

UNITED CAPITAL WEALTH MANAGEMENT

GLOBAL MARKET OUTLOOK
FEBRUARY 2025



■ EXECUTIVE SUMMARY



■ LAST MONTH IN REVIEW

US – President Trump has announced plans to impose additional tariffs of 25% on products imported from Mexico and Canada (energy imports from Canada will be subject to an additional 10% tariff) and 10% on imports from China. After several meetings, the decision to impose new tariffs for Canada and Mexico has been delayed for 1 month. Trump also intends to impose a 10% tariff on several European products. The dollar moved up and equity markets dropped due to increased uncertainty and the early concerns about what economic impact a potential trade war could have. The core PCE index, the Fed's favorite inflation measure, held steady at 2.8% for the 3rd month in a row in December, in line with expectations. By keeping its key rate unchanged at 4.5% in its January meeting, the Fed said it expected more progress on inflation before resuming further rate cuts.

Europe – The European Central Bank lowered its key interest rates by 25 basis points in line with market expectations. This unanimous decision, the fifth in its monetary easing cycle, which began in June 2024 brings its deposit rate to 2.75% its lowest level in two years. The institution's President, Christine Lagarde declared that the key rate was still restrictive, suggesting that further cuts could be expected. Indeed, the market is still counting on three further rate cuts by the end of the year. The Eurozone is plagued by economic stagnation, with sequential growth of 0% in the fourth quarter versus 0.4% in the previous quarter. The main good news for Europe in January was the manufacturing PMI indices, which although still in contraction territory, came in above expectations in France, Germany and more generally for the Eurozone as a whole (46.1 vs 45.4 expected and 45.1 in December), helped by a rebound in new orders. Overall, the composite PMI index for the Eurozone as a whole unexpectedly returned to expansion territory at 50.2 (vs 49.7 expected and 49.6 in December), suggesting that a low point has been reached for activity.

UK – The first jobs report of the year paints a familiar picture of the UK labour market. Wage growth remains hot, and indeed excluding bonuses, was a tad

hotter than expected at 5.6% year-on-year. If we strip out government-dominated sectors like health and education, the number of payrolled employees fell by 0.9% across 2024. In its February meeting, the BOE cut interest rates by 25 bps to 4.5%, with 2 members unexpectedly backing a half-point cut. The BOE also halved its growth forecast for this year (0.75% versus previous estimate of 1.5%). The decision and forecast pushed the pound lower versus the dollar.

Japan – Labour cash earnings growth (4.8% year-on-year) were stronger than expected mostly due to strong bonuses and an increase in the minimum wage, but base earnings rose steadily by 2.5% for a second month. Real cash earnings rose 0.6%, following a 0.5% gain in November despite the recent pick-up in inflation. Services PMI rose 53.0 (vs 52.7 in flash, 50 in December). The strong services PMI continued in January, reaching its highest level since September 2024 and remaining in expansionary territory for three consecutive months. Among the sub-indexes, employment and prices charged rose in January, pointing to healthy labour conditions and sustainable inflation in the near future. The JPY appreciated following the Bank of Japan's 25-bps rate hike, which took its deposit rate to 0.50%. Another 25-bps rate hike is expected over the summer.

China – The official manufacturing Chinese Purchasing Managers' Index came in at 49.1 below the 50 threshold that separates expansion from contraction whereas the consensus was for it to remain unchanged at 50.1 in January. The non-manufacturing index, which includes the construction and services sectors, fell to 50.2 two points below its level of a month ago. As a result, the composite index fell to 50.1 just above its contraction level. The unexpected deterioration in Chinese purchasing managers' confidence levels is a wake-up call for the state of the economy and the urgent need for economic stimulus.

■ EXECUTIVE SUMMARY – INVESTMENT IMPLICATIONS

Fixed Income – Rising inflation premium could maintain long term bond yields could stay higher for longer. After the recent rise in US sovereign bond yields, current US 10-year yield levels as more attractive but depending on US inflation outlook and first Trump measures, higher levels can be seen. US 10-year could drop to 4.20% -4.30% on risk off in equities & soft PCE inflation data. Investment Grade bonds still offer an attractive risk/reward profile.

Equities – So far, 50% of S&P 500 companies have reported their 4Q24 earnings Aggregate EPS has beat expectations by 5% on average, while 51% of companies beat on both sales and EPS, i.e., the highest since 1Q23. Corporate sentiment remains at a record high. In spite of the setback in tech sector valuations from the DeepSeek announcement, mega tech Q424 earnings have been positive and surprised to the upside, while comments from management suggested no need to worry on DeepSeek's impact on AI infrastructure spending in the forthcoming future. We prefer Energy, Pharma, Financials and Industrials in the US. We also like Swiss equities for their defensive nature. We are initiating an overweight in Japanese equities - Local consumption is expected to be strong on the back of strong wage hikes and we like stocks exposed to local consumption with attractive valuations.

Currencies:

- EUR/USD – Economic data continues to remain weak. EUR/USD faces resistance in the 1.04-1.05 range and we expect it to target 1.0050-1.0150 in the near-term. The pair is expected to reach 0.95 in 12-18 months.
- GBP/USD – Wage growth is expected to weaken, leading to cooling of service side of inflation. BOE will continue to cut rates in 25 bps tranches. GBPUSD faces resistance at 1.2540 and is expected to target 1.22.

- USD/JPY – BOJ could continue hiking rates due to virtuous cycle of higher wages, consumption and inflation. We expect USDJPY to target 148 in the near-term.
- USD/CHF – USD/CHF to target 0.8600-0.8650. Faces resistance in 0.8800-0.8850 area.

Gold: In January, gold rose to new all-time highs of just under USD 2,800 per oz. Gold traded robustly over the month, and it benefitted from the modest decline in 10-year TIPS yields and the slight weakening of the USD. Physical inventories in the UK (a centre for world gold trading) fell materially, as investors hoarded gold in the US ahead of the potential imposition of US tariffs. Similar dynamics were seen in the silver market, with prices rising towards USD 31.50 per oz. We expect gold to continue rising and target 2900-3000 levels. We expect silver to target 34.5-35.5 levels.

Crude oil: Brent crude traded to highs of above USD 80/bbl at the beginning of January; however, these gains were not sustained, and it subsequently fell back to levels of around USD 77/bbl. We expect oil to trade sideways in the range of \$70-80, given stagnant Asian demand growth and significant non-OPEC supply growth.

INVESTMENT VIEWS

Asset Class	Region	Allocation Preference	Investment Rationale
Fixed Income	US	●	Tax cuts and higher fiscal spending could fuel inflation and boost growth, leading to higher US rates. However, high rates will eventually trigger a slowdown, causing rates to fall. 10y yields to could target 3.70-3.80% on risk off in equities. The spread between 30y and 2y rates has narrowed to -10bps from -50 in November and could turn positive over 12 months. We prefer quality bonds in US IG, EM IG & select US HY bonds with 5-7 duration.
	Eurozone	●	Economic growth momentum continues to remain weak and political uncertainty is high, prompting the ECB to continue cutting rates. Euro zone perps are attractive given the high yields and fundamental strength of the financial sector.
	UK	●	UK 10Yr GILT yields expected to fall over the next 12-18 months as BOE cuts growth forecasts and interest rates. Slowdown in wage inflation will help the BOE on the path towards lower rates.
	Emerging Markets	●	We prefer Emerging Market Investment Grade USD bonds over local currency bonds. Rate cuts in the developed economies are supportive.
Equities	Developed Markets	●	We remain neutral as valuations are high and current equity market rally seems unsustainable. We prefer to focus on sectors that could be medium-term winners due to sector rotation, value and post-election policies. We prefer being overweight Energy, Financials & Pharma in the US. We remain cautious on Eurozone Equities, given the continued economic slowdown and potential headwinds from Trump's trade tariffs. We like defensive Swiss equities. We prefer Japanese equities that will benefit from domestic consumption due to the strength in economic growth momentum and local consumption trends.
	Emerging Markets	●	We maintain a neutral stance on emerging market equities and remain cautious about the headwinds to China's growth momentum posed by Trump's tariffs.
Precious Metals	Gold & Silver	●	Emerging market central banks are likely to remain committed buyers of gold. US tax cuts and tariffs hikes could support gold in the medium to longer term given the economic and geopolitical challenges they may bring. Gold could target 3000 on the upside. Silver's cheapness relative to gold makes it attractive as an investment opportunity. We expect silver to target 34.5-35.5 levels.
Commodities	Crude Oil	●	Brent crude traded to highs of above USD 80/bbl at the beginning of the month; however, these gains were not sustained, and it subsequently fell back to levels of around USD 77/bbl. We expect oil to trade sideways in the range of \$70-80, given stagnant Asian demand growth and significant non-OPEC supply growth
Alternatives		●	We believe that alternative investment strategies such as relative value trades and private market assets have the potential to offer diversification to the portfolio due to their low correlation with public market assets.

● More Preferred ● Neutral ● Less Preferred

UC Imran

USD SUKUK PORTFOLIO

UC Imran is a USD denominated Shariah-compliant product which is prejudice to riba (interest) and unethical investing.

It offers short-to-medium-term investments with a focus on global ethical securities from halal organizations, real estate, Sukuk-as-Salam, Sukuk-al-Murabaha, Takaful contracts, Mudaraba, Musharaka, Ijarah, diminishing Musharaka, Istisna, Wakala, and Islamic Export Refinance.

The fund excludes investments in companies involved in alcohol, tobacco, pork, adult content, gambling, weapons, conventional banks, and insurance companies.



UC IMRAN – INVESTOR BENEFITS



Halal Investing: Funds will be invested in fixed income, and equity securities issued in accordance with Islamic finance principles. Sharia finance law is centred on the concepts of social justice, ethics, and using finances to help build communities.



Portfolio Diversification: Funds are invested in different asset classes and securities with negative correlation to minimize the overall risk of the portfolio.



Hedge against depleting Naira: The fund's invests in USD-denominated assets thus providing investors with a hedge against fluctuations in the value of the Naira.

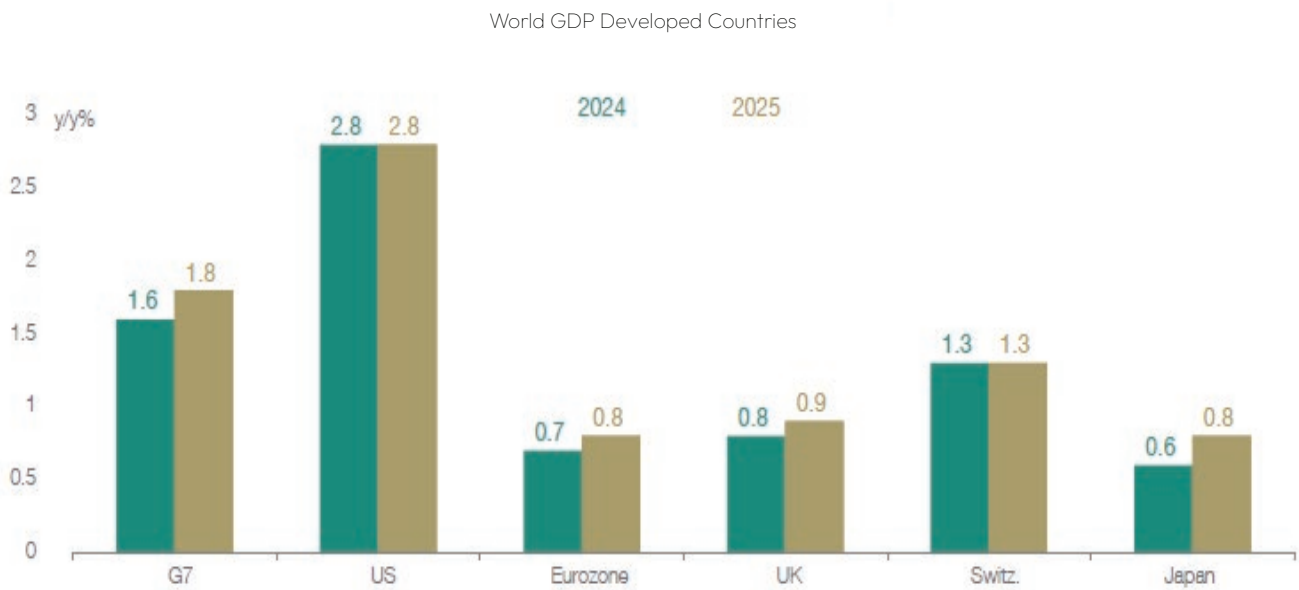
In collaboration with our offshore partners, investors who subscribe to UC Imran will have access to various **halal-based funds and securities** on a discretionary or non-discretionary basis. Fact sheets and research papers on the various funds will be made available to investors when required.

■ KEY MACRO DATA



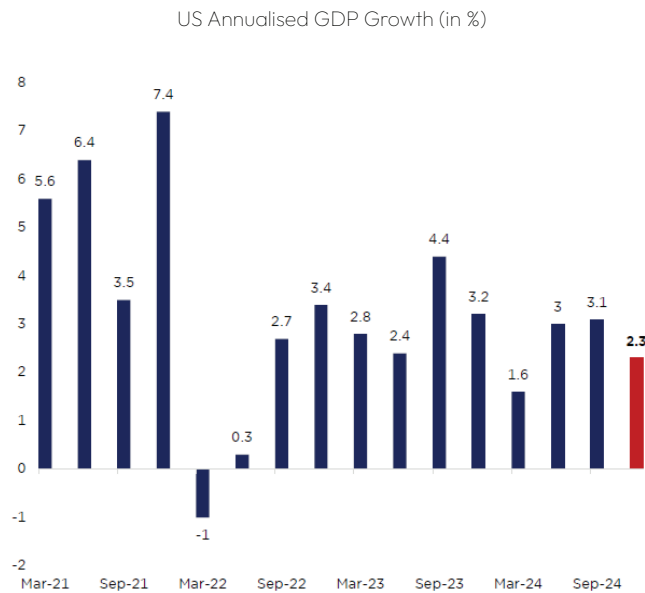
GLOBAL MACRO – GLOBAL GROWTH IS EXPECTED TO REACH 3.2% IN 2025

Global growth is expected to reach 3.2% in 2025. This strong increase should be driven by US growth, which should reach 2.8%. In contrast, activity in Europe is expected to remain anaemic (0.8%) due to political and budgetary uncertainties.

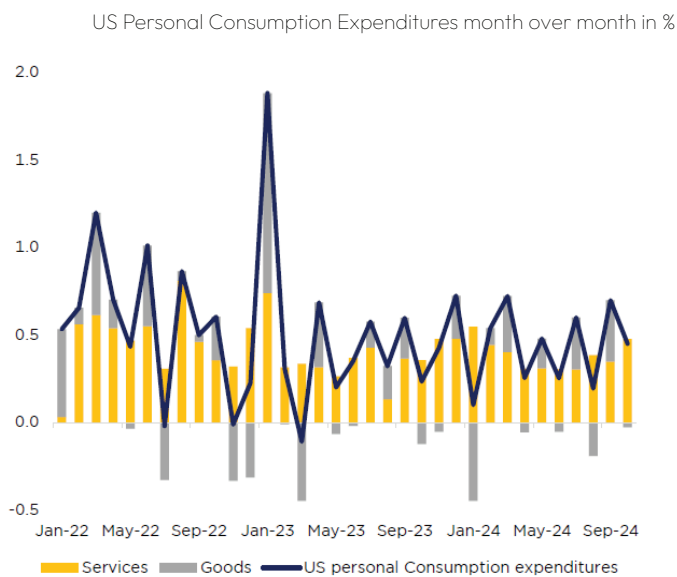


US – GDP GROWTH DECLINED BUT REMAINED RESILIENT DUE TO STRONG CONSUMPTION

US growth momentum decelerated in Q4 2024



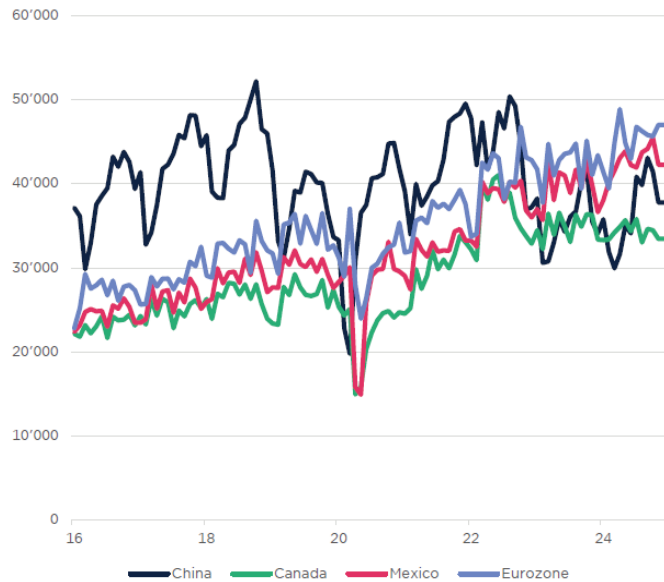
But US consumption expenditures remain the biggest contributor thanks to services consumption



■ US – NEW US TARIFFS ON MEXICO, CANADA AND CHINA COULD AFFECT INFLATION AND GDP GROWTH

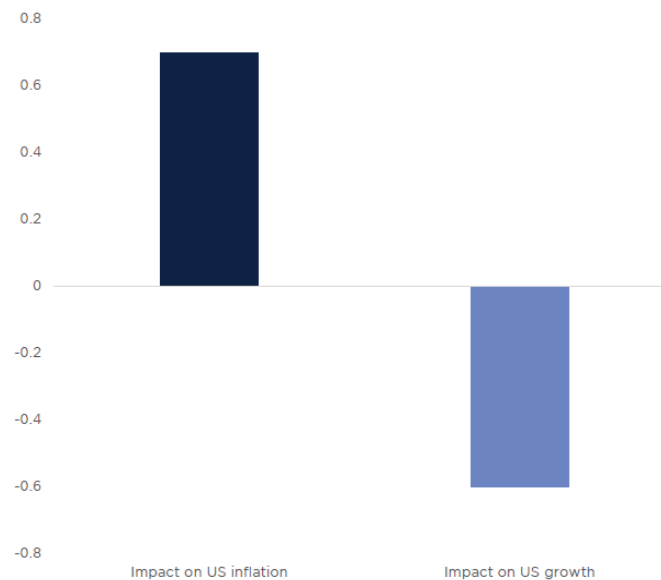
The new tariffs on Mexican, Canadian and Chinese imports affect 43% of US imports and around 5% of US GDP

US Imports (\$bn)



Impact could be negative for both inflation and GDP growth

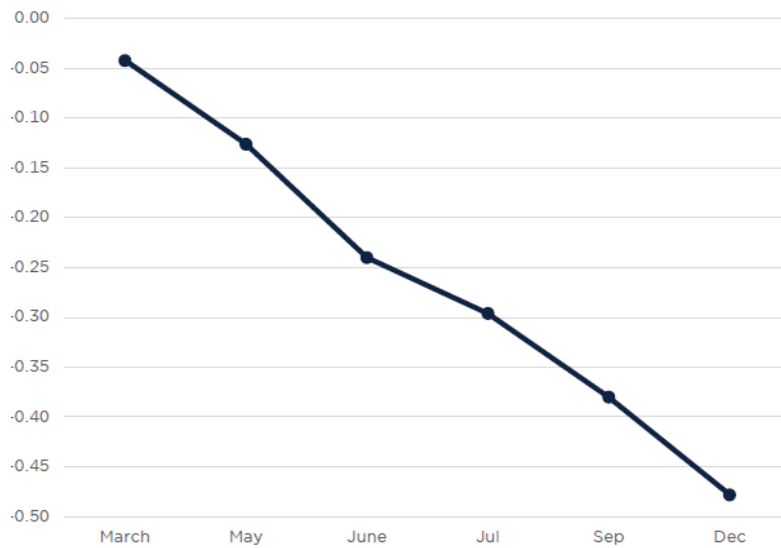
Estimated impact in % of new US tariffs



US – MONETARY POLICY OUTLOOK BECOMES MORE UNCERTAIN

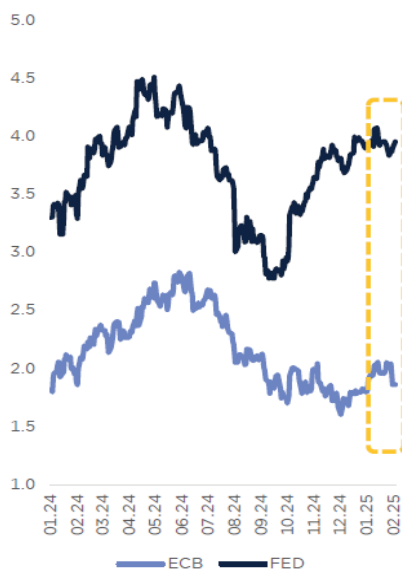
Market now expects 2 rate cuts in 2025

Market Expectations Until Dec 2025

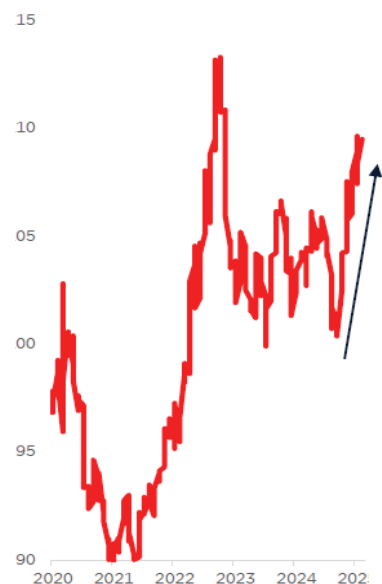


Long-term bond yields should stay higher for longer and US dollar will continue to be strong

ECB and Fed fund rate expected in Dec 25



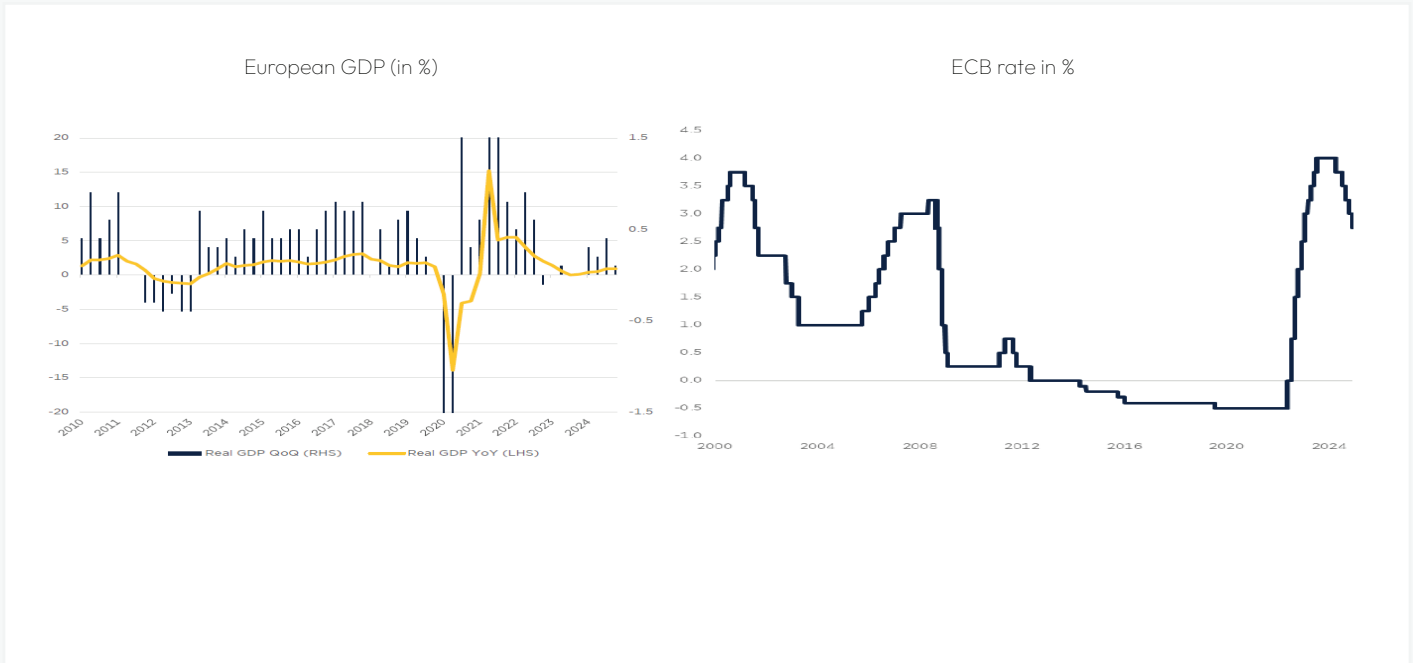
US-trade-weighted-dollar



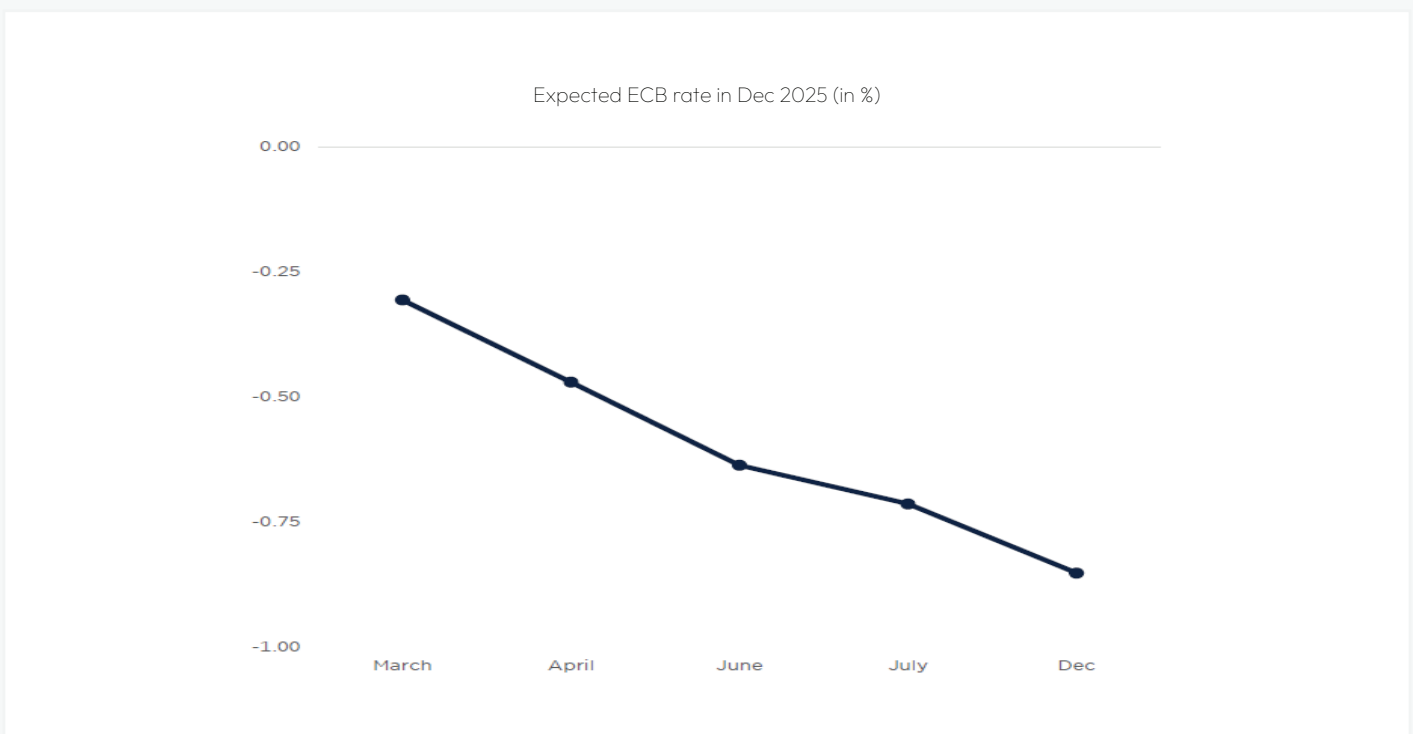
EUROZONE – GDP GROWTH 0% IN Q4 2024, PAVING THE WAY FOR MORE ECB CUTS

GBP growth of 0% in Q4 2024

ECB rate at the lowest level since 2022

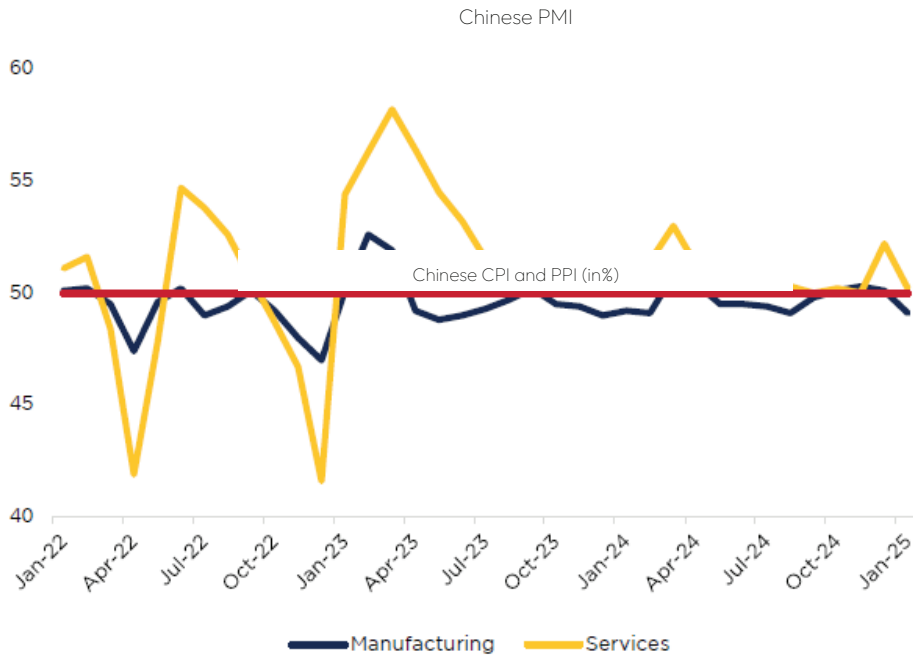


Market sees 3 new rate cuts in 2025

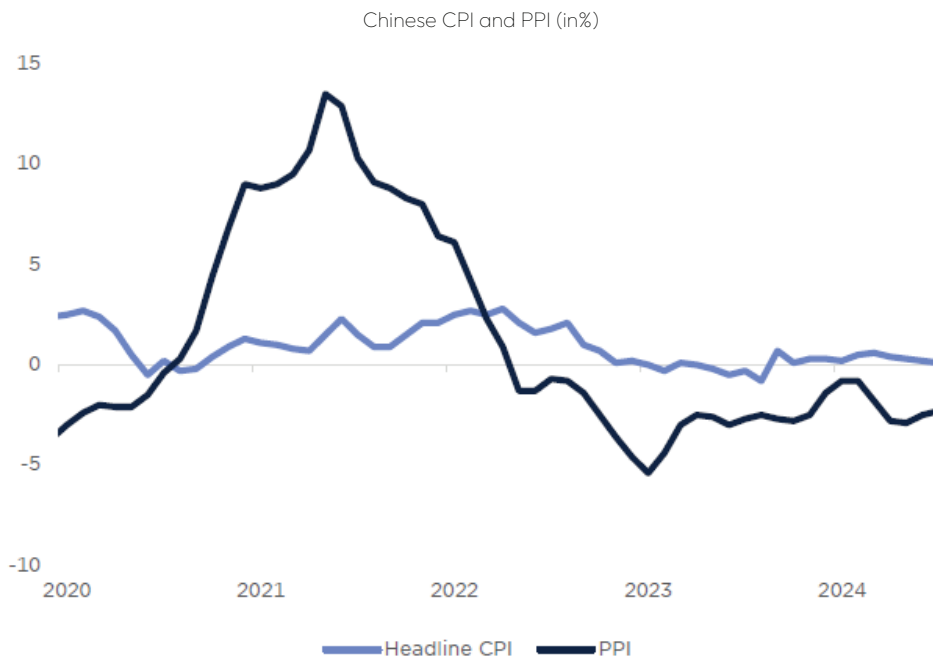


CHINA – ACTIVITY REMAINS WEAK AND IS SURPRISING TO THE DOWNSIDE

Chinese activity remains weak as reflected by the decline in both PMI, manufacturing and services



As a result, the risk of deflation remains elevated in China



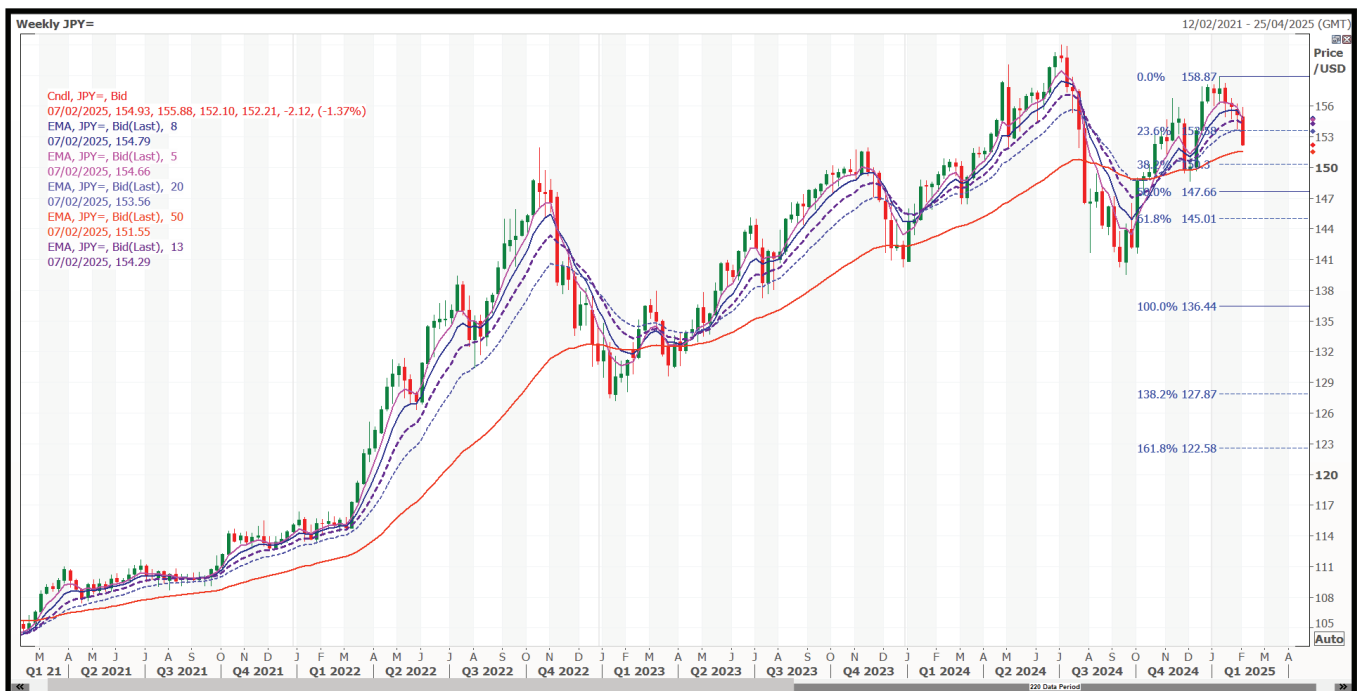
■ ANNEXURE



US 10 YR – COULD DROP TO 4.20% -4.30% ON RISK OFF IN EQUITIES & SOFT PCE



USD/JPY – TO TARGET 145 INITIALLY, 135-138 IN 9-12 MONTHS



- BOJ could continue hiking rates, virtuous cycle of higher wages, consumption and inflation.
- Potential risk off in equity markets



Daily GBP=

06/02/2025, 1.2505, 1.2509, 1.2479, 1.2482, -0.0024, (-0.19%)
 EMA, GBP=, Bid(Last), 20
 06/02/2025, 1.2424
 EMA, GBP=, Bid(Last), 8
 06/02/2025, 1.2494
 EMA, GBP=, Bid(Last), 5
 06/02/2025, 1.2470
 EMA, GBP=, Bid(Last), 50
 06/02/2025, 1.2500

10/04/2024 - 21/02/2025 (GMT+1)

Price
USD
1.335
1.330
1.325
1.320
1.315
1.310
1.305
1.300
1.295
1.290
1.285
1.280
1.275
1.270
1.265
1.260
1.255
1.250
1.245
1.240
1.235
1.230
1.225
1.220
1.215
1.210

161.8% 1.3252
 132.8% 1.3045
 100.0% 1.2811
 78.4% 1.2635
 61.8% 1.2538
 50.0% 1.2454
 38.2% 1.237
 0.0% 1.2097

15 Apr 24 22 Apr 24 29 Apr 24 06 May 24 13 May 24 20 May 24 27 May 24 03 Jun 24 10 Jun 24 17 Jun 24 24 Jun 24 01 Jul 24 08 Jul 24 15 Jul 24 22 Jul 24 29 Jul 24 05 Aug 24 12 Aug 24 19 Aug 24 26 Aug 24 02 Sep 24 09 Sep 24 16 Sep 24 23 Sep 24 30 Sep 24 07 Oct 24 14 Oct 24 21 Oct 24 28 Oct 24 04 Nov 24 11 Nov 24 18 Nov 24 25 Nov 24 02 Dec 24 09 Dec 24 16 Dec 24 23 Dec 24 30 Dec 24 06 Jan 25 13 Jan 25 20 Jan 25 27 Jan 25 03 Feb 25

Auto

- T**

USD/CHF – RESISTANCE IN 0.9080-0.9120, TARGET 0.8700- 0.8800



- Safe-haven demand as equities & rates remain volatile.
- Major slow down in eurozone leading to significant demand to defensive Swiss equities.

GOLD – TO TARGET 2900-3000



SILVER – TO TARGET 34.50-35.50



ASSET CLASS - PERFORMANCE

Asset Class	Instrument	2022	2023	2024	YTD 2025
Commodities	Natural Gas	20.0%	-43.8%	44.5%	-5.7%
	Brent Crude oil	10.5%	-10.3%	-3.1%	0.3%
	Nickel	43.2%	-45.0%	-7.9%	3.2%
	Copper	-14.6%	2.1%	3.5%	12.3%
	Silver	2.8%	-0.7%	21.5%	11.6%
	Gold	-0.3%	13.1%	27.2%	9.2%
	Platinum	10.9%	-7.7%	-8.5%	8.9%
	Palladium	-5.9%	-38.6%	-17.1%	6.5%
	Coffee	-26.0%	12.6%	69.8%	27.5%
	Bloomberg Commodity Index	13.8%	-12.6%	0.1%	5.9%
Currencies	Japanese Yen vs. U.S. Dollar	-13.9%	-7.6%	-11.5%	3.4%
	Swiss Franc vs. U.S. Dollar	-1.8%	9.0%	-7.8%	0.0%
	Australian Dollar vs U.S. Dollar	-6.2%	0.0%	-9.2%	1.5%
	New Zealand Dollar vs U.S. Dollar	-7.0%	-0.5%	-11.5%	1.4%
	Canadian Dollar vs U.S. Dollar	-7.3%	2.3%	-8.6%	0.3%
	Euro vs U.S. Dollar	-5.8%	3.1%	-6.2%	0.2%
	GBP vs. U.S.Dollar	-10.7%	5.4%	-1.7%	-0.6%
	Dollar index	8.2%	-2.1%	7.1%	-0.6%

ASSET CLASS - PERFORMANCE

Asset Class	Instrument	2022	2023	2024	YTD 2025
Fixed Income	Bloomberg US Treasury Index	-12.5%	4.1%	0.6%	1.2%
	Bloomberg Global High Yield	-12.7%	14.0%	9.2%	1.6%
	Bloomberg EM Local Currency Debt	-8.4%	6.9%	1.7%	1.8%
	Bloomberg Global Aggregate - Corporate	-16.7%	9.6%	1.1%	1.2%
Equities	Shanghai A shares	-15.1%	-3.7%	12.7%	-1.4%
	Japan Nikkei 225	-9.4%	28.5%	18.9%	-2.8%
	FTSE 100	0.9%	3.8%	5.7%	6.4%
	Euro zone STOXX	-11.7%	19.2%	8.3%	9.2%
	S&P 500	-19.4%	24.2%	23.3%	3.4%
	Dow Jones Industrial Average	-8.8%	13.7%	12.9%	5.2%
	Nasdaq 100	-33.0%	53.8%	24.9%	3.6%
	MSCI Frontier Markets	-29.0%	7.3%	5.1%	3.2%
	MSCI Emerging Markets	-22.4%	7.0%	5.1%	2.5%
	MSCI Developed Markets	-19.5%	21.8%	17.0%	4.2%
	MSCI All-Country	-19.8%	20.1%	15.7%	4.0%
Volatility	Volatility index S&P500	25.8%	-42.5%	39.4%	-11.6%
	Volatility index Nasdaq	30.2%	-41.3%	23.0%	-6.7%
	Volatility index Eurostoxx 50	8.4%	-35.3%	25.8%	-6.9%

Asset Class	Instrument	2022	2023	2024	YTD 2025
MSCI world sectors	MSCI World Index	-19.5%	21.8%	17.0%	4.2%
	Utilities	-7.0%	-2.5%	10.0%	2.6%
	Energy	41.1%	-0.7%	-0.4%	3.4%
	Consumer Staples	-8.0%	0.1%	3.5%	3.1%
	Real Estate	-28.0%	3.4%	-3.6%	2.6%
	Materials Sector	-13.7%	11.7%	-7.5%	6.8%
	Health Care	-6.6%	2.4%	-0.1%	6.7%
	Industrials	-14.6%	21.2%	11.7%	4.3%
	Financials	-12.4%	13.1%	23.8%	7.5%
	Communication Services	-37.6%	44.0%	32.6%	8.3%
	Information Technology	-31.3%	52.3%	32.2%	0.2%
	Consumer Discretionary	-34.0%	33.6%	20.4%	4.0%

DISCLAIMER

The use of this publication is at the sole risk of the investor and this publication, and anything contained herein, is provided "as is" and "as available". United Capital (Wealth Management) – "UCWM" makes no warranty of any kind, express or implied, as to this publication, including, but not limited to, merchantability, non-infringement, title, or fitness for a particular purpose or use.

None of the content in this publication constitutes a solicitation, offer, opinion, or recommendation by UCWM to buy or sell any security, or to provide legal, tax, accounting, or investment advice or services regarding the profitability or suitability of any security or investment and further does not provide any fiduciary or financial advice.

Investment in financial instruments involves risks and returns may vary. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, prices and other factors and there is the possibility that you may lose the principal amount invested. Before making an investment, investors should consult their advisers on the legal, regulatory, tax, business, investment, financial and accounting implications of the investment.

In receiving this publication, the investor acknowledges it is fully aware that there are risks associated with investment activities. Moreover, the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in this publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with the investor.

Recipient acknowledges, understands, and agrees that past investment performance is not indicative of the

future performance results of any investment and that the information contained herein is not to be used as an indication of the future performance of any investment activity.

This e-mail message including any of its attachments is intended solely for the addressee(s) and may contain privileged information. If you are not the addressee or you have received this email message in error, please notify the sender who will remove your details from its database. If you are not intended to receive this email then you are not authorized to read, copy, disseminate, distribute, or use this e-mail message or any attachment to it in any manner and must delete the email and destroy any hard copies of it. This e-mail message does not contain financial instructions or commitments of any kind. Any views expressed in this message are those of the individual sender and do not necessarily reflect the views of United Capital (Wealth Management), or any other related subsidiaries, entities or persons." E-mail transmission cannot be guaranteed to be secure or error-free as information could be intercepted, amended, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. Neither the United Capital (Wealth Management) nor the sender accept liability for any errors or omissions in the content of this message which arise as a result of its e-mail transmission. Please note that all e-mail communications to and from United Capital (Wealth Management) may be monitored. This communication is for informational purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction.