THE MONTHLY LETTER

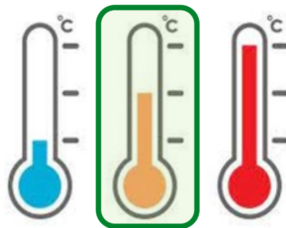
Tactical update

FEBRUARY 2025

Hectic countdown to *Extasy*

Global landscape

Inflation in Next 6m



Stance: above central banks targets (ex-China)

Trend: widely dispersed

Economic growth in Next 6m

Stance: below LT potential

Trend: recovering from cyclical low (ex-China)

Long-term macroeconomic regime. Irregular and volatile economic cycles

The weakness of the main structural factors (demographics, excessive debt and even productivity) will weigh on potential growth. The asymmetric risks of deflation or runaway inflation remain elevated. The uncertain pace of adoption of artificial intelligence adds to the uncertainty. The issues of deficit financing and debt reduction could disrupt long-term balances

Cyclical outlook. Reflation

The US and China will lead the recovery in 2025. Europe and Japan lag, while emerging markets will be scattered. S1 will be key as new US economic policies get set. A (too?) strong consensus on US exceptionalism has built

Geopolitics. Silver lining on the horizon?

The bold change in the US administration is reshuffling the deck. The probability of fat-tail events (positive and negative) is increasing. The resolve and cohesion of the so-called axis of evil (China, Russia, Iran, North Korea) will be tested. A de-escalation of the Ukraine conflict could ultimately benefit the EU.

The abundance of global liquidity will gradually wane

Liquidity conditions are still favorable. But a deceleration is imminent

Negative equity-bond correlation still in place, for now

The expectation of sub-3% CPI over next quarters is under review, depending essentially on the priorities and shape (implementation sequence) of the US administration economic policy. A new German government could also mean more flexible, active reflation in the EU.

Highly volatile investors' sentiment and capital flows

Investors' complacency has driven significant flows into risky assets. Some deleveraging / downsizing is likely short-term.

End of the long prologue

The indisputable victories of Trump and the Republicans in Congress averted a domestic institutional crisis. The belated loyalty of major captains of industry, such as Bezos and Zuckerberg, and the sudden evaporation of lawsuits against Trump have contributed to the serenity of the coronation of the 47th president of the United States.

Ring kisses and goodbye

January 2025 was – retrospectively too - calm, featuring the ¨re-risking with Donald¨ mode

The final shape of future US economic policy is starting to become a little clearer. For a while, it was thought that Trump's relentless tariff rhetoric was just a trick to gain the upper hand over allies and foes at the negotiating table. Now, everyone is scrambling to assess the wider consequences of his trade war – Canada, Mexico have announced countermeasures – and its potential impact on the retreat of inflation. Trump's renewed complaints about the European Union and Japan's ¨huge¨ trade surpluses (and the yen's severe undervaluation) suggest they'll also be in the line of fire.

Brutality seems to have replaced gradualism (S. Bessent)

The spectre of the infamous Smooth-Ackley Act of the 1930s is back

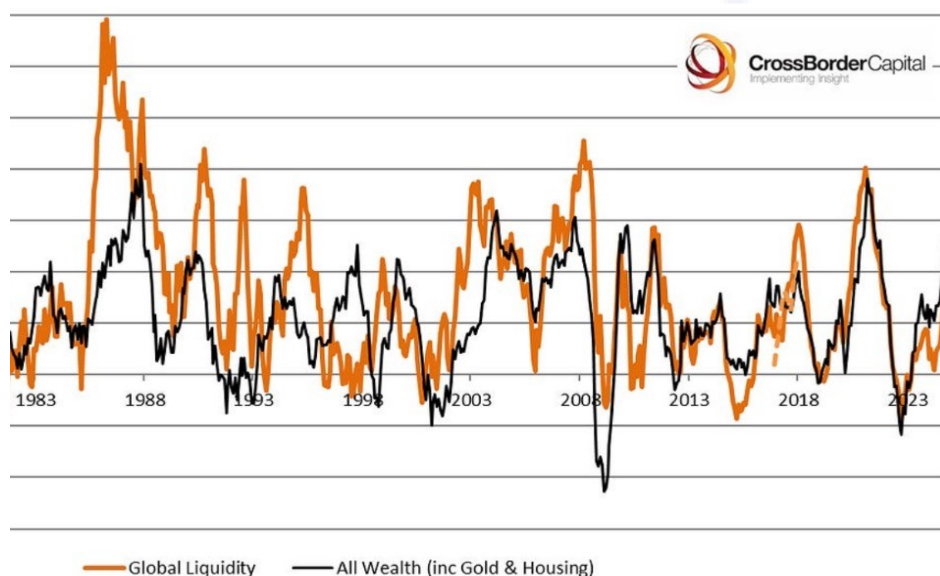
A progressively less supportive investment landscape

The prospect of a trade war is negative for growth and somewhat supportive for inflation. It will ultimately depend on the size and duration of the tariffs and the intensity of retaliations. It could be a catalyst for much higher/ destabilising currency volatility. Central banks are likely to adopt a wait-and-see approach, although the prevailing reflationary process shouldn't be halted.

Liquidity cycles tend to precede policy rate cycles. Japan is likely to reduce liquidity production first, followed by the US from S2. The likely reacceleration in global nominal growth will also absorb some of the excess investable liquidity.

Liquidity trends are becoming less favourable for risky assets

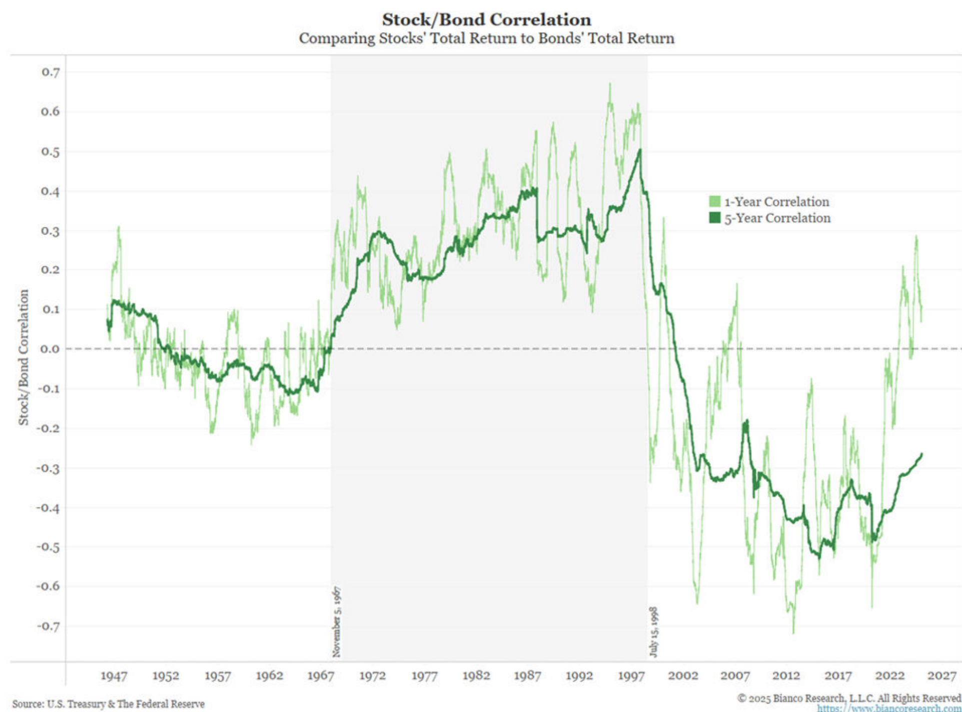
Global Liquidity Momentum is waning



Dangerously flirting with the inflationary pivot point

After the post-Covid price explosion, disinflation was finally imposed. Despite some rigidity, price indices fell back below 3%, a key level for cross-asset correlations. Medium-term (5-year) correlation coefficients, despite their recovery, remained anchored in negative territory. Although markets are concerned about the recent price gyrations, they remain confident that we are not on the verge of a new (serious) inflationary regime.
This outlook, which is favourable for financial assets, could be upset if budgetary excesses continue to multiply and depending on the trade war scenario...

Undecisive trend of cross-assets correlation ahead?



A return to a positive correlation between equities and bonds is unlikely short-term. But risks are rising again.

Asset allocation recommendation

Markets - particularly retail investors - had become complacent in the aftermath of the US Red Swipe. The radical nature of the Trump administration's policies could trigger volatility / profit-taking / unwinding of carry trades in the short term. While some repositioning in terms of sector/country allocation is warranted, it is premature to opt for a more cautious approach to asset allocation.

Devises

After a long period of serious zigzagging, the USD has become more stable. However, the impact of the US tariff plans will be a key driver of volatility in the currency market.

Will the strong USD persist?

The announcement of tariffs on US imports from Mexico, Canada and China confirmed the central role they will play in Trump's economic and social policies. Tariffs raise the risk of significant supply chain disruptions and increase economic uncertainty. What's next for the USD?

Firstly, the USD was the strongest developed market currency in Q4 24 and 2024, supported by a further reduction in Fed rate cut expectations and optimism following the US election. The 2024 gains made the currency a likely candidate for some retracement.

Second, the USD had reached stretched territory in terms of short- and long-end spreads. With the market currently pricing in 50bps of Fed cuts this year - we expect 4 - there seems to be less room for further USD-supportive unwinding of Fed cut expectations.

Third, the prospect of fiscal expansion and tariffs is USD negative. The US budget deficit is wider than in 2017, and rising US debt is likely to be a drag. Moreover, if tariffs lead to retaliation, this should weigh on US activity and open the door further for Fed rate cuts. So far, the tariff issue has been USD positive due to limited retaliation.

Fourth, USD positioning is still flirting with the highest levels in the last 5 years and any correction to the downside will have a significant impact.
We still expect a weaker USD in 2025

Rate differentials point to a lower USD

The EUR/USD shows signs of stabilisation after a period of volatility

The EUR fell to a low in mid-January before recovering to above 1.05. The EUR has underperformed risk/commodity currencies this year, but further weakness may require negative news to justify further selling. Firstly, growth in the eurozone is expected to pick up, although it will remain weak in 2025. This should at least be interpreted as a bottoming.

Further ECB rate cuts are expected in 1Q25. Ironically, the EUR/USD rallied while Trump expressed reluctance to impose tariffs on China while being very critical of the EU.

Given the oversold nature of the EUR based on rate spreads, further cuts may not automatically be EUR-negative

Positioning once again is extreme

CNY: a surprising outperformer

By the end of the year, USD/CNY had reached its highest level since October 2022, when the USD index was at a 20-year high. It spent the first half of January hovering around 7.35 before falling as the USD weakened. Nonetheless, the yuan remains under pressure on lingering concerns about the economic outlook and low inflation, which point to possible further monetary easing by the PBoC.

We do not expect the authorities to allow a large depreciation, but the yuan will have to play the role of shock absorber. The fixing on Wednesday 5 February, when Chinese markets reopen after the Lunar New Year holiday, will be closely watched to see if the PBoC starts to allow the yuan to adjust to tariffs.

Chinese policymakers are likely to maintain the renminbi's stability against the USD

Bonds

The 3 main central banks moved in different directions: BoJ hike, Fed pause, and ECB cut. The BoJ has raised interest rates. Its updated outlook makes it clear that further rate hikes will come sooner than expected. Ueda was vague on the timing of the next hike and the terminal rate. The upward revision of inflation is a hawkish signal. The real policy rate remains negative, so policy remains accommodative. Higher core inflation (2.5%), the fastest in almost a year, keeps the BoJ under pressure. Its upbeat outlook for the spring wage negotiations signals a likely hike in May. With market expectations low, there is room for a hawkish reassessment.

The Fed left its key rates unchanged. Inflation has made progress towards the target and labour market conditions have generally eased. Core PCE remains high at 2.8%, but the 3-month and 6-month averages are trending lower. Uncertainty is high due to significant policy changes in tariffs, immigration restrictions, fiscal (deficits) and regulatory policy. The Fed needs to see what the policies will be before it can assess their impact. Uncertainty is why the Fed has paused. It remains inclined to cut, but the timing is unclear. The Fed has refrained from speculation.

Financial conditions have tightened recently, but monetary policy remains restrictive due to higher yields (higher term premium).

The Employment Cost Index provided further evidence that the labour market is no longer a major threat to the Fed. The ECI rose by 0.9% in the fourth quarter, boosted by another solid increase in private union and public sector wages. The ECI slowed to 3.8%, which is close to the range consistent with the Fed's 2% inflation target once the stronger pace of productivity this cycle is taken into account.

The slowdown in labour supply and signs of a slowdown in underlying inflation momentum will tip the balance towards a cut as early as March. However, as Powell pointed out, the inflationary impact of tariffs is very unclear. The imposition of tariffs raises concerns about the disinflationary framework.

We maintain our quarterly reductions thereafter until the policy rate target reaches 3.00-3.25% We remain neutral on US duration, waiting for more clarity

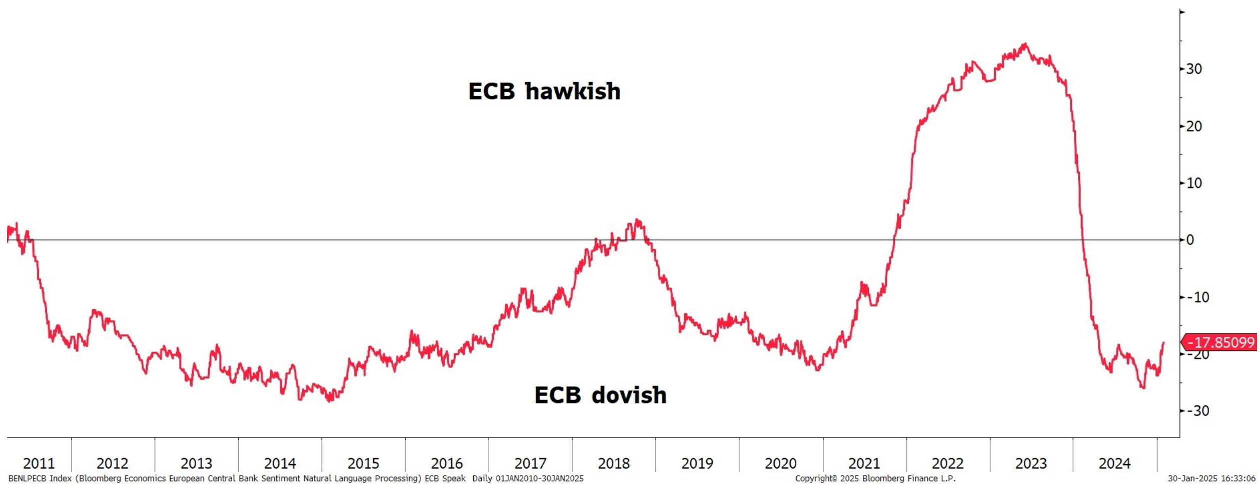
US 10-year yield

The ECB made a unanimous 5th cut, reducing the deposit rate to 2.75%. Monetary policy remains tight. Most importantly, the ECB is confident that inflation will return to target as core inflation and wage growth normalise. Despite sticky headline inflation, weak eurozone growth and the ECB's high inflation conviction were strong arguments for this cut. Bringing rates back to neutral (~2%) is the next step.

Another 25bps reduction looks very likely in March, and we still expect 4 cuts this year

We continue to expect German 10-year yield to reach 2.25 % in the spring

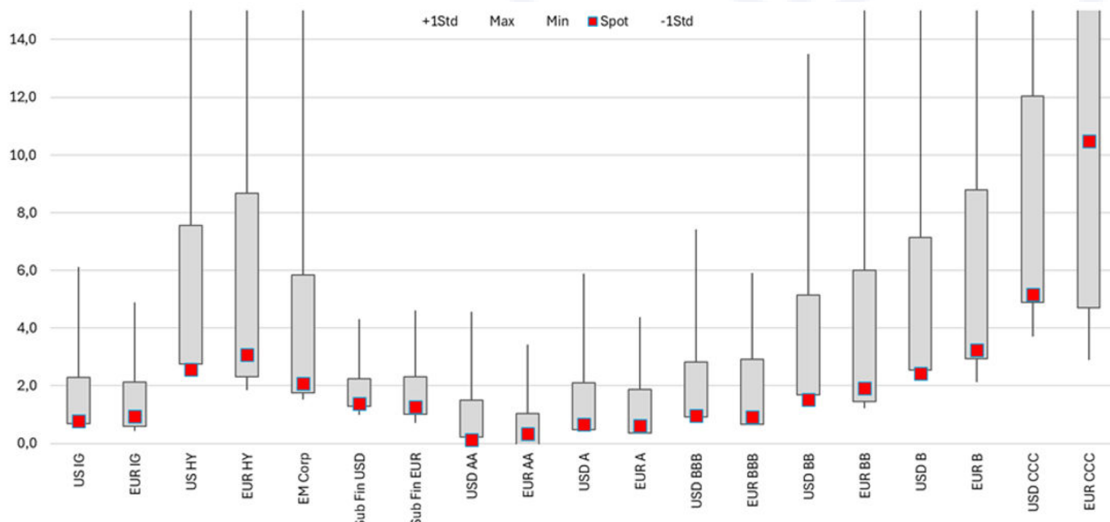
Lagarde repeated that the direction of travel remained clear



Strong credit fundamentals, rich valuations

In a solid economy, companies made significant financial gains. According to the BEA, pre-tax profits for all companies reached $3.8 trillion, up 51% from 2019. Their balance sheets are strong with plenty of cash. The rise in interest rates since 2022 has not had a negative impact on profitability. Many companies have improved their balance sheets in late 2020 and 2021. Average corporate bond coupons have risen gradually since the lows of 2022, but remain close to the long-term average at 6.4% for US HY, the same as five years ago, and slightly higher than in 2019 for US IG.

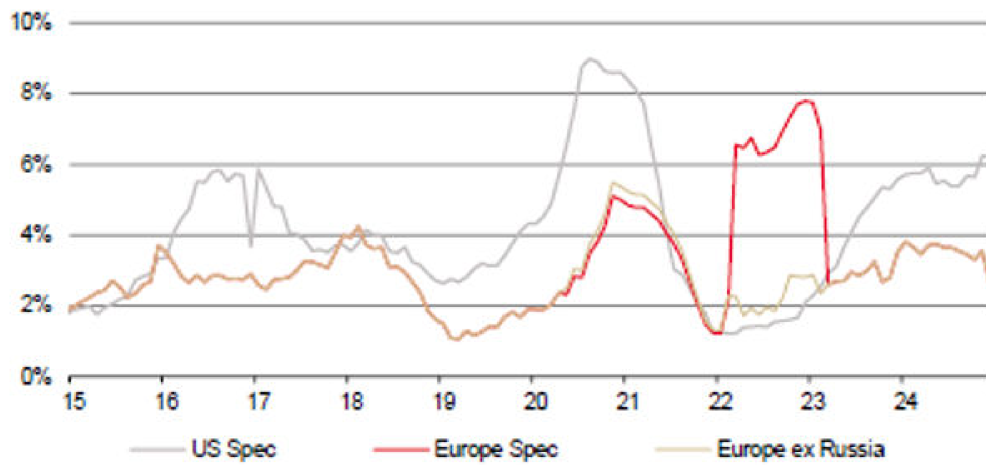
Spreads have rarely been this low over the past 20 years



It makes sense to take risk if you are being compensated well. There is limited potential for spreads to fall. The average US IG spread stands at 79bps, reaching its lowest point since 1998 in November at 74bps. HY spread also reached new cyclical low since May 2007 in November at 253bps. It stands at 266bps.

On HY, Moody's Euro HY default rate fell sharply to 2.6% after hovering at between 3.3% to 3.8% in 2024. In contrast, the US HY default rate remained unchanged at 6.2%, a cyclical high.

Speculative default rates take different paths



Furthermore, the US HY spread is tighter than the EUR HY one, despite the consistently lower default rates in Europe since early 2023, and the recent shift in direction of both default rates. Default rates are a lagging indicator, whereas credit spreads react much more quickly. The default rates in Europe are set to remain within a 2-3% corridor, whereas the US default rate is expected to fall.

The credit markets are supported by solid fundamentals, which have mostly improved over the past year. We still favour IG over HY

We have a more neutral outlook on the HY part, believing that a strong economy will support it in the near term. We would wait for higher spreads to adopt an overweight position

Actions

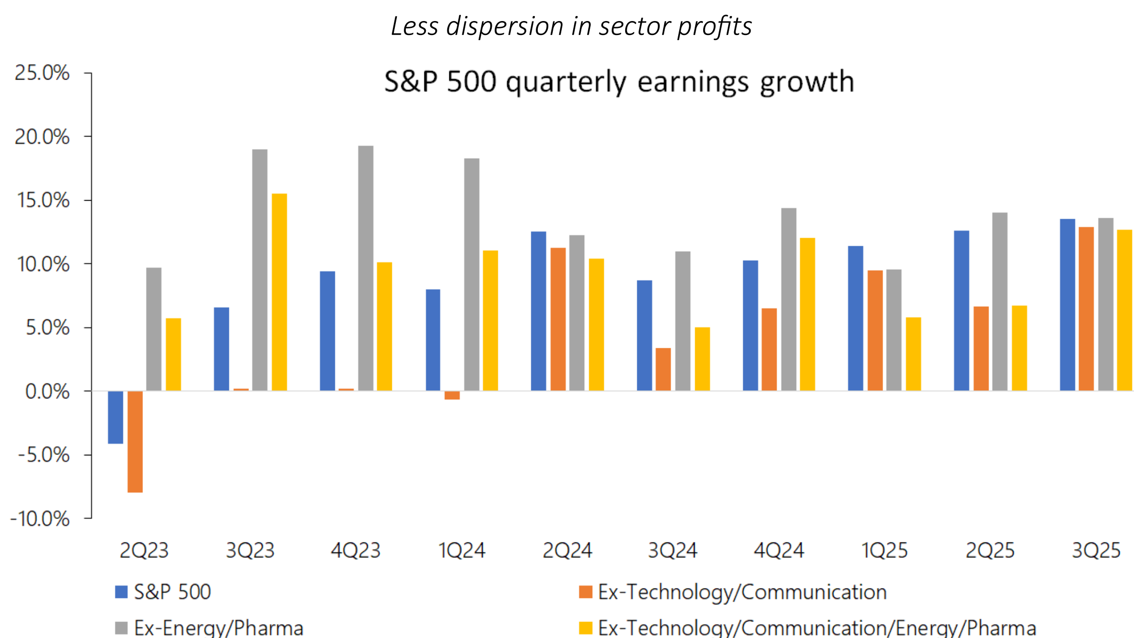
DeepSeek, a “game changer” for tech sector valuations? The return of defensive sectors and Europe?

On Monday, January 27, the DeepSeek tsunami swept away the US business model around AI - its dominance, its spending on data centers, its energy needs - and above all called into question AI-linked stock valuations. This also shows that restrictions on exports of high-tech products to China are not having an effect. This was to be expected. In a single day, Nvidia’s market capitalization was reduced by $600 billion, a historic record for the American stock market. DeepSeek is a Chinese startup that has developed a low-cost (no need for high-tech electronic chips and consuming little energy), sober (no need for a large data center infrastructure) and open source R1 generative artificial intelligence model. What some analysts predicted in 2024 is coming to fruition: commoditization, the act of making a product or service standardized and cheaper, often making it undifferentiated.

With commoditization, the AI stock market phenomenon risks deflating. At the end of 2024, the top 10 values of the S&P 500 had reached a historic weight of 37% in the index and 32% for the Magnificent 7. On this argument, Big Techs could stop their outperformance. Another argument is that Big Techs will no longer have such a strong positive contribution to the overall result, allowing investors to focus on other sectors.

The 4Q24 results are good. S&P 500 profits are expected to increase by 13.2%, while estimates were for +11.8% at the end of December. European luxury surprised on the positive side, once again demonstrating the resilience of household consumption in Western countries. For 2025, analysts estimate a 13% increase in S&P 500 profits.

Less dispersion in sector profits



However, we remain cautious. We have calculated a 10% increase in stock markets in 2025, and not +25% like in 2023 and 2024. Trump's trade war is starting. A global increase in customs tariffs could result in a slowdown in world

trade with the risk of a return of inflation. The current situation resembles that of 1929: sharp rise in stock markets, high real estate prices, high debt and a return of protectionism/isolationism. In 1930, the Smoot-Hawley Act passed by the US Congress set an average duty of 40% on all imported products, and 25 other countries retaliated by increasing their own customs tariffs, leading to a drastic drop in world trade. Comparison is not reason, but the risks are there. Not to mention Donald Trump's very aggressive tone on Panama and Denmark.

Is it time to return to defensive sectors? Probably. For the moment, we are rebalancing the sector allocation in favor of defensive sectors. In the stock market, winning sectors never win indefinitely. Since 2010, including 2025, the Nasdaq has outperformed "only" 50% of the time. After a strong underperformance in 2022, the Nasdaq strongly outperformed in 2023 and 2024. January 2025 shows a zero gain for the Nasdaq, while the healthcare sector outperformed.

Winners are never winners forever. Sector rotation is the norm

S&P 500 Sectors - Annual Total Returns

	1990									2000							
	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07
Info Technology	3%	9%	3%	22%	20%	39%	44%	29%	78%	79%	-41%	-26%	-37%	47%	3%	1%	8%	16%
Comm. Svces	-14%	13%	16%	15%	-5%	42%	1%	41%	52%	19%	-39%	-12%	-34%	7%	20%	-6%	37%	12%
Consumer Disc.	-12%	41%	20%	15%	-8%	20%	12%	34%	41%	25%	-20%	3%	-24%	37%	13%	-6%	19%	-13%
Financials	-21%	49%	23%	11%	-3%	54%	35%	48%	11%	4%	26%	-9%	-15%	31%	11%	6%	19%	-19%
Industrials	-8%	30%	10%	19%	-2%	39%	25%	27%	11%	21%	6%	-6%	-26%	32%	18%	2%	13%	12%
Energy	3%	7%	2%	16%	4%	31%	26%	25%	1%	19%	16%	-10%	-11%	26%	32%	31%	24%	34%
Materials	-11%	25%	10%	13%	6%	20%	16%	8%	-6%	25%	-16%	3%	-5%	38%	13%	4%	19%	23%
Real Estate													-9%	29%	29%	13%	41%	-18%
Utilities	-1%	24%	7%	14%	-12%	33%	6%	25%	15%	-9%	57%	-30%	-30%	26%	24%	17%	21%	19%
Healthcare	17%	54%	-16%	-8%	14%	58%	21%	44%	44%	-11%	37%	-12%	-19%	15%	2%	6%	8%	7%
Consumer Staples	15%	42%	5%	-4%	10%	40%	26%	33%	16%	-15%	17%	-6%	-4%	12%	8%	4%	14%	14%

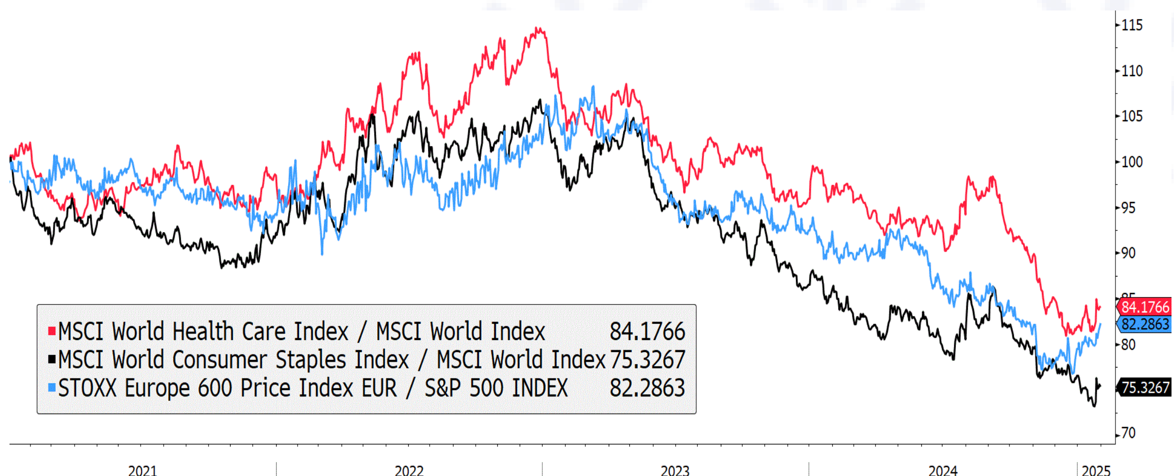
			2010										2020					
	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	
Info Technology	-43%	62%	10%	2%	15%	28%	20%	6%	14%	39%	0%	50%	44%	35%	-28%	58%	37%	Info Technology
Comm. Svces	-30%	9%	19%	6%	18%	11%	3%	3%	23%	-1%	-13%	33%	24%	22%	-40%	56%	40%	Comm. Svces
Consumer Disc.	-33%	41%	28%	6%	24%	43%	10%	10%	6%	23%	1%	28%	33%	24%	-37%	42%	30%	Consumer Disc.
Financials	-55%	17%	12%	-17%	29%	36%	15%	-2%	23%	22%	-13%	32%	-2%	35%	-11%	12%	31%	Financials
Industrials	-40%	21%	27%	-1%	15%	41%	10%	-3%	19%	21%	-13%	29%	11%	21%	-5%	18%	17%	Industrials
Energy	-35%	14%	20%	5%	5%	25%	-8%	-21%	27%	-1%	-18%	12%	-34%	55%	66%	-1%	6%	Energy
Materials	-46%	49%	22%	-10%	15%	26%	7%	-8%	17%	24%	-15%	25%	21%	27%	-12%	13%	0%	Materials
Real Estate	-42%	27%	32%	11%	20%	2%	30%	5%	3%	11%	-2%	29%	-2%	46%	-26%	12%	5%	Real Estate
Utilities	-29%	12%	5%	20%	1%	13%	29%	-5%	16%	12%	4%	26%	0%	18%	2%	-7%	23%	Utilities
Healthcare	-23%	20%	3%	13%	18%	41%	25%	7%	-3%	22%	6%	21%	13%	26%	-2%	2%	3%	Healthcare
Consumer Staples	-15%	15%	14%	14%	11%	26%	16%	7%	5%	13%	-8%	28%	11%	19%	-1%	1%	15%	Consumer Staples

Indexes -- Core/Factors/Size/Styles/Global

	1990									2000							
	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07
S&P 500	-3%	30%	8%	10%	1%	38%	23%	33%	29%	21%	-9%	-12%	-22%	29%	11%	5%	16%	5%
S&P 500 Equal Wt	-12%	36%	16%	15%	1%	32%	19%	29%	12%	12%	10%	0%	-18%	41%	17%	8%	16%	2%
S&P 100 (Large)	2%	28%	6%	11%	3%	40%	26%	30%	33%	33%	-13%	-14%	-23%	26%	6%	1%	18%	6%
S&P 400 (Mid)	-8%	42%	16%	14%	-3%	32%	17%	20%	1%	8%	15%	1%	-14%	36%	17%	12%	10%	7%
S&P 600 (Small)	-18%	38%	18%	19%	-2%	30%	21%	26%	-1%	12%	12%	7%	-15%	39%	23%	8%	15%	0%
S&P 500 Value	-7%	23%	11%	19%	-1%	37%	22%	30%	15%	13%	6%	-12%	-21%	32%	16%	6%	21%	2%
S&P 500 Growth	0%	38%	5%	2%	3%	38%	24%	37%	42%	28%	-22%	-13%	-24%	26%	6%	4%	11%	9%
S&P 500 Quality						42%	31%	35%	38%	7%	18%	-4%	-14%	29%	11%	5%	18%	15%
S&P 500 Momentum	-5%	36%	11%	11%	0%	36%	32%	38%	57%	48%	-21%	-27%	-16%	23%	11%	17%	10%	10%
S&P 500 High Beta		58%	25%	14%	2%	31%	21%	37%	31%	53%	-20%	-25%	-42%	85%	7%	3%	10%	0%
S&P 500 High Div.			15%	19%	-1%	30%	14%	33%	10%	-1%	20%	9%	-6%	32%	17%	6%	24%	-4%
S&P 500 Low Vol.		22%	9%	11%	-3%	38%	18%	30%	8%	-8%	25%	4%	-7%	23%	18%	2%	20%	1%

			2010										2020					
	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	
S&P 500	-37%	26%	15%	2%	16%	32%	14%	1%	12%	22%	-4%	31%	18%	29%	-18%	26%	25%	S&P 500
S&P 500 Equal Wt	-40%	46%	22%	0%	18%	36%	14%	-2%	15%	19%	-8%	29%	13%	30%	-11%	14%	13%	S&P 500 Equal Wt
S&P 100 (Large)	-35%	22%	13%	3%	16%	30%	13%	3%	11%	22%	-4%	32%	22%	29%	-21%	33%	31%	S&P 100 (Large)
S&P 400 (Mid)	-36%	37%	27%	-1%	18%	33%	10%	-2%	21%	17%	-11%	26%	14%	25%	-13%	16%	14%	S&P 400 (Mid)
S&P 600 (Small)	-31%	26%	26%	1%	16%	41%	6%	-2%	27%	13%	-8%	23%	11%	27%	-16%	16%	9%	S&P 600 (Small)
S&P 500 Value	-39%	21%	15%	0%	18%	32%	12%	-3%	17%	15%	-9%	32%	1%	25%	-5%	22%	12%	S&P 500 Value
S&P 500 Growth	-35%	32%	15%	5%	15%	33%	15%	6%	7%	27%	0%	31%	33%	32%	-29%	30%	36%	S&P 500 Growth
S&P 500 Quality	-34%	30%	15%	11%	15%	34%	15%	0%	10%	20%	-7%	34%	18%	28%	-16%	25%	26%	S&P 500 Quality
S&P 500 Momentum	-35%	17%	19%	2%	17%	31%	11%	6%	6%	28%	0%	26%	28%	23%	-11%	18%	46%	S&P 500 Momentum
S&P 500 High Beta	-60%	57%	27%	-18%	18%	41%	13%	-13%	26%	18%	-15%	34%	26%	41%	-20%	34%	9%	S&P 500 High Beta
S&P 500 High Div.	-43%	35%	21%	12%	10%	28%	22%	-2%	25%	13%	-5%	21%	-12%	33%	-1%	4%	15%	S&P 500 High Div.
S&P 500 Low Vol.	-21%	19%	13%	15%	10%	24%	17%	4%	10%	17%	0%	28%	-1%	24%	-5%	1%	14%	S&P 500 Low Vol.

Relative performance. After 2 difficult years, will 2025 be the turning point for defensive sectors and Europe?



We are not in a recession, nor on the verge of a stock market crash, but defensive sectors (pharma, consumer staples) always outperform in a bear market and in a recession, as in 2000-2002 (IT bubble), 2008 (GFC) and 2020 (Covid crash). Regarding stock market valuations, they are high, but we are not in a bubble. Adjusted for rates, the current PER of the US Growth sector is around 30%-40% lower than that which prevailed in 2000 due to the US 10-year at 4.5% today against nearly 7% in 2000.

The "weak" Europe shows in 2025 country performances 2x to 3x higher than the US indices despite the political absence of Germany and France, the conflict in Ukraine and sluggish economic growth. In addition, Donald Trump could be particularly tough on Europe on trade and NATO. However, Europe has some assets: it is able to respond to Trump, a marked skepticism of investors (contrarian approach), the strengthening of the European Commission and the potential Draghi and Letta recovery plans.

Two forces support stocks:

1. Individual investors whose exposure to stocks has never been so high. They accumulate at each decline in indices. Professionals are very cautious, while trading volumes in retail have exceeded the previous record of early 2021 (Covid momentum). JP Morgan observes a strong correlation between stocks, small technology companies and bitcoin. These assets are riding the wave (Trump trade) of a bright and imminent future. A lot of complacency. But on the other hand, the Dumb Money Confidence (Sentimentrader.com), an index tracking the transactional behavior of retail players, does not signal imminent market weakness; as well as the margin debt tracked by the regulator which has increased, but remains below worrying levels as a percentage of total market value.
2. Sector rotation. If bull markets need strong participation from individual investors, they also need sector rotations.

Conclusion: 2025 is a year of all dangers with trade wars, military wars and geopolitical Trumpist threats (Panama Canal, Greenland). For the moment, everything rests on individual investors confident in the future.

Alternative Investments

Gold remains the best real asset in a troubled world

The price of gold rose with Donald Trump's announcement of a trade war, starting with Canada and Mexico, and to a lesser extent with China. Canada immediately announced similar tariff increases for American products. Donald Trump warned that he could increase tariffs on industrial and precious metals. Traders accumulated gold ahead of a potential tariff increase. Gold inventories increased significantly in London and New York (Comex). Faced with Trump's threat, the premium on US gold rose to $28, the highest since the pandemic, compared to the London price.

Gold is the asset to buy in times of economic, financial and geopolitical uncertainty. Donald Trump is breaking the order established since the end of World War II. In this environment, silver metal also seems interesting to us.

Le Gold to Brent ratio signale un risque inflationniste

Bitcoin. Following Donald Trump's victory, bitcoin appreciated by 60% from $67,000 to $109,000 until mid-December. Then, bitcoin consolidated. Unlike gold, bitcoin has followed the path of the S&P 500. Donald Trump signed an executive order on digital asset legislation - the Strengthening American Leadership in Digital Financial Technology - on cryptocurrencies, but the market was disappointed to have to wait 6 months before seeing the proposed legislation. Since mid-December, bitcoin has fallen by 6%, ethereum by 25%, solana by 10% and doge by 32%. XRP, Ripple's virtual currency, has gained 8%. A day before his inauguration, Donald Trump gave a bad message with his new digital currency Trump meme and Melania meme, a message of casino, of "making money at all costs", of speculation.

Donald Trump's trade war has just started and Bitcoin has fallen, as have the stock markets. Bitcoin and stocks remain highly correlated despite different long-term outlooks. Bitcoin is the gold standard crypto, accounting for 60% of the total cryptocurrency market cap, and is expected to hold up better than other cryptocurrencies. In the short term, BTC could weaken to $92,000, a strong technical support.

Cours du BTC

Oil. Crude prices have risen with the introduction of new 10% US tariffs on Canadian and Mexican energy products. This could reduce US oil consumption, thus putting downward pressure on prices. Donald Trump wants to increase US production by 3 million bpd within 4 years. If the global trade war launched by the US worsens, global economic growth could slow. Under these conditions, we estimate depreciated oil prices. A technical break of $70 per barrel for Brent would take us towards $50-$60.

Some analysts fear an increase in oil prices if the US were to harden sanctions against Russia and Iran. We do not believe that Donald Trump will touch Russia; Vladimir Putin and Donald Trump have close and friendly ties with their conservative ideas.

Industrial metals. Prices are globaly on a downward slope. US reindustrialization plans, the energy transition and increased military spending do not compensate for the weakness of Chinese demand. In the near future, the trend of industrial metals should not change. Unless China comes up with a major economic recovery plan, but we do not believe it too much given the scale of the real estate crisis. Past real estate crises in the West, in Japan or elsewhere show the difficulties of getting out of it and the time it takes. And investors fear an economic slowdown with Trump’s commercial wars.

Bloomberg Industrial Metals Index

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