NORMAN K.

MONTHLY NEWSLETTER – March 2025

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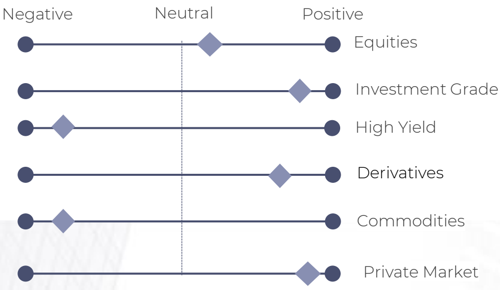
“Caution continued to dominate the markets throughout March, with indices declining due to recession fears and uncertainties surrounding Trump’s policies. Sector rotation remains a key theme in the first quarter of 2025, across sectors, investment styles, and geographic regions, with Europe and Asia notably outperforming the US.
As previously anticipated, the ECB proceeded with two rate cuts in the first quarter, while the Fed remained cautious, awaiting a more pronounced slowdown in inflation, which remained sticky. Corporate earnings expectations remain solid for the year, but volatility is likely to persist amid further announcements from the Trump administration and potential geopolitical tensions.
Our positioning in favour of bonds has been advantageous for portfolios, which have remained resilient despite the equity downturn. In our view, markets’ volatility presents opportunities to invest in stocks with strong underlying fundamentals.”

OUR MARKET VIEWS



POTENTIAL MARKET CATALYST

- **Monetary policy easing by central banks**
- **Inflation easing more significantly**
- **President Trump’s pro-growth measures**
- **Easing of geopolitical tensions / trade war**

KEY INDICATORS

Equities (%)	Level	February	March	YTD
S&P 500	5 612	-1,42	-5,75	**-3,58**
Nasdaq 100	19 278	-2,76	-7,69	**-6,81**
Eurostoxx 50	5 248	3,34	-3,94	**5,80**
FTSE 100	8 583	1,57	-2,58	**4,02**
China SI 300	3 887	1,91	-0,07	**-1,87**
Emerging markets	1 101	0,35	0,38	**3,37**

Bonds (rate spreads)	Level	February	March	YTD
		Spread change level		
10 year government bonds				
US	4,21	-0,33	-0,00	**-10,88**
Europe	2,74	-0,05	0,33	**11,96**
Corporate – 5 years spread (change level)				
Investment Grade US	61	0,54	12,25	**19,77**
Investment Grade Europe	102	0,84	7,28	**6,87**
High Yield US	376	8,48	67,55	**24,59**
High Yield Europe	328	0,76	39,24	**8,71**

Currencies (%)	Level	February	March	YTD
EUR / USD	1,0816	0,13	4,25	**5,78**
GPB / USD	1,2918	1,47	2,71	**4,72**
CHF / USD	1,1309	0,87	2,13	**-4,05**

Commodities (%)	Level	February	March	YTD
Gold	3 124	2,12	9,30	**19,06**
Brent	75	-4,66	2,13	**-2,93**
Copper	503	5,25	10,69	**20,25**
Aluminium	2 516	0,69	- 3,99	**-2,79**

Volatility	Level	February	March	YTD
Euro Stoxx 50	22	21,28	18,89	**25,37**
Nasdaq 100	22	19,48	13,50	**23,98**

Cryptos (%)	Level	February	March	YTD
Bitcoin	82 421	-17,53	-2,13	**-11,1**
Ethereum	1 820	-32,98	-18,19	**-45,7**

Sources: Bloomberg, Norman K. - Data as of March 31st 2025. Past performance is not a reliable indication of future performance. Non-contractual information.

CHART OF THE MONTH

Sell-off in the US stock market as Trump pushes ahead with tariffs.

March 2025: Investors' concerns amid recession fears and Trump policy uncertainties

MACROECONOMICS

Trump's policies continue to **weigh on investors**, who anticipate a short-term recession risk due to **rising tariffs and American protectionism**. The US administration introduced new tariffs on steel, aluminium, and automobiles, while shifting expectations regarding the impact of upcoming tariff announcements on 2 April led to **fluctuations in market sentiment**.

In this context, **international equities outperformed US stocks** in the first quarter, particularly in China and Europe, which benefited from market turbulence in the US. The European Commission has proposed nearly €800 billion in spending to strengthen the defence capabilities of member states, while Germany's likely next chancellor is also easing fiscal constraints. The **ECB** has expressed support for **potential future fiscal stimulus measures**, cutting rates twice in the first quarter, with a further 60 basis points of cuts anticipated. As a result, the European Central Bank remains ahead in monetary easing compared to the Federal Reserve, which continues to grapple with sticky inflation. Nevertheless, the rising risk of recession has led to an upward repricing of rate cut expectations, with J. Powell suggesting that the Fed is now more focused on recession risks than inflation concerns.

After two years of growth driven by consumer spending, fiscal stimulus, and the rapid rise of technology stocks in major indices, **a sectoral and geographical rotation is now underway**. The gap between growth and value stocks is narrowing, with value stocks outperforming, and a broader range of sectors is expected to benefit compared to the high concentration seen in the past two years.

NK VIEW

We remain **neutral on equities**, but given the **volatility** driven by geopolitical tensions, **investment opportunities** are emerging in companies with strong fundamentals that are currently experiencing a downturn. We are gradually increasing our equity exposure through direct stocks and indices in order to strengthen our positioning.

In terms of **income strategies** (bonds, structured products, and private debt), the anticipated rate cuts could create **attractive opportunities**. Bonds remain compelling due to favourable yields and we do not hesitate to **take profits on well-performing bonds** to reallocate into equities that align with our convictions.

The **private debt market** continues to expand, especially in **real estate financing**, as market participants aim to capitalise on falling rates.

We continue to seek **decorrelation and diversification in the pre-IPO segment**, even though some players may postpone their listing due to geopolitical uncertainties.

WHICH OPPORTUNITIES IN THIS CONTEXT?

Market volatility

- In-depth analysis and selectivity
- Opportunities in fundamentally strong stocks

Upcoming rate cuts / geopolicital uncertainty

- Anticipate impacts on portfolios
- Currency diversification
- Real estate deals opportunities

Weaker macroeconomic environment

- Alternative investments
- Pre-IPO segment / private debt

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NK LOCATION