Syconvictions

MARCH 2025

At a glance

Our watchwords: **diversification** and **flexibility**.

Attractive carry and **falling rates** to drive **credit** market performances.

We see potential in **European** and **Asian equity markets**.

Message from the CIO

Capital markets faced more headwinds in February. The first phase of the trade war has now begun, with the U.S. announcing new tariffs on imports from its main partners: Canada, Mexico and China.

Donald Trump' next target is the European Union. If the White House effectively enforces all its tariff threats, trade barriers would echo those from the 1930s.

Meanwhile, tensions between Washington and Brussels have been rising over the conflict opposing Russia and Ukraine. Its resolution, as well as the common European defence backed by the new German Chancellor and paving the way to pooled defence investments, should have positive implications for risk assets and notably for European equities.

Since the start of the conflict, European and US equities have decoupled at an unprecedented rate, with Europe lagging by 25% despite the robust earnings reported by the region's companies.

As the world becomes increasingly multipolar, we advocate broader diversification and continue to invest across all geographies: in the United States, naturally, but also in Europe and China. Once again, with the launch if its DeepSeek AI model, Beijing has shown the world that it can measure up to leaders in any sector, at a much lower cost.

Pierre-Alexis Dumont
Chief Investment Officer

Market weather

EQUITIES
- European
- American
- Asian

SOVEREIGN BONDS
- European
- American

CORPORATE BONDS
- Investment Grade
- High Yield

CASH

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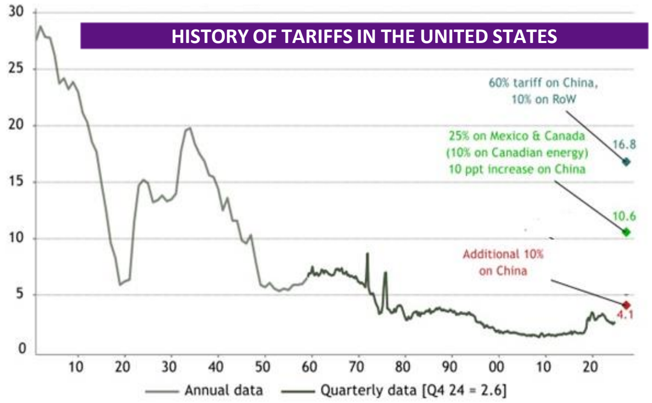
Syconvictions

Market environment

Barely a day goes by without new announcements feeding the tariff drama. The trade war has not been officially declared yet; so far, protectionist intents are just threats. We feel that the goal of the Trump administration is less about imposing sweeping “broad-based” tariffs (which would take us back several decades to the first half of the 20th century) and more about **negotiating on a case-by-case basis with the country’s trade partners** on a variety of issues - immigration with Mexico, technology and defence with China. Tariff announcements are therefore **bargaining tools used by the U.S. to achieve outcomes supporting the country's interests.**



Source: ASR Ltd. / LSEG Datastream.

Trump is not “bluffing” with these announcements. Some of his protectionist measures may ultimately come into effect, notably with a view to improving the US economy’s terms of trade - i.e. the ratio between export and import prices. This strategy, designed to boost competitiveness, could prove effective and less inflationary for goods that are important to the country and where local alternatives exist. Examples include the automotive, steel and aluminium industries - sectors Trump has underlined as priority targets. **It is likely these tariffs will be surgically-applied**. As the drama continues to unfold, it remains to be seen how other countries will retaliate, in the hope that escalation will be avoided as this would harm global economic growth.

Asset allocation strategy

Our view remains constructive on risk assets; however, we are making a few adjustments to the **equity** portfolio. We have slightly dialled down our preference for the United States. We believe that **Europe still offers potential**, as European companies are trading at extreme discounts despite reporting robust earnings and forward guidance. The earnings data published by **European players highly exposed to the United States**, which we consider to be very sound, have further reinforced our belief in this segment of the market.

Since the launch of DeepSeek and the Chinese government’s pro-business policy pivot, **our interest in Asia has somewhat recovered**, with a focus on innovation and digital-related sectors.

Across the Atlantic, we value **companies exposed to the U.S. domestic economy**. These companies are poised to benefit from raised tariffs, owing to reduced competition and a favourable “inflation effect” that will support their pricing power.

On the **bond** front, the sluggish growth environment calls for a **very careful selection of corporate bonds**, with particular attention paid to healthy balance sheets and profitability. The “crossover” segment offers an attractive risk/return combination in our opinion.

We believe that **attractive carry** and the **continued monetary easing cycle** are the two factors driving the performance of corporate bonds at present.

Key dates

2025

March 5th and 6th
ECB meeting

March 6th
Extraordinary EU Summit on Defence

March 18th and 19th
Fed meeting

March 27th and 28th
Nutrition for Growth Summit in Paris