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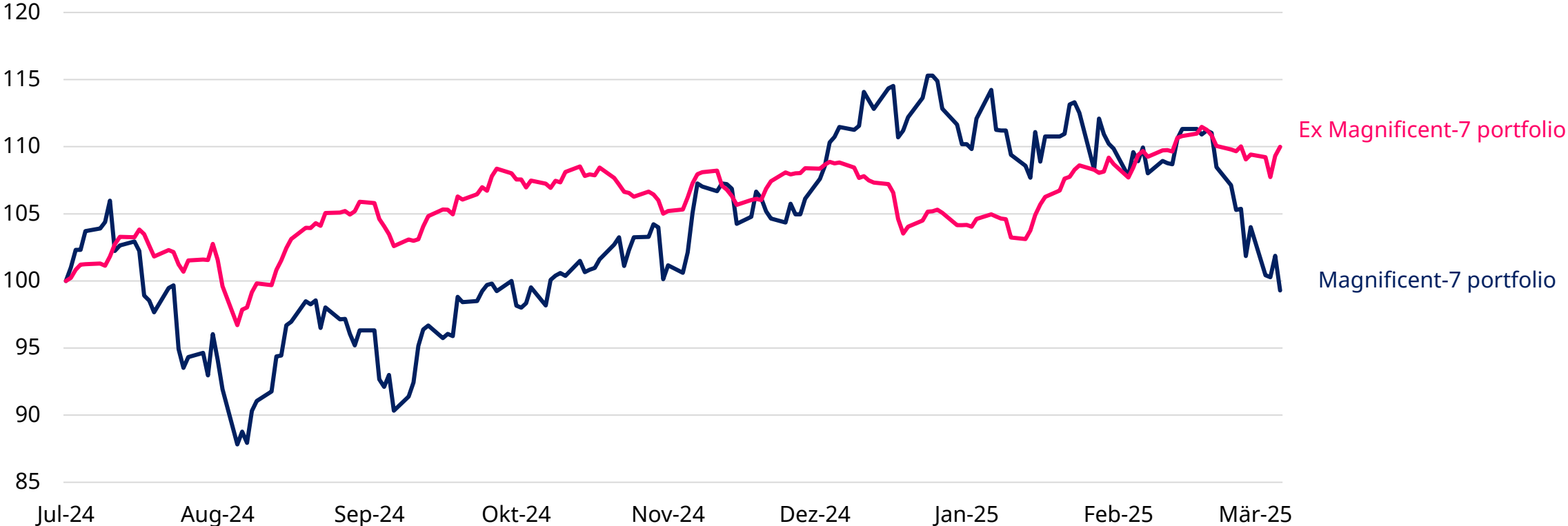
Investment Outlook

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Head of Investment Management

March 2025

Magnificent 7 not so “magnificent” any more...

Magnificent 7 vs MSCI ACWI ex-Magnificent 7: total return index, rebased to 100



Past performance is not a guide to future performance and may not be repeated.

Source: LSEG Datastream, MSCI, Schroders. Daily data to 6 March 2025.



Investment outlook

2025 should bring positive global growth and lower inflation

Growth will be uneven as resilient US growth masks a weaker picture elsewhere



Robust US Economy

Continued strong consumer demand and a healthy labour market



Monetary Policy

Further rate cuts by central banks leading to benign growth



Chinese Stimulus

Further stimulus may improve Chinese growth



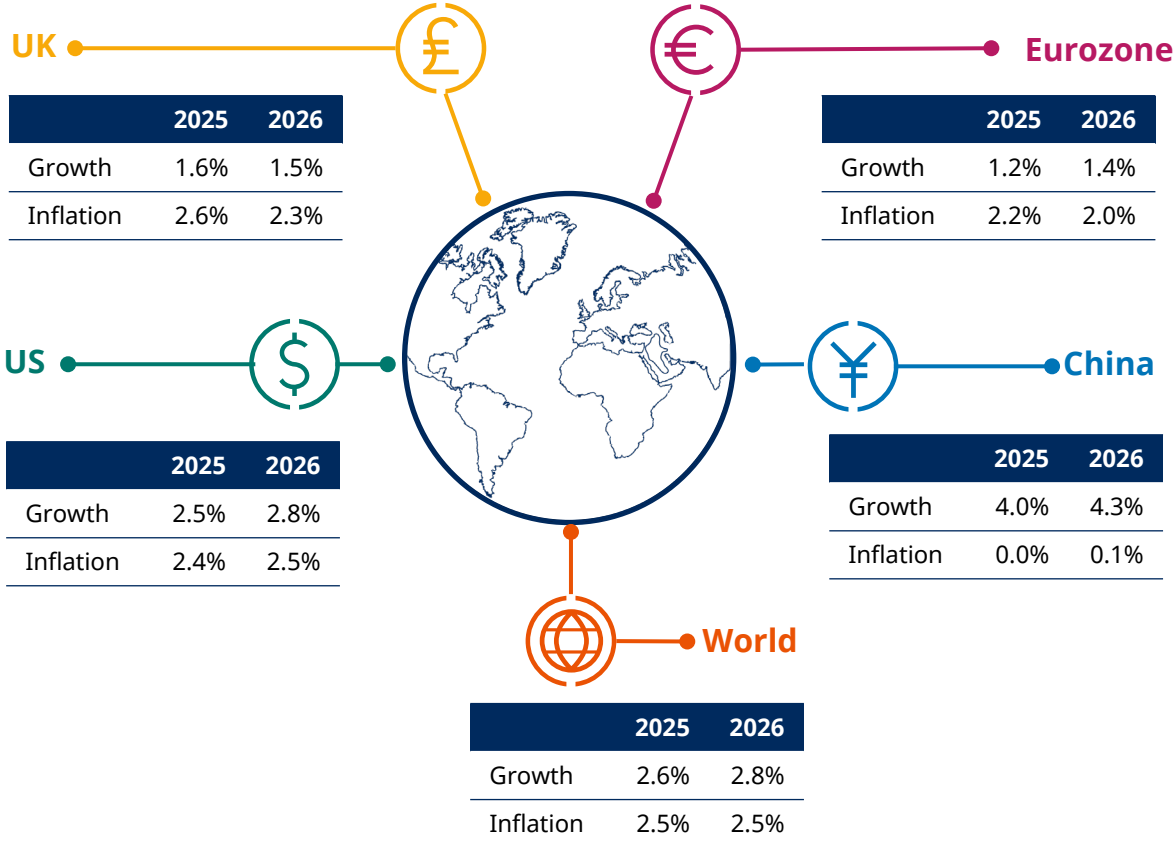
Treasury Market Crisis

Interest payments are becoming a larger part of national spending



Full Trump Scenario

Trump's policies may hinder global economic growth



Source: Schroders Economics Group, 22 November 2024. Forecasts included are not guaranteed and should not be relied upon.

Trump presidency increases upside risk to inflation

Tax cuts, trade tariffs and labour restrictions could all push inflation higher

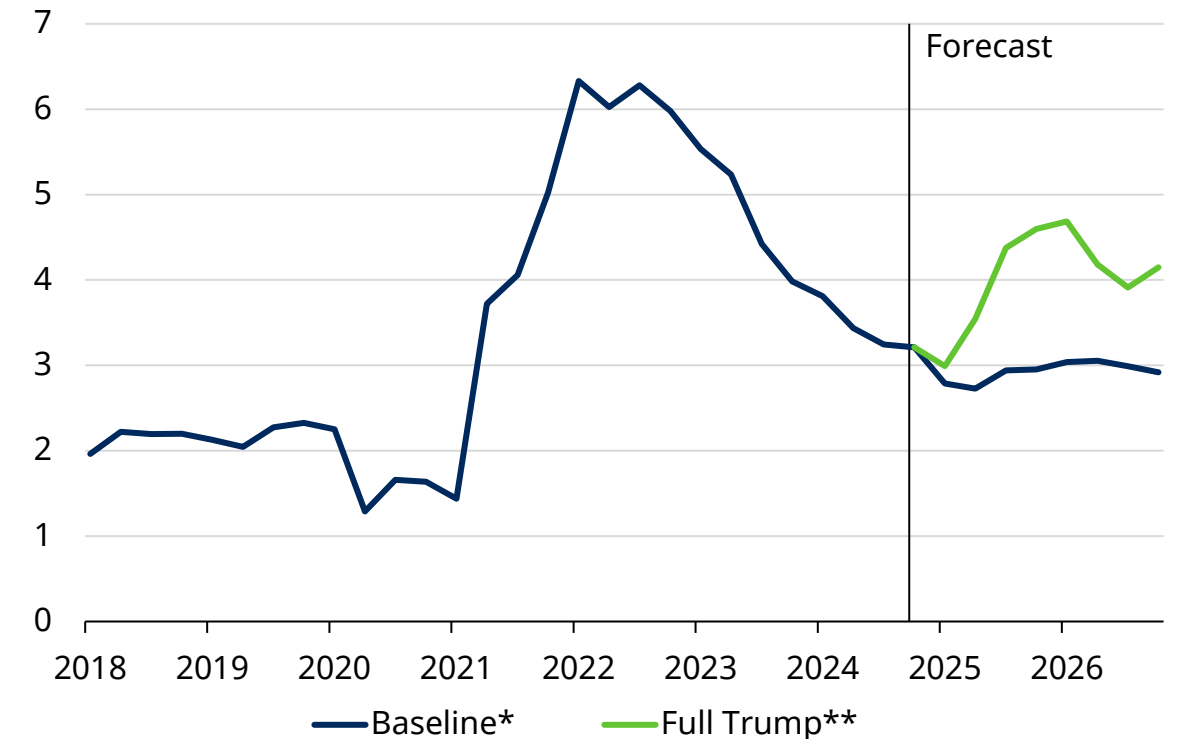
Trump proposals



Taxes	Make the tax cuts permanent. Also, propose replacing personal income taxes with increased tariffs.
Trade	Impose a universal baseline tariff on all US imports. Impose a 60% tariff on US imports from China
Immigration	Much stricter immigration measures and efforts to deport asylum seekers to other countries.
Energy	Greater domestic production of oil and gas and less investment in clean energy.
Defence	More self reliance and pressure on allies to bolster defence spending.
Monetary policy	More interventionist approach to Fed policy.
Regulation	Less regulation of energy and financial services but increased regulation of Big Tech.

Inflation scenarios based on potential Trump policies

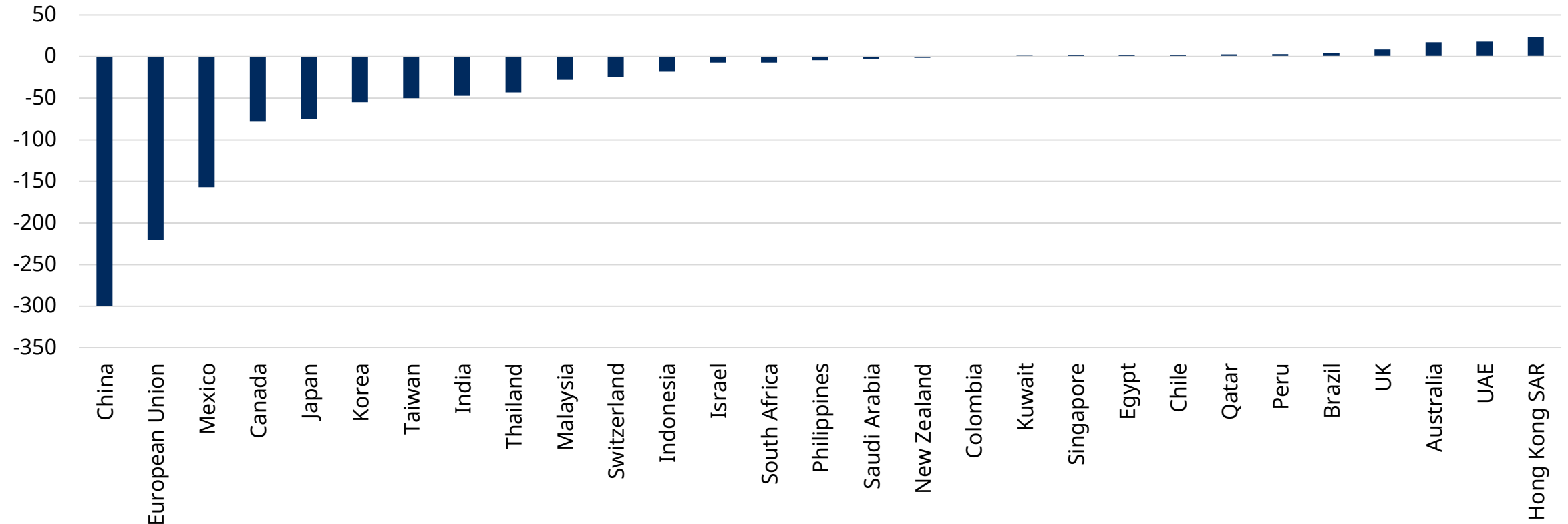
Core CPI Inflation (% y/y)



Source: LSEG, Schroders Economics Group. December 2024. Y/Y= Year on year. CPI= Consumer Prices Index. *Baseline = Trump proposals scaled back. ** Full Trump = All Trump policies implemented. Forecasts included are not guaranteed and should not be relied upon.

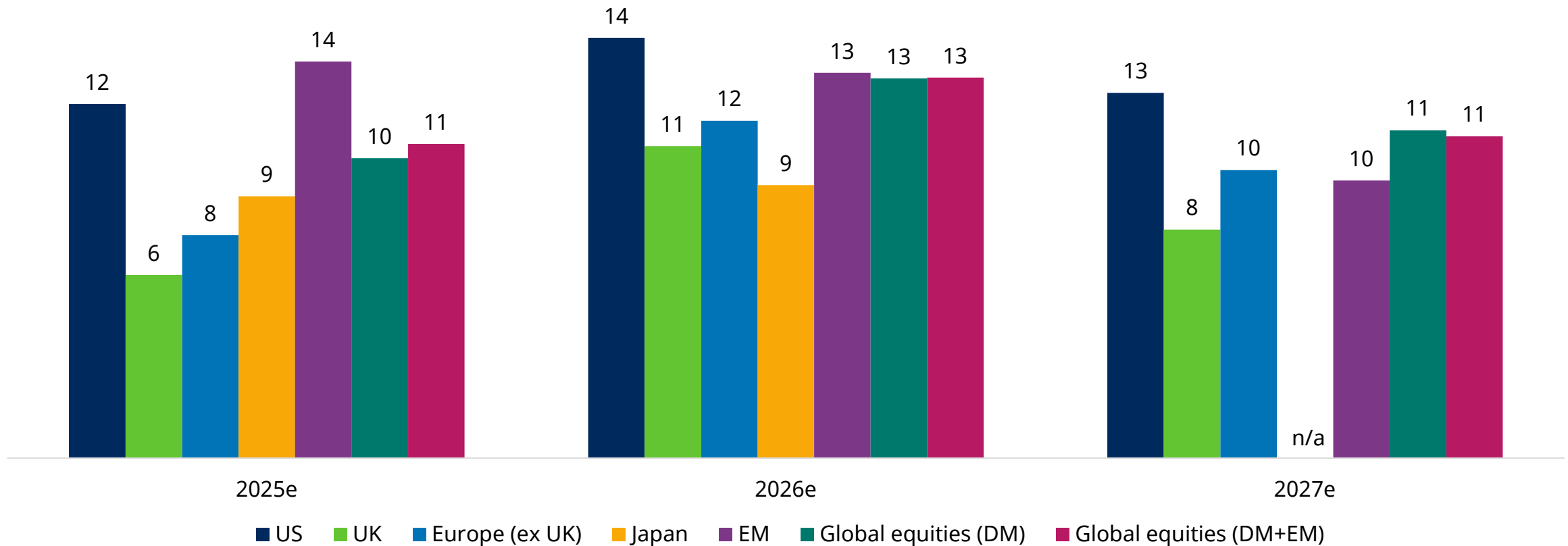
Which countries/regions does the US have a large trade deficit with: tariff risk

US trade balance \$ billions, 2023 (negative = deficit, positive = surplus)



Past performance is not a guide to future performance and may not be repeated.
* Based on countries/regions within MSCI ACWI. Source: LSEG Datastream, MSCI, Schroders. 2023 data.

Strong global earnings growth expected



Forecasts included are not guaranteed and should not be relied upon.

Source: LSEG Datastream and Schroders Strategic Research Unit. Data to 28 February 2025.

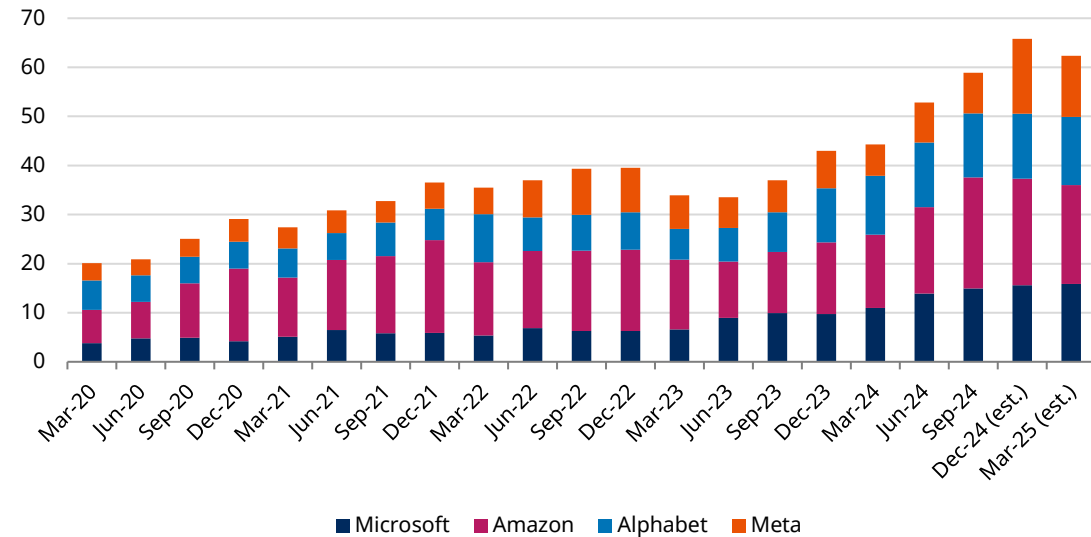
Notes: Japan EPS is 4 quarter sum until 31 March of next calendar year, e.g. 2025 = 31/03/2025 – 31/03/2026. Japan forecast for 2027 is not yet available.

The big are getting bigger

Can AI live up to its hype?

Tech stocks have rapidly been scaling up their investment in AI

US hyperscalers' quarterly capital expenditure (USDbn)



“AI is probably the most important thing humanity has ever worked on. I think of it as something **more profound than electricity or fire**”

Sundar Pichai, Google’s CEO at Davos in January 2018

Opinions differ on how much of an economic impact AI is expected to have

Forecasts for increases in AI-generated US productivity and GDP growth over the next 10 years



+9.0%

Productivity growth

+0.5%



+6.1%

GDP growth

+0.9%

Joseph Briggs

Senior Global Economist at Goldman Sachs

Daron Acemoglu

Institute Professor of Economics at MIT

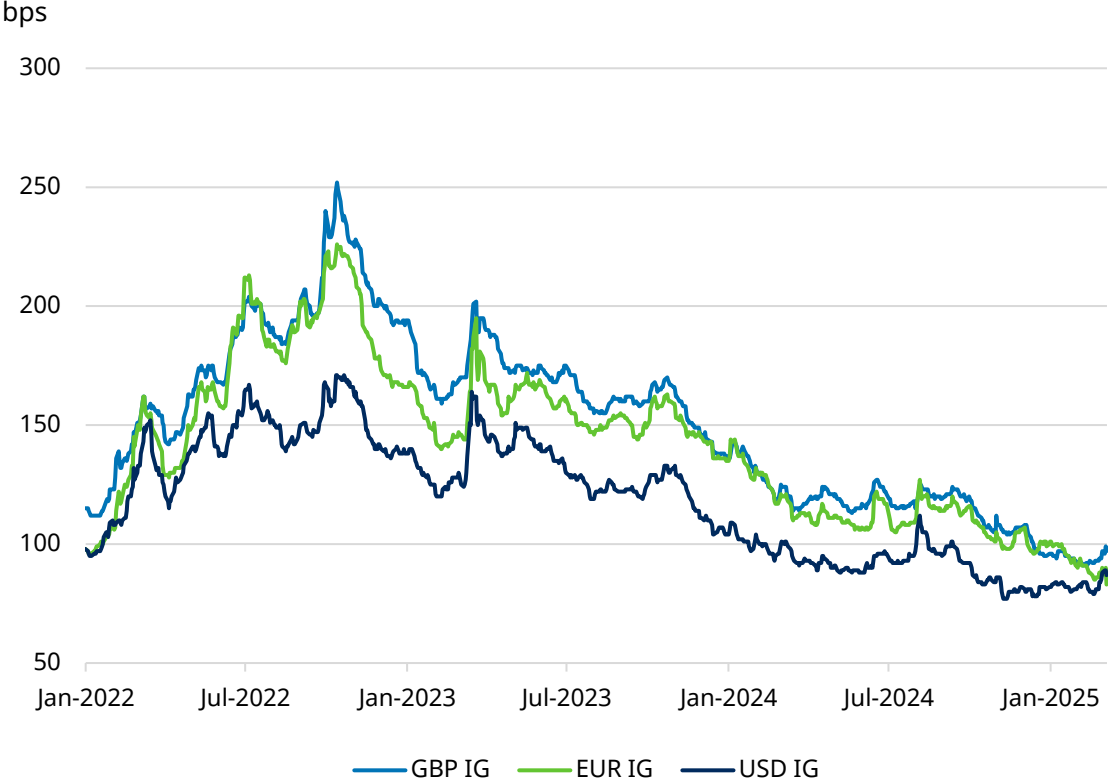
“All of us as companies are thinking about how to be more productive... it’s not that you’re looking to hire less people, but **what can you accomplish with those people?**”

Sundar Pichai, Google’s CEO at the DealBook Summit in December 2024

Source: Bloomberg, Goldman Sachs Global Investment Research, World Economic Forum, 31 December 2024. Forecasts included are not guaranteed and should not be relied upon.

USD spreads are still very tight but widened slightly on the month, alongside rising economic uncertainty

IG Spread



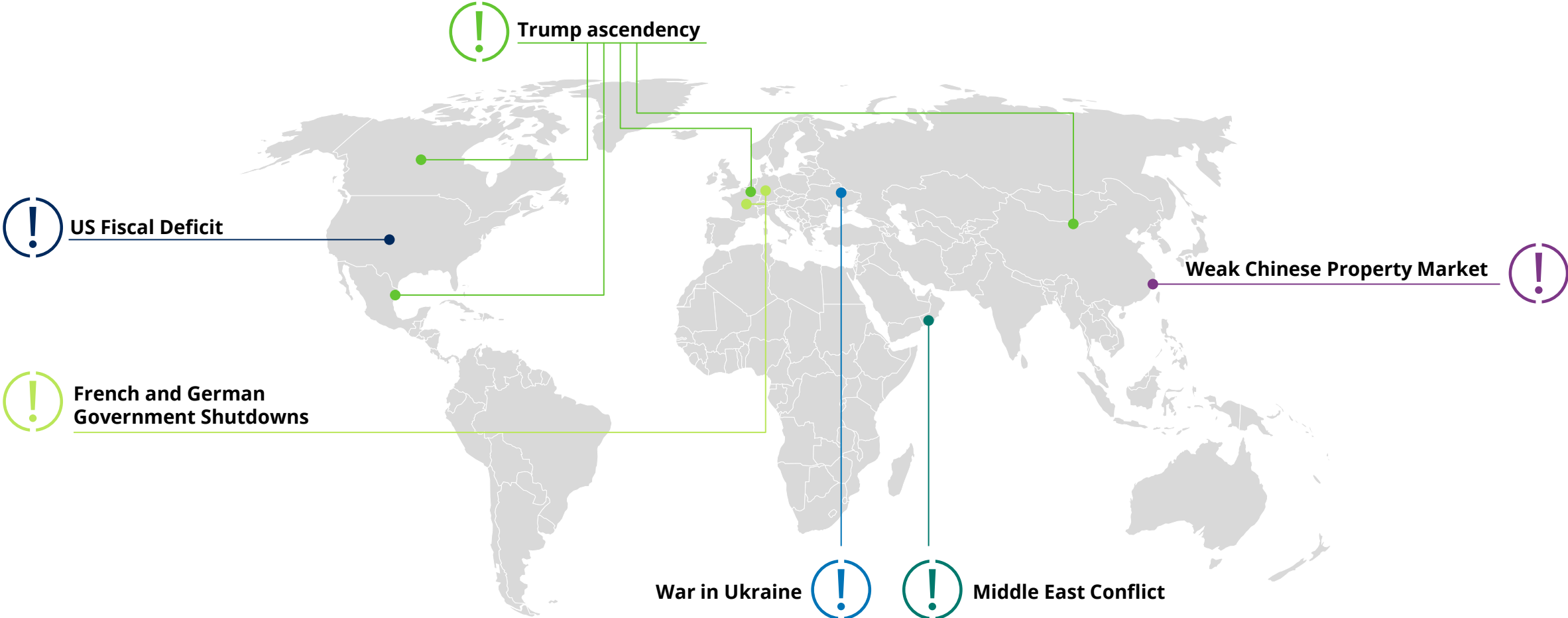
HY Spread



In contrast to USD spreads, Euro HY spreads tightened and Euro IG were unchanged

Source: LSEG Datastream. Data as at 5 March 2025.

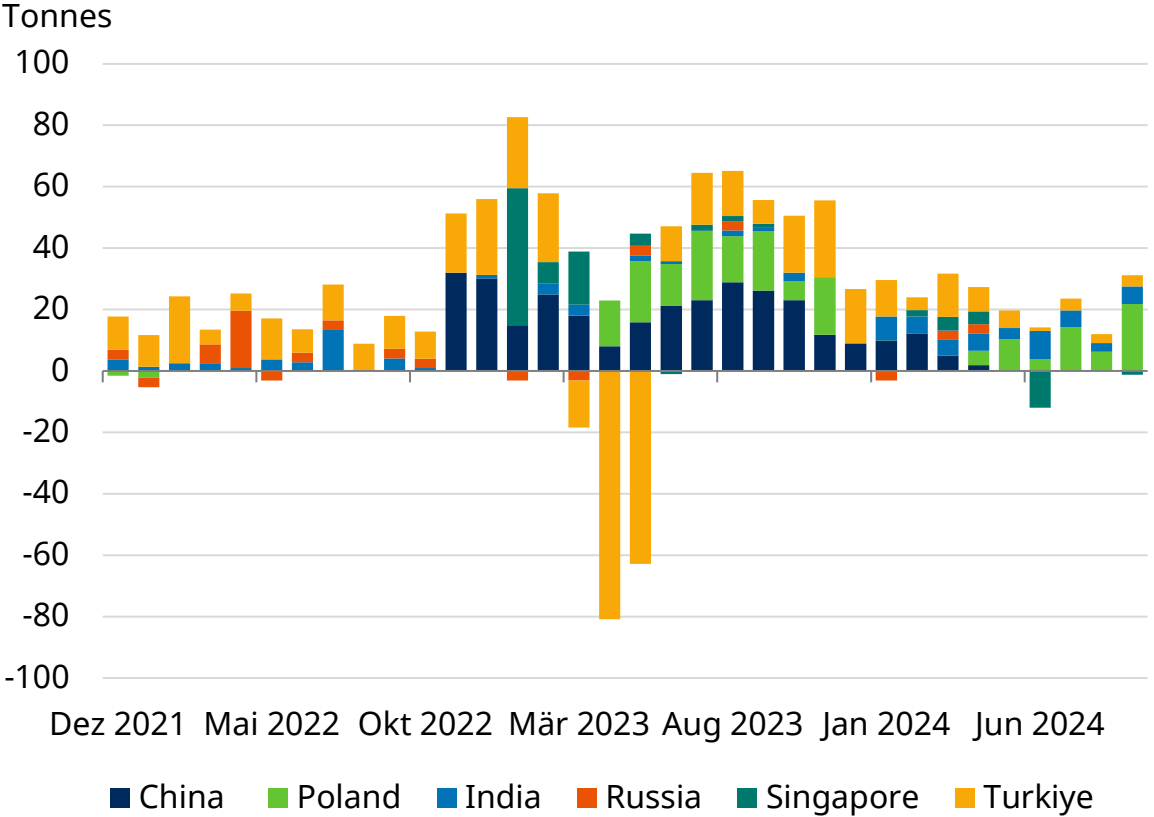
Geopolitical and economic hotspots



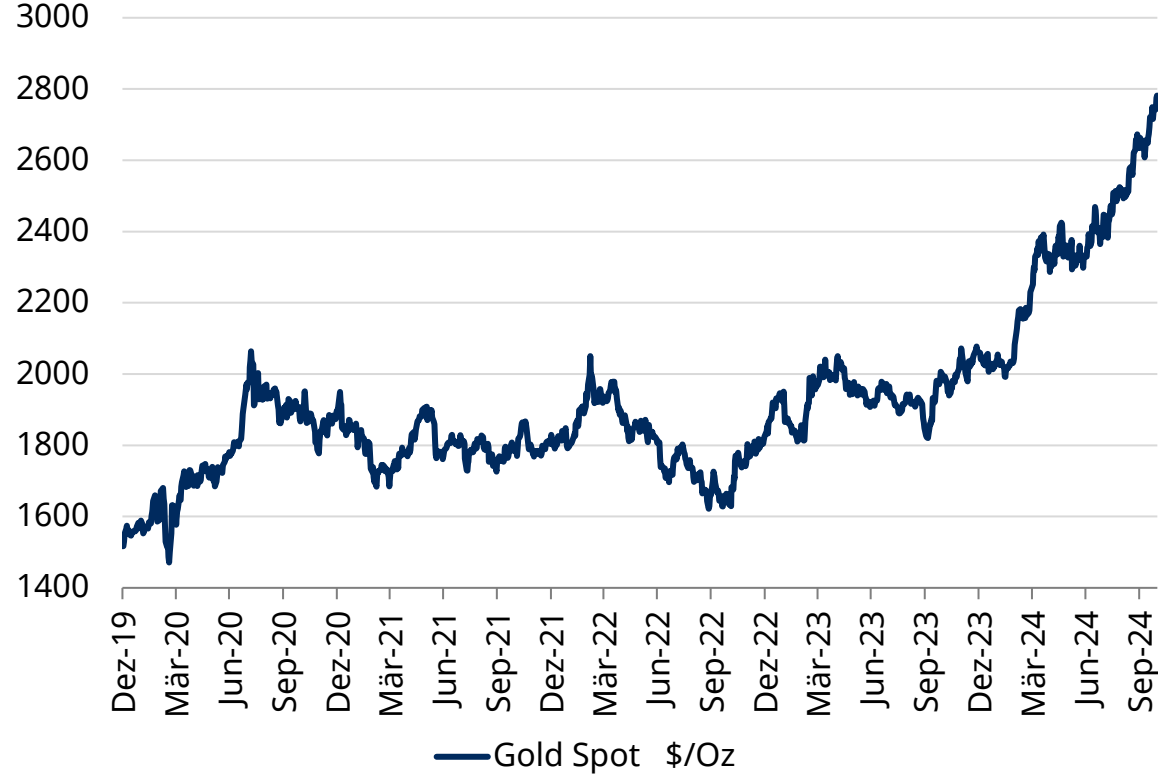
Gold continues to shine

Liquidity conditions and demand remain favourable and may have more room to grow

Central banks have been adding to their gold reserves



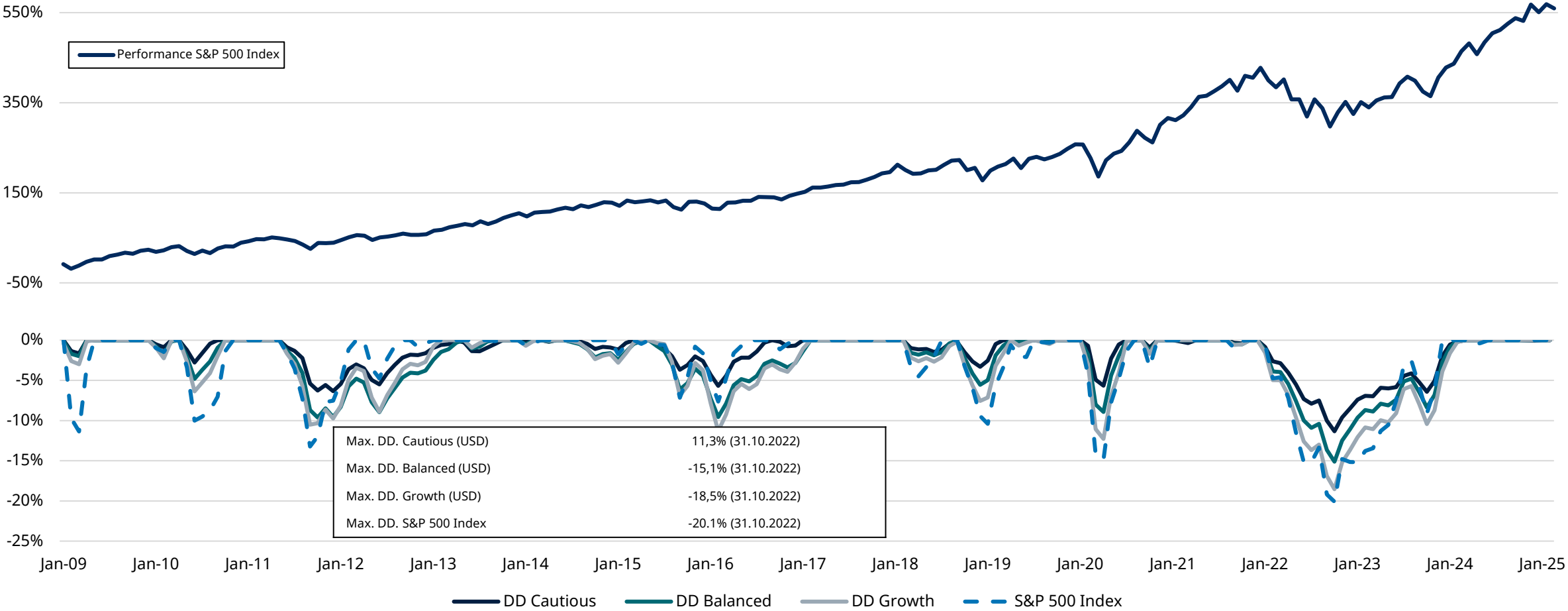
Gold continues to break all time highs



Source: World Gold Council. Schroders Economics Group. September 2024.

Fear of Draw Downs

“The investor's chief problem – and even his worst enemy – is likely to be himself.”
 Benjamin Graham




Quelle: Schroder & Co Bank AG, LSEG Datastream as of February 2025.

All Insights

All Insights

March 2025






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17/03/2025


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February 2025



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Views at a glance – March 2025

Global stock markets come under pressure as geopolitical risk rises.

05/03/2025



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Trump trades in retreat

After a strong start to the year, US equities have become more volatile in recent weeks and started March some 5% below their peak (in sterling terms). For the first time in quite a while, they have also significantly underperformed other global markets, including the FTSE100, the Dax and Hang Seng. US equities are not the only "Trump trade" that is faring poorly: the dollar and US bond yields, both of which rose after the US election, have likewise retreated from recent highs. What explains the disappointing performance of US stocks, given that President Trump has mostly done what he said he would? The reality is that many investors were expecting him to back away from many of his campaign pledges. It has come as a shock to see tariffs on Mexico and Canada actually implemented, even though they have been on the cards for months. Markets may also be disappointed that the administration appears to be prioritising initiatives with higher economic cost, such as tariffs, rather than those that boost growth, such as tax cuts. The approach may be starting to take a toll on the US economy.

Is the US economy slowing?

Recent economic data has been mixed. Surveys suggest that US consumer confidence has been falling for the past two months, even though real incomes continue to rise. There are now indications that spending may be following sentiment lower. This could reflect a delayed impact of high interest rates, but it is also possible that government policy is making consumers more anxious, with fears of inflation cited as a key concern for 2025. Federal job losses may be another area of concern. While the job cuts announced so far are small in the context of the overall US labour market, Schroders economists suggest there is a risk it could extend to hundreds of thousands of people if contractors are also included. Markets have now started pricing in more interest rate cuts from the Federal Reserve, sending US bond yields sharply lower (and bond prices higher).

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[Views at a glance – March 2025](#)

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