APRICUS FINANCE

WEALTH MANAGEMENT

March 2025

The Month The World was Turned on its Head

In just a few weeks, President Trump has convulsed the world trade order, unnerved American businesses and consumers with an avalanche of tariffs, declared economic war on its best friend (Canada), and turned upside down or ripped apart military alliances and the geopolitical order that had been in place for decades.

We expected Trump to be a disrupter, but in a matter of weeks he has managed to:

- Risk destroying the trade system on which prosperity has been built over the last few decades. Trump's tariff approach (so far) has been one of rapid escalation and de-escalation.
- Bully his closest allies. He has left NATO members questioning whether the U.S. will honor the alliance's commitment to defend each other if other European countries are attacked by Russia. In Asia, Taiwan is probably wondering as well, whether the US will be there in case China invades the island. He suspended most U.S. foreign aid.
- Cozy up to Russia. He even went as far as asking Russia for help in facilitating a new nuclear deal with Iran.
- Throw out President Zelensky from the White House.

We said 'so far' in Trump's tariffs approach. It looks like he is determined to go all the way, even after acknowledging that some short-term damage to the economy and markets could be felt. He also said, 'You can't really watch the stock market.'

During his first presidency Trump used the stock market as a gauge of his economic and political success. Thus, the investment community talked about 'The Trump Put' on the stock market: the put's strike might be much lower than where investors estimated it to be at the beginning of the year, if indeed it does exist at all.

Recently he dubbed April 2nd - the day most tariffs will be enacted – "Liberation Day".

«It's Liberation Day for our country, because we're going to be getting back a lot of the wealth that we so foolishly gave up to other countries, including friend and foe.»

Senior Trump advisers are now publicly pledging to create a new tariff regime that would impose new duties on trade with most countries that trade with the United States, confirming that they are preparing tariffs on «trillions» of dollars of imports.

According to the Budget Lab at Yale, it is estimated that the tariffs would bring American import levies to their highest average level since 1943. That would lead to as much as $2,000 in additional costs for US households.

Trump's tariff policies have dampened investor confidence and raised concerns about potential stagflation.

The recent FOMC meeting adjusted its forecasts on the economy, reflecting less growth and more inflation. It lowered its 2025 GDP growth expectations to 1.7% and increased its inflation outlook to 2.8%.

With fears brewing over the potential impact of tariffs, the labor market has been slowing, retail sales have been disappointing, most macroeconomic indicators have been pointing toward possible negative growth in the first quarter, and inflation is stubbornly higher than target, at just below 3%.

The Consumer, a bastion of the US economy, is starting to crack, as tariffs add to inflation and recession concerns. A struggling stock market could add to the woes.

We observed months ago that low-income consumers were already cash strapped. There are now indications from surveys, but especially from executives across the higher-end retailers and airlines, that wealthier Americans may also pull back soon. Retailers and other consumer-facing companies warned that first quarter sales were coming in softer than expected, and the rest of the year might be tougher than analysts thought.

We add here the words of Treasury secretary Bessent: 'There's going to be a natural adjustment as we move away from public spending to private spending. The market and the economy have just become hooked and we've become addicted to this government spending, and there's going to be a detox period.'

That doesn't bode very well for the future of the US economy.

Growth in the US will thus at least moderate, as fiscal spending declines, with short-term private spending struggling to compensate for it, while it improves elsewhere, particularly in Europe and China.

In Europe, in fact, we are going exactly the opposite way: fiscal spending will increase, while the prospect of at least a freeze of the Ukrainian situation is likely to incite consumers to finally spend those pandemic and post-pandemic extra savings.

We have been talking about it since September of last year: the end, or at least a softening, of the German 'debt brake'. It is now almost confirmed, as the new chancellor takes power. The German fiscal bazooka has been approved by the parliament and should be ratified by the Bundestag this week. It is aimed at modernizing and restoring the country's defense capabilities but also modernizing and renovating its ailing infrastructure. For example, there are over 4,000 bridges that need renovation, or, in technology, Germany has one of the lowest penetration rates of households connected to the fiber network of the OECD. Economists estimate that the combined extra fiscal spending will add 0.3 to 0.5% of GDP growth per year. The engine of Europe could finally be back after years of stagnation.

Financial Markets : The Big Bifurcations

The three drivers, that we indicated at the beginning of the year, that could help Eurozone equities continue to outperform US (Ex the Magnificent 7) in 2025, happened (or could happen soon):

- The historic budget reform in Germany. It opens the gates to defense and infrastructure spending not only in Germany but across Europe. It is associated with an uplift to Euro area growth.
- Evidence that the Chinese government is managing to revive domestic consumer spending.
- The perspective of some sort of ceasefire or 'freeze' of the conflict in Ukraine.

Over in China, the recent release of a new range of AI models by Alibaba and Baidu, following on from the DeepSeek announcements in January, has raised further questions over the role of AI as a driver of US exceptionalism, with Nvidia as its posterchild.

Almost at the same time, China's BYD announced extremely fast-charging EV models. 400km of autonomy in only 5 minutes of charging: as fast as stopping for a tank refill at a regular gasoline station. It means those cars charge their batteries more than 4 times faster than a Tesla and will go on sale in a month.

As we wrote last month, we think all these announcements are all part of showing to the world China's technological prowess and national pride as to what China Inc. (and the state) can do: compete and eventually lead the world in technology despite all the (mostly US) sanctions and export limitations.

It is thus not surprising that Chinese technology equities and Eurozone stock markets greatly outperformed US, which were pulled lower by its technology Mega caps: at the time of writing not one of the Magnificent 7 is positive for the year.

Also at the time of writing, year to date, Eurozone equities are up over 12%, Chinese technology companies are up 34%, the S&P 500 is down more than 3%, while the Magnificent 7, on a weighted market cap basis, are down 13%.

A multi-year run in US big tech stocks, led by Nvidia Corp., has just hit a stumbling block, as investors question the validity of their sky-high valuations and demand ever more in earnings surprises.

Nvidia's stock has also slipped this year due to concerns about its revenue growth. The announcement of a wireless project with T-Mobile and Cisco was met with investor apathy. Similarly, its now yearly Superbowl-sized GTC conference, (25'000 attendees in person!), gave no boost to its stock price, contrary to previous editions.

The rise of AI made in China raised doubts about AI investments, its costs in the US, and whether they would be delivering revolutionary changes, hitting companies that have made or announced big investments in AI, such as Meta or Amazon.

It also raises questions about the valuation of private companies active in the AI space, such as OpenAI which, with the latest 40-billion-dollar fund-raising deal, values the company at 300 billion dollars, nearly doubling its valuation from just 4 months ago.

The big bifurcation in performance, in view of the likely different trajectories in fiscal spending and economic growth, was also evident in the fixed income market.

After the announcement of the German fiscal plan, in one week the yield in 10-year German Bunds jumped by 42 basis points: the biggest weekly selloff since reunification. The good news is that this was simply the market adjusting to the increased bond issuance and new fiscal reality: there was no widening within the Eurozone.

And this has led the Eurozone fixed income benchmark, the Euro-Aggregate, to be negative by over 1% since the beginning of the year, whilst its American peer, the US Aggregate, has risen by 2.6%.

Commodities: Copper is The New Gold

Gold continues to march higher; it just crossed the 3,000 dollars an ounce mark, on the back of continued buying by investors and central banks. It also continues to be a good portfolio diversifier and adds value to multi-asset portfolios. It is now up 16% year-to-date.

Last month, we delved into the peculiarities of demand out of the US, and the arbitrage that it creates with the physical overseas markets: copper is now subject to the same forces, and for the same reasons: potential tariffs!

The US is about to be flooded with a massive wave of copper, as a worldwide dash to front-run potential tariffs by US President Donald Trump comes to a head. The differential between prices on New York's Comex commodities exchange and the London Metal Exchange rose above $1,200 a ton this week. That's a 12% premium, and it creates a huge incentive for traders and producers to keep moving copper to the US before tariffs are imposed.

The surge of foreign copper into the US will obviously drain supplies in other markets including China, by far the biggest consumer of the metal.

This situation is giving American manufacturers a taste of the kind of cost inflation and supply-chain disruptions that may be triggered by a full-blown trade war.

Goldman Sachs Group Inc. and Citigroup Inc. anticipate the US will impose a 25% tariff on the metal by year end. American copper buyers have little choice but to keep buying imported metal: the US consumes twice as much as it produces.

Strategy

As discussed last month, we have now moved underweight mega cap technology in the US, having shaved our position in Broadcom after its results. With the positive market drift in European equities, the negative one in the US and the fixed income global benchmark positive year to date, we now find ourselves underweight US equities in the same proportion as in December, when, for risk management purposes - ahead of the Trump presidency, we decided to trim it by adding the S&P equal weight, (which is performing better than the regular S&P 500 and its massive technology weighting).

In view of the massive outperformance of Eurozone equities versus US ones since Trump's inauguration day on January 20th, (20% versus the Magnificent 7 and 13% versus the S&P 500), it is likely that, short term, we could see some countertrends. Currently, we will refrain though from closing our underweight, as from a technical perspective, while in part oversold, the US market presents a miserable technical picture. On the other hand, with the expected US economic slowdown, (or worse), it could result in a more sustained exodus out of US equities - which at the beginning of the year were favored by a majority of strategists and investors – or, dare we mention it, a bear market.

Equity

We keep an overweight in Eurozone equities versus the US.

Fixed income

We continue to favor exposure to credit versus duration. We have exposure to investment grade credit, European high yield, hybrids, financials' subordinated debt, US municipal infrastructure and Asian hard currency debt.

Foreign Exchange

The Japanese YEN exposure is mostly hedged and we maintain a 5% exposure to the US Dollar.

Gold

We continue to keep our allocation to Gold at about 5%. It continues to be a good diversifier in a multi-asset portfolio.

Positioning

Overall Exposure

We are now Neutral Equities, and Neutral Fixed Income, with a Gold position, partially USD and JPY hedged.

Equity: Neutral

We have an Overweight to the Eurozone and an Underweight in US equities, Slight Underweight US technology, Overweight Nasdaq 100 equal weight, Neutral UK, Neutral Japan, Overweight Asia ex Japan.

Thematic Equities

European Family Holdings, Asian Technology, Health Improving Technologies and Services, European Champions.

Fixed Income: Neutral

Long 1 to 3 years US Treasury Notes. Long 20+ years US Treasuries, Underweight Sovereigns. Overweight Investment Grade EUR and USD Bonds. Overweight High Yield in EUR and Underweight in USD.

Thematic Fixed Income

Long US Municipal Infrastructure Bonds, Long Hybrids, Long Subordinated Financial Credit & Long Asian Bonds in hard currency.

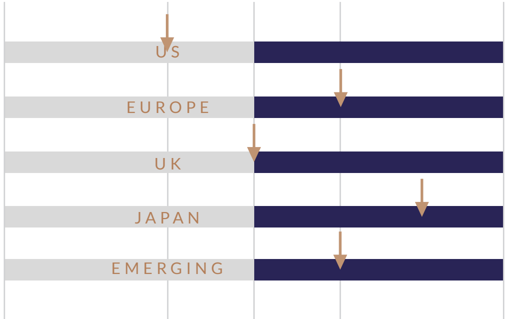
Currencies: Portfolios have a 5 % USD exposure. Long Turkish Lira against Euro.

Commodities: Overweight

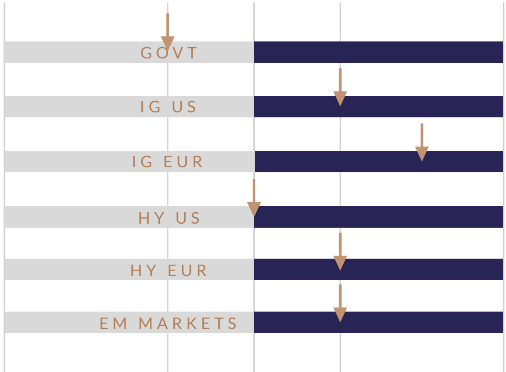
Long Gold.

Conviction thermometer

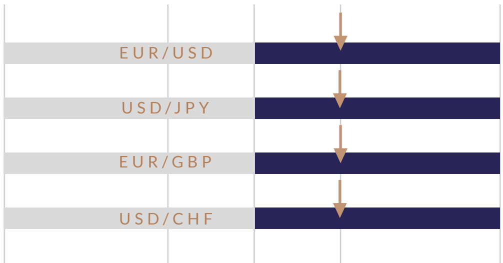
Equities



Bonds



Currencies



Commodities

Negative view   Positive view

Market overview as of 19th March 2025*

Equities (local ccies)	Level	5D	MTD	YTD
MSCI WORLD	3 701,86	1,65%	-2,60%	0,17%
US S&P500	5 675,29	1,40%	-4,60%	-3,23%
NASDAQ 100	19 736,66	0,74%	-5,44%	-5,91%
RUSSELL 2000	2 082,08	2,80%	-3,63%	-6,39%
EUROPE EURO STOXX 50	5 507,36	2,76%	0,80%	12,82%
GERMANY DAX	19 909,14	2,70%	3,27%	16,97%
FRANCE CAC40	8 171,47	2,28%	0,74%	10,85%
BELGIUM BEL20	4 499,43	2,64%	1,85%	5,64%
SWISS MARKET INDEX	11 600,90	1,34%	0,82%	13,02%
UK FTSE100	8 706,66	2,01%	-0,78%	7,47%
JAPAN TOPIX	2 784,92	3,75%	4,25%	0,44%
MSCI EMERGING	1 143,29	2,98%	4,37%	6,78%
BRAZIL IBOVESPA	120 283	6,98%	7,91%	10,16%
CHINA CSI 300	4 010,17	2,11%	3,09%	2,14%
HS TECH	6 041,19	3,37%	8,56%	35,29%
INDIA SENSEX	75 449,05	1,92%	3,08%	-3,23%
KOREA KOSPI	2 399,49	2,22%	3,93%	10,16%
HONG KONG HANG SENG	24 771,14	4,98%	8,36%	24,38%
AUSTRALIA ALL-SHARE	4 700,78	1,92%	-0,77%	6,09%
SAUDI ARABIA TADAWUL	11679.50	0,26%	-3,04%	-2,10%

US: Sectors	Level	5D	MTD	YTD
COMMUNICATION SVCS	327,44	-1,43%	-6,07%	-3,95%
CONSUMER DISCRETIONARY	1 570,60	-0,90%	-9,19%	-14,07%
CONSUMER STAPLES	869,44	0,00%	-5,17%	2,28%
ENERGY	704,19	5,70%	2,17%	8,43%
FINANCIALS	822,15	3,89%	-5,06%	2,55%
HEALTH CARE	1 707,24	1,59%	-1,44%	6,82%
INDUSTRIALS	1 128,03	2,68%	-2,03%	1,43%
INFORMATION TECHNOLOGY	4 171,14	1,14%	-5,42%	-9,39%
MATERIALS	546,88	2,70%	-1,77%	3,71%
REAL ESTATE	262,38	1,17%	-2,79%	3,18%
UTILITIES	398,41	2,25%	-0,39%	4,26%

EUROPE: Sectors	Level	5D	MTD	YTD
BASIC MATERIALS	2 899,67	1,87%	1,75%	6,70%
CONSUMER GOODS	3 976,32	-0,27%	-1,30%	6,04%
CONSUMER SERVICES	1 538,67	0,41%	-7,37%	-0,02%
FINANCIALS	1 310,20	3,99%	2,44%	20,45%
HEALTH CARE	3 817,90	2,30%	-3,61%	5,79%
INDUSTRIALS	4 771,28	3,26%	3,35%	14,96%
OIL & GAS	1 559,19	6,17%	3,07%	11,81%
TECHNOLOGY	1 988,11	3,18%	-2,64%	3,35%
TELECOMS	681,75	1,78%	-0,87%	11,84%
UTILITIES	2 130,96	2,36%	1,70%	7,54%

*The figures are dated March 19th due to significant movements observed in March.

Market overview as of 19th March 2025*

Fixed Income	Level	5D	MTD	YTD
Pan-Euro 3-5 yrs IG	213,21	0,28%	-0,90%	0,11%
Euro Aggregate	240,75	0,47%	-1,88%	-1,24%
Pan-Euro HY Hedged Eur	457,81	0,05%	-0,69%	0,95%
Global Inflation hedged EUR	235,85	0,72%	-0,82%	1,21%
US Corp High Yield	2 264,90	0,16%	-0,56%	1,48%
EM USD Aggregate TR	1 260,87	0,22%	-0,15%	2,55%
EM Aggregate TR Local Ccy	151,48	0,00%	0,51%	1,81%
EUR Banks CoCo Tier 1	162,83	0,05%	-0,61%	1,82%
EU GOVT HEDGED EUR	210,90	0,64%	-1,90%	-1,26%
Global Aggregate	2 554,99	0,22%	0,61%	2,63%

Commodities	Level	5D	MTD	YTD
GOLD	3 047,79	3,85%	6,65%	16,13%
COPPER	507,60	5,29%	12,44%	26,06%
OIL WTI	67,16	-0,77%	-3,73%	-6,36%
OIL BRENT	70,78	-0,24%	-3,28%	-5,17%

Currencies	Rate	5D	MTD	YTD
EURUSD	1,0903	0,14%	5,09%	5,30%
GBPUSD	1,3003	0,31%	3,39%	3,89%
USDJPY	148,6900	0,30%	-1,29%	-5,41%
USDCHF	0,8778	-0,46%	-2,80%	-3,26%
AUDUSD	0,6357	0,57%	2,38%	2,73%
EURCHF	0,9568	-0,34%	2,11%	1,78%
USDCNY	7,2294	-0,12%	-0,67%	-0,96%
USDKRW	1 471,95	1,64%	0,22%	-0,23%
USDINR	86,4413	-0,88%	-1,22%	0,97%
USDIDR	16 525,00	0,49%	-0,33%	2,63%
USDBRL	6,1774	1,76%	3,45%	-7,55%
USDTRY	37,8983	3,57%	3,92%	7,19%
BITCOIN	85 377,85	2,73%	1,38%	-8,90%

*The figures are dated March 19th due to significant movements observed in March.

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