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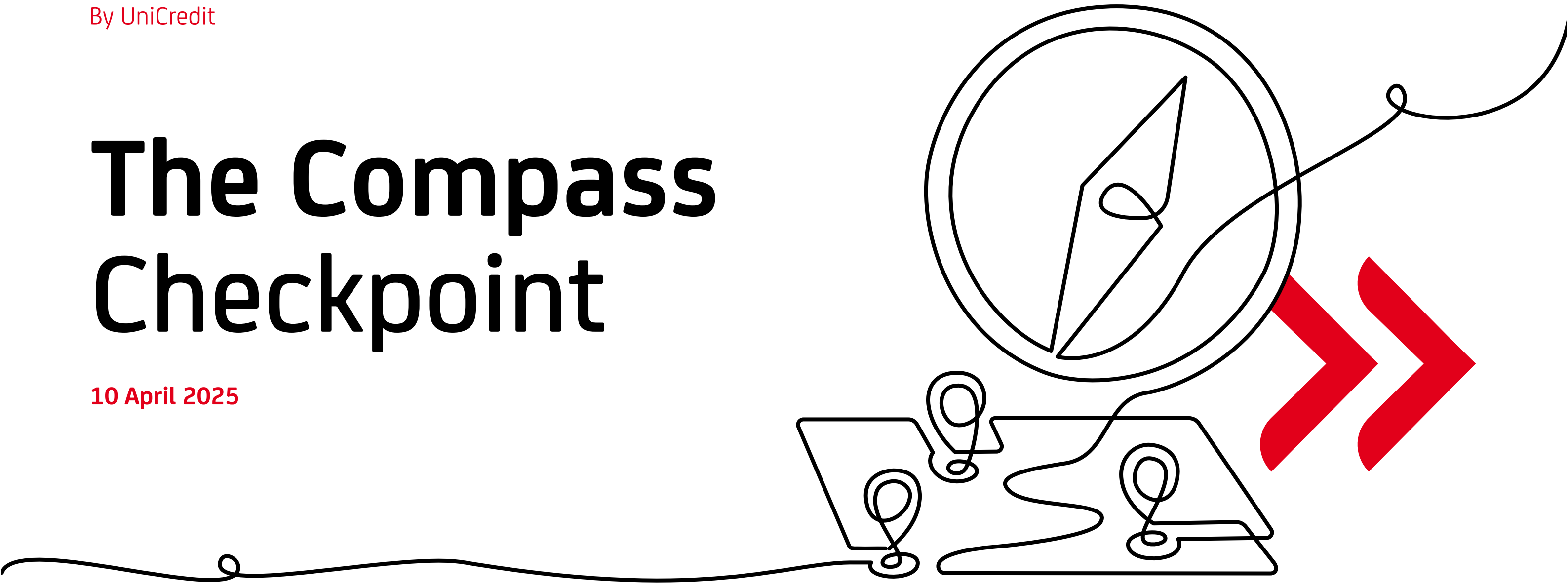
By UniCredit



The Compass Checkpoint

10 April 2025

The Trump tariffs roller coaster

Markets are still grappling with the economic aftermath of America's "Liberation Day". In this issue of *The Compass Checkpoint*, we do a preliminary assessment of the economic damage and the implications for markets. Even if the Trump administration backed down, freezing tariffs at 10% on all imports except those from China for 90 days, the credibility of the US has been compromised. The narrative of US exceptionalism has lost momentum and the policy-uncertainty premium is here to stay, with investors shifting to value stocks and towards Europe. In turn, also the appeal of the dollar is fated to decline.

Harvard University professor Larry Summers said that reciprocal tariffs are "the biggest self-inflicted wound we've put on our economy in history". What's at stake is not just the purchasing power of American consumers or the investment decisions of American firms. "Liberation Day" probably marks the end of the Pax Americana as such – an era characterized by deep economic integration globally. US President Trump is moving the global trading system away from a rules-based and towards a deals-based order.

Tariffs are harmful for the economy but serve the propaganda machine of the Trump administration in its battle to re-industrialize the country, raise revenues by taxing foreigners and address the trade deficit. Although the stock-market losses triggered by "Liberation Day" might not be felt by those 39% of Americans who do not own stocks and might support Trump's anti-elite battle, their purchasing power losses will be painful – up to around 5% of disposable income for those at the bottom of the income distribution.

How can Europe respond? Retaliatory trade measures would only lead to a race to the bottom. Europe should turn the Trump challenge into an opportunity to address its competitiveness flaws, as outlined in the Draghi report. The IMF estimates that Europe's internal barriers are equivalent to a tariff of 45% for manufacturing and 110% for services. A good starting point is the revival of its defence industry in response to US disengagement from NATO. However, while Readiness 2030 is a step in the right direction, its main weakness is that it is a member-state-level program rather than an EU-level program – the EU is loosening fiscal rules and providing credit lines, but it is up to national governments to act.

National responses are not an option in the context of a fragmented international system and an all-out trade war. What is needed is a continental response to leverage on Europe's critical mass and potential to establish a first line of economic defence.

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View from the CIOs

US President Donald Trump's announcement on 2 April of a new global trading system sent markets into chaos. Initially, US equities suffered the most, while European and Asian markets also fell significantly. Prices of risky assets, such as oil dropped, whereas bonds and the USD weakened.

Most analysts viewed the tariff announcement as worse than even the most pessimistic scenarios discussed beforehand. Markets were shocked by the scale of the tariff hikes – which, if fully implemented, would push the average US tariff to a rate similar to that seen after implementation of the infamous Smoot-Hawley Tariff Act of 1930. As the new trading system is focused on balanced trade relations, this would mark a sharp departure from the efficiency of a global economy driven by the division of labour. Uncertainty also stems from whether Trump's approach is transactional (seeking concessions through negotiations) or transformational (aiming to overhaul the global trading system entirely).

Given the severe economic damage that full implementation would cause globally and domestically, we still see a good chance that this as an opening gambit for negotiations – as Trump's decision to freeze tariffs on most countries at 10% for 90 days seems to suggest. However, retaliation measures are likely to escalate the situation, and the reliability of the US is now being questioned globally. With the US enjoying a significant surplus in services, its corporate sector, once the envy of the world, is vulnerable.

How should investors position themselves in such an unprecedented environment? Such high uncertainty calls for avoiding large directional trades. We have therefore kept our existing stance unchanged, which argues for a neutral stance toward stocks. Moreover, substantial tactical flexibility to respond swiftly to changes will be needed. In equities, we continue to prefer companies and sectors with stable and resilient business profiles, as quality offers stability in volatile times. In general, the market rout has also created opportunities for selective portfolio additions, and any signs of mitigation or a constructive resolution to the tariff debate will likely result in rising markets.

In fixed income (FI), our strategy of holding government bonds, high-quality corporate credit and emerging-market (EM) debt while avoiding risky areas of FI, such as high-yield (HY) bonds, has paid off. We are sticking to our strategy of preferring balanced multi-asset portfolios. Moreover, while investors need to be prepared for ongoing volatility and even more losses in the near term, the underlying resilience of the European and the US economies, which was reflected in robust growth and earnings expectations prior to the tariff shock, should provide some comfort. From a European perspective, plans for large investment in infrastructure and defence in Germany will provide medium-term support, and this suggests that there are brighter prospects beyond the tariff shock.

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Macro Stories

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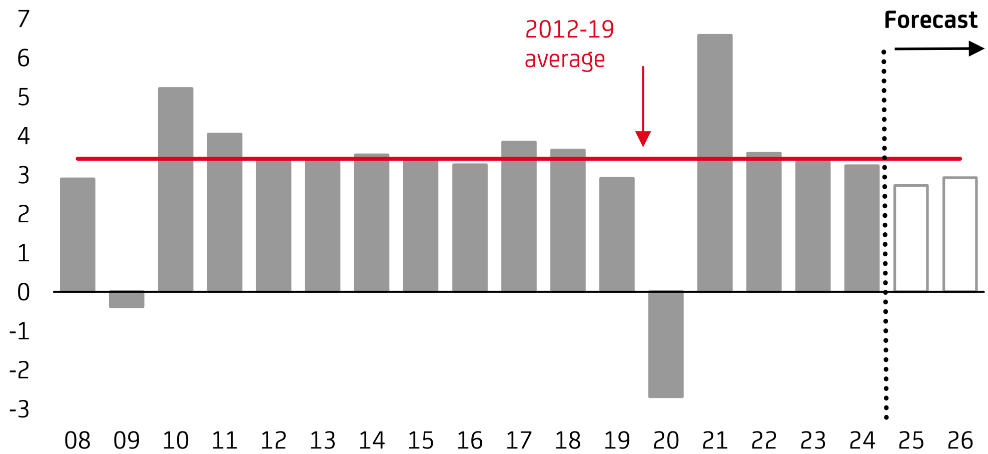
"Liberation Day" clouds the economic outlook

The announced US "reciprocal" tariff plan on 2 April was materially more aggressive than we had expected. If it were fully implemented, it would take the average trade-weighted tariff on US goods imports from just over 2% last year to 20-25% – the highest level since at least the 1930s. On 9 April, the Trump administration announced a 90-day pause on "reciprocal" tariffs with the exception of the universal 10% rate (which was implemented on 5 April) and with the exception of China, which will face a punitive 125% tariff after it announced additional retaliatory tariffs against the US. Canada and Mexico are not subject to the 10% universal tariff, instead they face zero tariffs on USMCA-compliant goods and a 25% tariff on non-compliant goods that would fall to 12% if the argument over the flow of illicit drugs and illegal migration were to be solved.

At the time of writing, the situation remains extremely fluid. Our baseline is that the universal 10% tariff will be lasting, higher "reciprocal" tariffs on almost all countries will likely be cancelled, while China will probably face much higher tariffs than other US trading partners but lower than the current punitive 125%. In this environment, we see global GDP growing at slightly above 2.5% this year, below its historical average but no recession. There are two-sided risks. The main downside risk is that higher "reciprocal" tariffs are implemented after the 90-day pause.

CHART 1.1 GLOBAL GDP GROWTH LIKELY SUBDUED, BUT NO RECESSION
GLOBAL REAL GDP, % YOY



Source: IMF, The Investment Institute by UniCredit

The Fed's dilemma

We are lowering our US growth forecast to 1.7% this year (from 2.2%) and to 1.9% next year (from 2.3%), while increasing our CPI inflation forecast to 3.2% this year (from 2.9%) and 3.2% next year (from 2.5%), mostly in response to higher US tariffs and retaliatory measures from trading partners. We still expect a fiscal package to be passed later this year, including an extension of individual tax cuts, but the likelihood of meaningful additional tax cuts seems low. Our annual average growth forecast of 1.7% for 2025 is certainly flattered by the statistical carry-over effect from the strong end to last year, which contributes a large 1.0pp. In our new forecast, sequential quarterly growth is subdued this year, with yoy GDP growth in 4Q25 at only 1.2% (1pp below our previous forecast).

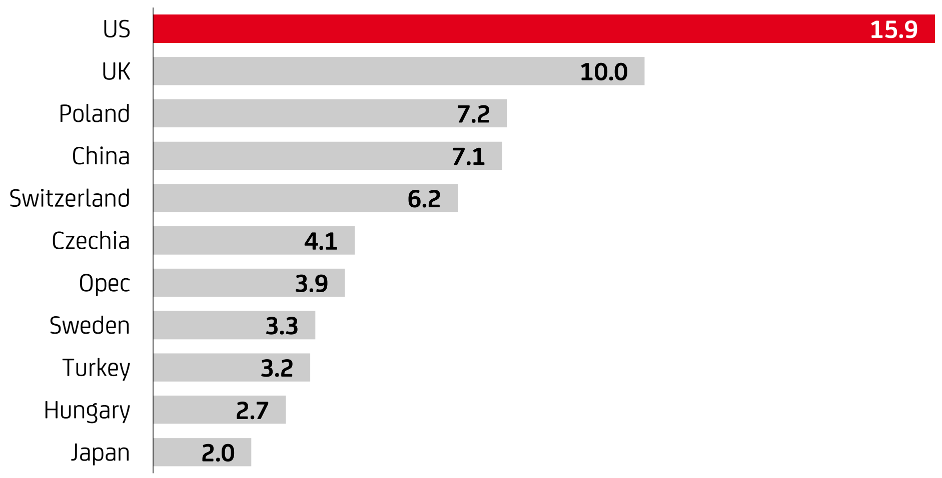
The major drivers are **1.** higher inflation, with year-on-year core CPI inflation rising to 4.0% at the end of this year, 1pp higher than our previous forecast, as higher tariffs raise prices of imported goods for consumers and of intermediates; **2.** lower consumer sentiment, which weighs on spending, and **3.** a tightening of financial conditions via lower risky-asset prices. We now see the Fed cutting interest rates just once this year (instead of twice), to 4.25% in 4Q25, and making one mid-year cut next year. The Fed will be in a very difficult position, facing meaningfully higher inflation and subpar economic growth. Unless there is a recession, which is not our base case, then the central bank will not be able to cut rates by much, if at all. The Fed will have to act to guard against longer-term inflation expectations moving higher, which are likely more brittle now following the recent period of high inflation.

The toll of tariffs on eurozone GDP growth

In the eurozone, we are slightly reducing our GDP growth forecast for this year (to 0.8% from 0.9%) and for 2026 (to 1.0% from 1.2%). In qoq terms, growth is likely to be very weak this year, averaging 0.1-0.2%, before reaccelerating over the course of 2026. The new numbers reflect our view that the impact of higher tariffs and the uncertainty surrounding the outcome of upcoming negotiations with the White House will more than offset the positive impulse stemming from Germany's fiscal expansion and the plan to increase military spending in the EU (Readiness 2030). Given that the fiscal boost is unlikely to kick in this year, deteriorating prospects for global trade and low business visibility are likely to weigh on capex plans in the near term and increase downside risks to the labour market, particularly in the manufacturing sector, where staffing levels remain high relative to current and expected levels of activity. This is likely to dampen household confidence and prevent any further decline in the savings ratio, which remains far above pre-pandemic levels. We estimate that the spillover to other eurozone countries from higher infrastructure and defence spending in Germany will be positive but small, due to tighter financial conditions (mainly through higher long-term rates and euro appreciation) triggered by fiscal-policy announcements.

CHART 1.2: PAINFUL TARIFFS

EUROZONE EXPORTS TO MAIN TRADING PARTNERS (% OF EXTRA-EUROZONE EXPORTS)



Source: Eurostat, The Investment Institute by UniCredit

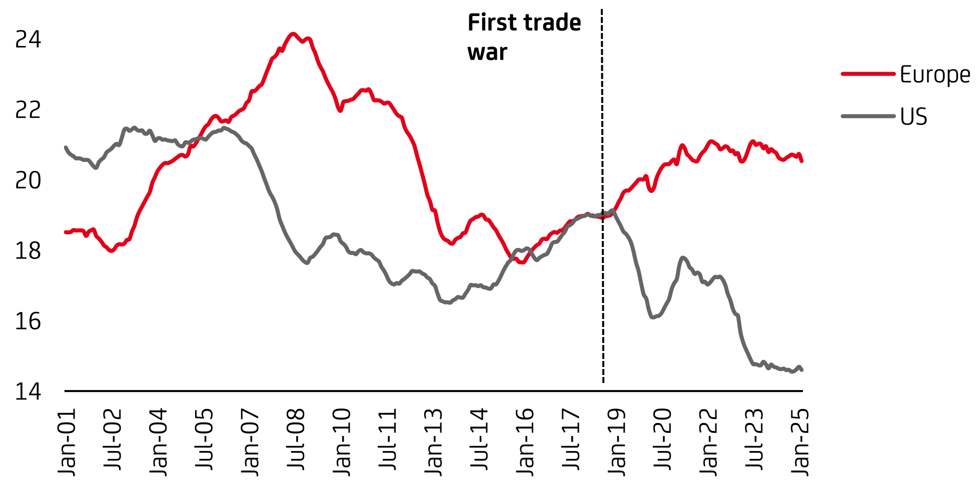
If the EU's response to higher US tariffs turns out to be measured, as we expect, the trade war is unlikely to be inflationary for the eurozone. Energy prices have declined amid a rising risk of a global downturn, while the EUR has been trading firm since 2 April, both against the USD and in trade-weighted terms. This should leave inflation on track to reach 2% on a sustainable basis over the next few quarters as slower wage growth feeds further disinflation in the service sector. Pipeline price pressure in manufacturing has bottomed out but, contrary to what we expect for the US, is likely to remain relatively weak, possibly dampened by a reorientation of global trade flows away from the US. Leading indicators signal faster food inflation before long, but we doubt that the reacceleration will be problematic. Therefore, given rising downside risks to economic activity, we are convinced that the ECB will be able to cut interest rates further. We are adding one 25bp rate cut to our path for monetary easing. We now see a terminal rate of 1.75%, with moves at the April, June and September meetings.

China's economy hit hard by tariffs

In response to Trump's 54% "reciprocal" tariffs on almost all Chinese products, Beijing responded with a retaliatory tariff of 34% on almost all US imports and with export restrictions on seven rare earth minerals. Then, Trump responded with an additional 50% tariffs that was fully matched by Beijing. At the time of writing, US tariffs on China stand at 125%, although it seems likely that tariffs will come down somewhat from this punitive level. This new escalation in the trade war risks materially compromising the growth outlook for China. Even before America's "Liberation Day", we expected China's GDP to grow by around 4.5% in 2025 – below the 5% target set by Beijing. Given that external demand remains the key growth driver for China, accounting for almost two thirds of economic expansion in 2024, we are lowering our GDP growth estimate for 2025 to 4.0% (from 4.5%) and for 2026 to 3.8% (from 4.2%). Despite attempts by Beijing to decouple from the US after the first trade war with Trump (chart 1.3), the US market still matters for the Chinese economy as it accounts for about 14% of the country's total exports. In addition, tariffs on other Asian economies risk impairing highly integrated value chains in which China plays a central role. In this context of great uncertainty, we expect both monetary and fiscal policies to become more supportive, offsetting some of the negative effects of the trade war.

CHART 1.3: CHINA'S ATTEMPTS TO DECOUPLE FROM THE US

CHINA'S EXPORTS TO MAIN TRADING PARTNERS (% OF TOTAL EXPORTS, 12M/MA)



Source: China Customs Statistics, The Investment Institute by UniCredit

Tariffs will probably increase government receipts, but not significantly

The Trump administration has often given three reasons for higher tariffs: first, to remedy what the administration deems to be unfair trade practices and to bring manufacturing activity and jobs back to the US; second, to use tariffs as a negotiating tool and third, as a means of raising significant revenue for the federal budget. In this section, we consider the third reason, namely whether the administration's tariff plan is likely to raise significant federal revenue.

When assessing the impact of higher US tariffs on federal receipts, we consider four main channels:

1. the increase in the trade-weighted average tariff,
2. reduction in import demand due to higher (post-tariff) import prices,
3. substitution away from higher-tariffed goods to lower-tariffed goods and
4. indirect effects on from lower GDP growth.

We take each one in turn.

1. A large rise in the average US tariff

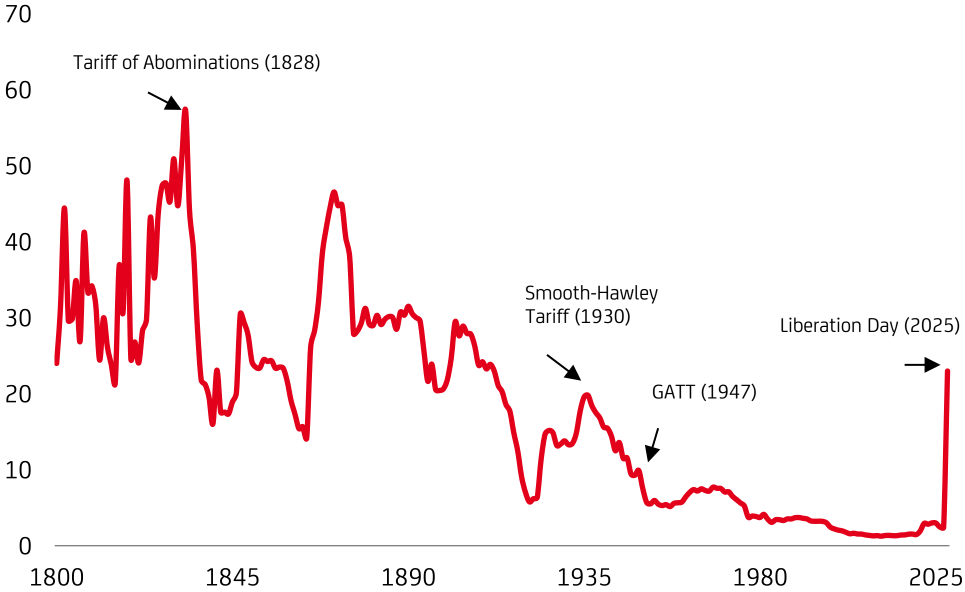
The 2 April "reciprocal" tariff plan, other tariffs announced year-to-date and likely further sectoral tariffs looked set to raise the trade-weighted average tariff on US imports to 20-25%, by our estimate, from a little above 2% last year. This is based on various assumptions, including import shares and sectoral tariffs that are yet to be announced (on pharmaceuticals, semiconductors, critical minerals, copper and lumber). If fully implemented, the tariff hikes would likely bring the average US tariff rate to levels similar to those seen after the infamous Smoot-Hawley Tariff Act of the 1930s. Investors were surprised not just by the magnitude of the tariff increases but also by the methodology used to calculate the country-specific rates. The formula is based on the ratio of the US trade deficit with each country to the value of goods imported from that country. The resulting tariff rate is half of this ratio. This simplistic approach contrasts with earlier promises that tariffs would reflect individual trade barriers, suggesting the goal was to balance trade relations for each country. Moreover, this method excludes services such as financial and IT services, which, for European countries, often offset goods trade imbalances with the US.

The 9 April announcement that "reciprocal" tariffs (above the universal 10%) will be paused for 90 days on all countries except China suggests that these "reciprocal" tariffs will probably be cancelled after negotiations for most or all (excluding China) trading partners. However, in this section, we take a look at how much the US federal government might raise in additional revenues in a risk scenario where the 2 April tariffs are implemented in full.

If the value of imports and their composition were to remain unchanged from 2024, a 20pp rise in the average tariff would increase customs duties by about USD 660bn per year (or USD 6.6tn over ten years). This simple calculation yields a significant sum, but it is a massive overestimate, for reasons we will turn to next. For comparison, an extension of the individual tax cuts from the 2017 Tax Cuts and Jobs Act beyond the end of this year would cost around USD 4.2tn over ten years.

CHART 1.4: US TARIFFS WOULD RISE TO THEIR HIGHEST LEVEL IN 100 YEARS IF THE "RECIPROCAL" TARIFFS PLAN IS FULLY IMPLEMENTED

EFFECTIVE TARIFF RATE ON US IMPORTS (%)



Source: The Budget Lab at Yale, The Investment Institute by UniCredit
Note: The red line excludes the additional 71% retaliatory tariff on China effective 9 April.

2. Imports will likely fall sharply

Higher tariffs will weigh heavily on US import demand, the extent to which will depend on the elasticity of demand to import prices and how much foreign exporters reduce their prices in response to the tariffs, as well as movements in the value of the US dollar. During the (relatively small) rise in tariffs in 2018-19, most studies found that foreign exporters did not lower their prices and that the US dollar appreciated somewhat. In the latest round of tariffs, the trade-weighted US dollar has depreciated (by more than 5% YTD), while (pre-tariff) US import prices of goods originating from China rose in February, despite an additional 10% tariff that took effect on 4 February. The depreciation of the US dollar is likely partly driven by investors pricing in more Fed cuts (we think they are wrong to do so), but we also think some of it is down to investors reevaluating the reserve-currency and safe-haven status of the US currency. If foreign exporters do not lower their prices and the trade-weighted US dollar were to remain broadly unchanged, then the full rise in tariffs would feed into import prices. Whether these are passed on to consumers will depend on the profit margins of US retailers and other US firms.

An academic paper[1] on the 2018-19 rise in US tariffs, found that a 10% tariff was associated with a 10% fall in imports in the first three months, with the drop doubling over time. However, the rise in

[1] See Amiti, Redding and Weinstein (2020), *Who's Paying for the US Tariffs? A Longer-Term Perspective*, National Bureau of Economic Research, Working Paper 26610, January 2020.

tariffs in 2018-19 was almost entirely directed at China, and there is evidence that Chinese exports were re-routed via third countries to the US to circumvent higher tariffs. This time it is likely to be harder to find alternatives since tariffs are being applied much more broadly, so we suspect the import elasticity to tariffs will be lower. A 20pp rise in the average US tariff could lower US imports by as much as 20% over time. If so, the additional tariff revenue would fall to USD 5.3tn over ten years, only slightly more than the cost of extending the individual tax cuts.

3. Trade diversion from highly tariffed to lower-tariffed countries

The rise in tariffs is not uniform across countries, particularly the "individualized" tariffs effective 9 April on major US trading partners. In general, additional tariffs applied this year are higher on Asian economies, particularly China (104%), Vietnam (46%), Taiwan (36%), Thailand (36%) and Indonesia (32%). The EU faces a 20% additional tariff, while Mexico and Canada have received preferential treatment (USMCA-compliant goods are to remain duty-free). This differential treatment is likely to create some trade diversion, with US imports diverted away from more highly tariffed countries and towards substitutes in countries facing lower tariffs. This will lower tariff revenues, all else being equal, but the extent is very difficult to estimate. For this reason, we consider the estimate for the rise in tariff revenue provided in the section above as an upper bound.

4. Tariffs will weigh on GDP growth and, therefore, tax receipts

Higher tariffs will slow the US economy, the extent to which will depend on retaliatory measures by the country's trading partners. Our new forecast sees GDP 1.0% lower (equating to around USD 300bn) at the end of 2026 compared to our previous forecast. Some of the reduced growth comes from policy uncertainty and reduced sentiment, which delays consumption, hiring and investment, some of which will likely be temporary. However, in the longer run, many studies have found that lower trade openness reduces productivity growth (due to reduced competition from foreign firms, lower specialisation, reduced economies of scale and lower skills and technology transfer embodied in, and linked to, trade flows). One widely-cited study[2] found that the elasticity of income per capita to trade was roughly 0.5. So, a 10% fall in trade volumes would reduce income per capita by 5% in the long run. If US imports fall by as much as 20%, it suggests US incomes would be as much as 10% lower than they would otherwise have been in the long run. An interactive table published by the Congressional Budget Office (CBO) last year[3] suggests that a 1pp fall in productivity growth each year compared to the CBO's baseline might reduce federal revenues by more than USD 4tn over ten years. Partly offsetting this is an upward effect on tax revenues from tariffs raising the price level and, hence, the nominal tax base. Overall, and after accounting for the indirect effects, we expect little improvement in the federal budget from the imposition of these tariffs.

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[2] Feyrer, James (2009), *Trade and Income: Exploiting Time Series in Geography*, National Bureau of Economic Research, Working Paper No. 14910.

[3] See Congressional Budget Office (2023), *Workbook for How Changes in Economic Conditions Might Affect the Federal Budget: 2023 to 2033*.

The EU defence package and Germany's leading role

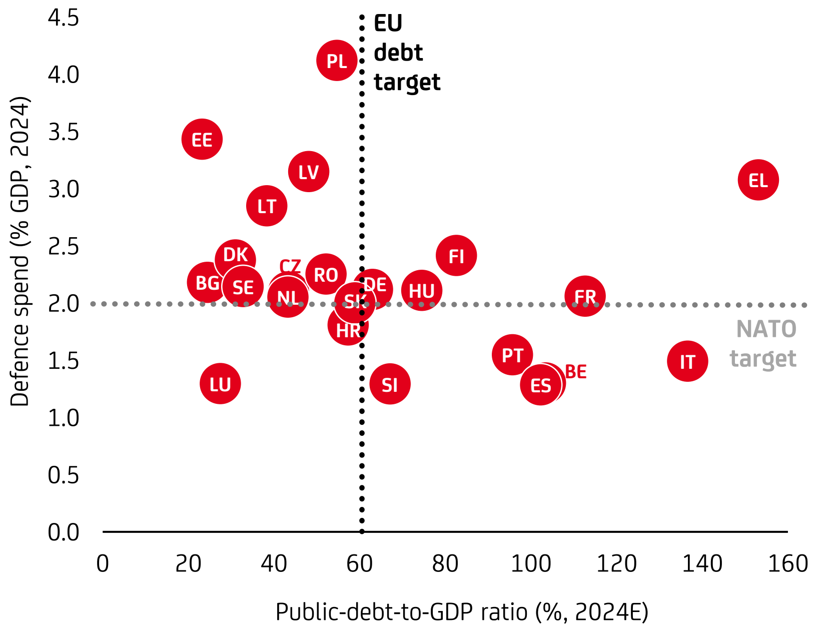
Before reciprocal tariffs took centre stage in the political debate, investors focused on news about Europe's intentions to ramp up defence spending as a result of Trump's threat to withdraw from NATO. The EU defence package, ReArm Europe plan/Readiness 2030, aims to mobilise close to EUR 800bn (see The Short View). The plan envisages **1.** a national escape clause (NEC) of the Stability and Growth Pact; and **2.** a EUR 150bn loan instrument – Security Action for Europe (SAFE) – for cross-country, defence-related projects. While ReArm Europe is a step in the right direction and has boosted Europe's appeal for equity investors, the plan might underdeliver. Despite the name, it is a member-state level program rather than an EU-level program. In other words, the EU is loosening fiscal rules and providing credit lines, but it is then up to national governments to take action.

Thanks to the NEC, Germany will have sufficient room to further increase defence spending (from about 2% of GDP currently), and we expect it to be one of the main contributors to the plan. Small EU countries, which have sounder debt positions, are also likely to be keen to increase defence spending even if they already spend more than 2% of GDP on defence. However, they might end up mobilising a relatively limited amount of resources under the plan. Belgium, France, Italy and Spain instead will probably adopt a more cautious approach while striving to strike the right balance between a need to increase defence spending (which is relatively low) and the prospect that this will add to public debt (already relatively high) in the medium term. Without mandatory commitments, the temptation to free ride on those who increase defence spending will be high.

Moreover, once circumstances are no longer in place to allow for a derogation from EU fiscal rules, and to ensure a structural increase in defence expenditure, governments will be called upon to re-prioritise spending. This could prove to be a tough political choice. For these reasons, in our view, member states would be wise to exploit flexibility towards fiscal rules and the attractiveness of EU loans to boost joint defence investment and address existing critical capability gaps in terms of EU and NATO priorities – even if governments might struggle to agree on where to spend the money for cross-border investments, as each will want to maximise the economic benefits to their own constituencies. This, in turn, will promote innovation, competitiveness and medium-term growth while paving the way for a true European defence union.

CHART 1.4: MAPPING DEFENCE SPENDING AND PUBLIC DEBT

% GDP



Source: EC, Eurostat, NATO, The Investment Institute by UniCredit

FOCUS 1

Bridging the gaps to defend Europe's future

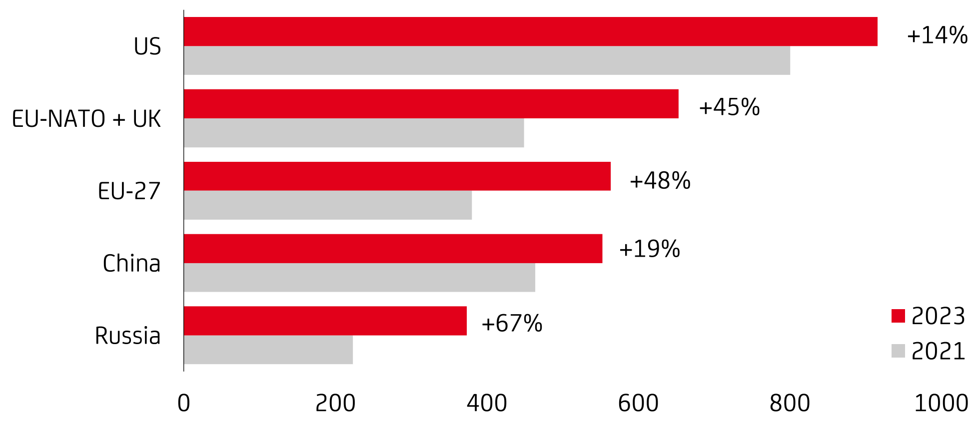
Author: Andreas Rees

The global political landscape has changed at breathtaking speed in recent weeks. The post-Cold War consensus in which the US upheld an international rules-based order and ensured Europe's security has been shattered. As a result, the EU has been forced to come up with plans to bolster its own defence capabilities, a step which could represent a quantum leap in further European integration. In the following, we will deal with one important aspect that could decide about success or failure: the nexus between the EU's military spending plans and the capability of the European defence industry to deliver in terms of additional production.

The starting point of our brief analysis is the demand side. In chart 1.5, we compared military spending figures from the EU, the US, China and Russia. Accordingly, the US had by far the highest military expenditure in 2023, at more than USD 900bn (see chart below). The group of countries that are both EU and NATO member states, plus the UK, ranks second with about USD 650bn, followed by China (USD 550bn) and Russia (USD 370bn). Note that these figures are based on military purchasing-power-parity exchange rates to reflect relative price differences for soldiers (wages), operations and equipment.

CHART 1.5: EUROPE AHEAD OF CHINA AND RUSSIA?

MILITARY SPENDING IN 2023, IN USD BN (MILITARY PPP)

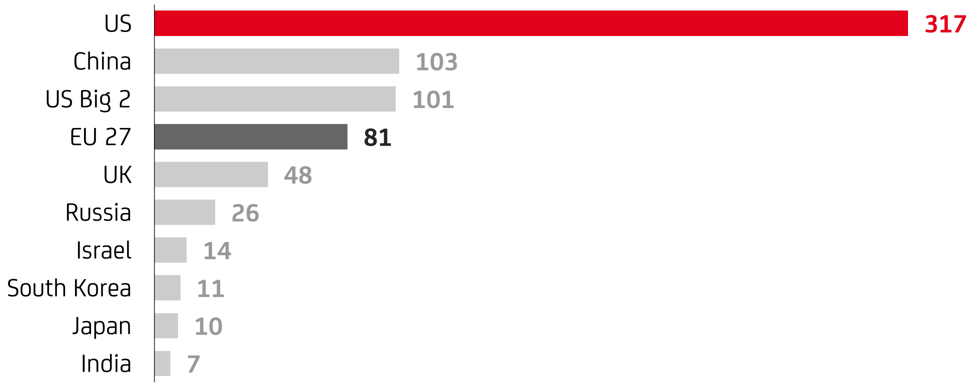


Source: Peter Robertson, The Investment Institute by UniCredit

While this comparison may look reassuring for Europeans, appearances are deceiving. Clearly, the data have to be put into perspective. Above all, the defence spending of EU states does not equal actual military strength. Given the limited capacity of companies in the arms industry worldwide, the higher demand could not have been matched by higher production of military equipment in recent years. Furthermore, the EU defence industry is no match for the US or China (see chart 1.6). The following figures relate to the sales volumes of the top 100 companies worldwide, for which data are available for comparison. Accordingly, EU27 companies generated revenues of about USD 80bn in 2023 (EUR 130bn including the UK), compared to USD 320bn by US firms and more than USD 100bn by Chinese companies. Tellingly, the revenues of the two largest US companies alone exceeded the total sales of all EU27 firms in the top 100. Given the low capacity in the EU, an even larger share of European defence procurement budgets has been spent on military imports from the US in recent years.

CHART 1.6: US COMPANIES DOMINATING

2023 SALES OF TOP 100 ARMS-PRODUCING AND MILITARY SERVICES COMPANIES BY COUNTRY/REGION, IN USD BN



Source: SIPRI, The Investment Institute by UniCredit

With production lines already running at full capacity, European policymakers must grapple with the question of how production in the defence industry can be swiftly ramped up. Above all, a truly common European defence market is needed, one that overcomes the current fragmentation. For example, more than 150 different types of weapons are being used in the European Union, compared to only 24 in the US. Removing such barriers would not only increase competition but would also lead to larger order volumes and provide long-term planning certainty for arms manufacturers. Furthermore, Europe's technological status is liable not just to impair military innovation but to endanger its cyber security. More than 80% of Europe's critical digital technologies such as cloud-computing, software, AI, etc. have been sourced from abroad, primarily from the US.

The demands on Europe to become more self-reliant in defending its territory are certainly challenging. However, this does not mean that it is impossible. The EU, along with the UK and some other European countries, could activate its potential to deliver. After all, Europe has a strong industrial base and has outproduced the US in strategic sectors, such as civil aircraft, motor vehicles and steel. This strength is likely to pay off now, as spare industrial capacity in Europe could be repurposed to produce military equipment. Using existing plants instead of creating new ones would save precious time and would allow production to be ramped up more swiftly. The EU could also work even more closely with Ukraine by integrating their defence supply chains and sharing battlefield experience. Ukraine has developed new technologies, such as drones equipped with AI-enabled autonomous navigation capabilities, which have demonstrated their effectiveness in the Russia-Ukraine war.

It is true that achieving full military autonomy from the US would take many years. However, one should not confuse military independence with building up a credible deterrent against Russia. While the former is unlikely to be reached by 2030, military experts believe that the latter can be achieved in the next five years. However, it would need Europe to ensure that its declarations are followed by actions. While there has been a massive injection of public money recently, this still needs to be backed by the signing of contracts with defence companies. Slashing bureaucracy in procurement and harmonizing national rules would speed up this process. The EU needs to follow its words with deeds now.

Market Stories

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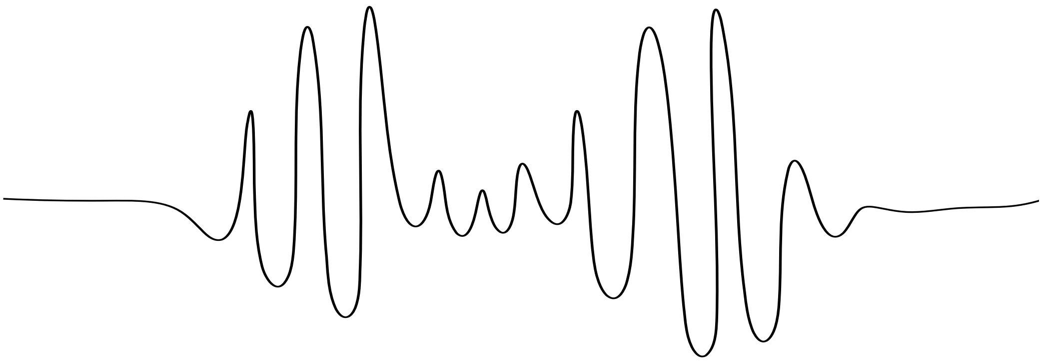
What’s going on in the market?

THE NOISE

Trump has kept markets on edge with a salvo of announcements regarding tariffs and trade policy. His "Liberation Day" announcement of reciprocal tariffs on major trading partners that contribute to the US trade deficit created significant uncertainty. The US administration plans a base tariff of 10% on all imports, with additional country-specific tariffs, but has emphasised that these tariffs could be reduced through negotiations. Meanwhile, positive news from Europe, including a more constructive tone between Ukraine and the US and a partial ceasefire between Russia and Ukraine, has had little impact on markets.



THE SIGNAL

The market narrative has shifted away from US exceptionalism amid high volatility and heightened uncertainty stemming from Trump's erratic announcements, which have dampened US growth expectations and fuelled recession fears. This has hit US equities and spurred demand for bonds. A stronger-than-expected fiscal response emerged in Europe. Germany led the way with a significant stimulus package to increase spending on defence and infrastructure. In addition, the European Commission plans to boost Europe's military capabilities, which has improved sentiment in European equity markets and pushed German government bond yields higher. However, recent tariff news from the US and potential European retaliation are also triggering risk-off sentiment in European markets.

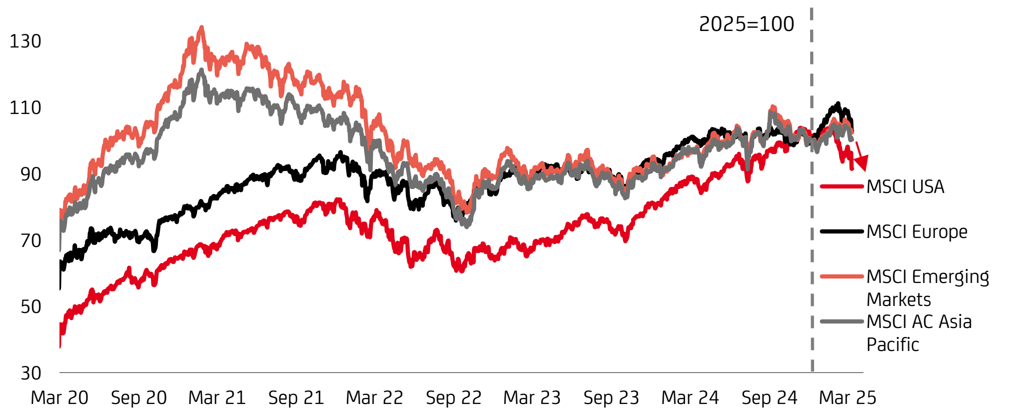
Equities

TARIFF-RELATED UNCERTAINTY AND BOLD EUROPEAN POLICY SHIFT TO SUPPORT VALUE SECTORS

Stock prices plummeted globally in the aftermath of what Trump called America's "Liberation Day". The US tariff announcements lead to increased economic uncertainty, and thus to uncertainty regarding company earnings. Accordingly, stock market volatility (in both directions) will remain high in the coming months. Recent developments are challenging a scenario that has long prevailed in equity markets, that of US exceptionalism, and have led to a significant revaluation of **US equities** (see Chart 2.1). Negative earnings revisions for fiscal year 2025 should continue, with the US stock market being most negatively affected so far. Other regions will not be able to escape this trend.

While **European equities** face headwinds from the imposition of Trump's tariffs, they have a certain buffer thanks to the recent bold policy shift in Europe towards expansionary fiscal spending (on infrastructure and defence) announced for the coming years, particularly in Germany. Before "Liberation Day" caught markets on the wrong foot, they reflected a resurgent Europe that is holding its own while coping with being left in the lurch by the US, and they priced in an improvement in the medium-term outlook for the eurozone. Going forward, in view of potential negotiations and deals between the US and its trade partners, the burden for the stock market should be manageable in the medium term. Although the risk of a pronounced slowdown of the global economy has increased, we expect the stock market to stabilize going forward, while changes in the investment landscape could create the potential for more-balanced returns than in recent years.

CHART 2.1: EMERGING MARKETS AND EUROPE HAVE BEEN LEADING SO FAR THIS YEAR



Source: Bloomberg, The Investment Institute by UniCredit (observation period: 3 April 2020-3 April 2025)

For years, **growth stocks,** particularly in the US technology sector, have been the main source of stock-market performance. However, and in connection with the rotation of funds out of the US, investors are increasingly looking for still-undervalued companies with strong fundamentals, largely stable earnings and tangible assets, i.e. hallmarks of **value investing** that have long been unpopular in the AI era (see Chart 2.2). Persistently high uncertainty around US trade policy, weakening US economic indicators, rising bond yields in Europe and increased market volatility have made growth stocks more vulnerable, while the announcement of fiscal stimulus in Europe, particularly in Germany, has created a more favourable environment for value stocks. Looking ahead, potentially higher long-term interest rates and a steeper yield curve resulting from the recent policy shift in Europe should favour value-oriented stocks over their growth counterparts. Against this background, we have reduced our 2025 year-end target for the S&P 500 to 5700 index points and for the Euro STOXX 50 to 5350 (for more index targets, see risky asset forecast table on page 24).

CHART 2.2: RETURN OF VALUE STOCKS

Source: Bloomberg, The Investment Institute by UniCredit (observation period: 3 April 2000-3 April 2025)

In China, the government is trying to revive the economy by boosting consumption and lowering borrowing costs while stabilising the equity and real-estate markets. Investor attitudes towards **Chinese equities** seem to have become more optimistic, as Chinese technology stocks have benefited from the emergence of DeepSeek and the AI theme more generally. Accordingly, the Chinese stock market has recovered from the low point observed in mid-January. However, this trend has been halted by the announcement of a drastic increase in US tariffs on global and Chinese imports, which will deal a major blow to China unless significant concessions are made by the US after all.

Meanwhile, **Japanese equities** ended the first quarter on a weak note due to concerns about the global economy, the fall in USD-JPY and, most importantly, fears that the aggressive tariff regime of the US will be further extended. In fact, Trump's "Liberation Day" tariff blow is fuelling these concerns. Nevertheless, meaningful corporate governance reforms, two years of strong wage growth signalling economic normalisation, and the growing gap between forecast earnings and equity prices should be supportive from a fundamental and technical perspective, respectively.

Fixed Income

LONG-DATED EGB YIELDS UNLIKELY TO FALL FROM HERE

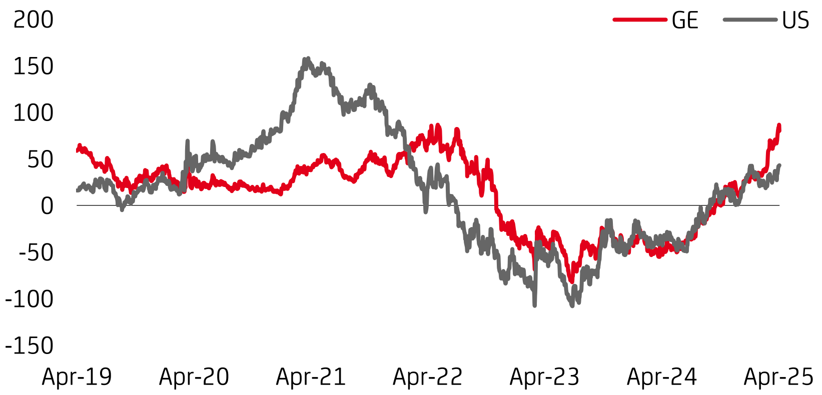
GOVERNMENT BONDS

March was very intense for sovereign bonds. Germany's announcement of higher fiscal spending as well as the launch of an EU defence plan led to tremendous steepening in EGB curves, as investors repriced the term premium to take into account the effects of higher supply. EGB spreads remained overall-stable, likely reflecting an improved growth outlook due to a more-proactive fiscal stance. Later in the month, however, yields fell back, led by deteriorating growth expectations in the US and risk-off sentiment. Tariff announcements on 2 April sent markets into a tailspin. Yields in the eurozone fully retraced the effect of Merz announcement, equity markets have dropped by more than 20% from February's peaks and rate-cut expectations have mounted, both in the eurozone and in the US. Cross country spreads have widened a bit. The announcement to delay tariffs by 90 days has led to yet another U-turn in markets.

The picture as to where things will go from here is highly uncertain. Average US tariffs as announced on 2 April hit a multi-decade high. This probably represents an upper bound to where they will eventually settle. The decision to delay their application by 90 days supports this idea, but it is highly uncertain how far tariffs might come down. The Fed will likely be in a difficult position, given tariff-related inflation pressure and weakening growth. The possibility that international investors may become progressively disaffected with US assets adds another layer of complexity to the outlook for markets. We see expectations for Fed easing as excessive. Going forward we expect higher UST yields at the short end, while the 10Y yield may stabilize at around 4.50%.

EGB yields have also declined, as investors are pricing in a more dovish ECB. However, the curve steepening that followed the fiscal announcement by Germany has not been questioned. If anything, the curve has steepened even more following the 2 April "liberation day" tariff announcements. EGB yields will remain driven by expectations of ECB rates in the coming months, but we are sticking with our view that term premium repricing is here to stay and that the curve will remain steeper than in the past. Against a projected target for ECB rates of 1.75% by 3Q25, we expect 10Y Bund yields to be around 2.70% in the next months. We remain constructive regarding BTPs; the negative impact from lower growth should be offset by expected-lower ECB rates, which should keep funding costs subdued, especially at shorter tenors.

CHART 2.3: BUND AND UST CURVES MOVE IN DIFFERENT DIRECTIONS
2/10Y SPREAD (BP)



Source: Bloomberg, The Investment Institute by UniCredit

CORPORATE CREDIT

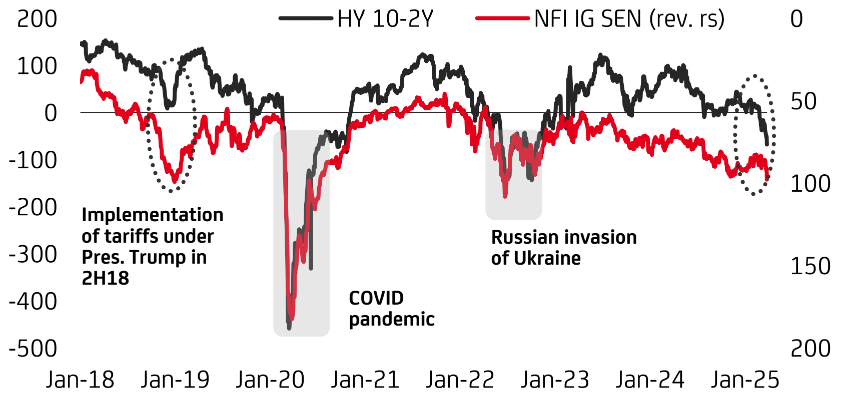
We see the new tariffs announced by the US administration as credit negative, as they imply lower economic growth both in the US and eurozone, which also weakens the outlook for European corporate credit fundamentals. Responses from the EU and China are still open, which leaves uncertainty in the foreign trade environment high. The announced tariffs are larger than those implemented under Trump's first term. As a response to those tariffs, credit risk premiums in the iBoxx High Yield Non-Financials Index – which, at that time, were much tighter than they are now – widened by 80bp, and those of investment-grade seniors widened by 30bp in 2H18.

Moreover, as our chart shows, the European credit curve has started to invert moderately as investors have started to take into account the increasing likelihood of a recession, in contrast to 2H18, when it merely flattened in response to the tariffs. Even if recession is not part of our base scenario at this stage (and we also do not expect a major wave of defaults), the sheer scope of the tariffs will lead to palpable growth deceleration in the eurozone, thereby undermining corporates' ability to generate EBITDA and causing deterioration of credit metrics.

This has led us to revise our corporate-credit spread forecasts: we see that of investment-grade non-financial credit widening to 125bp (15bp from current levels) and that of high-yield non-financial credit widening to 450bp (45bp from current levels) in 1H25, with scope for moderate spread tightening (to 110bp and 420bp respectively) by year-end. Yield spreads of non-financial hybrids are expected to widen to 290bp (40bp from current levels) by the end of the year. European corporate credit still offers decent carry. We recommend to overweight investment-grade and underweight high-yield credit.

Lower economic growth will also be negative for European bank credit. Although we are still confident of banks' strong credit fundamentals, bank credit is also a macro play and tends to underperform in a risk-off environment. Markets also seem to be assigning a higher likelihood to an economic-recession scenario than we have, and such a scenario would impact bank credit twice – in the form of lower revenues due to interest-rate cuts by central banks and lower loan growth and rising loan-loss provisions. We have raised our 1H25 bank senior-bond spread forecast from 90bp to 130bp (the current spread is 114bp) and expect to see moderation until end-2025 to 115bp, reflecting potential progress in negotiations to ease tariffs. Spread pressure will be more pronounced for subordinated debt. We expect to see decompression of the bank capital structure in place when spreads were at historical lows before the tariff announcement. We have raised our year-end Tier-2 spread forecast from 140bp to 180bp (the current spread is 194bp) and our AT1 spread forecast from 350bp to 450bp.

CHART 2.4: IBOXX INVESTMENT-GRADE NON-FINANCIALS SPREADS VS. HIGH-YIELD CURVE STEEPNESS, BP



Source: S&P Global, The Investment Institute by UniCredit

Commodities

GOLD LEADS COMMODITIES TO TOP PERFORMANCE

CRUDE OIL

China's demand for oil has recently become a driving factor for the commodity, as evidenced by the country's imports in March, while OPEC+ reversed production cuts starting from April amid supply disruptions related to new US sanctions against Russia and Iran. Despite the recent slump in oil prices triggered by Trump's aggressive tariff announcement, the cartel has agreed to further expand production in May. Growing trade tensions are raising global demand concerns and increasing uncertainty, as markets wait to see how trading partners react, while higher reciprocal tariffs could also slow the adoption of clean energy globally. Given the likely economic damage brought about by Trump's tariffs and fears of a full-blown global trade war, we now expect oil prices in the range of USD 65-70/bbl for most of 2025. Such fears will also keep oil-price volatility high.

NATURAL GAS

TTF prices continued to be volatile throughout 1Q25, driven by political and market forces. After peaking at EUR 58/MWh in February, prices have since retreated below EUR 40/MWh, as plans to ease EU storage requirements for the upcoming winter season helped to bring prices down from their peak. Demand for LNG on the global market should be stronger in 2025 than in previous years after an especially cold winter in Europe and the cancelation of most remaining trade flows from Russia left gas storage levels well below those of the prior year. However, a weaker global economic outlook and the relaxation of European storage targets should keep price growth from spiking above the most recent highs. We therefore expect only modest upside pressure on TTF prices in the coming months and are lowering our price target to a trading range of EUR 40-45 from EUR 45-50/MWh previously.

GOLD

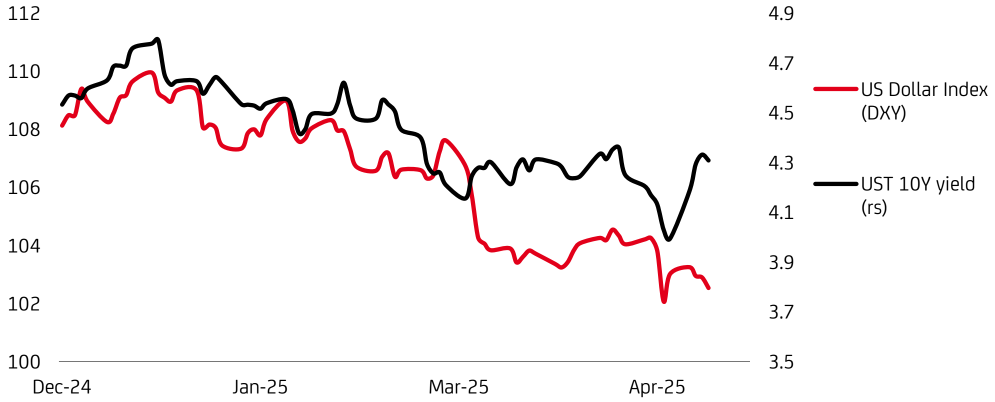
The precious metal has continued to rally in recent weeks and is holding steady above USD 3,000/oz due to the high level of uncertainty in markets over the future course of US tariffs and trade policy. It has been one of the best-performing commodities this year, rising by around 20% in the first three months and posting its best quarter since the mid-1980s. We expect gold prices to remain well supported throughout the course of the year, given the ongoing political uncertainty stemming from the Trump administration and the resulting rising tide of safe-haven demand. In addition, continued central-bank buying and increasing demand for bullion-backed ETFs should create a constructive environment for the metal, although technical setbacks are likely. We therefore expect gold to trade around USD 3,000/oz this year, with further risks to the upside.

Foreign Exchange

MORE SUSTAINED EUR-USD STRENGTH REMAINS FAR FROM CONDUCIVE

In FX, **EUR-USD** hit new YTD highs above 1.10 as President Trump's tariffs announcement raised concerns about an economic recession in the US. This hurt the greenback across the board, despite the sell-off on equity markets worldwide, which boosted more the JPY and the CHF as safe-haven currencies. The drop in long-term US yields weighed on the USD across the board as well (see the chart below). EUR-USD will likely remain firm, also reflecting some mild USD disaffection prevailing in the market and the US Administration's intention to have a competitive currency. However, the bar for more sustained strength of the common currency with the same intensity seen up to now remains high, also given our less-aggressive Fed's call. Moreover, data on positioning also show that asset managers are already sufficiently net long EUR-USD after the greenback was sold in March and the "Trump trade" that followed the US election has been totally reversed. In the meantime, investors will probably also focus on how new infrastructure and military spending plans will be effectively implemented across the eurozone and on their impact on national deficits and debts. Uncertainty about possible retaliation to US tariffs and peace negotiations for Ukraine might add volatility too.

CHART 2.5: FALLING US YIELDS WEIGHED ON THE USD ACROSS THE BOARD



Source: Bloomberg, The Investment Institute by UniCredit

FOCUS 2

Higher defence spending, higher yields? Not necessarily

Author: Francesco Maria Di Bella

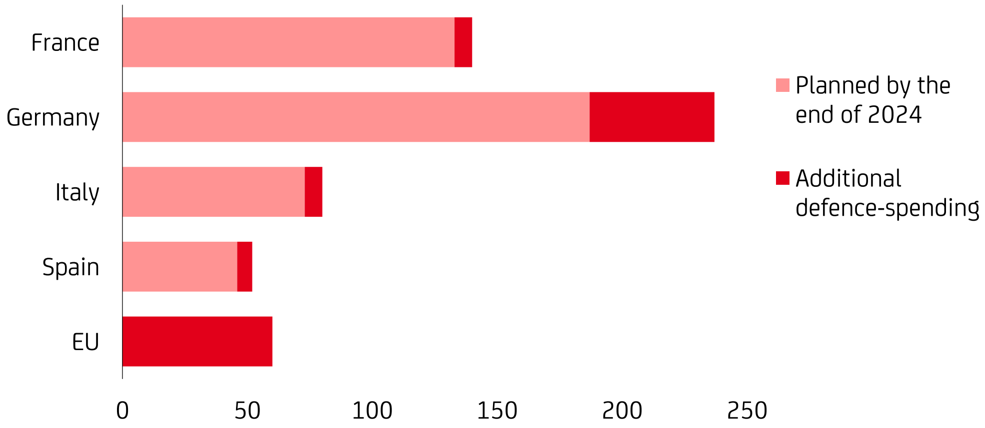
Foreign policy under the Trump administration has led US allies to rethink their defence strategies. European countries have three different channels through which they could increase defence spending: national funding, EU loans and private capital.

Before discussing the possible implications for fixed-income markets, it is necessary to make two clarifications. Barring differences between countries due to varying fiscal positions, EU countries have already increased their defence spending in the last few years, especially following the Russian invasion of Ukraine. Even before the result of the US presidential election, most countries had planned to raise this amount going forward. The second point is that the timing of the implementation of these expected increases is uncertain.

The chart below shows how defence spending is expected to increase in 2025-26 compared to what they announced by the end of last year. With the exception of Germany, major EU countries will probably increase defence spending only marginally and could rely on EU loans (through the SAFE instrument).

CHART 2.6: NEW US FOREIGN POLICY WILL RESULT IN HIGHER DEFENCE SPENDING IN EUROPE

DEFENCE EXPENDITURES IN 2025-26 (EUR BN)



Source: Eurozone debt agencies, European Commission, The Investment Institute by UniCredit

Bunds and other EGBs came under pressure following the announcement of the “fiscal bazooka” in Germany. Germany’s infrastructure fund has probably had a stronger impact on EGB yields as it was less expected and due to its bigger size. As the increase in defence spending is likely to be contained and distributed over many years, we do not expect significant moves in EGB yields or spreads from current levels.

The impact on EU bonds is more difficult to predict as the EU could cover SAFE loans with instruments other than bonds and the actual size of the instrument is still unknown as countries have not yet applied for this instrument. In any case, higher EU bond supply would not be totally negative for the asset class as it could increase its liquidity, especially as the funding activity linked to the NGEU is set to phase out soon.

FOCUS 3

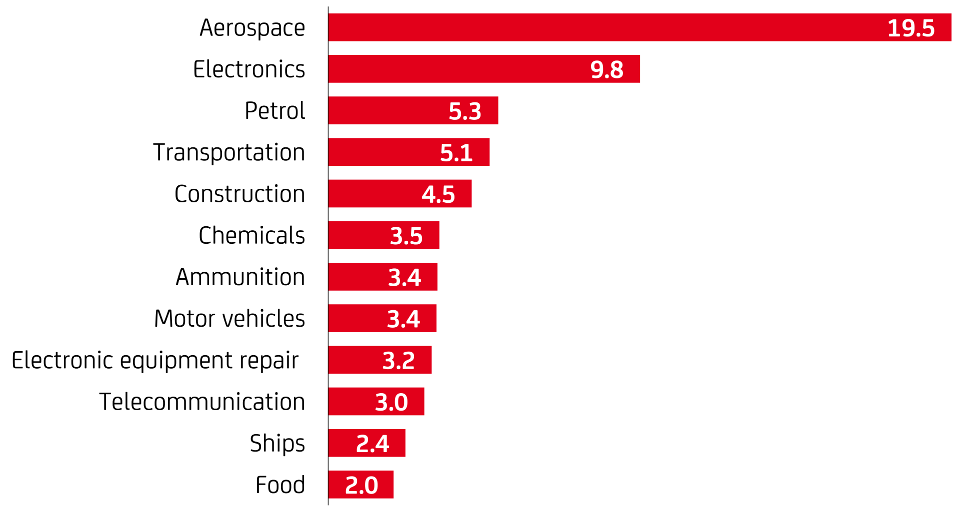
Which sectors will benefit from higher EU defence spending?

Authors: Andreas Rees, Christian Stocker

In deriving sector implications of higher EU defence spending, one has to distinguish between direct and indirect effects on sectors. The direct impact includes government purchases of military equipment, such as planes, ships, tanks and military vehicles, from which the arms industry benefits. Furthermore, governments will also spend more money on the expansion of military infrastructure. Examples are military bases, barracks and training facilities, from which especially companies in the construction sector will profit. However, and importantly, there are also indirect effects of higher EU defence spending. These are less obvious and analytically more difficult to disentangle. For instance, the production of tanks requires input from other industrial sectors that produce metal parts, electronics, chemical ingredients, etc.

For quantifying direct and indirect effects, economists often use the tool of input-output (I-O) analysis. I-O data allow one to understand the economic interdependencies between different sectors and how higher defence spending ripples through an economy, either via domestic production or imports. Unfortunately, such EU data on military expenditures are not available, neither at a pan-European nor at a national level. As a rough proxy, we therefore used I-O data for the US economy and looked at intermediate input goods and services that are required for US defence spending. Accordingly, while direct effects play an important role, higher military expenditures also have a rather widespread effect across sectors. About 20% of the needed intermediate inputs come from the aerospace industry, followed by the electronics sector, with roughly 10% (see Chart 2.1). Industry involved in logistics, in the form of transportation and warehousing (5%), construction (4%) and chemicals and motor vehicles (3% each), also benefit.

CHART 2.7: USE OF INTERMEDIATE INPUTS BY THE US GOVERNMENT (DEFENCE), IN %*



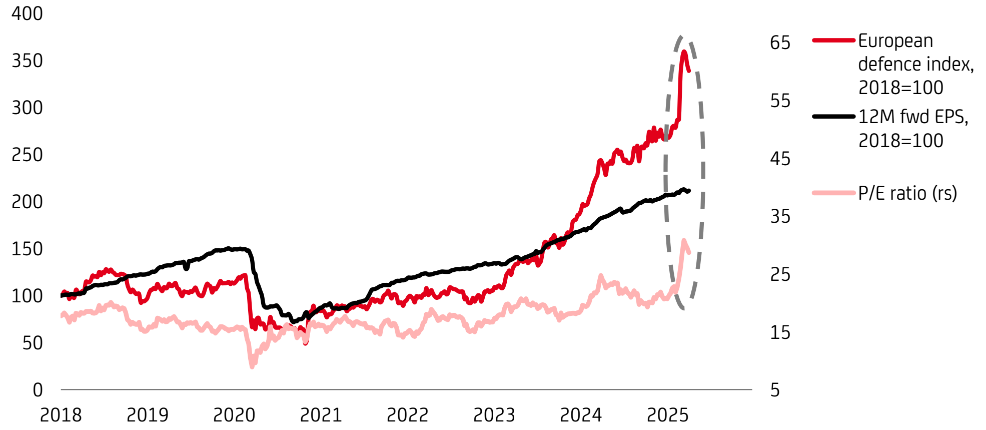
Source: Bureau of Economic Analysis, The Investment Institute by UniCredit
*as % of total intermediate inputs for defence; in 2017 (latest available data)

In the case of the EU, substantial efforts would also be needed to expand and protect critical infrastructure against security threats and sabotage of a military, hybrid or cyber nature. When it comes to physical assets, examples are resilient energy sources, including electricity and fuel, and reliable transportation systems, which are needed for the swift deployment of military forces and equipment. Modernising and increasing the resilience of airports, ports, roads and railways will benefit the construction industry but also the manufacturing sector and mobility services.

Furthermore, safeguarding the EU's national security also requires the protection of its cyber assets. Europe's technological sovereignty is fragile. To a large extent, essential digital technologies, such as those used to process and store data, artificial intelligence, software, cloud services, etc. have been sourced outside the EU so far, and especially from the US. Lowering such dependence would benefit European software companies, data centres and telecommunication providers.

CHART 2.8: INDEX OF EUROPEAN DEFENCE COMPANIES

EPS ESTIMATES AND P/E RATIO



Source: Bloomberg, The Investment Institute by UniCredit

Companies in the arms industry will directly benefit from increased defence spending in Europe. However, this is already largely reflected in the current share prices of European defence companies, as shown in Chart 2.8. The defence index we have compiled contains the 12 largest European defence companies (with 3 companies each from Germany, France, the UK and 1 company each from Italy, Sweden and Norway). The chart not only illustrates the strong increase in the value of companies since the beginning of the war between Russia and Ukraine, it also shows the steady increase in corporate profits that has occurred during this period, while P/E ratios have remained largely at their long-term average of just below 19, which is largely in line with the average P/E of US defence companies (with an average P/E of 18).

However, the picture has changed since the beginning of this year, with a sharply increased need for European defence efforts. The P/E ratio (based on 12M fwd EPS) of European defence companies jumped to 30, while their US counterparts currently show a valuation discount of more than 35%. This large difference is likely to limit the further potential of European defence companies on stock markets, especially since high profit expectations can only be met through long-term and investment-intensive capacity expansion. Against this background, targeted investments in the above-mentioned sectors that benefit from indirect effects of increased defence spending appear more attractive.

Asset Allocation

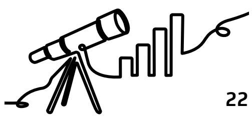
NAVIGATING MARKET VOLATILITY WHILE OPTIMIZING POTENTIAL RETURNS

Given the prevailing uncertainties, we currently advocate a cautious approach that avoids large, directional trades. Our strategy highlights a global perspective on equity portfolios, harnessing the strengths of various countries and regions, while combining value and growth investment styles. This approach promotes a diversified and well-rounded investment strategy, which is designed to help weather market volatility while optimizing potential returns in troubled markets.

OUR INVESTMENT VIEW ON ASSET CLASSES

	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
GLOBAL EQUITIES		●	
US EQUITIES		●	
EUROPE EQUITIES	●		
PACIFIC EQUITIES (DEVELOPED MARKETS[1])			●
EMERGING MARKET EQUITIES		●	
GLOBAL BONDS			●
EMU GOVERNMENT BONDS		●	
NON-EMU GOVERNMENT BONDS		●	
EURO INVESTMENT-GRADE CORPORATE BONDS			●
HIGH-YIELD CORPORATE BONDS	●		
EMERGING MARKET BONDS (HARD CURRENCY)			●
EMERGING MARKET BONDS (LOCAL CURRENCY)			●
MONEY MARKETS	●		
ALTERNATIVES		●	
COMMODITIES		●	
OIL		●	
GOLD		●	

1. Developed Markets (Australia, Japan, Hong Kong, New Zealand, Singapore)



Forecast Tables

UniCredit forecasts

GDP, CPI AND BUDGET BALANCE FORECASTS

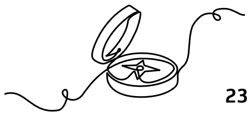
	Real GDP (% Y/Y)			Consumer prices (% Y/Y)			Budget balance (% of GDP)		
	2024	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
Global	**3.2**	**2.7**	**2.9**						
US	**2.8**	**1.7**	**1.9**	**2.9**	**3.2**	**3.2**	**-7.6**	**-8.0**	**-8.6**
Eurozone	**0.8**	**0.8**	**1.0**	**2.4**	**2.1**	**1.9**	**-3.7**	**-3.4**	**-3.2**
Germany	-0.2*	0.1*	1.3*	2.2	1.7	1.7	-2.8	-2.2	-3.0
France	1.1	0.6	1.1	2.0	0.9	1.4	-5.8	-5.6	-4.5
Italy	0.5	0.5	0.8	1.0	1.8	1.7	-3.4	-3.4	-3.0
Spain	3.2	2.4	18	2.9	2.5	2.0	-3.2	-3.0	-2.5
UK	0.9	0.8	1.1	2.5	3.2	1.9	-4.3	-4.0	-3.8
China	**5.0**	**4.0**	**3.8**	**0.6**	**0.9**	**1.8**	**-7.4**	**-7.6**	**-7.7**
Japan	0.1	0.9	0.7	2.7	2.3	1.9	-3.5	-3.5	-3.0
India	**8.2**	**6.5**	**6.5**	**4.4**	**4.1**	**4.1**	**-2.4**	**-2.1**	**-2.2**

Source: The Investment Institute by UniCredit
*Non-WDA figures. Adjusted for working days: 0.4% (2024), 0.2% (2025) and 1.0% (2026)

CENTRAL BANKS WATCH

	Current	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
Fed	4.50	4.50	4.50	4.50	4.25	4.25	4.00	4.00	4.00
ECB	2.50	2.50	2.00	1.75	1.75	1.75	1.75	1.75	1.75
BOE	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75
BoJ	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
Riksbank	2.25	2.25	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Norges Bank	4.50	4.50	4.25	4.00	3.75	3.50	3.50	3.50	3.50

Source: The Investment Institute by UniCredit
Note: Figures are end-of-period



INTEREST RATE AND YIELD FORECASTS

	10.04.25	2Q25	3Q25	4Q25
Eurozone				
Depo rate	2.50	2.00	1.75	1.75
3M Euribor	2.30	1.95	1.75	1.75
2Y Schatz	1.87	1.90	1.90	1.80
10Y Bund	2.69	2.70	2.70	2.70
2Y EUR swap	2.05	2.05	2.05	1.95
10Y EUR swap	2.63	2.70	2.70	2.75
10Y Bund-swap spread	-6	0	0	5
2Y BTP	2.18	2.30	2.30	2.20
10Y BTP	3.87	3.90	3.90	3.90
10Y BTP-Bund spread	119	120	120	120
US				
Fed fund rate	4.50	4.50	4.50	4.25
3M OIS SOFR	4.28	4.40	4.23	4.15
2Y UST	3.86	4.15	4.15	4.00
10Y UST	4.31	4.50	4.50	4.50
10Y UST-Bund spread	163	180	180	180

FX FORECASTS

	10.04.25	2Q25	3Q25	4Q25
EUR-USD	1.10	1.10	1.11	1.12
USD-JPY	146	146	145	143
EUR-JPY	161	162	162	162
GBP-USD	1.29	1.28	1.27	1.26
EUR-GBP	0.86	0.86	0.87	0.89
USD-CNY	7.34	7.32	7.30	7.28
EUR-CNY	8.06	8.05	8.10	8.15

Source: Bloomberg, The Investment Institute by UniCredit

RISKY ASSETS FORECASTS

	10.04.25	Mid-2025	End-2025
Oil			
Brent USD/bbl.	64	65	68
Equities			
Euro STOXX 50	4,986	5,000	5,350
STOXX Europe 600	504	500	540
DAX	21,279	21,500	23,000
MSCI Italy	86	92	98
S&P 500	5,457	5,400	5,700
Nasdaq 100	19,145	19,000	20,000
Credit			
iBoxx Non-Financials Senior	110	125	110
iBoxx Banks Senior	114	90	85
iBoxx High Yield NFI	404	450	420

Source: Bloomberg, S&P Global, The Investment Institute by UniCredit

For detailed forecast tables click the following links: Economics I FI I FX I Risky Assets

Development of selected financial market indices

From	**10.04.24**	10.04.20	10.04.21	10.04.22	10.04.23	10.04.24	10.04.20	**1.01.25**
To	**10.04.25**	10.04.21	10.04.22	10.04.23	10.04.24	10.04.25	10.04.25	**10.04.25**
STOCK MARKET INDICES (total return, in %)								
MSCI World (in USD)	**4.4**	50.6	6.0	-5.4	23.3	4.4	94.1	**-6.1**
MSCI Emerging Markets (in USD)	**-3.3**	53.5	-13.9	-9.3	9.5	-3.3	29.0	**-7.0**
MSCI US (in USD)	**7.1**	53.4	9.3	-7.6	28.1	7.1	111.0	**-7.1**
MSCI Europe (in EUR)	**-4.1**	33.8	9.6	3.5	13.0	-4.1	65.3	**-6.5**
MSCI AC Asia Pacific (in USD)	**-4.9**	49.8	-13.1	-5.8	12.2	-4.9	32.3	**-9.1**
STOXX Europe 600 (in EUR)	**-4.2**	35.2	8.5	2.7	13.3	-4.2	64.5	**-6.7**
DAX 40 (Germany, in EUR)	**8.7**	44.2	-6.1	9.2	15.6	8.7	86.2	**-1.2**
MSCI Italy (in EUR)	**2.5**	38.7	4.3	14.1	32.5	2.5	128.3	**-3.0**
ATX (Austria, in EUR)	**6.3**	49.6	5.0	3.1	16.5	6.3	103.1	**-0.1**
SMI (Switzerland, in CHF)	**-2.4**	22.6	15.1	-7.8	5.2	-2.4	33.4	**-5.0**
S&P 500 (US, in USD)	**7.2**	50.5	11.1	-6.9	27.6	7.2	111.2	**-6.9**
Nikkei (Japan, in JPY)	**-18.3**	56.3	-7.4	4.8	44.4	-18.3	80.3	**-19.8**
CSI 300 (China, in Yuan)	**8.7**	35.6	-15.8	-0.8	-12.4	8.7	9.5	**-6.1**
BOND MARKET INDICES (total return, in %)								
US government bonds 10Y (in USD)	**6.3**	-6.6	-7.4	-3.2	-5.3	6.3	-15.6	**3.1**
US government bonds (ICE BofA , in USD)	**5.9**	-4.5	-6.1	-2.3	-2.5	5.9	-9.4	**2.3**
US corporate bonds (ICE BofA A-BBB, in USD)	**5.1**	7.9	-7.5	-2.5	2.6	5.1	5.3	**0.2**
German Bunds 10Y (in EUR)	**1.4**	-0.2	-8.9	-10.3	1.5	1.4	-16.5	**-1.0**
EUR government bonds 1Y-10Y (iBOXX, in EUR)	**2.5**	2.7	-8.2	-9.4	3.3	2.5	-10.1	**-0.7**
EUR corporate bonds 1Y-10Y (iBOXX, in EUR)	**4.1**	7.7	-6.8	-6.2	6.2	4.1	3.6	**-0.3**
BOND YIELDS (change in basis points = 0.01 percentage points)								
US government bonds 10Y (in USD)	**-24**	94	108	71	112	-24	358	**-26**
US government bonds (ICE BofA , in USD)	**-61**	42	171	110	99	-61	360	**-29**
US corporate bonds (ICE BofA A-BBB, in USD)	**-19**	-112	170	131	44	-19	212	**11**
German Bunds 10Y (in EUR)	**14**	1	106	150	11	14	289	**18**
EUR government bonds 1Y-10Y (iBOXX, in EUR)	**9**	-27	106	161	0	9	259	**20**
EUR corporate bonds 1Y-10Y (iBOXX, in EUR)	**-8**	-123	150	204	-45	-8	187	**28**
SPREADS ON GOVERNMENT BONDS (credit spreads, change in basis points)								
US corporate bonds (ICE BofA US Corporate Master)	**32**	-167	25	25	-55	32	-140	**39**
US corporate bonds (ICE BofA US High Yield)	**127**	-472	36	113	-153	127	-359	**145**
Euro corporate bonds (ICE BofA Euro Corp AAA-A)	**17**	-92	34	32	-44	17	-54	**21**
Euro corporate bonds (ICE BofA Euro High Yield)	**77**	-357	97	90	-125	77	-229	**118**
EURO EXCHANGE RATES (change in %)								
US dollar (EUR-USD)	**1.7**	9.4	-8.5	0.5	-0.4	1.7	1.6	**6.3**
British pound (EUR-GBP)	**1.1**	-1.0	-3.4	5.0	-2.5	1.1	-1.3	**4.2**
Swiss franc (EUR-SFR)	**-5.4**	4.3	-7.9	-2.7	-0.6	-5.4	-12.1	**-1.4**
Japanese yen (EUR-JPY)	**-3.2**	10.2	4.0	6.4	13.5	-3.2	34.9	**-2.1**
COMMODITIES (change in %)								
Commodity Index (GSCI, in USD)	**29.8**	-3.3	9.9	2.1	15.7	29.8	65.5	**15.7**
Industrial metals (GSCI, in USD)	**-8.6**	59.8	35.4	-24.5	2.6	-8.6	54.5	**-6.0**
Gold (in USD per fine ounce)	**31.9**	3.6	10.6	2.4	16.4	31.9	82.9	**17.1**
Crude oil (Brent, in USD per barrel)	**-26.4**	98.7	62.2	-17.1	4.5	-26.4	107.7	**-11.8**

Source: Refinitiv Datastream, The Investment Institute by UniCredit (as of 10 April 2025)
Note: Past values and forecasts are not a reliable indicator of future performance. Indices cannot be purchased and therefore do not include costs. When investing in securities, costs are incurred which reduce the performance. The return on investments in foreign currencies may also rise or fall as a result of currency fluctuations. So-called synthetic bonds are calculated to reflect the performance of government bonds in a fixed maturity range. In each case, the most "suitable" real federal bond at the relevant time is used as a reference for the yield opportunity of the synthetic bond. The development of the expected yield to maturity is shown under the following conditions: servicing of interest payments and redemption in accordance with the terms and conditions and holding until maturity. In this respect, it is a yield opportunity. The yield opportunities reflect the different risk assessments of the investors for the respective products or countries (higher yield opportunity=higher risk assessment). The synthetic bonds cannot be purchased and therefore do not include any costs. In the case of currencies and commodities, acquisition and/or custody costs incurred are not included.

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