JULY 2025

Equity Focus

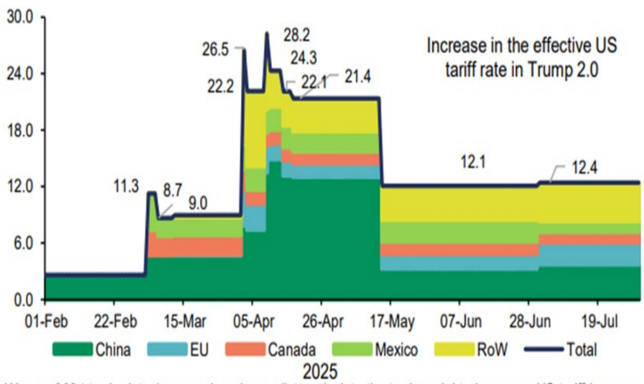
The Greatest Showman

Summary

1. **TACO – Trump always cashes out.** May D. Trump outsmart the market by employing the anchoring effect?
2. As of now, **it´s not the US trading partners paying the tariffs** (as Trump claimed) but US companies. In that sense, **Trumps tariffs are the greatest increase of US corporate taxes since the 1980´s.**
3. **MAGA doesn´t mean make profits great again.** Even though we have higher risk for (already lower) growth, clear evidence for margin pressure and an at least quadrupling tariff rate, earnings expectations and valuations are back to a "goldilocks" scenario. We reiterate our underweight rating on US equities.
4. **How do you spell opportunity? I-N-F-R-A-S-T-R-U-C-T-U-R-E ->** Easing trade frictions, growth tailwinds form defense and infrastructure spending as well as an increasingly attractive shareholder yield premium makes European equities hard to resist. **We upgrade to overweight.**
5. **Earnings outlook:** Over the last few weeks, earnings expectations have rebounded in the US, whereas they are under pressure in Europe. The outlook (especially related to tariff impacts and margins) may be more important than the actual numbers.
6. **In Europe, we still prefer domestic sectors** and those sectors that are benefiting from the massive fiscal stimuli being put in place. Banks remain among our top picks
7. **No sector changes in the US and Europe.**

Contents

CHART 1: HISTORICALLY HIGH TARIFFS ARE GOING TO BE IMPLEMENTED BY THE US



We use 2024 trade data (assumed unchanged) to calculate the trade-weighted average US tariff increase relative to the near 2.5% rate that prevailed before Trump imposed the first tariff of his second term. We assume implementation of additional tariffs on sectors that are currently exempt (see page 18) in Q3.
Sources: US Census Bureau, Macrobond, BNP Paribas

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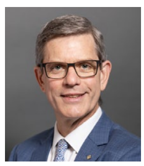


The Greatest Showman

"It´s called negotiation…..if I set a ridiculous high number and I go down a little bit, they want me to hold that number." **(Donald Trump responding to TACO, 2025)**

Donald Trump´s presidency so far reminds me about a TV reality show. It contains all elements to keep viewers entertained and engaged: Deadlines, multiple action streams, plot twists and late-night turnarounds. Everything well orchestrated and live on social media. The market quickly adopted to this political drama and came to the conclusion that there is a lot of show, especially in terms of tariffs, but little substantial action. This perception has apparently been confirmed by the latest tariff letters which have basically been delivered via social media. While most of the rates introduced in the letters are close to the "Liberation Day" rates, another extension until the 1st of August was granted. Thus, this was seen as another case of "TACO" (Trump Always Chickens Out) in action.

The Anchoring Effect

While we understand why "TACO" was coined, we don´t think this is what really happened, at least not beneath the surface. In fact, Donald Trump managed to bent the market´s mind when it comes to tariffs by using his usual style of negotiating (which we described in greater detail here). It is characterized by starting with obscurely high demands serving as a reference against everything else feels much more reasonable. This phenomenon is also known as the "Anchoring Effect". The market may think that Trump would chicken out, while he is actually cashing out. Now, everybody is rushing to try to get deal that is as close to 10% tariff rate as possible. But no one is actually questioning the fact that even this would be among the highest US tariff rate since the 1930´s.

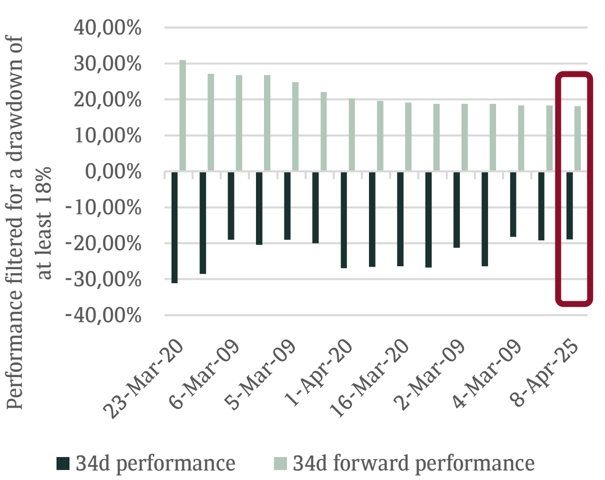
Introducing an effective average tariff rate of ~15% would have looked much more dramatic 12 months ago than it is today. After the "Liberation Day" announcements the consensus estimates for the US economy quickly soured with many expecting a serious recession. Thanks to (so far) very robust US economic data and the perspective of lower tariffs this expectations shifted towards a growth slowdown. Equities have also been quick to adapt a more relaxed attitude as we saw one of the fastest recoveries in the history of the S&P 500 (Chart 2).

Tariffs, Taxes and Inflation

Apparently kicking the (tariff) can further down the road has some advantages for Trump. While collecting much needed proceeds helping to stop the additional deficit from the "One Big Beautiful Bill Act" (OBBBA) running completely out of control, it gives Trump time to evaluate the effect of tariffs on inflation. This is crucial as the perception among voters that the tariffs are making their lives more expensive could quickly erode Trump's political capital. While the jury is still out on this verdict, we think it´s safe to say that a resurgence of inflation would constitute a major constraint for Trump in trying to establish above 10% tariff rates.

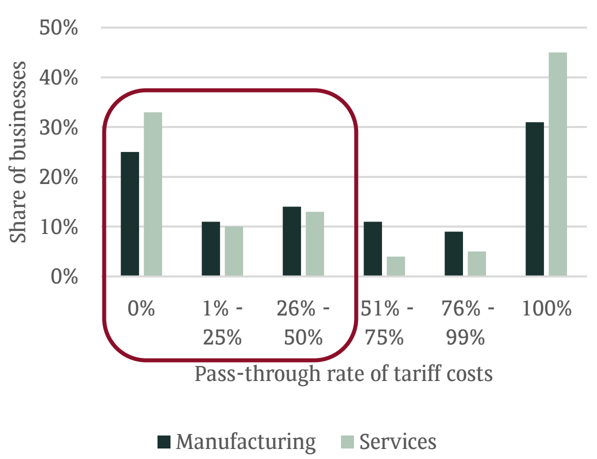
As of now, it´s not the US trading partners paying the tariffs (as Trump claimed) but US companies. In general, they´re adsorbing the impact from tariffs at least in greater parts (Chart 3). In that sense, Trumps tariffs are the greatest increase of US corporate taxes since the 1980´s.

CHART 2: OUTSIDE BEAR MARKETS, THE S&P 500 NEVER RECOVERED THAT QUICKLY



Source: BNP Paribas, Bloomberg

CHART 3: HALF OF THE FIRMS ARE ABSORBING AT LEAST 50% OF TARIFFS



Source: BNP Paribas, New York Fed

The Greatest Tax Increase

Why we remain underweight US equities

A recent survey from the New York Fed revealed that less than half of the responding companies are passing on more than 50% of the tariffs to their customers (Chart 3). While this is only a regional survey, we see no reason to assume that the behavior of New Yorker companies should differ materially from other businesses in the USA. This means that tariffs, at least for now, are effectively the biggest US corporate tax increase in the USA since the 1980s.

MAGA doesn´t mean make profits great again

So far, most of the policies incorporated by D. Trump have been less business friendly than one might expect from a Republican President. His war on immigration is having a significant impact on the US labor market for certain industries while the tariffs are increasing costs and uncertainties. Those effects are only partially counterbalanced by the OBBBA which seems to be more focused on individual tax releases (to tackle potential inflationary effects from tariffs?) than on corporates. This is true despite the change in certain deduction rules for investments. On the margin, the policies enacted are net growth negative which is reflected by the change in GDP expectations. Since this March we revised our US GDP growth forecast for 2025 from 2.3% to 2.1% (Chart 4). Slower growth and rising costs seems to be no environment in which higher margins look very likely to us. Thus, corporate earnings growth may struggle to match the strong performance experienced in recent history (Chart 5).

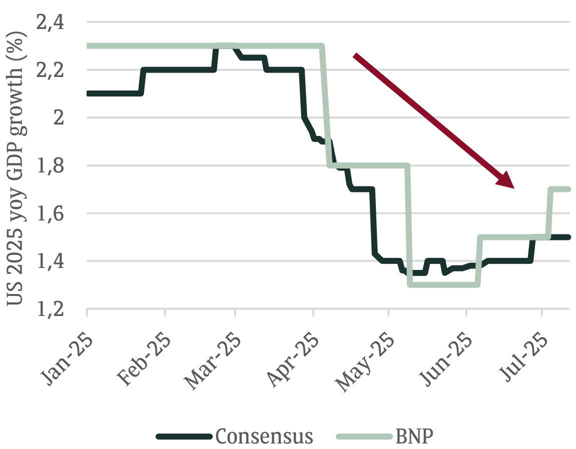
A market in "Everything is Awesome" mode

Despite these effects, the market quickly adopted a narrative in which everything seems to be awesome. We experienced one of the fastest recoveries in recent history (Chart 2). This move seems to be driven by three factors: Firstly, the market expects the FED to cut interest rates while growth and the job market cools just enough to give the FED a reason to worry more about growth than about inflation but without having a real negative impact (Chart 6). Secondly, retail continues to buy which is evident from measures of household positioning such as high levels of margin debt and stronger-than-average retail buying of individual stocks and ETFs. The US investment bank Goldman Sachs estimates that retail investors conducted close to $20 billion of net buying during the past three months. Thirdly, analysts seem to have fallen prey to the anchor effect as well. Even though we have higher risk for (already lower) growth, clear evidence for margin pressure and an at least quadrupling tariff rate, earnings forecasts are above, and valuations are back at Pre-Liberation-Day levels. This makes little sense to us, and we think that the risk/ reward of US equities looks far from appealing. We therefore reiterate our cautious stance on US equities and remain underweight against our benchmarks.

One big beautiful case for international quality

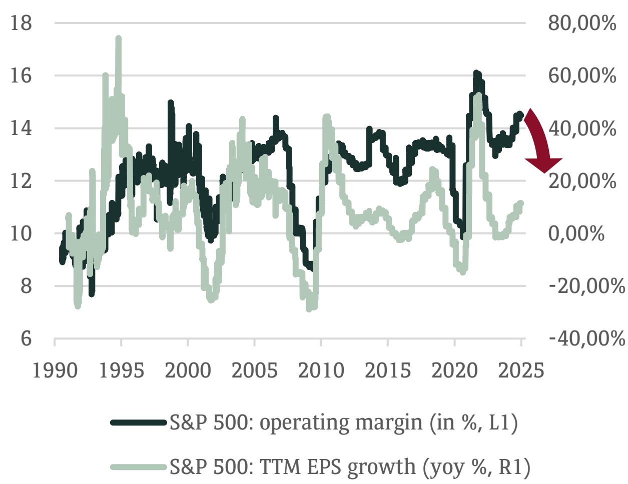
The OBBBA includes a provision that not only restores upfront expensing of domestic R&D, but also allows companies to accelerate deductions for costs deferred during the 2022 to 2024 amortization period. As a result, companies with high capex spending should see a boost of their free cash flows, allowing them to

CHART 4: US GROWTH EXPECTATIONS HAVE SLOWED



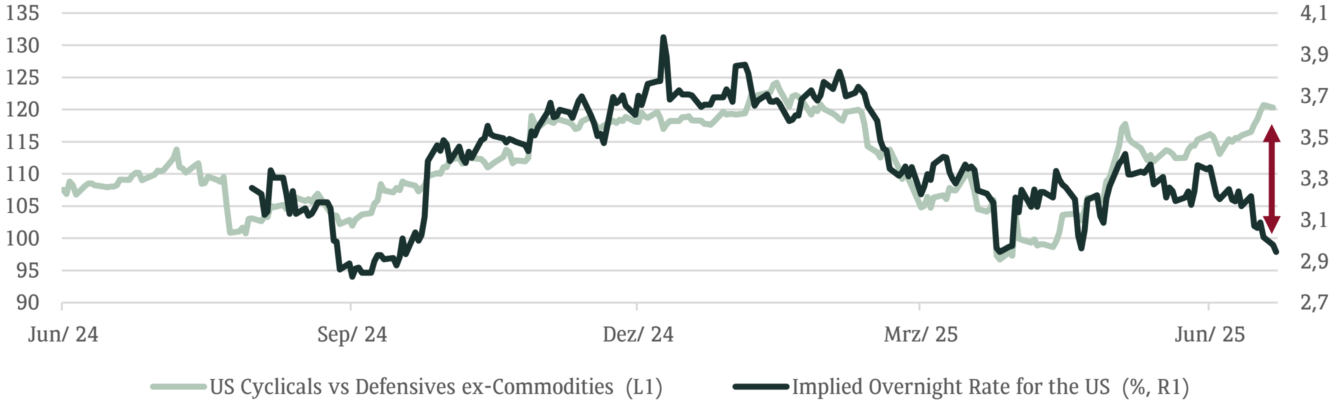
Source: BNP Paribas, Bloomberg

CHART 5: LOWER MARGINS SHOULD DAMPEN EPS GROWTH



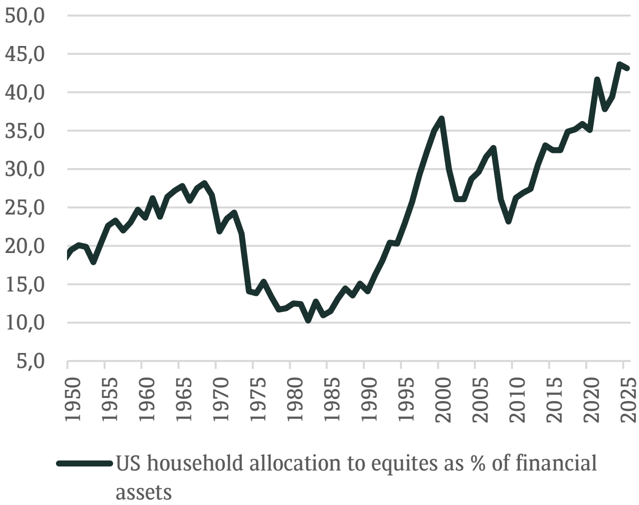
Source: BNP Paribas, Bloomberg

CHART 6: THE MARKETS PERCEPTION HAS SHIFTED TO A FED CUTTING IN A CONSTRUCTIVE GROWTH BACKDROP AS IS EVIDENT FROM THE PERFORMANCE OF CYCLICALS VS DEFENSIVES



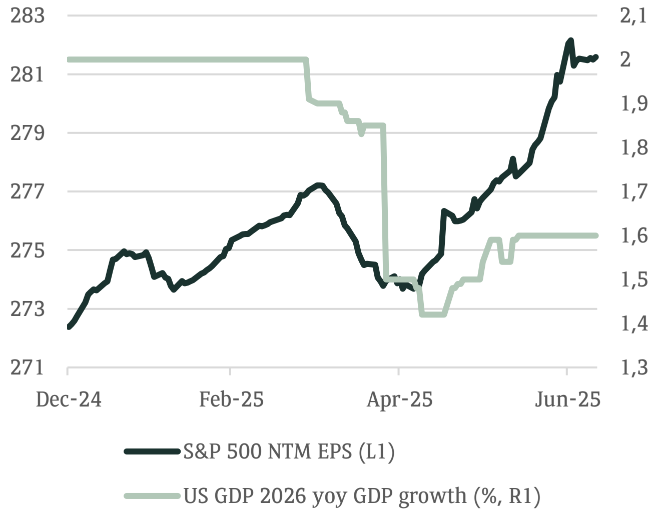
Source: BNP Paribas, Bloomberg

CHART 7: US HOUSEHOLDS REMAIN RECORD LEVEL EQUITY ALLOCATIONS



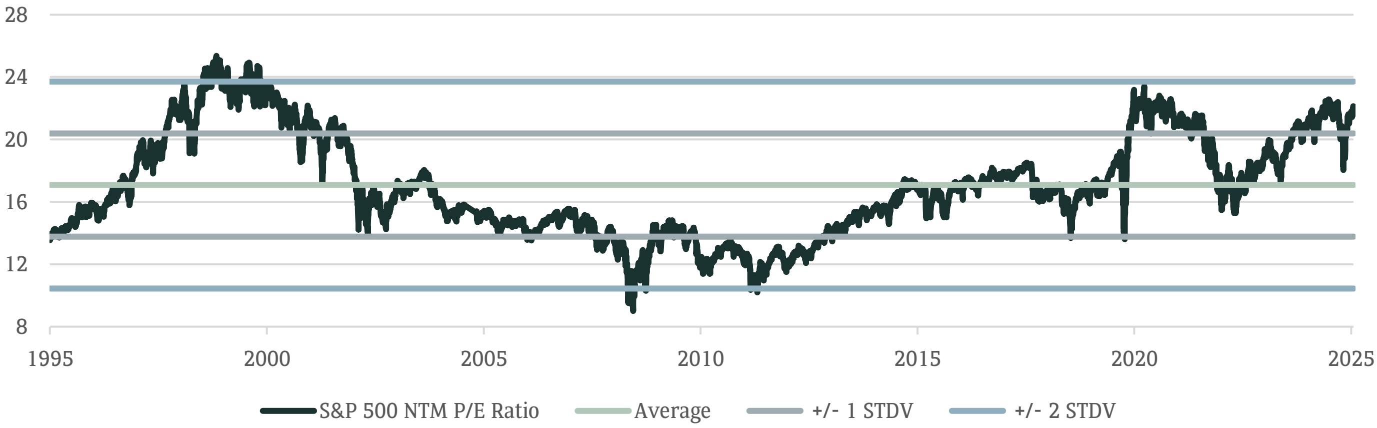
Source: BNP Paribas, FRED

CHART 8: US EARNINGS EXPECTATIONS ARE ABOVE PRE-LIBERATION DAY LEVELS



Source: BNP Paribas, Bloomberg

CHART 9: THE VALUATION OF THE S&P 500 IS BACK NEAR RECORD HIGH LEVELS. THIS LOOKS ODD TO US AS THE OVERALL FUNDAMENTAL BACKDROP WORSENED



Source: BNP Paribas, Bloomberg

increase CAPEX spending and conduct more buybacks. Thus, not only spenders but also beneficiaries of capex spending could benefit from the rules.

As discussed above, companies – for now – are absorbing at least some parts of the tariff related cost increases. This is an easier exercise for stable and profitable corporations with healthy margins. Businesses with low to no profitability are unlikely to be able to weather such a hostile environment for too long before they´re forced to increase prices. Depending on their market position, higher prices might cost market share and thereby creating a vicious cycle. Companies with solid moats and pricing power seem to be less endangered from such an evolution. The weakening of the dollar – we expect the greenback to weaken further within the next 12 months (e.g. EUR/USD to 1.20) – could provide some tailwinds for US companies with high foreign profits while importers might struggle from rising purchase costs.

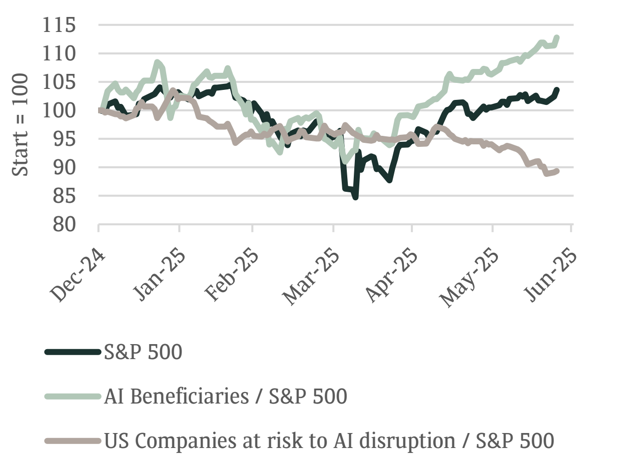
Thus, within the US market we generally prefer quality companies with high international exposure. We´re well aware that this taps into the concentration concerns of the US market as well as some valuation specific issues since the Magnificent 7 – at least six of them – tick a lot of the boxes named beforehand. Nevertheless, we see those (and other!) companies better shielded from the risks discussed above. Hence, they seem to provide a better cushion in the case of negative surprises than other areas of the market such as the Russel 2000 would. However, we want to remind our readers that this is not a call to overweight those stocks in a portfolio. In fact, we would still underweight the Magnificent 7 against the capital weighted S&P but want to own a higher weight than the equal weighted S&P would offer.

What our neutral rating on equities means – and what not

US equities represent the lions share of global equity markets due to a business-friendly environment that is heavily service and tech oriented. It resulted in the creation (from scratch) of 241 companies with a market capitalization of at least USD 10bn since 1975. Europe has created only 14 such companies in the same period. The reasons are manyfold and deeply entrenched in Europe´s manufacturing-oriented business culture: a timid and risk-averse business culture, strict labor laws, suffocating regulations, a smaller pool of venture capital and lackluster economic and demographic growth.

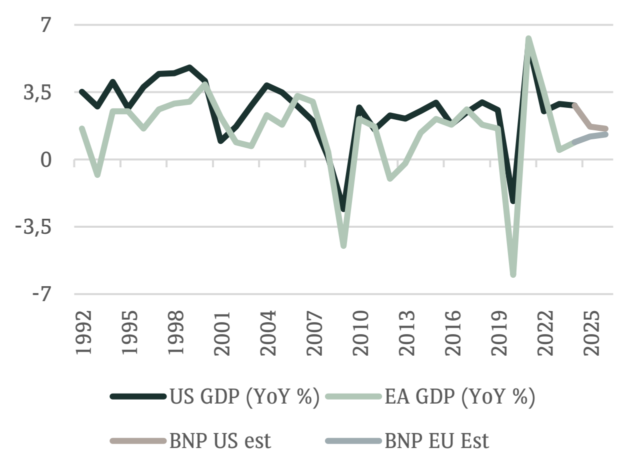
Despite those advantages, we think the US market is priced for perfection with little to no room for error. Thus, the risk of another correction or – at least – an ongoing underperformance against other markets is substantial. The US has for a long time been the harbinger of the global economy. This seems to be changing now. China is rapidly catching up in tech and the growth cycle between the US and the EU is decoupling, for the first time in many years in the favor of Europe. Thus, being underweight the US doesn´t mean that we´re outright bearish for the market, neither in the US nor elsewhere. What we do see though is this: other areas of the market will have their moment in the sun going forward so that the US won´t do all the heavy lifting and outperformance will be coming from other markets. Nevertheless, the risk of a (US led) correction is still meaningful and the tariff saga, albeit it might have peaked, will still impact sentiment and growth. Thus, the risk return of equites is not justifying an overweight of equities in a portfolio. Within equities though, there is a clear case for diversifying away from US Equities.

CHART 10: THE MARKET STARTS TO PRICE THE IMPACT OF AI ON COMPANIES



Source: BNP Paribas, Bloomberg

CHART 11: THE EA-US GDP GROWTH GAP IS EXPECTED TO BE CLOSING



Source: BNP Paribas, Bloomberg

From Laggard to Leader – upgrading European Equities to overweight

Taking advantage of the recent market move

After a stellar outperformance in Q1, EU equities gave up almost the entire move in Q2 (in local currency terms). As the dollar continued to weaken though, the effect in euro terms was substantially cushioned (Chart 12). We feel this recent bounce represents a good opportunity to rotate out of US equities and increase the weight of European stocks. Despite tariff volatility may persist for some time, we do think that there are certain constraints (see above and here) which will prevent Donald Trump from implementing tariff rates anywhere near the threatened ones – at least with major trading partners. This should allow the market to refocus on the fundamental tailwinds for European equities

How do you spell opportunity?

I-N-F-R-A-S-T-R-U-C-T-U-R-E

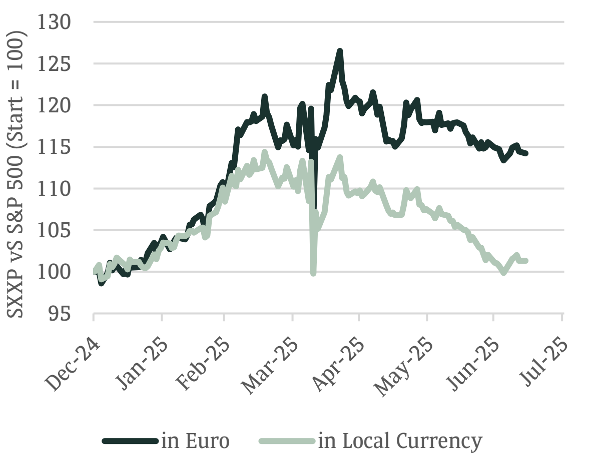
The increased NATO target to spend 5% of GDP for defense in 2035 (3.5% "real" defense and 1.5% defense related) should be vastly targeted towards European providers. Based on current numbers, spending 5% of GDP in 2035 would require additional investments of €2.7tn in that year (Chart 13). It also aligns with the recently introduced €800bn "ReArm Europe" plan from the European Commission. While there are some challenges for certain countries due to an already stretched fiscal situation, the embedded deficit escape clause should ease at least some of the tensions around the financing of the increased spending. Even if the current plans may not be fully put in action, the number of investments would still be substantial enough to provide some tailwinds to growth. Albeit mainly focused on Germany, the €500bn infrastructure spending plan introduced by the new German government will also have positive impacts on growth in Germany and Europe (Charts 14 & 15). As we highlighted, the change in German fiscal politics would likely also have some positive effects due to increased confidence. This theme seems to be playing out now. The German Handelsblatt reported of a potential historic German private investment initiative. Several dozen German companies plan to pledge investments of ~€300bn over the coming 3 years. The plan is expected to be introduced at a German Investment summit on 21st July, in the German Chancellery. €100bn per annum of additional investment would equate to ~2% of German GDP or an extra ~10% to German investments. This poses some upside risks to our already above consensus GDP growth expectations.

The rumored increase in corporate spending would also confirm the changing trend of European companies increasing their investments in growth via rising CAPEX spendings (Chart 16). Historically, firms have been reluctant to invest and have not been rewarded for doing so. We believe this trend could change thanks to a generally more growth friendly macro backdrop.

A closing yield gap

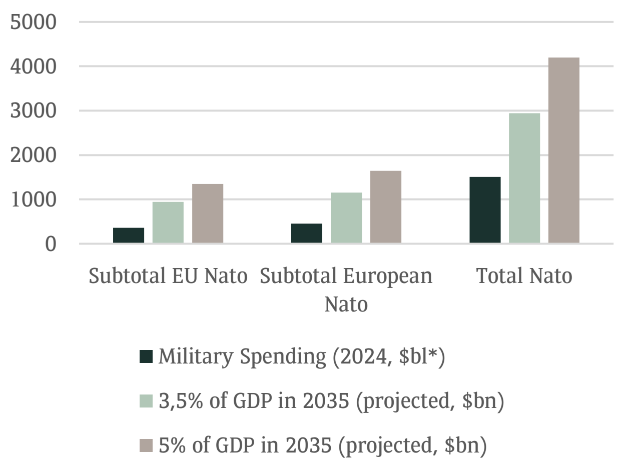
Buybacks have historically been a key element of US shareholder remuneration while the rest of the world favored paying dividends. Since 2015, this trend started to change as buybacks in Europe grew by 165% p.a. while the growth rate in the US has been "only" 75%, leading to a narrowing gap (Chart 17).

CHART 12: IN LOCAL CURRENCY, EUROPE LOST THE ENTIRE YTD OUTPERFORMANCE



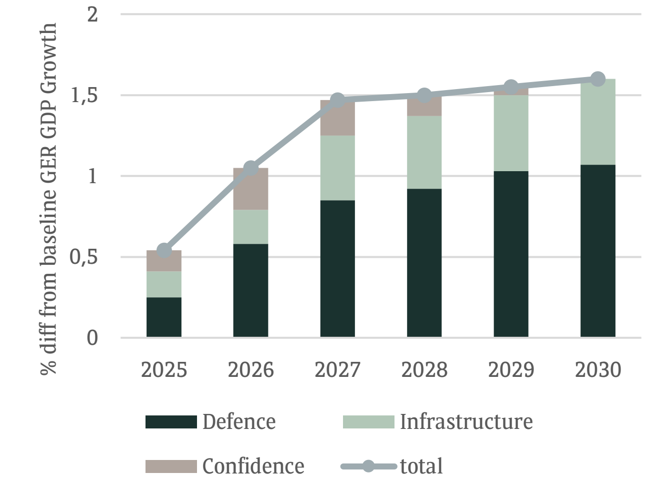
Source: BNP Paribas, Bloomberg

CHART 13: MEETING THE NEW NATO TARGET REQUIRES SUBSTAINTIAL INVESTMENTS



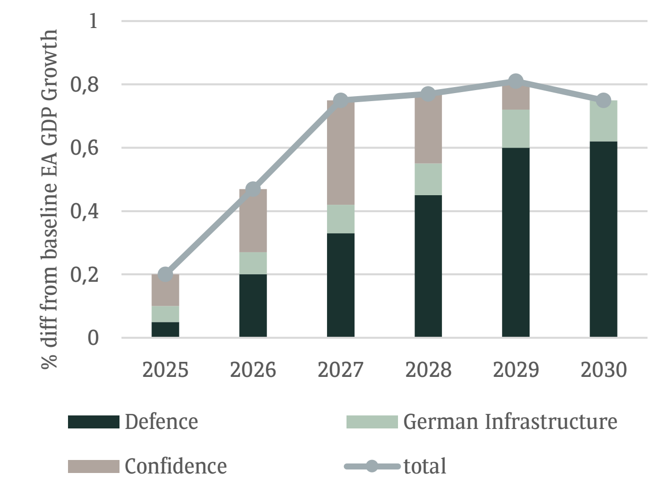
Source: BNP Paribas, sipri ** ~ 2,2% of 2024 GDP*

CHART 14: THE PLANED INFRASTRUCTURE INVESTMENTS: GERMAN.….



Source: BNP Paribas

CHART 15: ….AS WELL AS EUROPEAN GDP SHOULD PROFIT FROM IT



Source: BNP Paribas

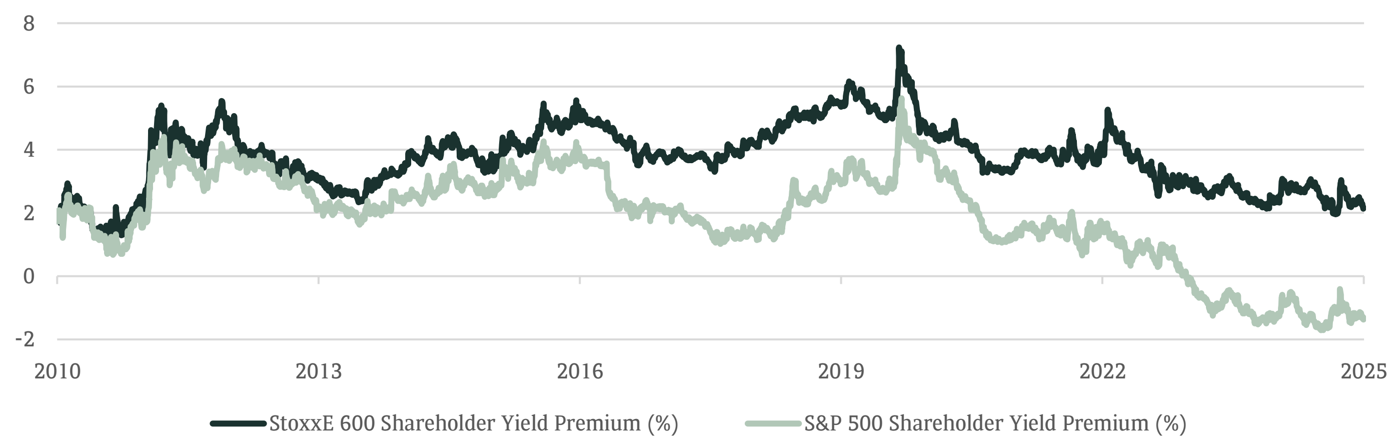
CHART 16: EUROPEAN COMPANIES ARE INVESTING AGAIN

Source: BNP Paribas, Bloomberg

CHART 17: THE BUYBACK-YIELD-GAP HAS ALMOST BEEN ENTIRELY CLOSED

Source: BNP Paribas, Bloomberg

CHART 18: THE GAP IN THE SHAREHOLDER YIELD PREMIUM (PAYOUTS – 10YR BOND YLD) WIDENED SUBSTANTIALLY AS THE READING FOR THE US BECAME NEGATIVE



Source: BNP Paribas, Bloomberg

Increasing buybacks did not prevent European companies to maintain high dividend payouts though. If we add the buybacks yield to dividend yield, and take out bond yield, as a measure of total shareholder yield over the risk-free rate, we end up with a yield of 2,2% for Europe, while the US stands at -1.4 (Chart 18). While the gap already exists for two years, we think it should start to enchant more investors as it´s paid against an increasing macro backdrop. This should attract further inflows into Europe.

Valuations are still supportive

While short term earnings growth may still suffer from lackluster growth and tariff uncertainties, we´re increasingly optimistic that the picture should change in the months ahead due to the factors described above. A detailed earnings outlook can be found on page 9 and our preferred European sectors on page 11 of this report.

European equities are still far from expensive (Table 3). While they trade slightly above long-term averages, the solid growth outlook justifies a higher valuation in our view. **The "primus inter pares" is still the German MDAX. Despite a strong run of more than 20% ytd, the valuation still looks very cheap compared to the expected growth (Chart 19).** Especially since the MDAX is one of the main beneficiaries of growth surprises and lower interest rates in Europe as it derives 33% of its revenues from Germany and 55% out of Europe. With only 18% of revenues steaming from North America, the index is less sensitive to tariffs.

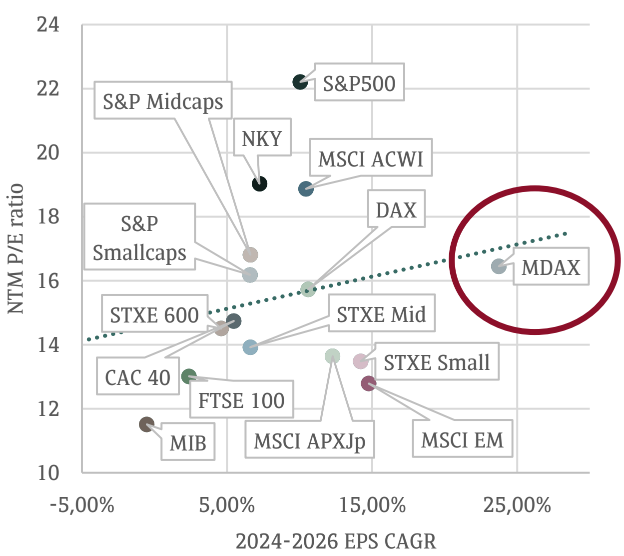
EM Equities benefit from weaker Dollar – remain overweight

Apart from a few bright spots, EM equities had 4 very weak years in terms of performance vs DM, lagging cumulatively by ~ 40% since 2021. Going forward, we think the broader outlook for EM continues to improve which should provide a fertile soil for outperformance. We expect a further de-escalation in trade uncertainty, with US dropping proposed tariffs on China from 145% down to 41% being a major first step. While this is unlikely to be the end of trade noise as the recent tariff-letters have shown, we think that the worst part of this saga is likely behind us.

We expect the Dollar to weaken. This is good news for EM equities which historically had a negative correlation to the Greenback (Chart 20). Besides the weaker Dollar, lower US rates could provide further support. As we expect the Fed to start cutting rates this September and US yields to fall (we forecast the US 10Y yield to trade at 4,25%), two other usually supportive factors for EM-Assets start to align.

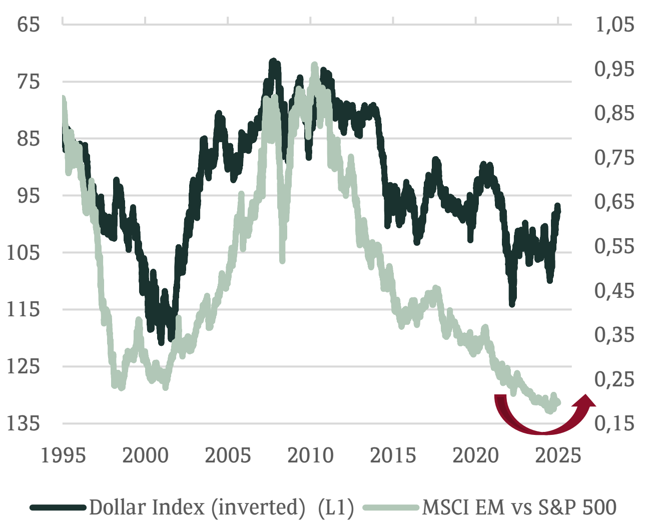
China Tech remains on of our high conviction trades within the EM space. The market still offers high growth with a notable valuation discount. We see good chances for the move to broaden. Monetary support looks set to continue. The Chinese government has also unveiled a further 19 measures to boost consumer spending and provide financial support for key sectors. We believe that downside risk is limited given the government's 'policy put' to support the economy and stock markets. China's banks and telecom companies continue to offer attractive dividends.

CHART 19: THE MDAX STILL OFFERS A VERY APPEALING VALUATION



Source: BNP Paribas, Bloomberg

CHART 20: EM EQUITIES SHOULD BENEFIT FROM A WEAKER DOLLAR



Source: BNP Paribas, Bloomberg

Q2-25 Earnings reporting season preview

USA

Main US corporate results will be released from July 15th. Several major banks are reporting on that day. We expect strong results, supported by high trading revenues (thanks to nervous and volatile markets). On the other hand, investment banking revenues should be watched as the current business climate is discouraging big deals.

In these uncertain times, it will be interesting to verify what the main banks are saying about the shape of the global economy and the impact of tariffs.

Later, we will know better how other sectors and companies are adapting to the new environment, how much their supply chains are affected so far, their pricing, their profit margins, etc. Note that many companies have recorded good activity over the last few months thanks to front loading (i.e., companies and end clients having built stocks to avoid upcoming tariffs). Therefore, the full impact of tariffs will not be known until late H2 at the earliest.

On the other hand, many (large) US companies are now supported by the falling USD, lower energy prices and by the more favorable accounting and tax treatment included in the US budget ("One Big Beautiful Bill").

Over the last few weeks, earnings expectations have rebounded in the US, whereas they are under pressure in Europe (see chart 21). In aggregate, consensus now expects low single-digit US earnings growth in Q2-25. Typically, US companies beat expectations by 4-5%, therefore, a Q2 earnings growth in the range of +7 to +8% seems realistic.

Europe

We also expect solid results from the main European banks. They are supported by a recovering economy and a steepening yield curve. Big stimulus plans and progress toward the European Capital Market Union ('CMU') provide new and promising perspectives.

These are also powerful tailwinds for other domestically oriented cyclicals, especially in the industrials and construction materials sectors.

Earnings expectations have been holding up relatively well at banks and at most other sectors that we recommend (cf. chart 22).

On the other hand, doubts related to tariffs and the appreciating euro have hit big exporting sectors such as autos, consumer discretionary, staples, basic resources, and chemicals.

Note that after a relatively good Q2, quoted real estate could see some downward revisions coming in H2 due to rising bond yields.

Bottom line, IBES consensus now expects European companies to record in aggregate a small drop in earnings. We think that companies have been taking measures to adapt to the new environment, and despite the appreciating euro and the tariffs headwinds, **results are likely to beat expectations by a small margin, as is usually the case. A slightly positive earnings growth looks achievable. This figure would be much better if the negative contributions of the energy and basic materials sectors were excluded.** Detailed IBES forecasts tables can be found in the sector allocation section of this report.

CHART 21: MORE UPWARD REVISIONS NOW FOR US COMPANIES ; EARNINGS STILL UNDER PRESSURE IN EUROPE

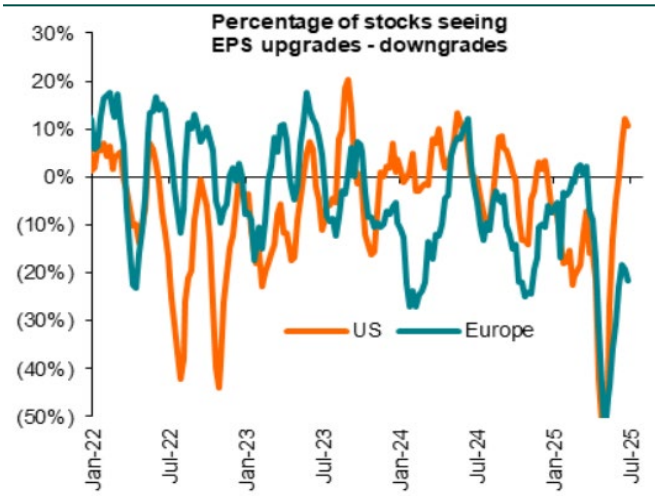
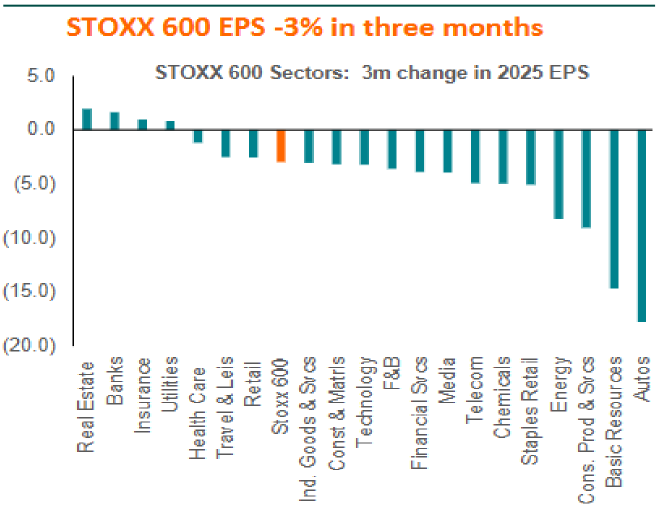


CHART 22: ANALYSTS HAVE BEEN REVISING DOWN THEIR EXPECTATIONS FOR EUROPEAN COMPANIES' EARNINGS DURING Q2



Source: Datastream, Bloomberg, BNP Paribas Exane estimates

US Sector allocation & review

No change to our US sector allocation this month.

The sector performance ranking in June is similar to that of May. Those sectors that performed poorly at the beginning of the year (mainly cyclicals and IT-related) have outperformed in June, whereas defensives lagged (quoted real estate and consumer staples even recorded a negative performance in June). The S&P 500 progressed by +4.96% in June in USD. Note that in EUR, the performance is less impressive: +1.28%. It is better, however, than the Stoxx 600, which recorded -1.33% over the same period.

Progress on tariffication and on the US budget have certainly helped US equities to recover further. Especially, so far, economic growth has not been hit by tariffs – on the contrary! – as many companies decided to front-load before tariffs, boosting economic activity.

Some agreements are now being signed, with August 1st being an 'ultimate' deadline for countries to reach an agreement with the US. Beyond this limit, countries that are not in advanced talks could see tariffs of up to 50%, or even more, being imposed on them.

In this still uncertain context, it goes without saying that we remain cautious, considering the expensiveness of US equities in general. Accordingly, the American budget bill is bringing some support to large companies, particularly in terms of investment, but the same bill is removing some social and healthcare benefits, which will ultimately further weigh on US consumption.

We underweight US consumption-related sectors, and we also avoid the Energy sector (i.e., oil and gas) as its profitability is under pressure. These sectors have been underperforming year-to-date.

We like Healthcare and Utilities as these sectors are cheap and benefit from visible growth prospects in the years to come.

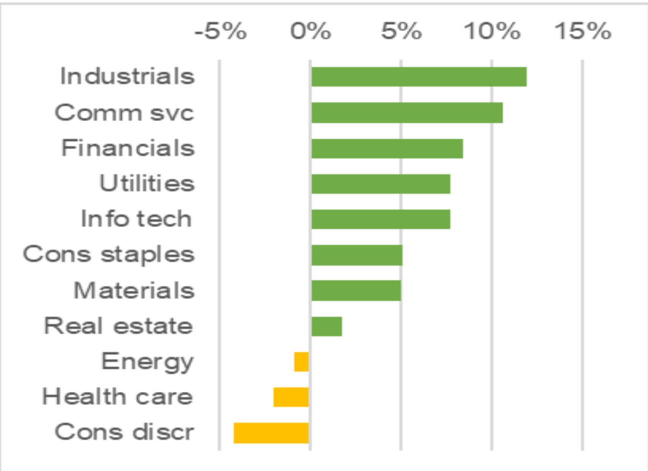
Some sectors should benefit from Trump's budget bill and from other recent decisions taken by this administration. US Banks, for instance, are a significant beneficiary as they are now allowed to considerably expand their balance sheets without requiring new capital. Some investors are switching from US insurers to US banks in the equity markets.

US industrials and some tech hardware companies are other winners, as companies are strongly incentivized to (re)invest in the US (thanks to new favorable tax credits and depreciation regimes).

Besides, **US exporters are currently benefiting from the depreciation of the US dollar.** Next to progress on customs tariffs, the falling USD also explains the recent outperformance of industrials and IT-related names, whereas US domestics have lagged the recent rally.

Selectivity is needed in the recently outperforming sectors, given their rich valuations. It is better to try to buy on dips.

CHART 23: US SECTOR PERFORMANCE YTD: INDUSTRIALS LEADING ; CONSUMER DISCR., ENERGY AND HEALTH CARE IN THE RED.



Source: S&P 500, 2025 performances as at 30 June 2025.

TABLE 1: US EQUITIES ARE EXPENSIVE, PARTICULARLY IT AND CONSUMPTION RELATED SECTORS

	PE				EPS Growth - %			
03-07-25	2025	2026	2027	12m fwd	2025	2026	2027	12m fwd
MSCI USA	**23,91**	**20,94**	**18,50**	**22,23**	**9,58**	**14,18**	**13,17**	**11,79**
MSCI USA ENERGY	16,54	13,87	11,34	15,09	-13,07	19,21	21,42	1,94
MSCI USA MATERIALS	20,96	18,15	16,10	19,42	3,43	15,46	12,85	9,78
MSCI USA INDUSTRIALS	26,02	22,52	19,84	24,07	11,59	15,55	13,54	14,04
MSCI USA CONS DISCR	30,92	26,68	22,59	28,68	2,31	15,91	18,11	9,31
MSCI USA CONS STAPLES	22,92	21,31	19,76	22,01	0,60	7,56	7,82	3,91
MSCI USA HEALTH CARE	17,10	15,47	13,87	16,24	15,32	10,58	11,54	12,69
MSCI USA FINANCIALS	17,74	15,63	13,96	16,59	5,05	13,50	11,88	9,38
MSCI USA IT	32,32	27,17	23,88	29,09	18,87	18,93	13,78	17,94
MSCI USA COMM SERVICES	20,77	18,96	16,79	19,83	16,87	9,55	12,96	12,68
MSCI USA UTILITIES	18,76	17,30	16,07	17,99	5,11	8,43	7,66	6,82

Source: MSCI, BNP Paribas

Favourite European sectors

Despite the recent rally, we estimate that some sectors still have significant upside potential

European stocks are significantly outperforming the rest of the world so far this year, especially when taking into account the currency effect. The European Stoxx 600 index recorded a gain of +6,65% in EUR as of June 30th whereas the MSCI ACWI and MSCI World indices are down 3% in EUR.

There is, however, a huge discrepancy in sector performances (see chart 24). Some exporting sectors and/or sectors highly dependent on demand outside Europe have strongly underperformed. The most obvious examples are the automobile and luxury sectors, which are also facing relatively sluggish demand and rising competition from some major markets, particularly China. Considering the ongoing tariffs uncertainties and their impact on global consumption, **we would still advise avoiding consumption-related sectors.**

In Europe, we still prefer domestic sectors and those sectors that are benefiting from the massive fiscal stimuli being put in place. We are comforted in our opinion by the fact that Germany is now acting quickly and has already identified some areas where spending is very necessary.

These accelerated infrastructure spending plans will, of course, support a wide range of sectors. The most obvious beneficiaries are Utilities (+) and Industrials (+). To build new roads, bridges, housing, barracks for the military, etc., large quantities of cement, steel, glass, etc., will be needed, therefore our positive recommendation on Construction materials.

These sectors are not expensive, especially when compared to their expected earnings growth (see exhibit below) which is likely to be a bit conservative.

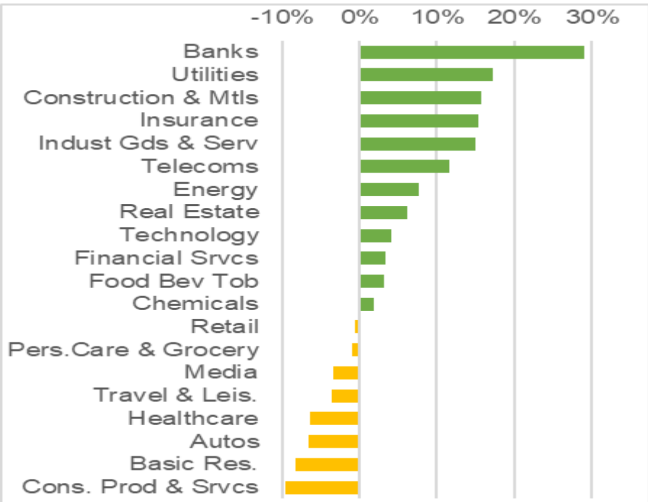
We can still find a lot of value in Europe. Despite the recent rally and the strong outperformance of the European banks (+), they are still cheap, both on a historical and relative basis, compared to other sectors (see next page for a focus on European financials).

Health Care (+) has suffered from uncertainties surrounding US policies. We consider these concerns to be exaggerated. A recent study by Bank of America estimates that the market is pricing in almost no earnings growth in the coming years, whereas it should at least be in line with the market. The main headwinds now are the current market's focus on cyclicals and a possible further decline of the USD.

Beware value traps. For instance, we have rightly avoided this year the Energy (oil & gas) sector. We remind that since day one, Trump has called for lower energy prices. The US administration, with the help of the Saudis, is trying to flood the markets with excess supply, capping any attempt for the oil price to rise. Even the recent Iranian crisis has not been accompanied by a lasting bounce in oil prices.

To play the fast-rising global energy needs, we still recommend the electrification theme. Many great companies with potential can be found in the Utilities and Industrials sectors.

CHART 24: EUROPEAN SECTOR PERFORMANCE YTD: DOMESTICS AHEAD WHEREAS MAINLY GLOBAL EXPORTERS ARE UNDERPERFORMING.



Source: Stoxx600, 2025 performances as at 30 June 2025.

TABLE 2: OUR FAVOURITE EUROPEAN SECTORS ARE STILL RELATIVELY CHEAP AND/ OR SHOWING FASTER AND MORE SECURE EARNINGS GROWTH

03-07-25	PE				EPS Growth - %			
	2025	2026	2027	12m fwd	2025	2026	2027	12m fwd
MSCI EUROPE (€) (*)	**15,26**	**13,69**	**12,31**	**14,44**	**2,32**	**11,48**	**11,24**	**6,95**
(*) EU15 + Switzerland + Norway								
MSCI EUROPE ENERGY	9,76	8,99	7,99	9,36	-11,24	8,52	12,59	-1,95
MSCI EUROPE MATERIALS	16,57	14,42	12,66	15,42	-0,62	14,89	13,90	7,11
MSCI EUROPE INDUSTRIALS	21,48	18,98	16,93	20,16	6,95	13,16	12,12	9,45
MSCI EUROPE CONS DISCR	15,77	13,25	11,51	14,45	-2,64	19,06	15,10	8,16
MSCI EUROPE CONS STAPLES	17,53	16,18	15,07	16,81	-1,79	8,31	7,64	3,60
MSCI EUROPE HEALTH CARE	15,10	13,58	12,33	14,30	9,22	11,15	10,14	10,28
MSCI EUROPE FINANCIALS	10,61	9,62	8,71	10,10	3,91	10,31	10,46	7,20
MSCI EUROPE IT	28,95	24,81	20,80	26,57	6,17	16,67	19,28	12,77
MSCI EUROPE COMM. SERVICES	20,18	17,61	15,87	18,88	0,52	14,57	10,96	7,23
MSCI EUROPE UTILITIES	13,97	13,37	12,60	13,76	0,36	4,51	6,09	2,26

Source: MSCI, BNP Paribas

European banks (+) remain a favourite sector

Great performance the last few years

European banks have recorded the best performance among European sectors over the last 2 years, even outperforming the Nasdaq over the same period! It is true that they were coming back from a difficult period, having exited some challenging years filled with many crises (Greece, Euro, ultra-low interest rates, Covid-crisis, etc.).

Deep restructuring has taken place, with a refocus on core business and key geographical markets. At the same time, the environment has become much more favorable, with the economy recovering from the tough Covid years and a normalization of the yield curve, i.e., a re-steepening of it. New business opportunities have emerged in Wealth Management, Private Equity, and investment banking in general. Furthermore, consolidation and M&As are further supporting the sector.

Large capital surpluses have been generated, and this sector is now among those returning the biggest amount of capital to their shareholders.

Note that some notable exceptions exist. For instance, the new UBS must hold more capital in the future, following stricter rules regarding this key and dominant player in Switzerland. The subdued performance of UBS stock mainly explains the underperformance of the European 'Financial Services' sector, as UBS heavily weights in it.

Therefore, after the great banking rally and considering various idiosyncratic factors, a certain degree of selectivity is now necessary when playing European banks (similarly for Financials in general).

Good perspectives

Banks have never been as solid and as tightly regulated by European authorities as they are today. They are undervalued at a forward P/E of 8.54. Notably, US banks are trading at a forward P/E of around 13 on average, whereas they typically trade at only one or two points above the average P/E of European banks. In the past, when the discount of European banks to European equities reached 40% (which is the case now), it has consistently proven to be a great buying opportunity. The historical average discount is 26%. We estimate that, at this stage of the cycle, European banks should trade at least at their average historical forward P/E of 10. **This corresponds to an upside potential of 17%.**

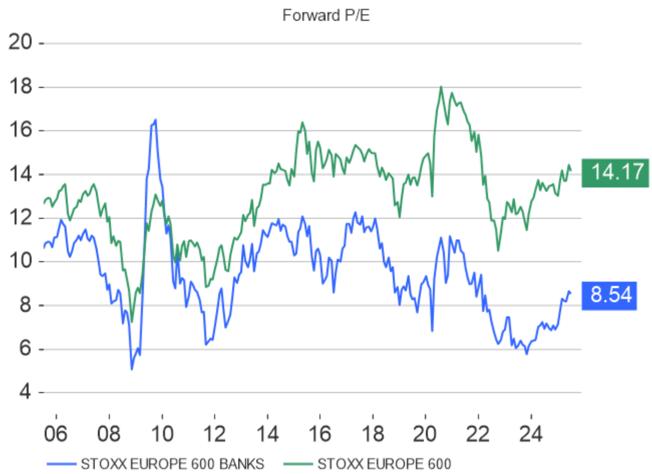
Furthermore, perspectives are bright, as:

- Profitability is well supported by a more 'normal' yield curve - i.e. steeper - than it has been for a long time. European Banks' ROE's now reach 11.5%, a level not seen for more than 15 years.
- The expected European Capital Markets Union (CMU) is opening up new opportunities for the sector, such as securitization to support European infrastructure projects.
- Tactically, it's worth reminding that European banks are quite domestic and are therefore relatively insulated from the tariff turmoil.
- US investors have been active buyers of European banks this year, but they are still significantly underweighted in European equities. Further inflows are likely as global investors continue to diversify their portfolios away from the US.

CHART 25: EUROPEAN BANKS HAVE STRONGLY OUTPERFORMED THE STOXX 600 INDEX OVER THE LAST 2 YEARS

Source: LSEG Datastream, 03/07/2025

CHART 26: EUROPEAN BANKS ARE STILL VERY CHEAP ON A HISTORIC BASIS AND COMPARED WITH THE STOXX 600



Source: LSEG Datastream, 03/07/2025

European and US Sectors in a nutshell

Sector (STOXX Europe 600)	View UW	View N	View OW	YTD	Out/ underperf. vs index	Our view at a glance
Banks			X	29,05%	22,40%	**Attractive valuations, provided Europe does not enter recession**. Balance sheets are solid and should withstand the current uncertainties. European infrastructures/ defense plans create new funding opportunities.
Construction Materials			X	15,66%	9,01%	**(German) infrastructure spending is a key catalyst.** Rebuilding Ukraine another one. Heavy side names might benefit from US-China tariffs as they produce locally.
Financial Services			X	3,35%	-3,30%	**Improving capital markets activity and expected deregulation offer support**, especially to exchanges and private markets. Stay selective among asset managers due to challenges from the active to passive shift.
Health Care			X	-6,31%	-12,96%	**Attractive valuations. It is a defensive compounder.** Besides, this sector should be a key AI beneficiary: expect efficiency gains in a structually growing market (e.g. demographics, obesity etc). **Key risks: weakening USD, tariffs & new US political risks/ some willingness to reduce treatments prices in the US.**
Industrial Goods & Services			X	14,93%	8,28%	**The sector is being hit by tariff uncertainties but (German) infrastructure spending and 'rebuilding Ukraine' are big counterweights**. Also beneficiary of defence spending, re-/nearshoring, investments in data centers and renewable energy projects.
Utilities			X	17,27%	10,62%	**European infrastructure spending and energy independence willingness are new supports whereas (Green) Power demand should continue to grow.** A more dovish ECB would also help valuations.
Basic Resources		X		-8,28%	-14,93%	The sector has the highest correlation to China in Europe due to the high revenue exposure (~ 36%). **We still prefer names exposed to energy transition & precious metals**.
Chemicals		X		1,93%	-4,72%	The sector should profit from the **infrastructure plan** in Germany as well as from the rebuilding of Ukraine. **Strong competition from China however and tariffs (+ uncertainties related) could hurt**.
Cons. Products and Services		X		-9,54%	-16,19%	**Despite higher consumption in Europe, the sector suffers from tariffs.** Chinese consumption still sluggish. US consumption now being questioned as well. Be selective.
Insurance		X		15,32%	8,67%	Solid and rather defensive sector that has strongly outperformed the last 2 years. **Cash returns still attractive but European insurance now looks fully priced** at an average P/E of around 12. Be selective.
Real Estate		X		6,11%	-0,54%	Defensive sector potentially hit by new European expansionary budgets but **relatively insulated from the current trade war.** Logistics and data center enjoy tailwinds from e-commerce/ AI. Be selective.
Retail		X		-0,62%	-7,27%	The sector has now found some capital discipline allowing for cash distribution. However, tariffs now putting pressure on margins as imported goods are becoming more expensive.
Technology		X		4,14%	-2,51%	Tariff risks in the semi space, **after having felt the pinch from weak auto & cellphone demand**. **Prefer software names** which should continue to benefit from B2B investments in AI supported efficiency upgrades.
Telecommunications		X		11,57%	4,92%	Improving corporate results, the industry's **falling capital intensity** driven by the fibre cycle & the sector's **free M&A option** are supporting performance.
Auto & Parts	X			-6,56%	-13,21%	Automotives still weak due to rising competition with China, high EV investment costs, excess inventories, and bad pricing. **Trade tensions are creating further complications.**
Energy	X			7,67%	1,02%	**Oversupply & new US administration policies are capping the upside in oil related. Saudi now flooding the market with more oil.**
Food, Bev and Tobacco	X			3,14%	-3,51%	**Valuations are rich compared with the rest of the market and considering the sluggish earnings growth of the sector.** Lack of upside catalysts except for its defensive profile. **Favour 'self help' stories.**
Media Price EUR	X			-3,44%	-10,09%	**Expensive sector** with AI full impact on business models still unclear. **Meta Platforms another threat** as entering many (European) media businesses and grabbing more and more ads business/ market share.
Personal Care	X			-0,95%	-7,60%	The sector still faces **headwinds from rising input costs while consumers are increasingly price sensitive**. Lack of upside catalysts.
Travel & Leisure	X			-3,59%	-10,24%	Lower oil prices a support but high competition in a context of **geopolitical tensions, discouraging travelling.**

Sector (S&P 500 Level 1)	View UW	View N	View OW	YTD	Out/ underperf . vs index	Our view at a glance
Health Care			X	-2,01%	-7,51%	**Solid earnings in a structually growing market** (e.g. demographics, obesity etc). It is a defensive compounder. AI to bring more efficiency gains. Further deregulation could bring extra support. However, **political risks/ some willingness to reduce treatments prices in the US.**
Utilities			X	7,75%	2,25%	**Growth in power demand should remain solid due to AI tailwinds & electrification.** EPS growth expectations accelerating. **Accumulate.**
Communication Services		X		10,62%	5,12%	The sector is **dominated by 2 mega tech companies trading at lower P/Es than other 'Mag-7' but now facing antitrust and other issues**. The rest of the sector is not cheap either. Be selective.
Financials		X		8,39%	2,89%	**Profits and balance sheets quite solid but the economy is likely to significantly slow down in the US. Deregulation a strong support now.**
Industrials		X		11,96%	6,46%	Re-shoring and US reindustrialization are supposed to be major tailwinds. **However, in the short term, tariffs uncertainties have hurt confidence, business and investments.**
Materials		X		4,97%	-0,53%	**In the short term, this sector will be impacted by the US economic slowdown but medium term, it should benefit from reshoring/ reindustrialization/ lower energy prices.** Better to focus at the moment on stocks with exposure to precious metals/ energy transition metals mining.
Real Estate		X		1,71%	-3,79%	**Activity is still sluggish in residential RE.** New construction activity is muted. Commercial RE also looks stressed. **Momentum is better at communications towers and at some other specialized REITs.**
Consumer Staples	X			5,09%	-0,41%	**The sector looks fully priced, particularly the big merchendisers and staples retailers**. Costs are rising due to tariffs. Besides, consumers may continue to "trade down" due to economic uncertainties.
Consumer Discretionary	X			-4,22%	-9,72%	The sector is **dominated by 2 expensive mega tech companies and likely to keep suffering from trade/ political tensions**. Be selective and diversify away from the 'Mag-7'.
Energy	X			-0,94%	-6,44%	Oversupply capping oil related. We **prefer energy infrastructure names** as they benefit from rising transportation and storage needs while paying attractive dividends.
Information Technology	X			7,70%	2,20%	**Trading at heavy premium** vs the market. Growth expectations are slowing, making it harder to justify the valuation premium. Rising worries of AI-related overinvestments & of disappointing ROIs to come.

Valuations

TABLE 3: GLOBAL INDICES

			Forward													Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	vs. ACWI	5yr Z-Score
MSCI ACWI	926		47,56		0,60	19,46		3,13		1,95		15,00		5,14		n.a.	n.a.
MSCI World	4061		197,88		0,61	20,52		3,42		1,85		15,44		4,87		1,06	
MSCI Emerging Markets	1232		91,87		0,59	13,41		1,77		2,87		13,00		7,46		0,67	
S&P 500	6279		273,09		0,53	22,99		4,78		1,33		18,97		4,35		1,23	
S&P 500 Equal Weighted	7511		405,36		1,69	18,53		2,85		2,17		13,81		5,40		0,95	
Russell 2000	2249		69,03		4,20	32,58		1,25		2,72		2,77		3,07		1,50	
NASDAQ 100	22867		820,50		0,70	27,87		7,58		0,74		23,85		3,59		1,57	
MSCI USA Growth	28847		483,92		0,59	31,61		11,15		0,41		32,00		1,68		1,89	
MSCI USA Value	15202		225,39		0,08	18,02		3,02		2,28		15,32		1,48		0,93	
STOXX Europe 600	541		36,35		-0,44	14,88		2,02		3,63		12,75		6,72		0,75	
STOXX Europe Mid 200	585		39,83		-6,26	14,69		1,71		3,89		10,34		6,80		0,73	
STOXX Europe Small 200	357		25,21		-1,87	14,15		1,48		3,95		10,31		7,05		0,69	
DAX	23856		1481,51		1,56	16,06		1,83		3,06		9,81		6,21		0,79	
FTSE 100	8812		663,35		3,58	13,30		2,04		3,82		13,98		7,53		0,68	
CAC 40	7689		505,75		-2,37	15,22		1,80		3,50		11,65		6,58		0,75	
FTSE MIB	39643		3386,07		-0,39	11,70		1,44		6,01		12,06		8,54		0,58	
Nikkei 225	39588		1963,91		-0,90	20,27		1,93		1,99		9,43		4,96		0,98	
Hang Seng	23888		2249,53		4,17	10,63		1,21		3,43		10,76		9,42		0,52	

TABLE 4: EUROPEAN SECTORS

			Forward														Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	Upside to 12M Target Price*	vs. SXXF	5yr Z-Score
STOXX Europe	541		36,35		-0,44	14,88		2,02		3,63		12,75		6,72		12%	1,00	
STOXXE 600 Consumer P&S	365		15,10		-2,85	24,29		3,44		2,18		14,12		4,13		14%	1,64	
STOXXE 600 Energy	119		10,88		4,59	11,16		1,43		5,28		12,08		9,11		9%	0,74	
STOXXE 600 Food, Bev and Tobacc	187		12,24		-0,41	15,30		2,52		4,03		15,66		6,55		14%	1,05	
STOXXE 600 Personal Care	165		10,08		-1,99	16,33		2,91		3,64		16,68		6,11		10%	1,14	
STOXXE 600 Chemicals	1212		63,54		-3,06	19,13		1,88		3,08		9,25		5,24		16%	1,24	
STOXXE 600 Utilities	446		32,73		-0,64	13,66		1,65		4,70		11,73		7,34		6%	0,91	
STOXXE 600 Banks	275		30,24		3,69	9,04		1,05		5,92		11,61		11,01		6%	0,60	
STOXXE 600 Real Estate	131		8,27		-13,37	15,79		0,84		4,52		7,72		6,32		12%	0,98	
STOXXE 600 Technology	836		30,47		-5,04	27,37		4,78		1,28		16,56		3,65		13%	1,90	
STOXXE 600 Autom. & Parts	515		56,18		-12,24	9,21		0,62		4,93		4,75		10,91		15%	0,58	
STOXXE 600 Health Care	1027		67,29		-1,83	15,35		3,16		3,09		17,03		6,55		22%	1,10	
STOXXE 600 Financial Services	852		55,10		1,23	15,41		1,65		2,98		8,31		6,47		10%	1,01	
STOXXE 600 Insurance	474		39,10		-0,97	12,03		2,09		5,91		17,59		8,25		4%	0,84	
STOXXE 600 Telcos	257		16,02		-0,36	16,03		1,54		5,21		8,61		6,23		10%	1,04	
STOXXE 600 Media	445		29,21		8,66	15,20		2,19		3,18		11,59		6,57		23%	1,03	
STOXXE 600 Ind. Goods & Services	1005		45,23		-1,89	22,16		3,94		2,11		16,59		4,50		9%	1,54	
STOXXE 600 Constrn & Materials	799		51,22		4,77	15,56		2,27		2,87		14,32		6,41		8%	1,05	
STOXXE 600 Basic Resources	481		38,01		-7,22	12,76		1,14		4,25		8,67		7,90		17%	0,82	
STOXXE 600 Retail	432		26,89		0,36	16,12		2,84		3,29		17,79		6,22		15%	1,12	
STOXXE 600 Travel & Leisure	265		20,76		1,28	12,69		2,98		2,83		20,28		7,83		13%	0,93	

*BBG consensus, NOT an official BNP target price

TABLE 5: US SECTORS

			Forward														Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	Potential Upside to 12M Target Price*	vs. S&P 500	5yr Z-Score
S&P 500	6279		273,09		0,53	22,99		4,78		1,33		18,97		4,35		6%	1,00	
S&P 500 Consumer Discretionary	1784		65,49		-0,26	27,23		8,10		0,69		26,66		3,67		4%	1,27	
S&P 500 Consumer Staples	906		39,90		-0,01	22,70		6,44		2,48		27,67		4,41		8%	1,05	
S&P 500 Energy	667		40,67		2,17	16,39		1,95		3,51		11,91		6,10		13%	0,66	
S&P 500 Financials	885		49,39		0,39	17,92		2,31		1,69		12,59		5,58		3%	0,73	
S&P 500 Health Care	1581		93,14		-0,18	16,97		4,22		1,99		19,78		5,89		15%	0,76	
S&P 500 Industrials	1264		49,45		0,34	25,57		6,45		1,42		24,04		3,91		2%	1,15	
S&P 500 Information Technology	5037		164,63		0,66	30,59		11,20		0,60		32,60		3,27		5%	1,50	
S&P 500 Materials	576		26,21		1,93	21,99		2,79		1,96		12,22		4,55		7%	0,89	
S&P 500 Real Estate	263		6,99		-0,60	37,57		3,06		3,43		8,06		2,66		12%	1,46	
S&P 500 Communication Services	376		20,10		1,83	18,71		4,32		1,03		20,31		5,35		6%	0,83	
S&P 500 Utilities	416		23,26		0,76	17,87		2,16		3,00		11,81		5,60		8%	0,72	

*BBG consensus, NOT an official BNP target price

Source: BNP Paribas, Bloomberg

Z-Score: Defines the number of standard deviations a value is from the mean of a given distribution. Negative z-scores indicate the value lies below the mean. Positive z-scores indicate the value lies above the mean.

Date: 7 July 2025

BNP PARIBAS
WEALTH MANAGEMENT

The bank
for a changing
world

Our key convictions at a glance

		USA	Europe	Japan	Emerging Markets
Overall view		negative	positive	positive	positive
What we (especially) like		Energy Infrastructure	UK European banks MDAX	SMIDs Domestically oriented exposure Financials	China, Indonesia, Singapore, South Korea
What we don´t (really) like		Growth Mega caps, particularly within consumer discretionaries			
Preferred themes & trades	Regional basis	Buybacks & Quality Dividend growth Equal weighted over capital weighted S&P	Software German infrastructure related names	Governance Reform achievers	Chinese tech & Chinese high dividend plays (banks, telecom)
	Global Basis	Precious and energy transition metal miners Healthcare Utilities			

Economic, FX forecast tables

A moderate growth projected

BNP Paribas Forecasts

GDP Growth %	2024	2025	2025-Bloomberg Consensus	2026	2026-Bloomberg Consensus
United States	2.8	1.7	1.4	1.5	1.6
Japan	0.1	0.7	0.8	0.4	0.8
United Kingdom	1.1	1.2	1.1	1.0	1.2
Switzerland	0.9	1.3	1.2	1.5	1.4
Eurozone	**0.8**	**1.2**	**1.0**	**1.3**	**1.1**
Germany	-0.2	0.5	0.2	1.0	1.1
France	1.1	0.6	0.5	1.1	0.8
Italy	0.5	0.8	0.5	1.3	0.8
Emerging					
China	5.0	4.8	4.5	4.5	4.2
India**	8.2	6.5	6.3	6.3	6.3
Brazil	3.4	2.4	2.3	1.3	1.6

** Fiscal year

Source : BNP Paribas, Bloomberg - 25/06/2025

US inflation to be above target

BNP Paribas Forecasts

CPI Inflation %	2024	2025	2025-Bloomberg Consensus	2026	2026-Bloomberg Consensus
United States	2.9	2.9	3.0	3.2	2.8
Japan	2.7	3.3	2.8	2.1	1.8
United Kingdom	2.5	3.3	3.2	2.6	2.3
Switzerland	1.1	0.2	0.3	0.7	0.6
Eurozone	**2.4**	**2.1**	**2.0**	**1.9**	**1.9**
Germany	2.5	2.3	2.2	2.0	2.0
France	2.3	0.9	1.0	1.2	1.6
Italy	1.1	1.7	1.8	1.7	1.7
Emerging					
China	0.2	0.0	0.2	1.0	1.0
India*	5.4	4.6	4.6	4.1	3.8
Brazil	4.4	5.5	5.3	4.8	4.4

* Fiscal year

Source : BNP Paribas, Bloomberg - 25/06/2025

FX FORECASTS EUR

	Country		Spot 26/06/2025	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1.17	Neutral	1.15	Negative	1.20
	United Kingdom	EUR / GBP	0.85	Neutral	0.85	Negative	0.87
	Japan	EUR / JPY	169.07	Neutral	167	Neutral	168
	Switzerland	EUR / CHF	0.94	Neutral	0.94	Neutral	0.94
	Australia	EUR / AUD	1.79	Positive	1.74	Neutral	1.82
	New-Zealand	EUR / NZD	1.93	Neutral	1.92	Negative	2.00
	Canada	EUR / CAD	1.60	Neutral	1.61	Negative	1.68
	Sweden	EUR / SEK	11.11	Neutral	11.00	Positive	10.70
	Norway	EUR / NOK	11.78	Neutral	11.60	Positive	11.30
Asia	China	EUR / CNY	8.39	Neutral	8.28	Negative	8.64
	India	EUR / INR	100.34	Neutral	98.90	Negative	105.60
Latam	Brazil	EUR / BRL	6.44	Neutral	6.44	Negative	6.96
	Mexico	EUR / MXN	22.12	Neutral	21.85	Negative	22.80

Sources: BNP Paribas, LSEG

FX FORECASTS USD

	Country		Spot 26/06/2025	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1.17	Neutral	1.15	Positive	1.20
	United Kingdom	GBP / USD	1.37	Neutral	1.35	Neutral	1.38
	Japan	USD / JPY	144.41	Neutral	145.00	Positive	140.00
	Switzerland	USD / CHF	0.80	Negative	0.82	Positive	0.78
	Australia	AUD / USD	0.65	Neutral	0.66	Neutral	0.66
	New-Zealand	NZD / USD	0.61	Neutral	0.60	Neutral	0.60
	Canada	USD / CAD	1.36	Negative	1.40	Negative	1.40
Asia	China	USD / CNY	7.17	Neutral	7.20	Neutral	7.20
	India	USD / INR	85.70	Neutral	86.00	Negative	88.00
Latam	Brazil	USD / BRL	5.50	Neutral	5.60	Negative	5.80
	Mexico	USD / MXN	18.89	Neutral	19.00	Neutral	19.00
EMEA	South Africa	USD / ZAR	17.77	Neutral	18.00	Neutral	17.50
	USD Index	DXY	97.15	Neutral	98.83	Neutral	95.33

Sources: BNP Paribas, LSEG

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