

BNP Paribas Wealth Management presents its five most relevant investment themes for 2025

In 2025, investors should keep front of mind a few select trends, especially in a challenging context. First, **lower interest rates** will support leveraged asset classes, such as real estate, infrastructure and private equity. Furthermore, investor portfolios will need **greater diversification by asset class and geography** to move away from record US concentration. Finally, the AI investment wave and the will for **energy transition** will create new opportunities in the Healthcare, Energy and non-tech sectors that can put AI models to profitable use.

“Despite a still tense global geopolitical climate, and the large number of elections taking place in over 70 countries, the related uncertainty did not derail financial asset values. Moderate economic growth around the world, inflation returning close to central bank targets and steady reductions in benchmark interest rates provided a rare Goldilocks macroeconomic backdrop, allowing for stable growth in profits, income and equity values.” says **Edmund Shing, Global Chief Investment Officer, BNP Paribas Wealth Management**. “Moreover, we keep on seeing accelerated investment opportunities in the Healthcare and Energy sectors, driven by the life expectancy increase and the will to accelerate the energy transition.”

INVESTMENT THEMES FOR 2025

THEME 1 – Surfing the monetary easing wave

Today, US and European benchmark interest rates sit close to their highest levels seen over the last 15-20 years. Economic growth is now running below average in Europe and China and is decelerating in the US. Central banks have thus switched their focus to supporting employment and growth by cutting interest rates. We expect this coordinated central bank rate-cutting cycle to continue at least until late 2025.

We see attractive opportunities in:

- Switching from cash to other assets including bonds to benefit from carry.
- Profit from a steeper yield curve, e.g. invest in Bank stocks, sector.
- Industrial sectors because industrial activity will rebound on lower rates.
- Mid-/small-caps to benefit in a rate-cutting and soft landing scenario.
- Gold, which will benefit from falling central bank rates.
- Leveraged asset classes: real estate, private equity, infrastructure/utilities, clean energy.

THEME 2 – Infrastructure: the new industrial revolution

Infrastructure (both physical and digital) is essential for connecting people. Access to roads, the internet, power lines, and waterpipes connect people to the things they need to live, not just what they want. Infrastructure investment must accelerate to meet these needs, made more urgent by climate change and the energy demands of new technologies. Government funding provide powerful incentives to spur this necessary infrastructure investment.

This environment is allowing enhanced opportunities for investing in:

- Alternative/indirect investment in AI including data centre real estate, electricity demand growth in smart grids, energy efficiency.
- US and EU transport infrastructure.
- US energy infrastructure related to LNG.
- Clean water production and distribution.
- Network security infrastructure to tackle cybersecurity.
- Nuclear energy.
- Industrial metals, e.g. copper for electricity infrastructure upgrades.
- Construction materials sector e.g. cement and concrete.

THEME 3 – Enjoy diversification: still a “free lunch”

Owing to the impressive performance of US technology mega-cap companies over the past eight years, 9 of the 10 largest companies by weighting in the 1,410 member MSCI World index are US technology stocks. Today, an investment in global stocks heavily relies on a single industry in a single country. Moreover, bonds no longer sufficiently diversify a portfolio which also contains stocks, especially when inflation is above target.

To achieve better diversification, and thus lower portfolio risk, we suggest our investors to consider alternative assets and solutions outside of stocks, bonds and real estate:

- Alternative income strategies: private credit, structured products.
- Trend-following/CTA alternative UCITS strategies.
- Low volatility relative and global-macro alternative UCITS strategies.
- Downside protected strategies, e.g. capital-guaranteed structured products, ETFs.
- Precious metals.
- Real estate funds (REITs) and value-add real estate.

THEME 4 – Monetising AI

Mega-cap technology companies and numerous start-ups are investing massively in AI software and applications, providing a huge boon for key “picks and shovels” technology suppliers such as Nvidia. But just like the California Gold Rush (1848-1855) or the 2000 internet bubble, there could be huge disappointment in the near term as the results of this investment boom could be underwhelming – the warning of Nobel Prize-winning economist Daron Acemoglu.

We prefer to look for indirect ways to capitalise on the growing spending in AI-related technology:

- Industrial, media/marketing and retail companies with AI-related productivity and cost gains over the next 12-24 months.
- Electricity and data-centre infrastructure.
- Robotics and automation.

- Health care drug discovery, diagnostics etc.
- Logistics efficiency.

THEME 5 – Healthy longevity: the Holy Grail

The new normal is living longer posing challenges of how to live healthily for longer, how we can contribute economically for longer and how to finance a potentially lengthier retirement. Scientists and doctors are pushing the boundaries of human biology, while finance professionals look to reset the rules of retirement.

We recommend investing in stocks within:

- Selected Pharmaceuticals and Biotechnology/Medical Technology.
- Health care-focused real estate funds and REITs.
- Health and Wellness (healthcare technology, health & sustainable food, selected nutraceuticals, consumer and service companies that have substantial exposure to seniors).
- Financial services: asset and wealth management, health insurance.

About BNP Paribas Wealth Management

BNP Paribas Wealth Management is a leading global private bank and the largest private bank in the Eurozone with more than €456 billion worth of assets under management as of September 2024. Present in three hubs in Europe, Asia and the Middle East, it employs over 6,700 professionals who support High-Net-Worth and Ultra-High-Net-Worth individuals in protecting, growing and passing on their assets. The bank aims at building a sustainable future by combining its deep expertise and reach with its clients' influence and desire for impact.

<https://wealthmanagement.bnpparibas/en.html>

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