Investec

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Investec Bank Switzerland AG

SAMBA Investment Roundtable

15 October 2025

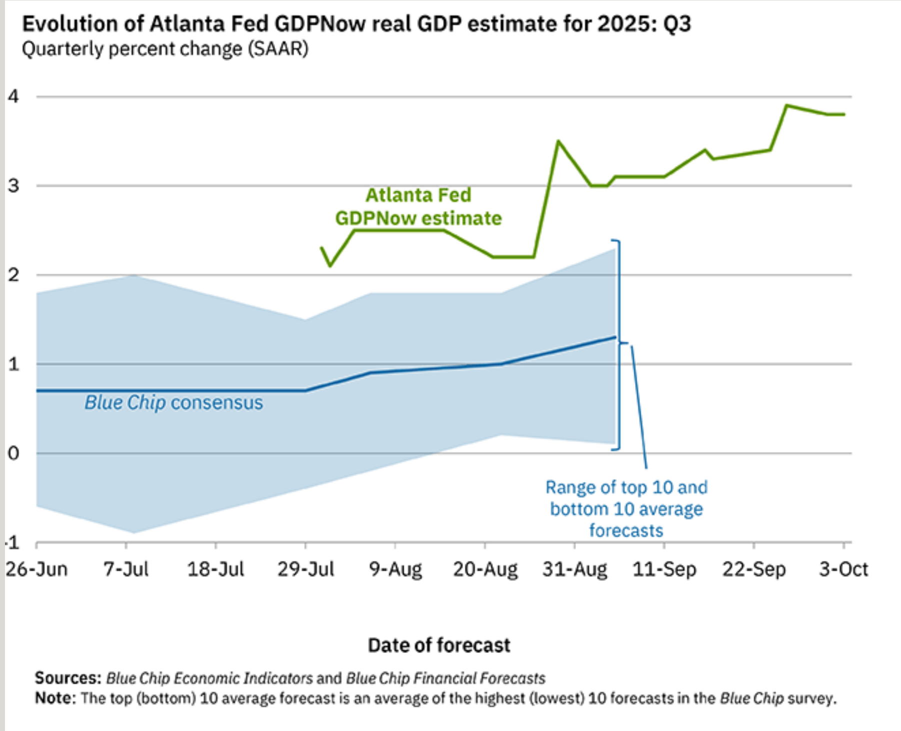
The Tariff Trap

Why U.S. Inflation Means a Softer USD

The simple truth is this:

Tariffs don’t land evenly. They are inflationary at home in the U.S., but deflationary for the rest of the world.

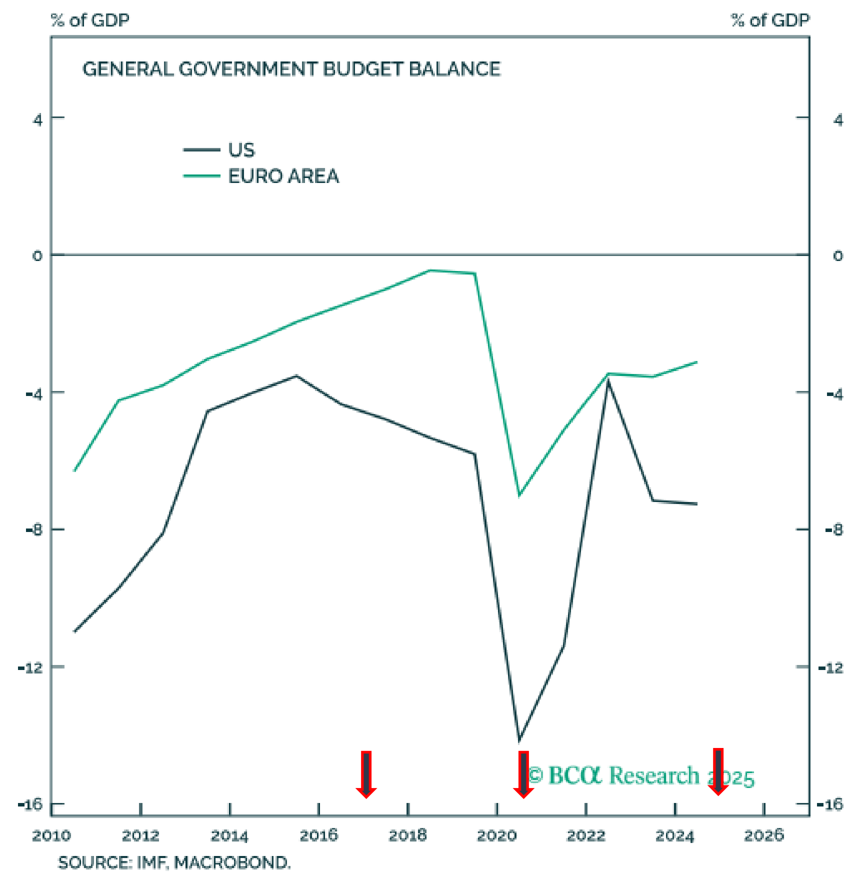
Atlanta Fed GDPNow Forecast now 3.8% frozen in time

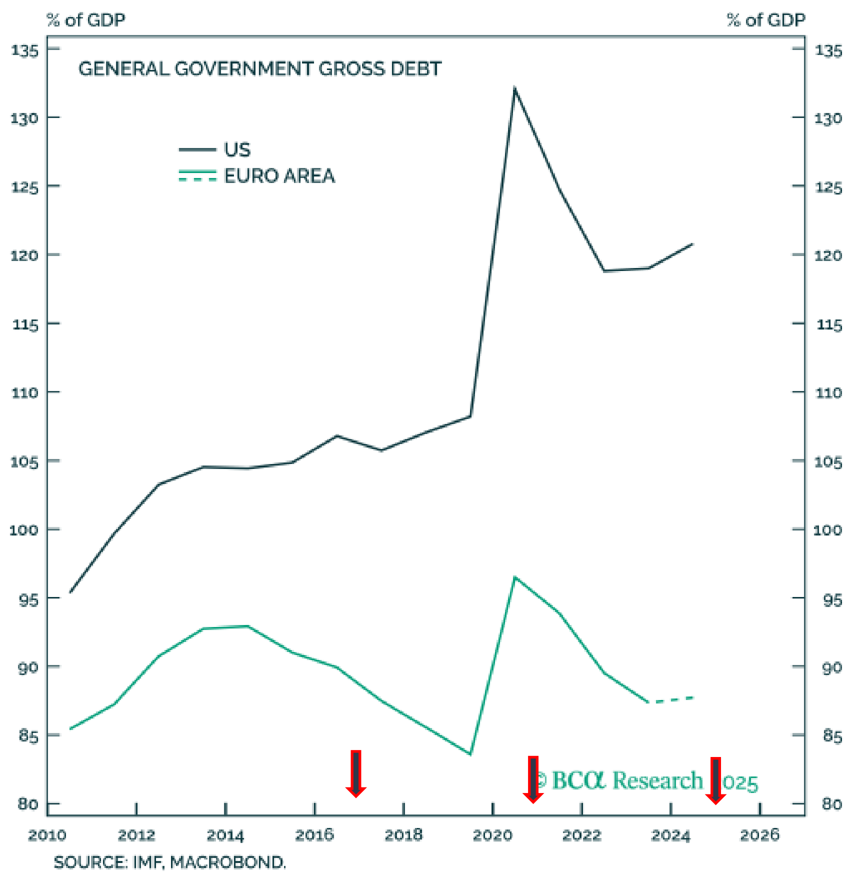


Source: Bloomberg, IBSAG

The US-RoW Divergence – Fiscal

Fiscal expansion in US versus conservatism in Europe

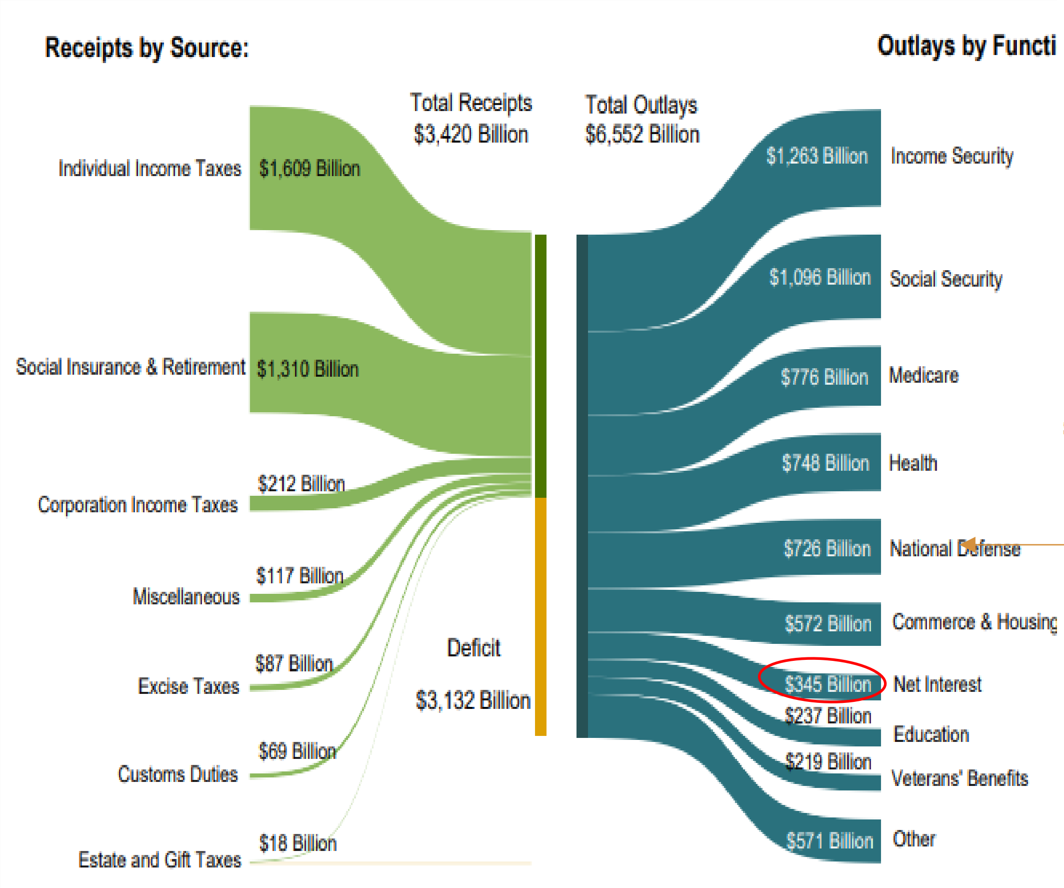


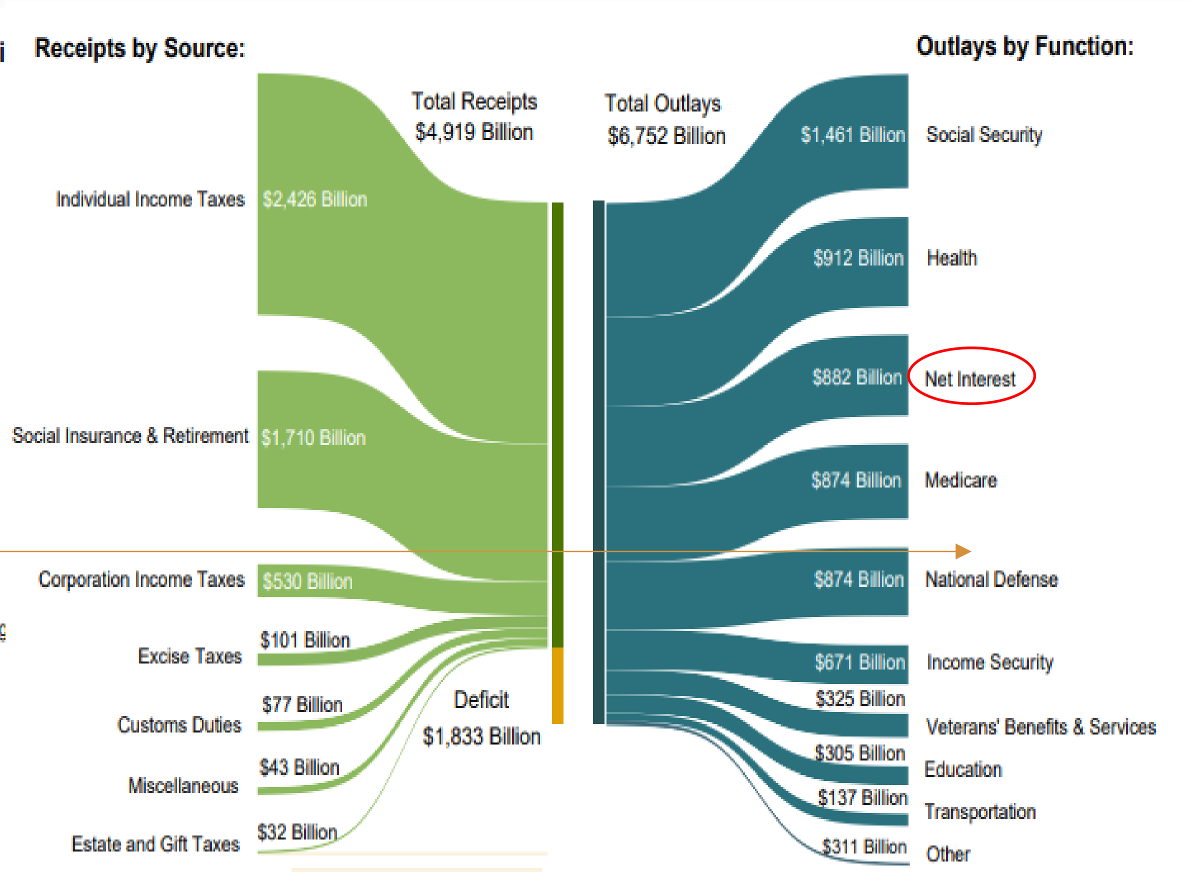


Source: BCA Research

Cumulative Receipts, Outlays and Deficit: Fiscal year 2020 vs 2024

U.S. government's commitment to the countercyclicality of fiscal policy has weakened in the past decade.

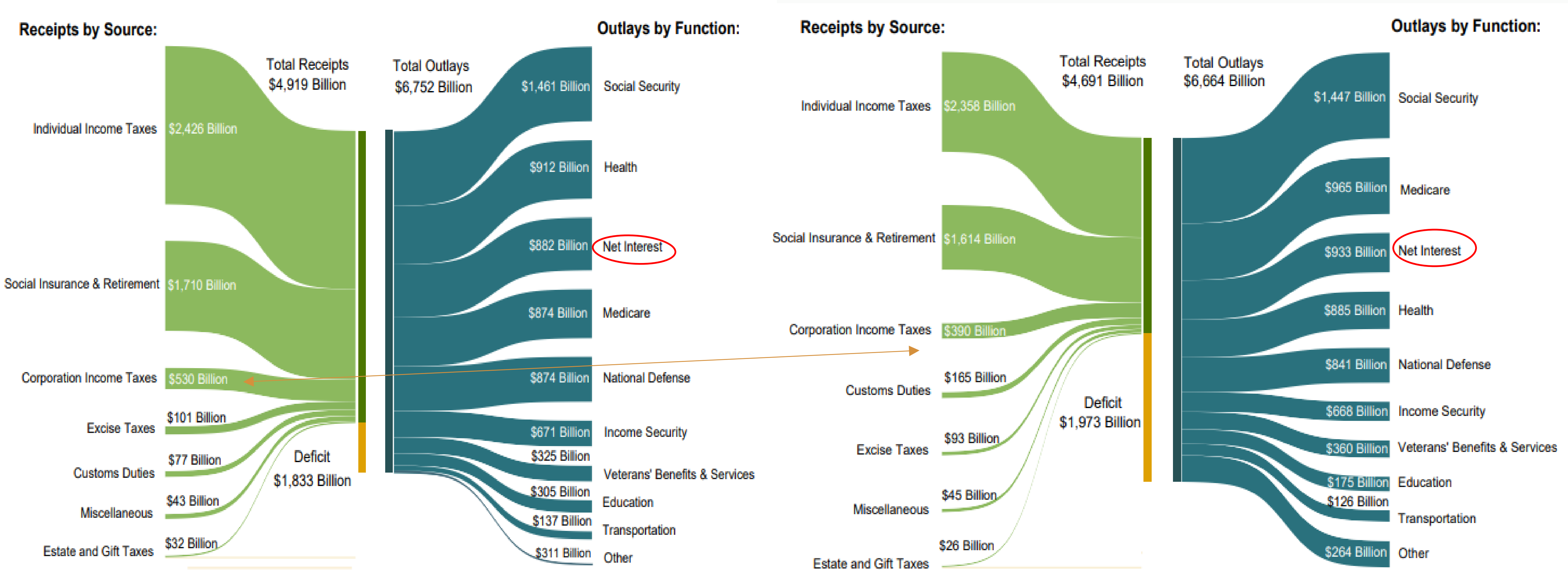




Source: US Department of the Treasury

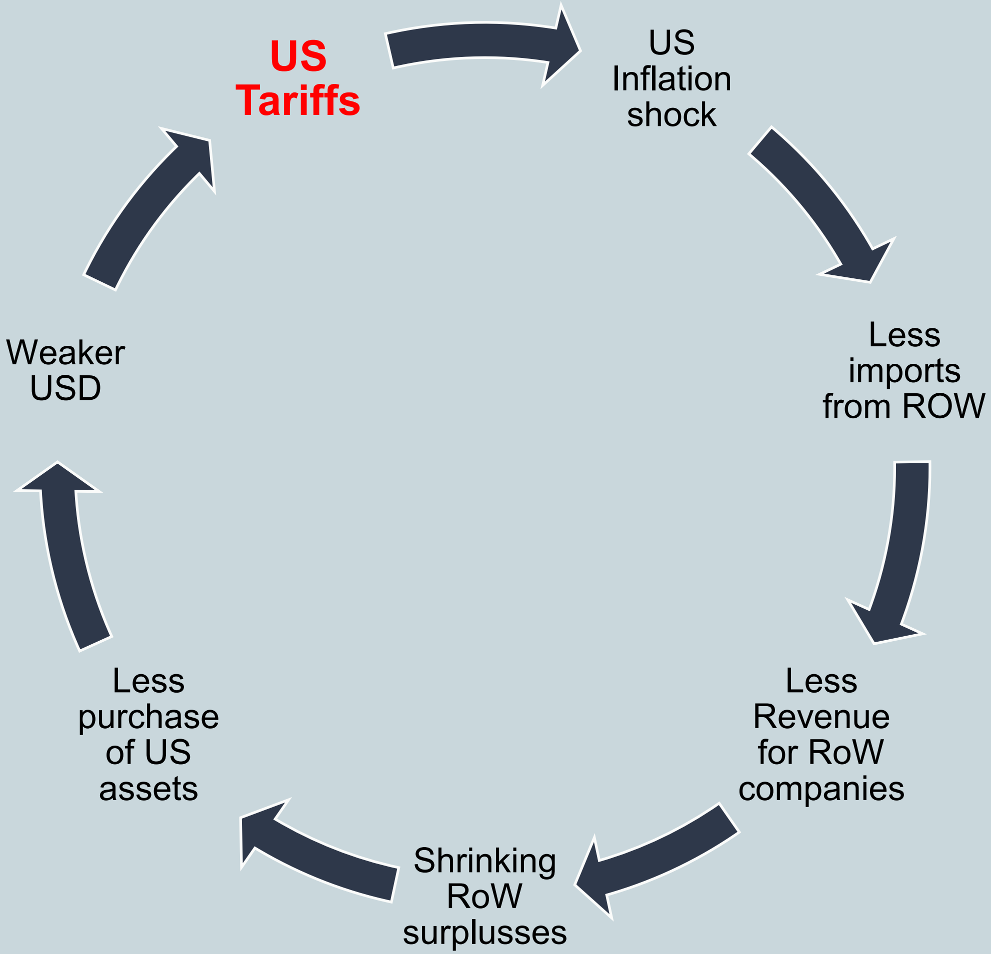
Cumulative Receipts, Outlays and Deficit: Fiscal year 2024 vs fiscal year to Aug 2025

U.S. government's commitment to the countercyclicality of fiscal policy has weakened in the past decade.



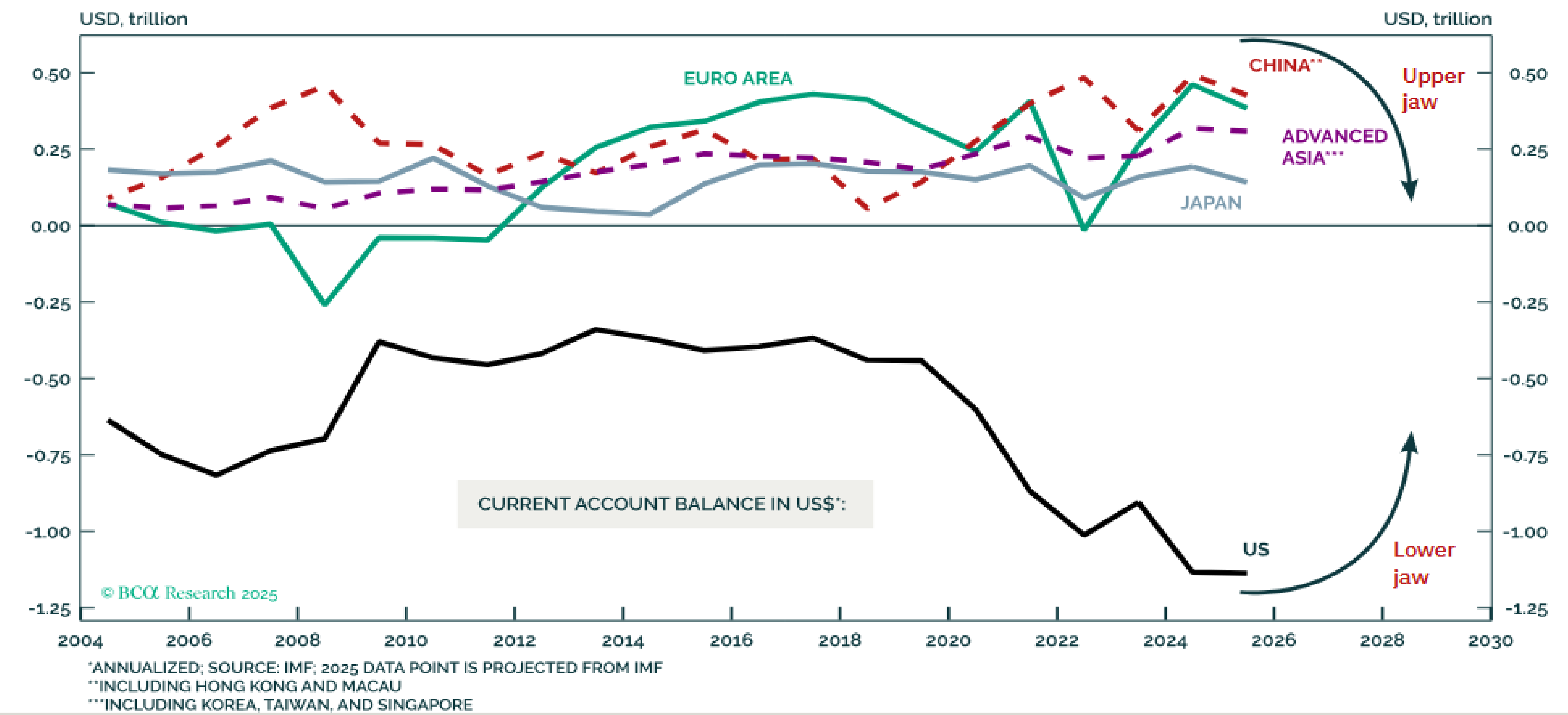
Source: US Department of the Treasury

Here’s the dynamic in one picture:



As the US CA Deficit shrinks, the RoW's CA Surpluses will narrow

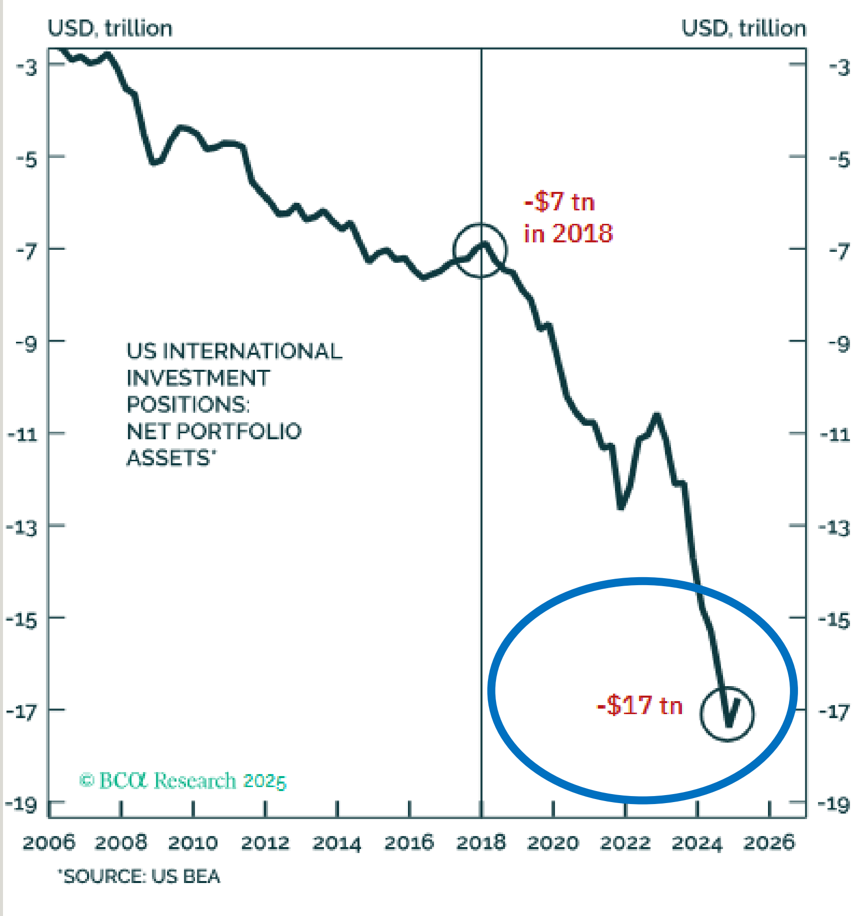
To maintain current USD level the US needs $1 trillion of inflows p.a.

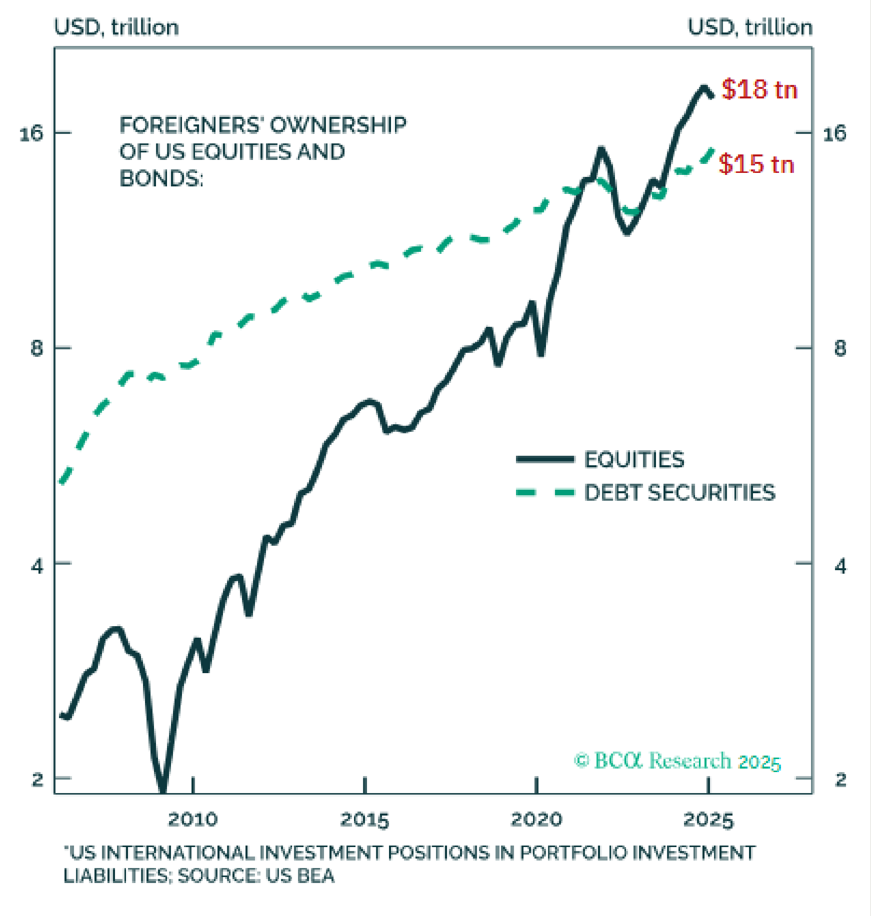


Source: BCA Research

The US' International Portfolio Investment Position

To maintain current USD level the US needs $1 trillion of inflows p.a.

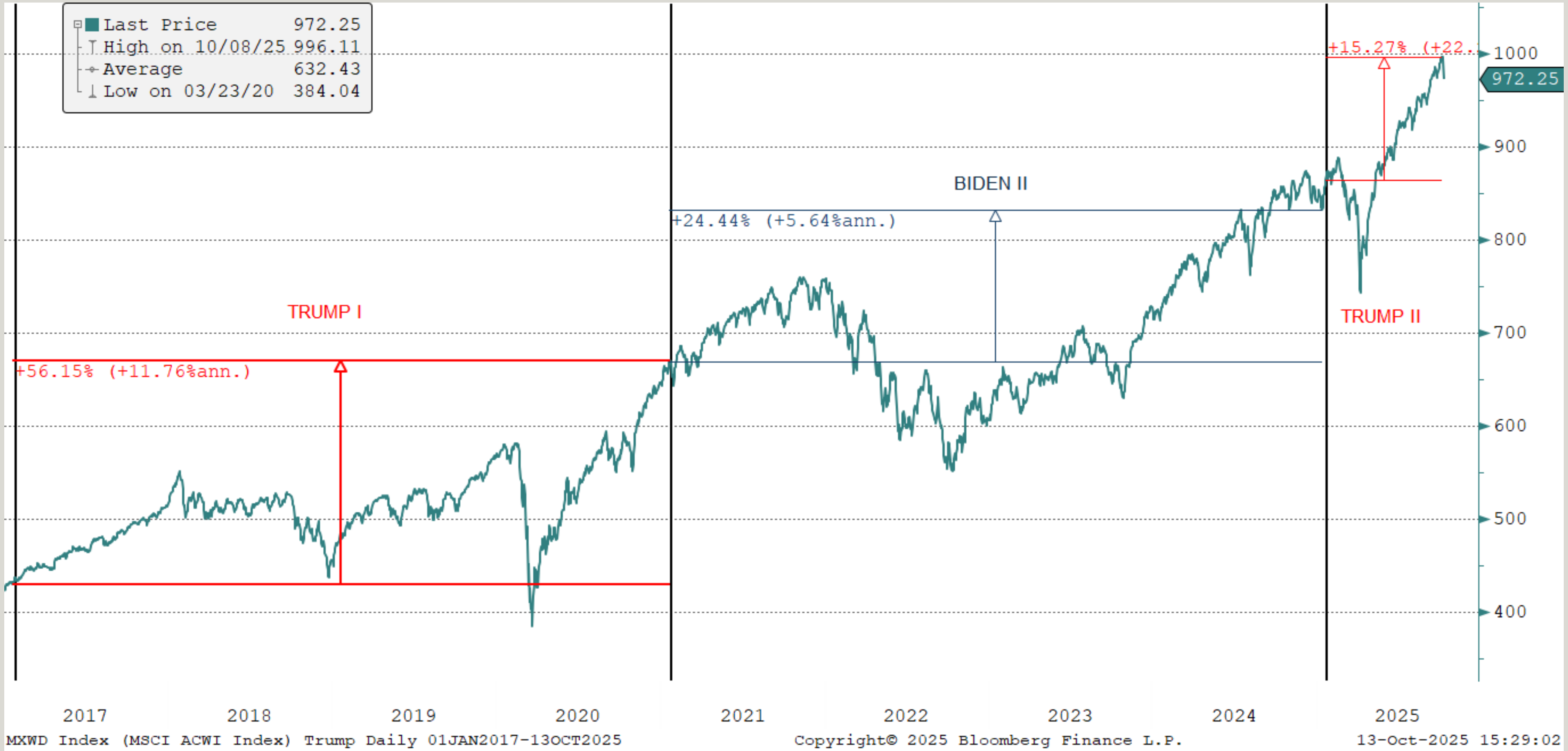




Source: BCA Research

S&P has done well under Trump

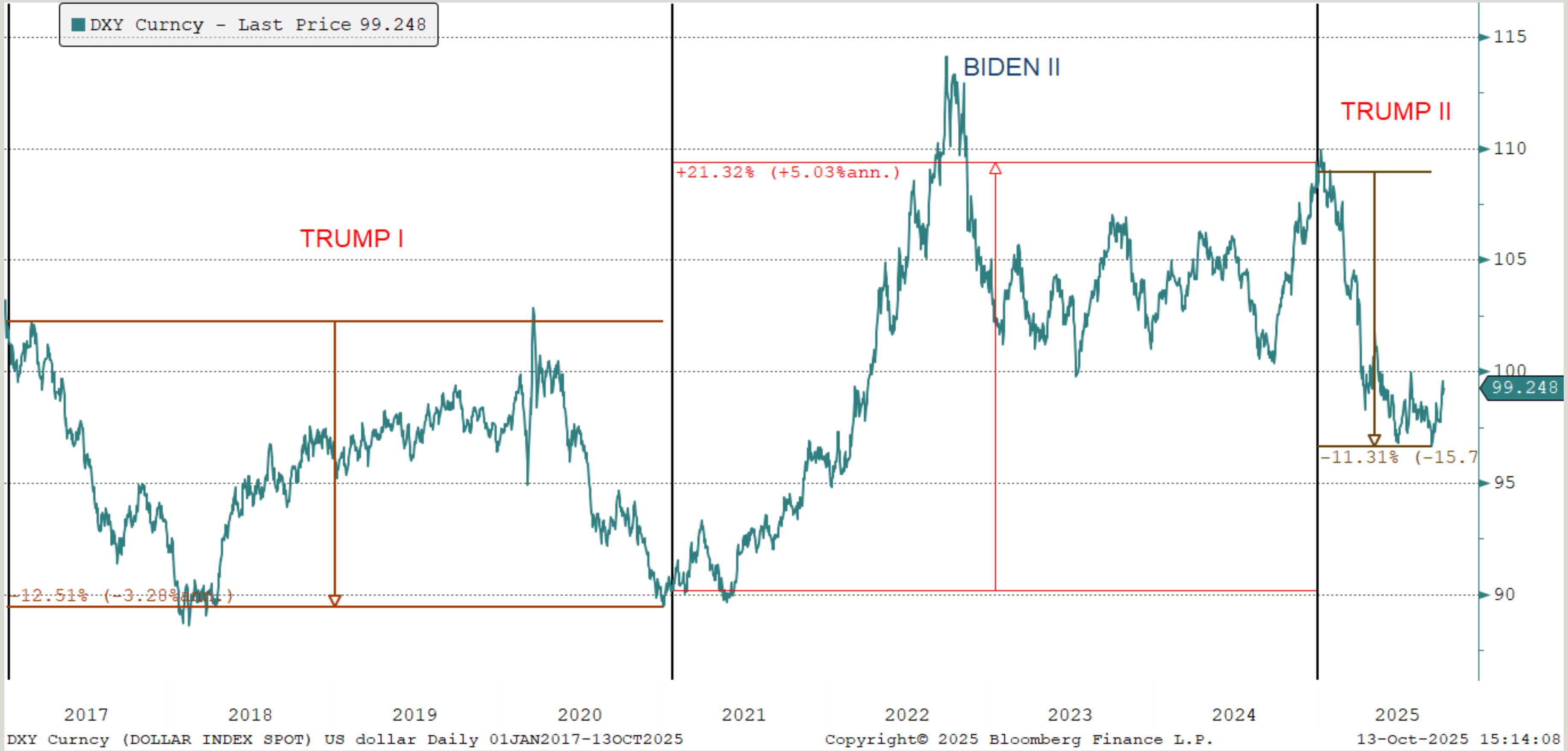
US Fiscal proliferation has driven economic growth and stock markets



Source: IBSAG and Bloomberg

USD will weaken further under Trump

The dollar view is now **flow-led** - it doesn't require capital outflows to fall; a slowdown in portfolio inflows is enough to push the USD lower.



Source: IBSAG and Bloomberg

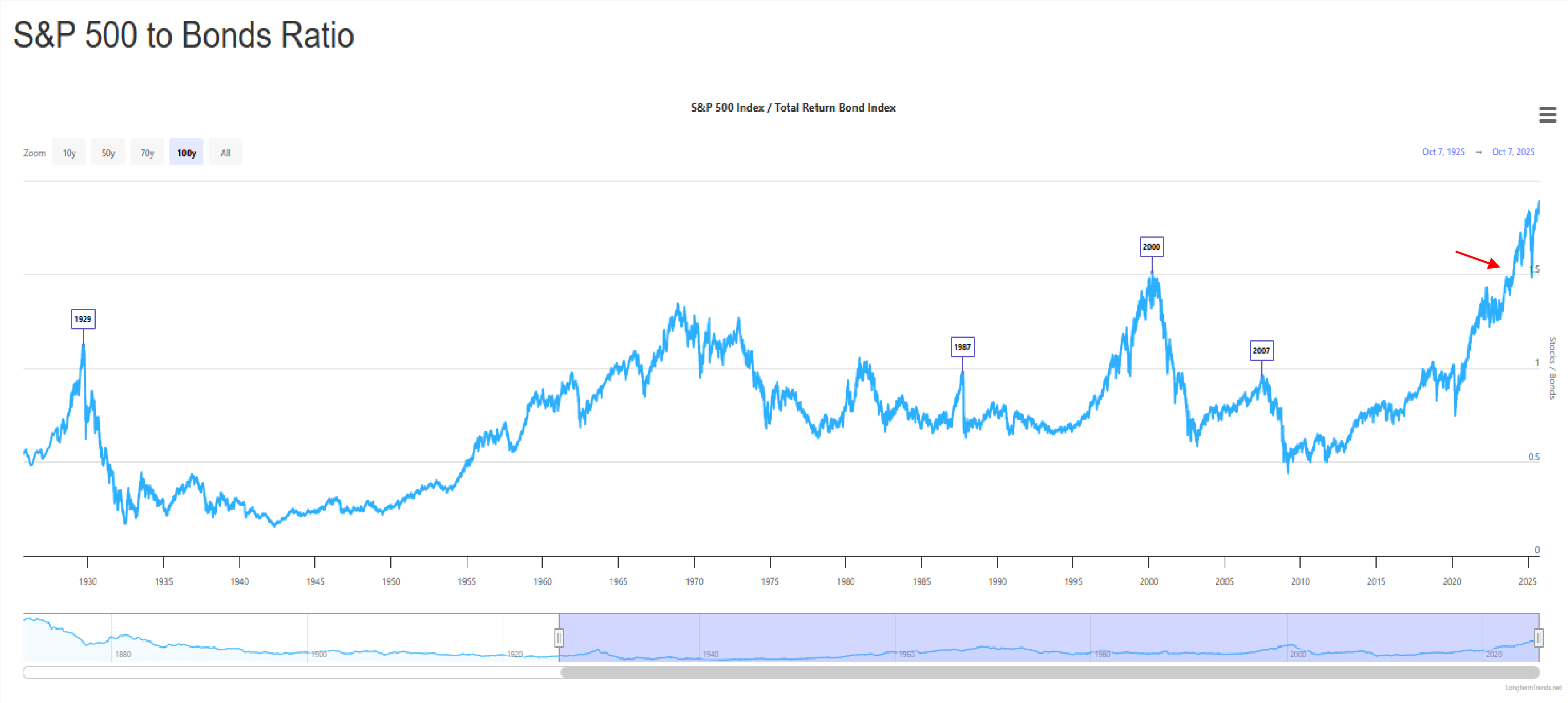
The US dollar is a momentum currency

Bounces in the USD should be sold

Source: Bloomberg, IBSAG

S&P500 to Bonds ratio

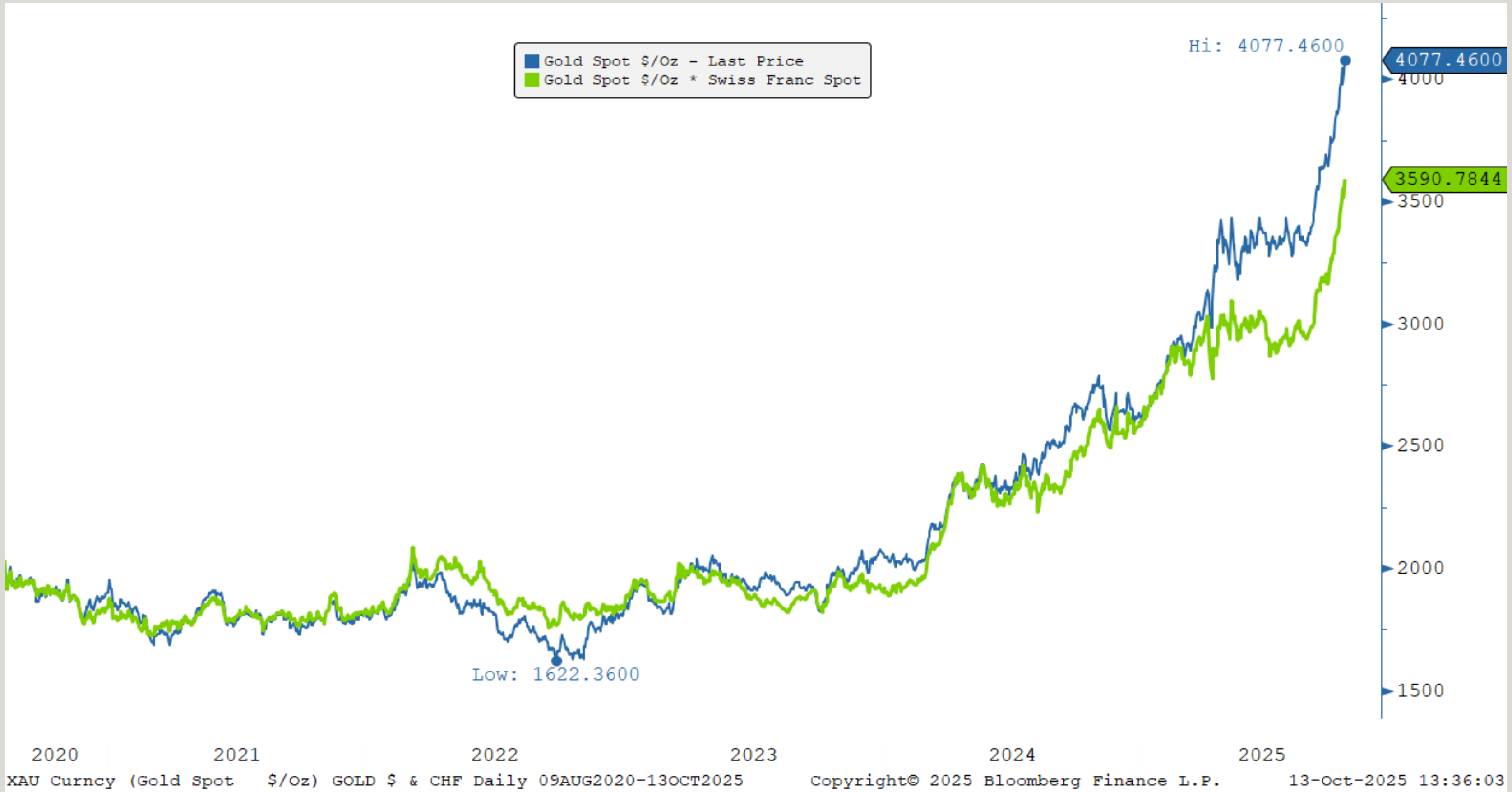
Continued strong US economic growth has been a support for risk assets



Source: Longterm trends

Gold continues to power ahead

Trump and US Fiscal prolification has is given Gold a boost

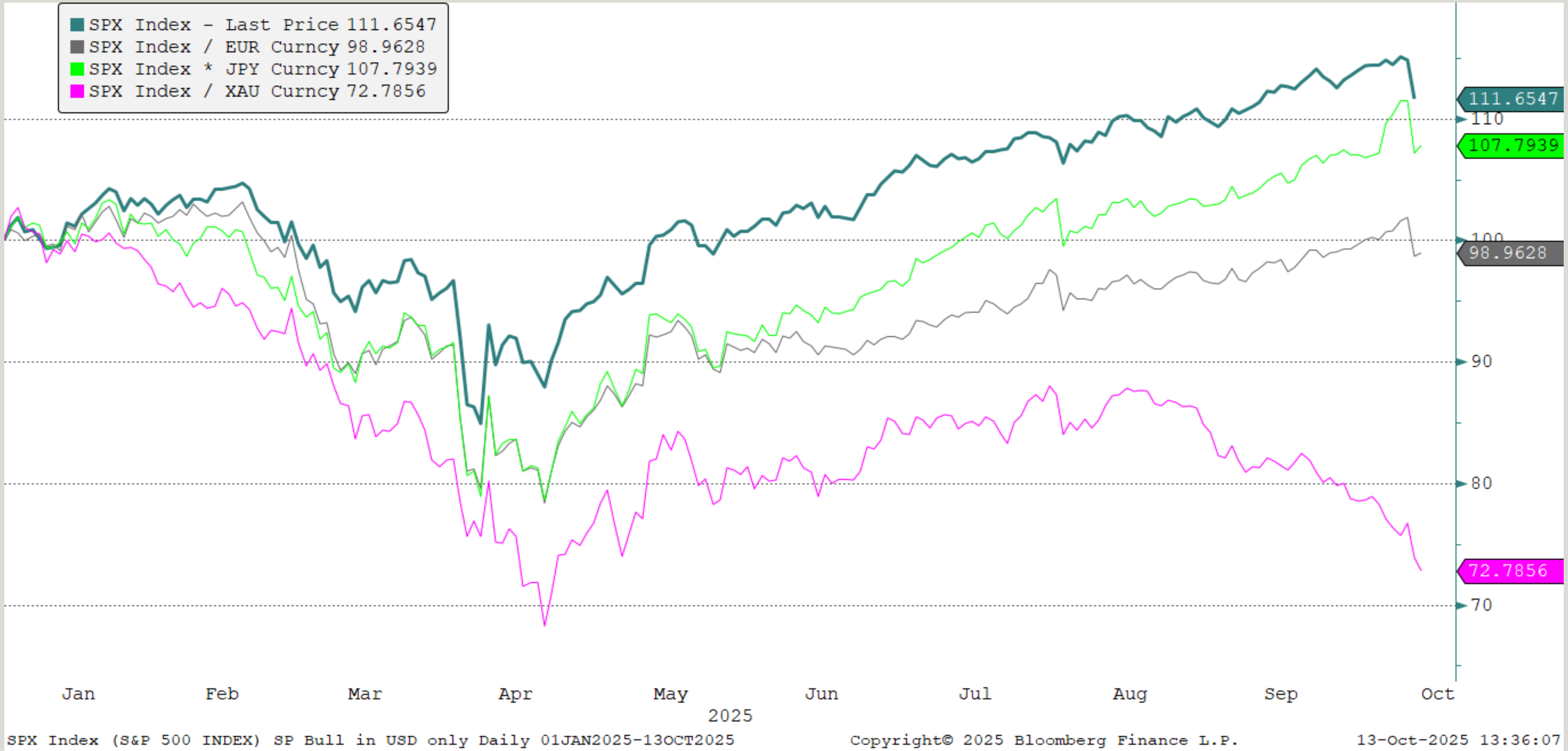


Gold and Gold stocks increasing implies that the Fed should not cut rates!!

Source: IBSAG and Bloomberg

SPX has only been in a strong bull market in USD

S&P 500 in EUR, JPY and Gold



Source: IBSAG and Bloomberg

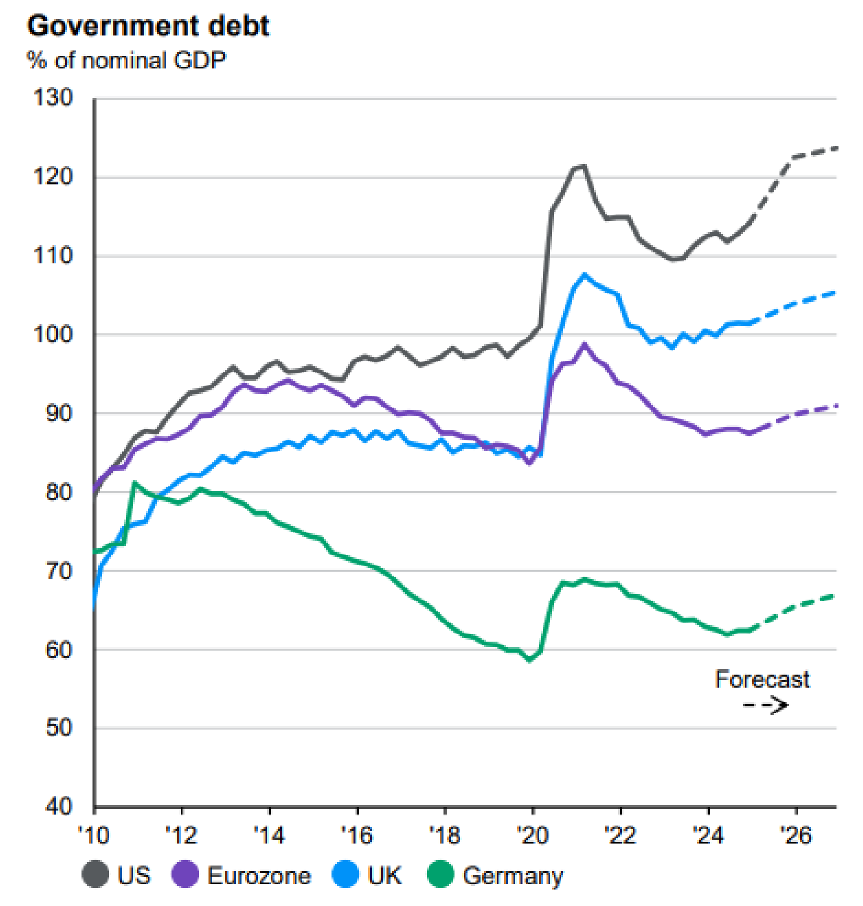
Environment

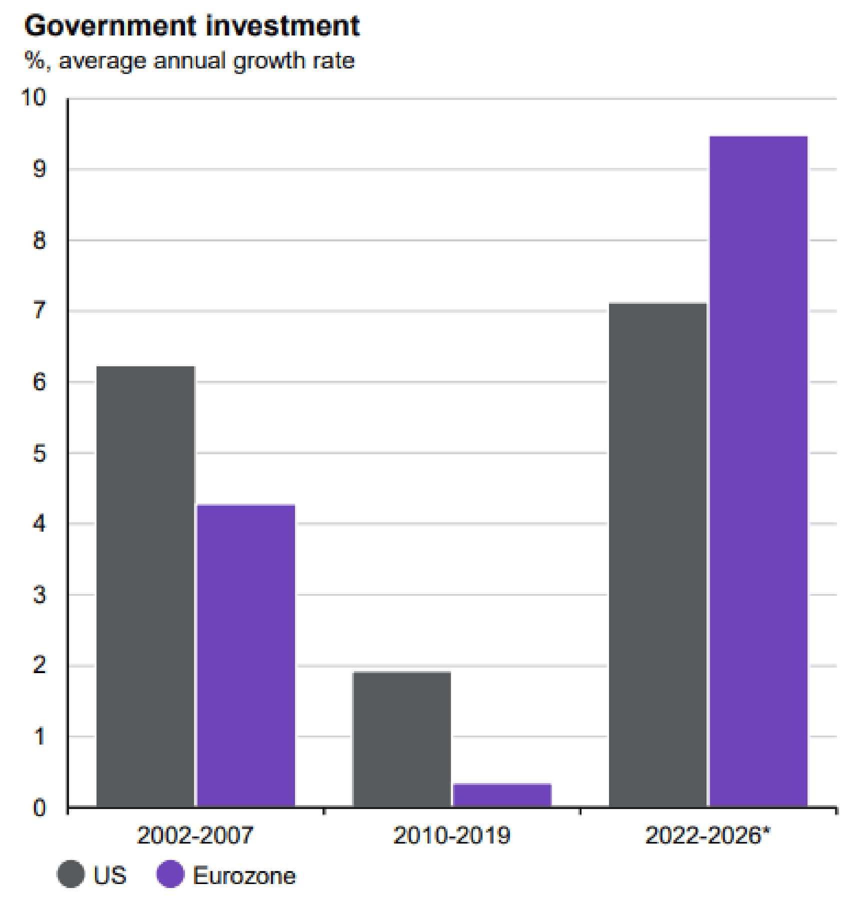
Fixed Income Markets – Global Sovereign Debt

Source: IBSAG and Bloomberg

Global fiscal policy

The EU Govt Balance sheets are looking good vs US

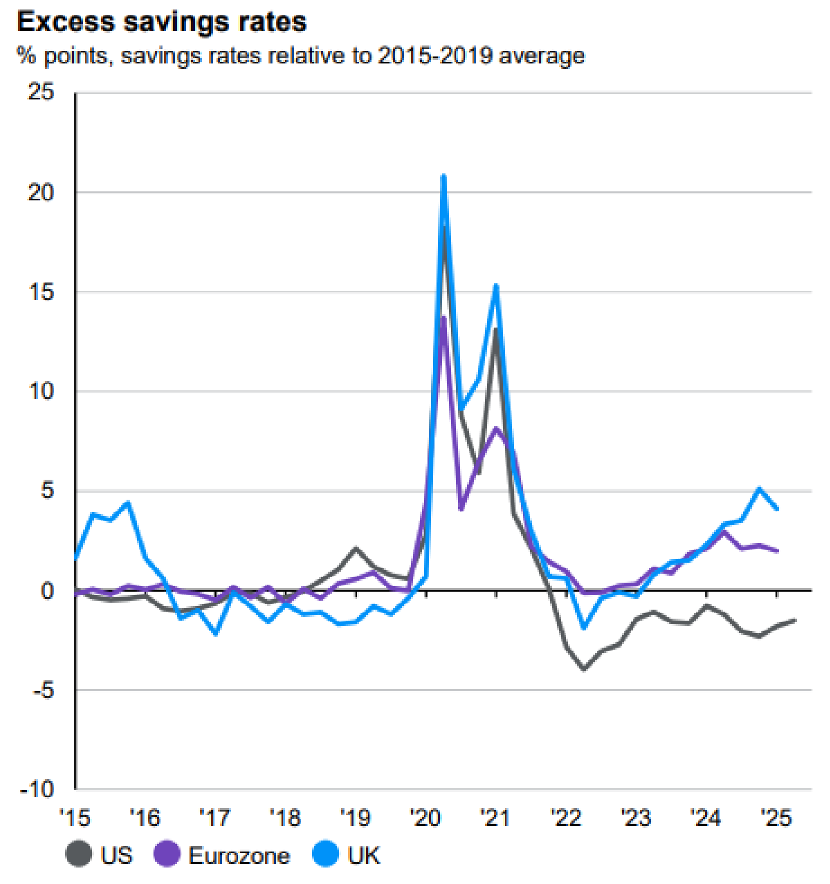


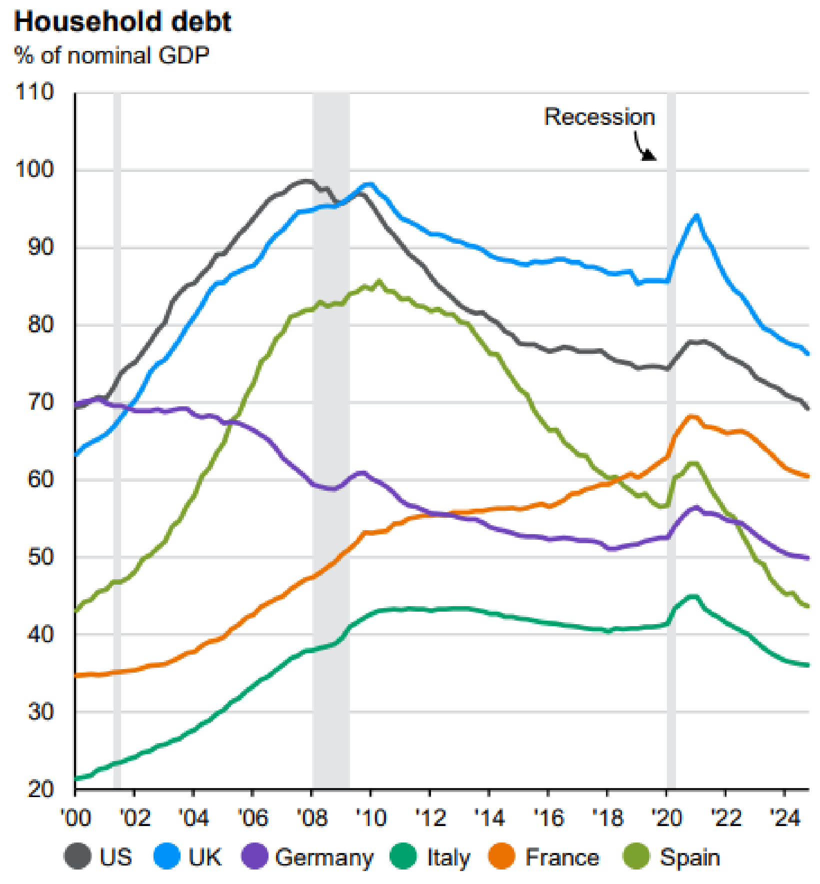


Source: JP Morgan AM

Global consumer Balance sheets

The EU consumer Balance sheets are looking good vs US



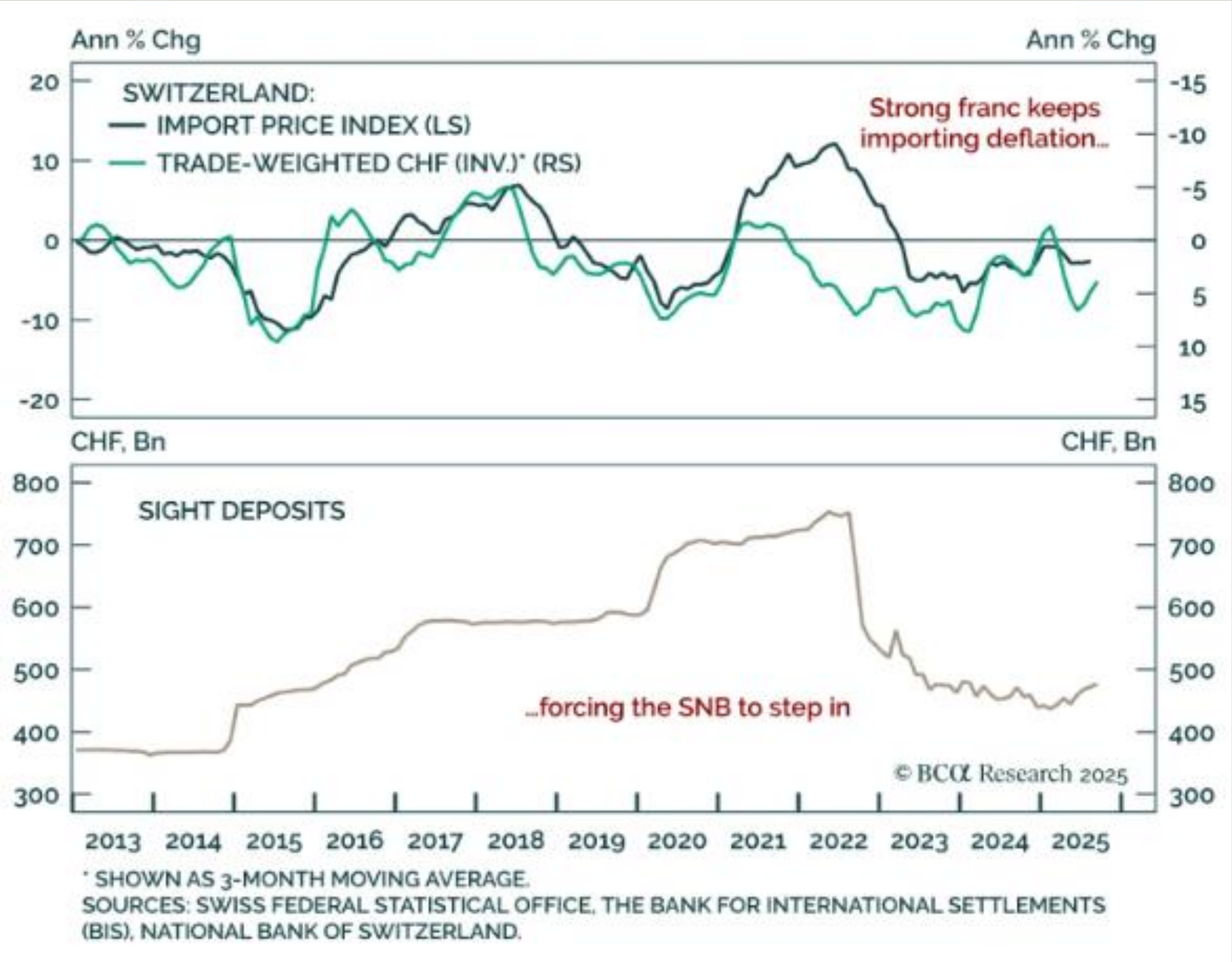


Source: JP Morgan AM

SNB's fine line between intervention and manipulation

In recent joint statement on foreign exchange practices, the SNB and the US Treasury agreed not to "target exchange rates for competitive purposes" but affirmed that FX intervention remains "appropriate for addressing excessively volatile or disorderly depreciation or appreciation."

Expect greater currency interventions and negative policy rates from the Swiss National Bank (SNB)



Source: BCA Research

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Thank you

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