook bias has overall been well below five-year averages according to S&P. The worst affected sectors remain automakers, generic drug manufacturers and retailers.

In Emerging Markets spreads compressed last week by 3 bps. But since" liberation day" EM corporate spreads have been affected more compared to the sovereign counterparts. Local manufacturers in Asian countries will face tough competition from China. We like Indian HY, Turkish financial sector sub debt and GCC GREs. The GCC debt has performed well with limited spread decompression compared to the broader EM Debt market. The primary issuance market has been slow, but we expect it to accelerate in the next two weeks as yields have been generally stable.

FIXED INCOME KEY CONVICTIONS (2025)

DEVELOPED MARKETS
Overall overweight DM FI
OW Government Bonds
Neutral corporate (IG & HY)
EMERGING MARKETS
Neutral EM Debt
Favor quality and selectivity
Including in GCC

FIXED INCOME SUB ASSET CLASS RETURNS (YTD, LAST WEEK)



Source: Bloomberg

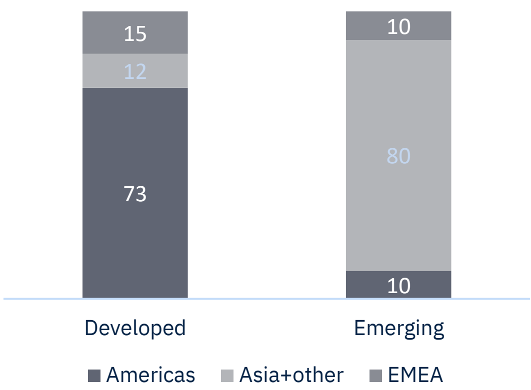
Equity Update

Equities diverged sharply last week, revealing a market grappling with asymmetric risks and region-specific catalysts. The MSCI ACWI advanced 0.4%, supported by a 2.3% gain in emerging markets, with India and China stabilizing. Developed markets were more subdued, up 0.2%, while U.S. equities reversed lower. The S&P 500 fell 1.5% as markets recalibrated expectations around Fed policy and tech gave up recent ground. Fed Chair Jerome Powell rejected speculation of a near-term pivot, signaling that the central bank is not inclined to ease just yet. This policy posture collided with fragility in tech, where Nvidia came under renewed scrutiny after chip restrictions intensified. Nvidia flagged a $5.5 billion inventory exposure related to expanded U.S. export restrictions. ASML missed on bookings, and although TSMC offered a constructive outlook, sentiment across tech deteriorated. Europe posted a strong rebound. The MSCI Europe index rose 4.0%, lifted by broad-based gains across banks, defensives, and utilities. Luxury names underperformed, with LVMH and Hermes both citing weaker Chinese and U.S. demand. Still, broader equity sentiment improved as bond yields fell and expectations for further easing gained traction.

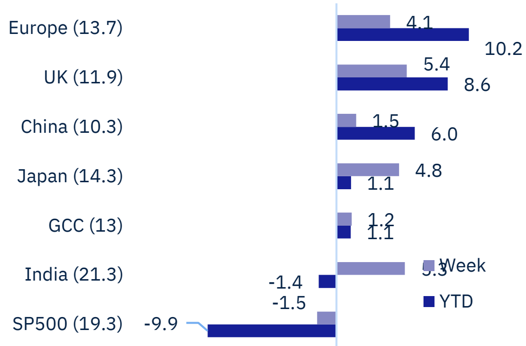
Asia delivered stronger performance. Japan's TOPIX gained 2.5%, supported by a weaker yen and renewed demand for exporters following clarity in U.S.-Japan trade discussions. Semiconductor stocks recovered after TSMC's earnings, and broader industrials found support. In China, the MSCI index rose 1.6%. Property developers led gains following comments from Premier Li Qiang indicating further credit easing. Home prices showed modest recovery, but market appetite remains selective. China's sovereign funds quietly stepped in to support equities, a sign that authorities are drawing a line under further market declines. Though concerns around platform regulation, delisting risk, and U.S. policy pressure continue to weigh on the tech complex. The ADX and DFM posted gains of 1.4% and 2.8% last week, supported by positive earnings from banks and steady investor flows. The MSCI India index advanced 4.5%, as foreign and domestic flows emerged around improving macro data and policy consistency. Consumption trends remain stable, inflation is moderating, and the RBI has maintained a supportive stance. Apple's expanding manufacturing base in India reinforced the country's strategic importance in global supply chains.

Last week highlights that global markets are no longer moving in sync. The bid is rotating into perceived havens, and capex discipline is replacing growth enthusiasm. For now, the divergence is being traded tactically. But the longer it persists, the clearer it becomes: this isn't just a repricing of assets, it's a repricing of assumptions. The old global playbook isn't working. And for equity markets, that means the new normal may be a lot more regional than it is global. All eyes now turn to earnings, Alphabet and Tesla report this week, kicking off a heavy stretch for US megacaps. Both will be closely watched for guidance amid macro headwinds and regulatory overhangs.

EQUITY RECOMMENDED REGIONAL POSITIONING

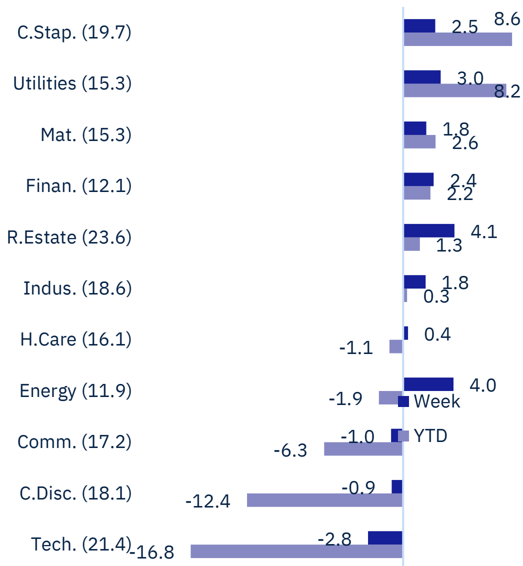


MAJOR INDICES PERFORMANCE (TR, US$), P/E in brackets



Source: Bloomberg consensus. MSCI Indices unless specified.

GLOBAL SECTOR PERFORMANCE (TR, US$), P/E in brackets



Source: Bloomberg consensus. MSCI All Country World sectors US$.

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