VIEWS FROM THE DESK

GLOBAL ECONOMIC AND MARKET OUTLOOK 2025

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2025 - Turning momentum into opportunity

2024 reminded us of the power of preparation: Against a backdrop of geopolitical shifts and tightening monetary policy, investors who embraced diversification and agility were rewarded with positive returns and resilient portfolios. But as we stand at the threshold of 2025—a year poised to redefine markets under a new political regime and evolving macroeconomic forces—complacency is not an option.

The U.S. economy remains a pillar of strength, yet uncertainty lingers. Corporate earnings volatility, domestic policy overhauls, and geopolitical flashpoints could amplify near-term turbulence. While markets are likely to weather these storms, success will favor those who broaden exposure across market caps, asset classes, and regions, leaning into proactive planning.

This is the year to build on 2024's wins.

Harness lessons from last year's outperformance to refine your strategy: anticipate disruption, stress-test assumptions, and seek asymmetric opportunities hidden in the noise.
We invite you to read our 2025 Outlook—a roadmap for navigating this pivotal time—and to engage with our Private Banking team to future-proof your portfolio. Together, we'll transform uncertainty into a catalyst for growth.

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2024 IN THE REAR VIEW

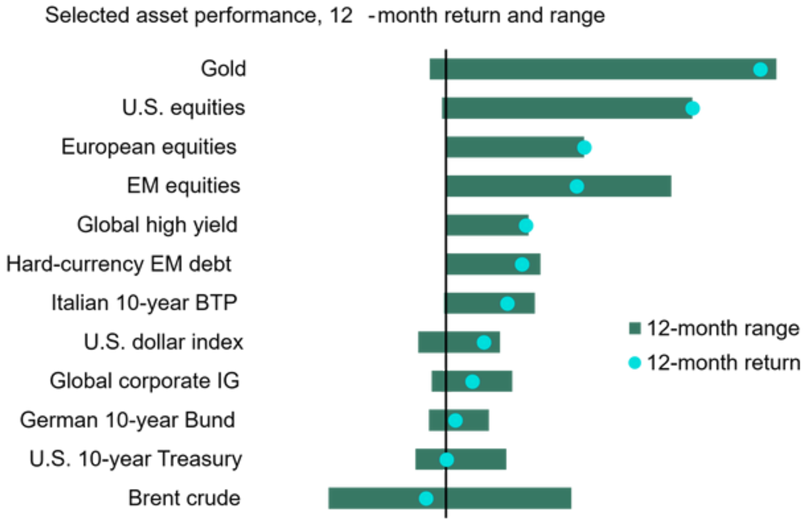


Chart 1: Investment Asset Performance (Source BII, 2024)

2024 marked a year of resilience and volatility, with global economic growth averaging around 3.3%. This was led by robust performance in the United States and select Asian economies. Inflation decelerated but remained elevated in certain areas, driven by supply-chain normalization and tighter monetary policies. US equities and gold were standout performers, with the former gaining approximately 25% and the latter rising nearly 30% due to increased demand from emerging markets. Conversely, Europe struggled with stagnant manufacturing and political instability, while China's recovery was uneven, weighed down by challenges in the property sector and weak consumer confidence.

Global fixed-income markets experienced volatility, with yields initially dropping on rate-cut expectations, but rising later as central banks maintained cautious stances. High-yield and emerging market bonds delivered positive returns, benefiting from improving credit sentiment.

Despite numerous shifts in the macroeconomic landscape over the past year, the broader global narrative has stayed largely consistent.

The world economy continues to follow a path of gradual slowdown and disinflation, which has inevitably led to the interest rate cuts now being implemented across various regions, with Japan standing out as a notable exception. This trajectory is expected to persist in the near term. However, the Republican victory in the U.S. elections under Trump's leadership raises the possibility of shifts in the latter part of 2025. While policy details remain unclear, these developments could influence the outlook. As a result, the anticipated four quarterly rate cuts by the Federal Reserve in 2025 may no longer be a certainty. It is increasingly plausible that not all will materialize.

2025 KEY DRIVERS

1. **Monetary Policy Easing:**
Major central banks, including the US Federal Reserve and ECB, are expected to cut rates further as inflation moderates. This policy shift should support global liquidity and investment.

2. **Resilient US Economy:**
Fuelled by fiscal stimulus, deregulation, and strong labour markets, the US is poised for continued outperformance, contributing significantly to global growth.

3. **India's Accelerated Growth:**
Supported by strong domestic demand, digital transformation, and government reforms, India is expected to grow at 6.5%, making it the fastest-growing major economy. Key growth areas include infrastructure development, digital ecosystems, and renewable energy projects such as the green hydrogen initiative

4. **Technological Innovation:**
Advancements in AI and green energy will drive capital expenditure and earnings growth across sectors such as industrials, technology, and healthcare.

5. **Shift to Manufacturing-Led Growth:**
Global supply chain reconfigurations and pent-up demand for durable goods will bolster manufacturing output, particularly in Europe and Asia.

GLOBAL MONETARY POLICY AND MACROECONOMIC OUTLOOK:

Vanguard's 2025 economic forecasts

	GDP growth		Unemployment rate		Core inflation	Monetary policy		
	2025		2025		2025			
Country/region	Vanguard	Trend	Vanguard	NAIRU	Vanguard	Year-end 2024	Year-end 2025	Neutral rate
U.S.	2.1%	2.7%	4.4%	4.5%	2.5%	4.5%	4.0%	3.5%
Euro area	0.5%	1.2%	6.9%	6.5%–7%	1.9%	3%	1.75%	2%–2.5%
U.K.	1.4%	1.2%	4.4%	4%–4.5%	2.4%	4.75%	3.75%	3%–3.5%
China	4.5%	4.2%	5.1%	5%	1.5%	1.4%	1.2%	4.5%–5%
Japan	1.2%	1.0%	2.4%	2.5%–3%	2.1%	0.5%	1.0%	0%

Chart 2: Global Inflation Trends (Source: Vanguard Economic Outlook 2025) - Shows global inflation deceleration from 5.8% in 2024 to an expected 4.2% in 2025.

United States: The Federal Reserve is expected to lower rates to 3.625% by mid-2025, supporting economic growth of approximately 2.1%. While core inflation will remain above 2.5%, easing labour market pressures will contribute to broader disinflation.

Europe: The ECB is likely to reduce rates below neutral to 1.75% to combat weak growth, projected at just 1.0% in the eurozone. Fiscal stimulus and structural reforms will be key to revitalizing the region.

China: Monetary and fiscal stimulus will aim to stabilize growth at 4.7%, but structural challenges in the property market and consumer confidence remain.

India: India remains a standout performer, with 6.5% GDP growth driven by infrastructure investments, rising consumer demand, and rapid adoption of digital services. Manufacturing and renewable energy will also act as key growth drivers, with India's leadership in global green energy expansion being pivotal.

Emerging Markets: Central banks in regions such as Latin America and Southeast Asia will balance inflation control with growth initiatives, benefiting from improved trade dynamics.

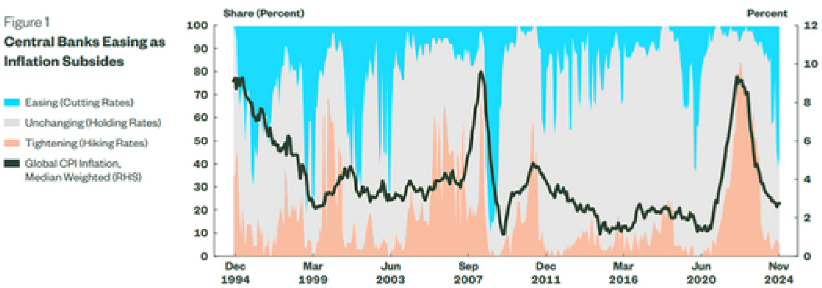


Chart 3: Rate Cuts by Major Central Banks in 2025 (Source: State Street Global Advisors) - Illustrates the expected trajectory of easing policies by the Fed, ECB, and other major central banks.

PROMISING SECTORS AND REGIONS:

Sectors

- **Technology:** AI infrastructure and software remain growth drivers, especially in the US and India.
- **Healthcare:** Innovations in biotechnology and medical devices are globally transformative.
- **Energy Transition:** Renewable energy and supporting infrastructure including electric vehicles and battery technologies, are key areas of focus.
- **Private Markets:** Private equity and credit are expanding into niche markets with attractive opportunities, such as secondary PE deals and real estate investments in healthcare facilities.

Regions

- **United States:** Strong labour markets and fiscal policy.
- **India and ASEAN:** High growth rates driven by infrastructure and digital transformation.
- **Japan:** Benefiting from structural reforms and a weaker yen boosting exports.
- **South Asia:** Growth fuelled by rising consumption and intra-regional trade partnerships.
- **Middle East:** Accelerated investments in renewable energy and technology hubs, with significant FDI growth.

CHALLENGED SECTORS AND REGIONS:

Sectors

- **Consumer Discretionary:** Headwinds from cautious consumer spending in Europe.
- **Real Estate:** Structural issues in China and rising rates in select regions.

Regions:

- **Europe:** Political instability and weak manufacturing.
- **China:** Persistent risks in the property market and subdued domestic demand.

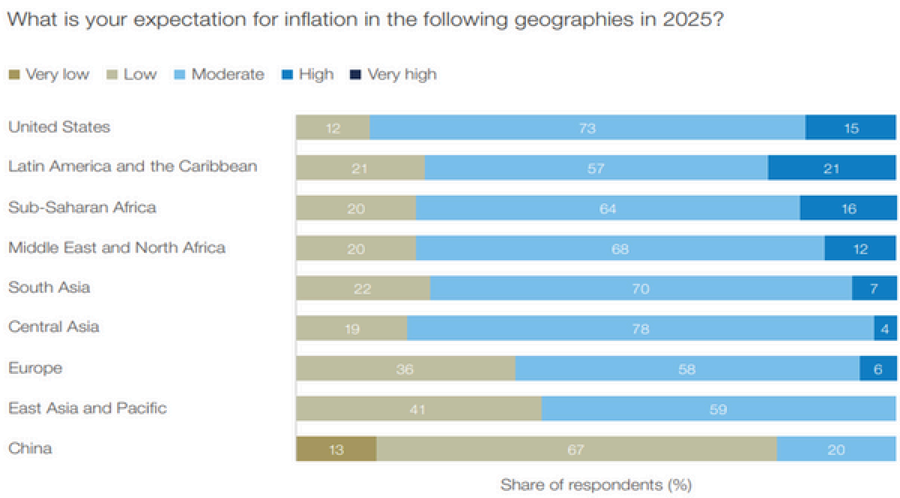


Chart 4: Regional Growth Divergence in 2025 (Source: WEF Chief Economists Outlook) - Depicts significant divergence in regional growth, with South Asia and the US leading, while Europe & China lags.

THE TRUMP TARIFF EFFECT: RESHAPING TRADE AND MARKETS

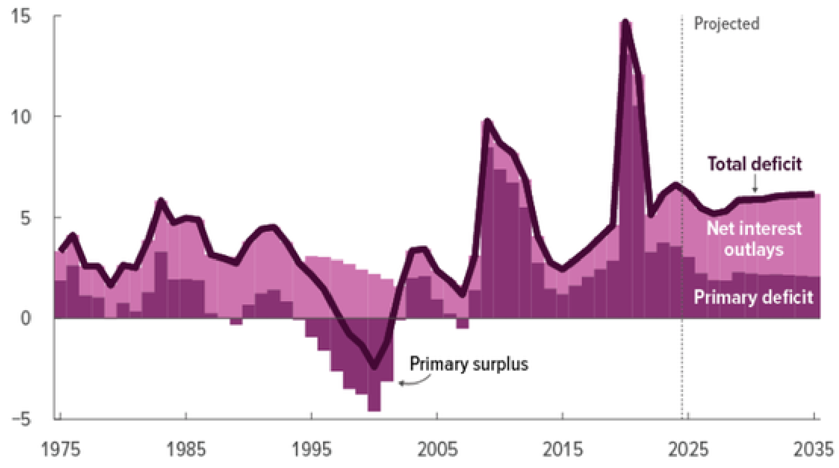


Chart 5: Projected US Fiscal Deficits with Tariff Implications (Source: Bloomberg) - Highlights the projected rise in fiscal deficits to 8-9% of GDP under Trump's proposed trade policies, mirroring levels last seen during the 2008 global financial crisis.

A second Trump term is set to bring significant disruptions to global trade through a combination of steep tariffs and aggressive trade policies. These measures, including proposals for a 60% tariff on Chinese exports and broad 10-20% tariffs on all US imports, aim to reduce the US trade deficit but carry substantial global implications.

THE KEY EFFECTS INCLUDE:

1. **Rising Costs Across Supply Chains:** Tariffs are likely to increase input costs for businesses reliant on global supply chains, particularly in manufacturing and the consumer goods sectors.

2. **Stronger US Dollar:** Trade restrictions could lead to a stronger USD, making exports less competitive globally.

3. **Pressure on Emerging Markets:** Emerging economies reliant on US trade may face economic strain, with tariffs reducing export revenues and increasing inflation.

4. **Inflationary Pressures in the US:** Higher costs for imported goods will contribute to domestic inflation, potentially complicating the Federal Reserve's monetary policy.

5. **Reconfigured Supply Chains:** Businesses are likely to accelerate efforts to diversify supply chains away from China, benefiting regions such as Southeast Asia and India.

STRATEGIC IMPLICATIONS FOR INVESTORS:

- **Sectoral Shifts:** Investors should monitor industrial and consumer sectors most affected by rising input costs and potential supply chain disruptions.
- **Opportunities in Diversified Regions:** Regions such as India and Southeast Asia could emerge as winners due to supply chain realignments.
- **Heightened Volatility:** The trade war's uncertainty may increase market volatility, emphasizing the need for active portfolio management and risk hedging strategies.

INVESTMENT SOLUTIONS:

Diversification Against Trade Volatility

- **Global Multi-Asset Funds:** Diversify across sectors and geographies to hedge tariff-induced volatility.
- **US Treasuries:** Increase allocation to treasuries (e.g., 10-year T-bonds) as a safe haven.

Emerging Market Opportunities:

- **ASEAN ETFs:** Invest to benefit from supply chain shifts.
- **Structured notes:** SNs Tied to India's leading industrials and exporters.

Hedging Inflation:

- **Inflation-Linked Bonds (TIPS):** Protect portfolios against potential US inflationary pressures.
- **Commodities:** Allocate to funds targeting industrial metals benefiting from trade realignments.

MEGA FORCES: 2 TRANSFORMATIVE TRENDS RESHAPING ECONOMIES

Artificial Intelligence (AI)

Comparable to the Industrial Revolution, investments in AI-driven technologies are expected to grow exponentially. AI is driving efficiencies across industries, from healthcare to logistics, creating significant opportunities for investors.

Investment Solutions

Technology Funds & SNs: Invest in thematic funds focused on AI, robotics, and automation.

Private Equity: Venture capital targeting early-stage AI-driven businesses.

Low-Carbon Transition and Electrification

The global shift toward sustainability is spurring investment in renewable energy, urban electrification, and green infrastructure. This includes the rise of electrified urban centers such as Singapore, Amsterdam, Dubai, and Mumbai, which are leading efforts in smart grids, EV adoption, and energy- efficient construction. These cities exemplify the potential for urbanization and green innovation to drive economic and environmental gains

Investment Solutions

Green Infrastructure Funds: Allocate to funds focused on smart grid and EV projects in cities such as Singapore and Dubai.

Electric Vehicle ETFs & SNs: Invest in ETFs for exposure to global EV adoption trends.

Municipal Bonds: Focus on bonds issued for electrification and smart city projects.

Private Debt: Consider private credit opportunities funding energy-efficient infrastructure.

AI and Low-Carbon Investment Scale

Investment in AI and low-carbon transitions is projected to surpass $6 trillion by 2030, with annual investments accelerating by 15% year-on-year starting in 2025. This rapid growth reflects the transformative potential of these mega trends and underscores significant opportunities for investors across thematic funds, private equity, and infrastructure-related assets.

Asset Allocation Views

Asset Class	Sub-Class	Strategic Allocation	Tactical Allocation
Main Asset Class	Equities	▲	=
	Fixed Income	=▲	=▲
	Commodities	=▲	=▲
	Currencies	=▲	=▲
Equities	USA	▲	▲
	EU (Ex UK)	=	▼
	UK	=	=
	EM (Ex MENA, India & China)	=	▼
	MENA	=▲	=▲
	Japan	▲	▲
	India	▲	▲
	China	▼	=
Fixed Income	US Treasuries	=▲	=▲
	Euro (Bunds)	▼	▼
	UK Gilts	▼	▼
	US IG	=▲	=▲
	US HY	=▲	=▲
	Europe IG	▼	▼
	EM	=▲	=
Commodities	Oil	=	=
	Precious Metals	=	=▲
Currencies	USD	=▲	=▲
	EUR	=	=
	GBP	=	=
	EM	=	=

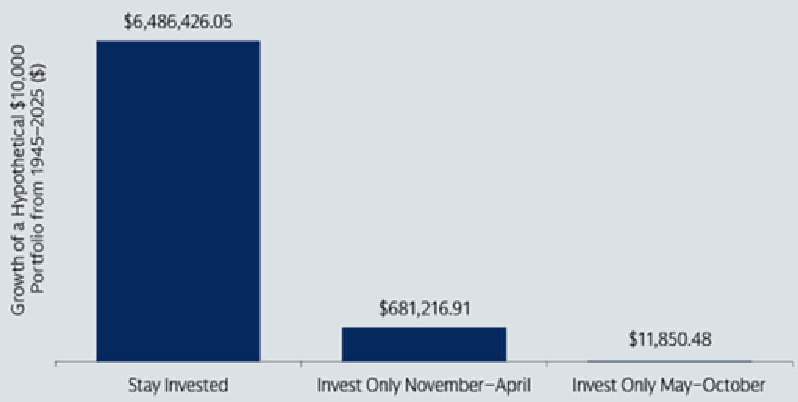
▲ Overweight = Neutral Weight ▼ Underweight Positive Tilt Negative Tilt

CONCLUSION

Opportunities Amid Transitions

The global economy in 2025 offers a mix of promising opportunities and inherent risks. India's accelerated growth stands out as a bright spot, driven by robust domestic demand, digital transformation, and infrastructure expansion. South Asia and the Middle East are similarly positioned for success due to regional cooperation and innovation investments. Meanwhile, geopolitical tensions and persistent inflation remain critical challenges that could derail momentum in vulnerable regions like Europe and China.

An experienced investment advisor can be instrumental in navigating this complex landscape. By leveraging tailored strategies, diversified portfolios, and tactical allocations, advisors can help clients capitalize on emerging opportunities while mitigating downside risks. In 2025, vigilance and expertise will be key to achieving sustainable growth and resilient portfolios.



EQUITY

A hypothetical $10,000 portfolio that stayed invested in the S&P 500 since 1945, even amidst periods of elevated market volatility and heightened geopolitical uncertainty, would have significantly outperformed one that invested only from November to April of every year and one that invested only from May to October. This dynamic underscores the value of sticking to the plan and the power of compounding, even on an intra-year basis.

INVESTMENT SOLUTIONS:

1

Balanced Portfolios

- Use multi-asset funds blending equities, bonds, and alternative assets to manage risks and seize opportunities.

2

Alternative Assets:

- Increase allocation to structured notes for flexibility in volatile markets.
- Invest in private equity secondaries to capture value in less competitive niches.

3

Fixed Income:

- Corporate Bonds: Focus on US investment-grade bonds with stable yields.
- High-Yield Bonds: Select issuances from promising sectors like technology and healthcare.

4

Risk Mitigation:

- Use structured notes with downside protection while capitalizing on growth in specific thematic sectors like AI and renewables.

Asset Class Returns

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ann.
REIT 28.0%	REIT 8.3%	REIT 19.7%	Sm Cap 38.8%	REIT 28.0%	REIT 2.8%	Sm Cap 21.3%	EM 37.8%	Cash 1.8%	Lg Cap 31.5%	Sm Cap 20.0%	REIT 41.3%	Cash 1.6%	Lg Cap 26.3%	Lg Cap 25.0%	Lg Cap 13.9%
Sm Cap 26.9%	HG Bnd 7.8%	EM 18.6%	Lg Cap 32.4%	Lg Cap 13.7%	Lg Cap 1.4%	HY Bnd 17.5%	Int'l 25.6%	HG Bnd 0.0%	REIT 28.7%	EM 18.7%	Lg Cap 28.7%	HY Bnd -11.2%	Int'l 18.9%	Sm Cap 11.5%	Sm Cap 10.3%
EM 19.2%	HY Bnd 4.4%	Int'l Stk 17.9%	Int'l Stk 23.3%	AA 6.9%	HG Bnd 0.6%	Lg Cap 12.0%	Lg Cap 21.8%	HY Bnd -2.3%	Sm Cap 25.5%	Lg Cap 18.4%	Sm Cap 14.8%	HG Bnd -13.0%	Sm Cap 16.9%	HY Bnd 8.2%	REIT 9.4%
HY Bnd 15.2%	Lg Cap 2.1%	Sm Cap 16.4%	AA 11.5%	HG Bnd 6.0%	Cash 0.0%	EM 11.6%	Sm Cap 14.7%	REIT -4.0%	Int'l Stk 22.7%	AA 9.8%	Int'l Stk 11.8%	Int'l Stk -14.0%	HY Bnd 13.5%	EM 8.1%	AA 6.5%
Lg Cap 15.1%	AA 0.3%	Lg Cap 16.0%	HY Bnd 7.4%	Sm Cap 4.9%	Int'l Stk -0.4%	REIT 8.6%	AA 14.6%	Lg Cap -4.4%	AA 18.9%	Int'l Stk 8.3%	AA 10.9%	AA -16.5%	AA 12.8%	AA 7.4%	HY Bnd 6.4%
AA 13.5%	Cash 0.1%	HY Bnd 15.6%	REIT 2.9%	HY Bnd 2.5%	AA -1.3%	AA 7.2%	REIT 8.7%	AA -5.6%	EM 18.9%	HY Bnd 7.5%	HY Bnd 5.4%	Lg Cap -18.1%	REIT 11.4%	Cash 5.3%	Int'l Stk 5.7%
Int'l Stk 8.2%	Sm Cap -4.2%	AA 12.2%	Cash 0.1%	Cash 0.0%	Sm Cap -4.4%	HG Bnd 2.7%	HY Bnd 7.5%	Sm Cap -11.0%	HY Bnd 14.4%	HG Bnd 6.1%	Cash 0.0%	EM -19.7%	EM 10.3%	REIT 4.9%	EM 3.4%
HG Bnd 6.5%	Int'l Stk -11.7%	HG Bnd 4.2%	HG Bnd -2.0%	EM -1.8%	HY Bnd -4.6%	Int'l Stk 1.5%	HG Bnd 3.5%	Int'l Stk -13.4%	HG Bnd 8.7%	Cash 0.6%	HG Bnd -1.5%	Sm Cap -20.4%	HG Bnd 5.5%	Int'l Stk 4.4%	HG Bnd 2.3%
Cash 0.1%	EM -18.2%	Cash 0.1%	EM -2.3%	Int'l Stk -4.5%	EM -14.6%	Cash 0.3%	Cash 0.8%	EM -14.3%	Cash 2.2%	REIT -5.1%	EM -2.2%	REIT -25.0%	Cash 5.1%	HG Bnd 1.3%	Cash 1.2%

Abbr.	Asset Class – Index	Annual	Best	Worst
Lg Cap	Large Cap Stocks – S&P 500 Index	13.88%	32.4%	-18.1%
Sm Cap	Small Cap Stocks – Russell 2000 Index	10.33%	38.8%	-20.4%
Int'l Stk	International Developed Stocks – MSCI EAFE Index	5.74%	25.6%	-14.0%
EM	EM Stocks – MSCI Emerging Markets Index	3.39%	37.8%	-19.7%
REIT	REITs – FTSE NAREIT All Equity Index	9.40%	41.3%	-25.0%
HG Bnd	High Grade Bonds – Bloomberg Barclays U.S. Agg Index	2.28%	8.7%	-13.0%
HY Bnd	High Yield Bonds – ICE BofA US High Yield Index	6.42%	17.5%	-11.2%
Cash	Cash – S&P U.S. Treasury Bill 0-3 Mth Index	1.19%	5.3%	0.0%
AA	Asset Allocation Portfolio*	6.45%	18.9%	-16.5%

Past performance does not guarantee future returns. The historical performance shows changes in market trends across several asset classes over the past fifteen years. Returns represent total annual returns (reinvestment of all distributions) and does not include fees and expenses. The investments you choose should reflect your financial goals and risk tolerance. For assistance, talk to a financial professional. All data are as of 12/31/24. *Asset Allocation Portfolio is 15% large cap stocks, 15% international stocks, 10% small cap stocks, 10% emerging market stocks, 10% REITs, 40% high-grade bonds, and annual rebalancing.

(Source: Novel Investor, 2025)

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