

UNITED CAPITAL WEALTH MANAGEMENT



GLOBAL MARKET OUTLOOK
MARCH 2025



■ EXECUTIVE SUMMARY



■ LAST MONTH IN REVIEW

US – Economic data releases in the U.S. were mixed over the past month. Consumer confidence fell to a two-month low, reflecting rising inflation expectations, with the University of Michigan sentiment index dropping to 64.7. The Federal Reserve maintained its interest rate in the 4.25%-4.50% range, emphasizing that inflation risks remain despite moderating price pressures. The labor market showed signs of cooling, with January non-farm payrolls adding just 143,000 jobs, significantly below December's 307,000. However, manufacturing PMI expanded for the first time in two years, while the services PMI dipped but remained above 50. Investors reacted to these data alongside heightened trade tensions, as President Trump announced fresh tariffs on Canada, Mexico, and China, though implementation was delayed amid negotiations.

Europe – The European Central Bank (ECB) cut its deposit rate by 25bps to 2.75%, marking its fifth rate reduction in the current easing cycle. Despite the looser monetary stance, growth remains stagnant, with GDP growth at 0% in Q4 2024. Inflation remains slightly above target, with January CPI rising to 2.5% and core inflation steady at 2.7%. Germany's economic situation is under scrutiny as manufacturing showed signs of stabilization, with a PMI uptick. In France, political tensions have affected market sentiment, with opposition parties threatening a vote of no confidence in the government. Meanwhile, corporate earnings in Europe have been stronger than expected, with Stoxx 600 companies reporting positive earnings growth, particularly in financials and healthcare.

UK – The Bank of England cut its benchmark interest rate by 25bps to 4.5%, signaling confidence that inflation is under control while acknowledging weak economic growth. UK inflation remains slightly above the BoE's 2% target, but the pace of price increases has slowed, allowing policymakers to ease monetary conditions. The labor market remains relatively tight, but wage growth is moderating. Retail sales have been sluggish, reflecting weak consumer sentiment amid ongoing cost-of-living concerns. The FTSE 100

underperformed other European indices due to weaker economic momentum and higher exposure to commodities, which saw price declines over the past month.

Japan – Japanese equities retreated over the past month, with the Nikkei 225 declining by 1.0%. The Bank of Japan remains cautious about adjusting its ultra-loose monetary policy despite rising inflationary pressures. Wage growth has shown modest improvement, but consumer spending remains fragile. The yen has remained weak against the dollar, supporting Japan's export-driven economy but raising import costs. Market participants are closely watching the BOJ for any hints of policy normalization, but no immediate changes are expected.

China – China's economic activity remained weak, as both the manufacturing and services PMI declined in January. Deflation risks persisted, with the Consumer Price Index (CPI) remaining near zero and the Producer Price Index (PPI) continuing to contract. Investor sentiment in Chinese equities improved slightly, aided by a rally in tech and consumer sectors, but concerns over trade restrictions remain. Trump's proposed tariffs on Chinese goods have heightened uncertainty, but markets seem to view these threats as potential negotiation tactics rather than immediate risks. Foreign direct investment flows into China remained subdued, reflecting investor caution on China's long-term growth trajectory.

Overall, global markets grappled with the interplay of monetary policy shifts, geopolitical risks, and trade tensions, particularly stemming from the U.S. and its proposed tariffs on key trading partners. While the U.S. economy remains resilient, concerns about inflation, employment, and policy uncertainty continue to weigh on sentiment.

■ EXECUTIVE SUMMARY – INVESTMENT IMPLICATIONS

Fixed Income – US Consumer spending has declined & Consumer sentiment has weakened. Long-term yields are falling with the sell off in equity markets. Tariffs remain a tailwind for yields in the long-term. We expect that US 10-year treasury yield can fall to 3.95-4% and weaken USD in the short-term. German long-term Bund yields have experienced a significant rise, primarily due to the government's announcement of substantial fiscal measures. 10-year German Bund yield surged by approximately 40 basis points, reaching around 2.9%. This sharp uptick reflects investor expectations of heightened bond supply and potential inflationary pressures stemming from the expansive fiscal policy. We expect 10-year German bund yield to fall to 2.3%-2.45% over the next 3-6 months.

Equities – So far, S&P 500 has fallen by 8.7% (as on 10 March 2025) from its peak level of 6147 at the end of February. Bounce back to 5800-5900 range is possible. We expect 3-6 months of consolidation in global equity markets, with high volatility. Investor rotation from Tech to Industrials, Pharma and value strategies to continue.

Currencies:

- **EUR/USD** – Economic momentum remains weak & political consensus yet to emerge on Fiscal Brake. High long-term yields are detrimental to the economy. Pair to decline to 1.04-1.05 initially, eventual target remains at 1-1.01 levels unless 1.0950 is breached on a weekly closing basis.
- **GBP/USD** – The UK economy grew by 0.1% in the final quarter of 2024, though only because of a

surge in inventories. Household consumption, exports, and business investment – were all flat or negative. UK headline inflation is back at 3%, up from 2.5%, measure of 'core services' inflation now sits at 4.2%, down from 4.7% two months ago. BOE to start cutting rates in 25 bp tranches. We expect the pair to target 1.25-1.22 levels in the near term.

- **USD/JPY** – Target 142-143, eventual target at 138. Inflation continues to come in higher than expected. BOJ could continue hiking rates, virtuous cycle of higher wages, consumption and inflation. The Shunto wage negotiation is expected to deliver at least 5% wage increases amongst large companies in 2025. The results are expected this week and could cement the case for an additional BOJ rate hike in June.
- **USD/CHF** – CHF appreciating strongly on the back of safe haven demand as equities and rates remain volatile. We expect USD to retrace its losses as volatility subsides. USDCHF has strong support in 0.8715-0.8800 range.

Gold: In the short-term to target 2700-2750 as geopolitical risks are declining and there is weak demand for physical gold in the short-term. XAUUSD faces resistance in 2890-2920 range. Long-term bullish trend remains intact, tailwinds led by higher fiscal spending across the globe leading to long-term spike in inflation

Crude oil: We expect Oil to target 80-85 levels on re-acceleration in US economy.

INVESTMENT VIEWS

Asset Class	Region	Allocation Preference	Investment Rationales
Fixed Income	US	More Preferred	The 10-year US Treasury's have been volatile and could move higher on the back of Trump's policies. We suggest adding duration in tranches, when 10-year trades above 4.75%. We suggest taking profits on long duration bonds when 10-year yields move below 4%.
	Eurozone	Neutral	Core inflation remains sticky. ECB to continue cutting rates in a slow & steady manner. Eurozone perps are attractive given the high YTMs. Fiscal spending by Germany & defence related spending by EZ governments will keep 10 year elevated in the short-term.
	UK	Neutral	UK 10Yr GILT yields could remain range bound as service inflation is sticky, we expect UK Gilts to recover in the next 6-9 months.
	Emerging Markets	More Preferred	We prefer Emerging Market Investment Grade USD bonds over local currency bonds.
Equities	Developed Markets	Neutral	We prefer sectors with policy and earnings tail winds. We prefer adding tech stocks on 5%-7% correction in markets. Prefer Industrials, Materials, Telecom & Energy as they could be supported by policy tailwinds. Pharma allocation is recommended as it is defensive.
	Emerging Markets	Neutral	We are neutral on Emerging Market equities, given that developed markets are showing signs of weak price momentum. FED could hold rates through 2025 and that is a headwind to Emerging Markets.
Precious Metals	Gold & Silver	More Preferred	Gold, Silver & Commodities could benefit significantly, on the back of widening fiscal deficit. Gold to receive support in 2500-2600 range and target 2900-3000. Silver to target 33-35.
Commodities	Crude Oil	More Preferred	We expect Oil to target 80-85 levels on re-acceleration in US economy.
Alternatives		More Preferred	Given the expected volatility in fixed income & equity markets, we prefer adding relative value trades and private market assets, as they have the potential to give stable & attractive returns.

● More Preferred
 ● Neutral
 ● Less Preferred

UC Imran

USD SUKUK PORTFOLIO

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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



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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 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.

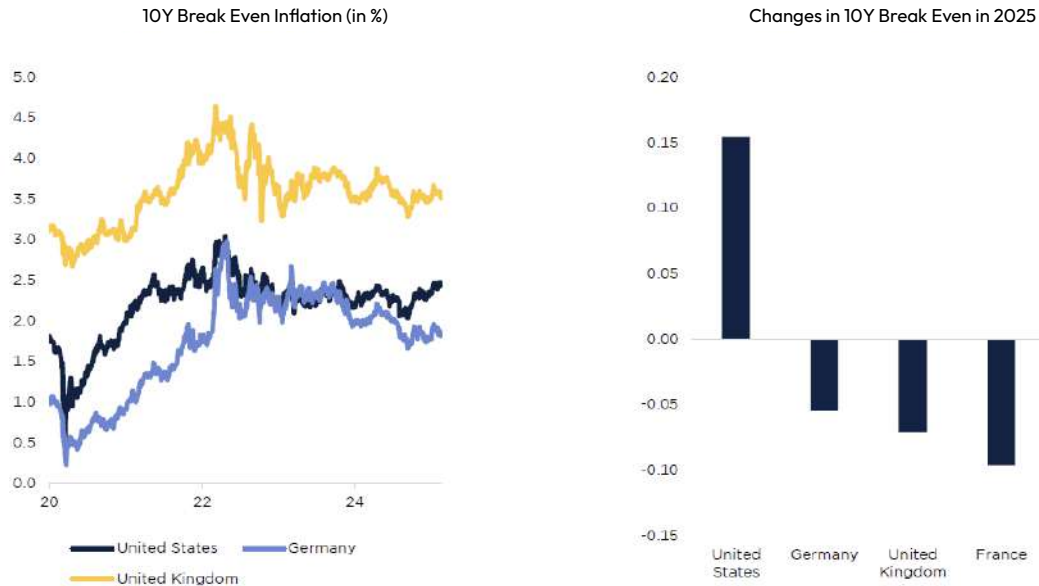
■ KEY MACRO DATA



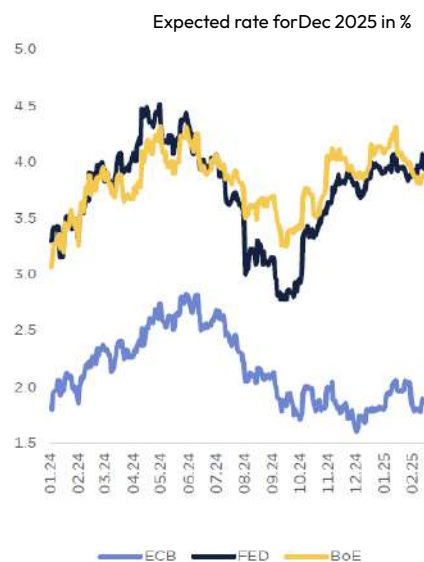
GLOBAL MACRO – HIGHER INFLATION RISK IS AN AMERICAN STORY

Break Even inflation diverged between the US and other countries

The divergence is clear in 2025



This leads to wider spread for Dec 2025 central banks policy rate expectations



GLOBAL MACRO – TRADE TARIFFS ARE LEADING ON UNCERTAINTIES ON GLOBAL PROFITABILITY

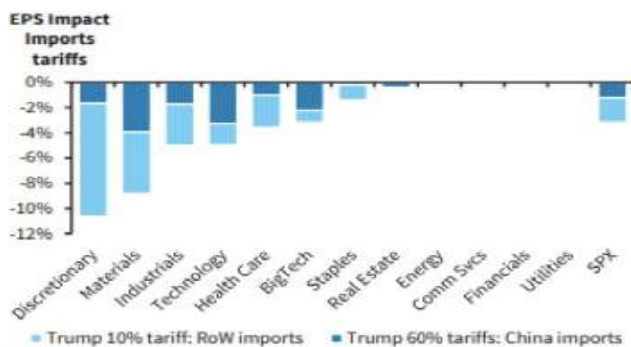
The US trade deficit is in line with its historic average and has not worsened despite superior US growth

US trade deficit as % of GDP



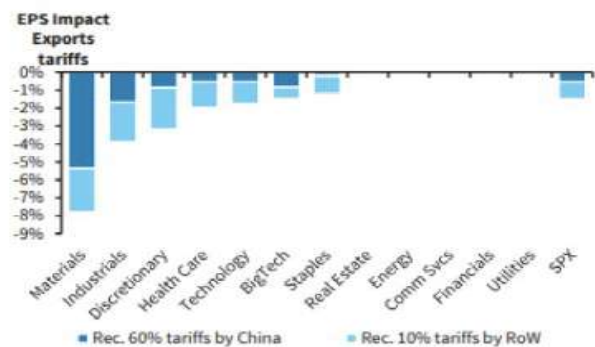
Estimated Impact of potential Trump tariffs on US equities

EPS impact by sector given RoW and China tariffs



Estimated Impact of potential retaliatory tariffs from foreign countries on US equities

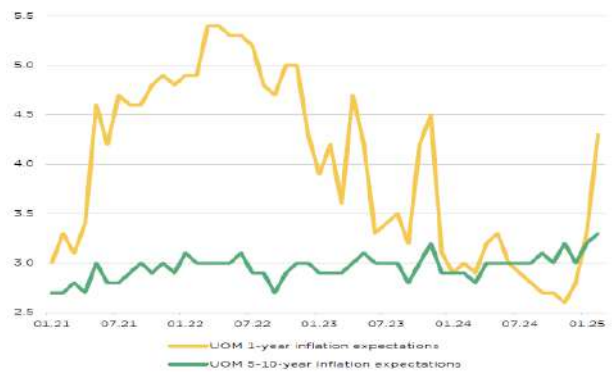
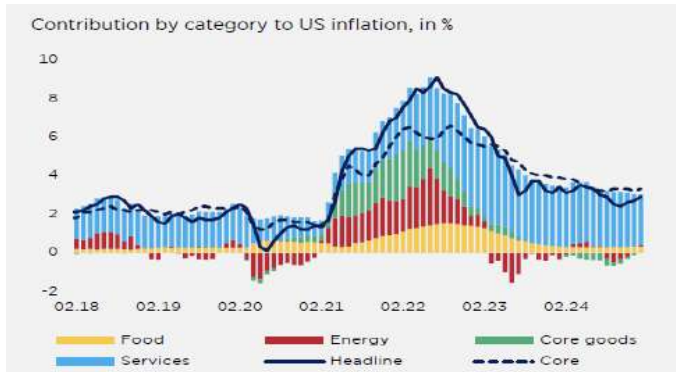
EPS impact by sector given RoW and China tariffs retaliation



INFLATION REMAINS HIGH WHILE CONSUMPTION INDICATORS ARE DETERIORATING

Consumer price index continues to be driven by services in the United States

US consumer are concerned by risk of higher prices because of new tariffs, as reflected by the jump in 1Y inflation expectations from 3.3% to 4.3%

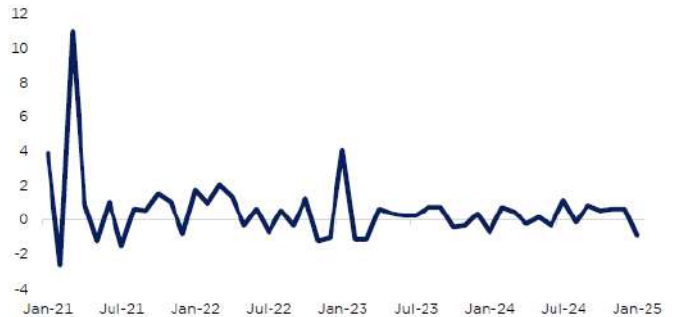


US labor market remains healthy however this is not enough to support consumption (end of excess savings)

Jobless weekly claims ('000)

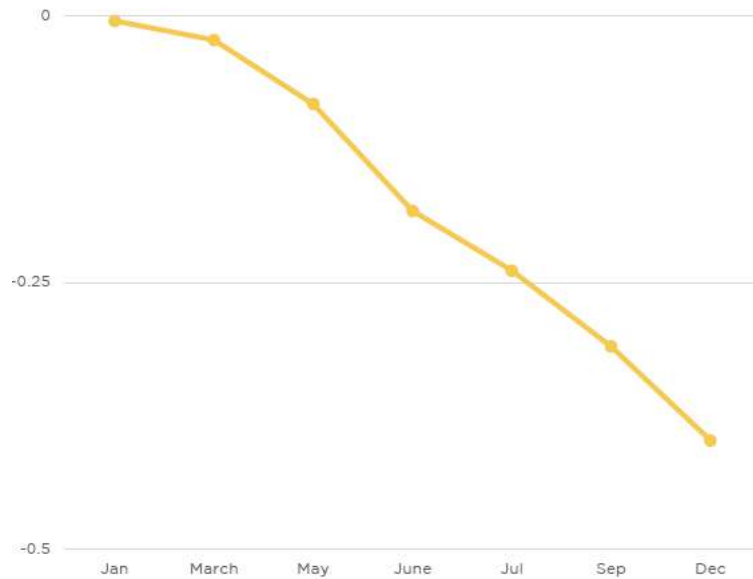


US retail sales MoM in %

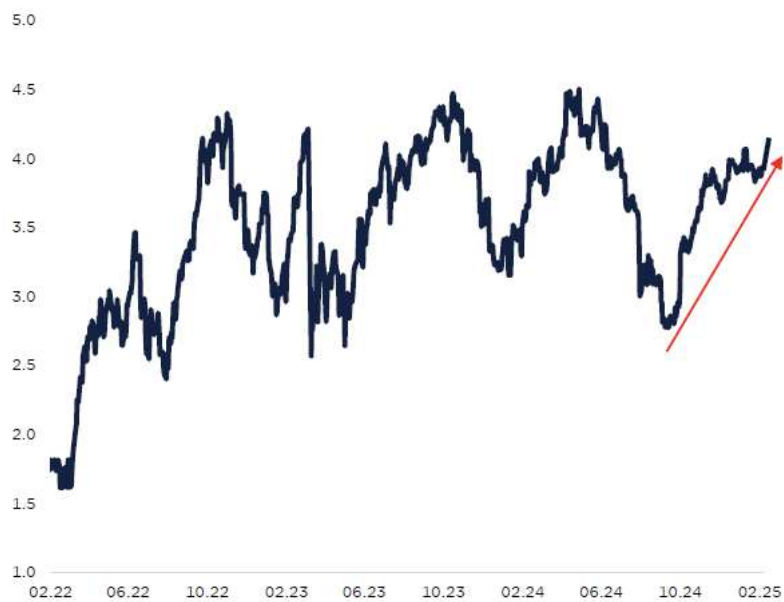


US – RATE CUT EXPECTATIONS CONTINUE TO DECLINE

Markets now expect less than 2 rate cuts in 2025

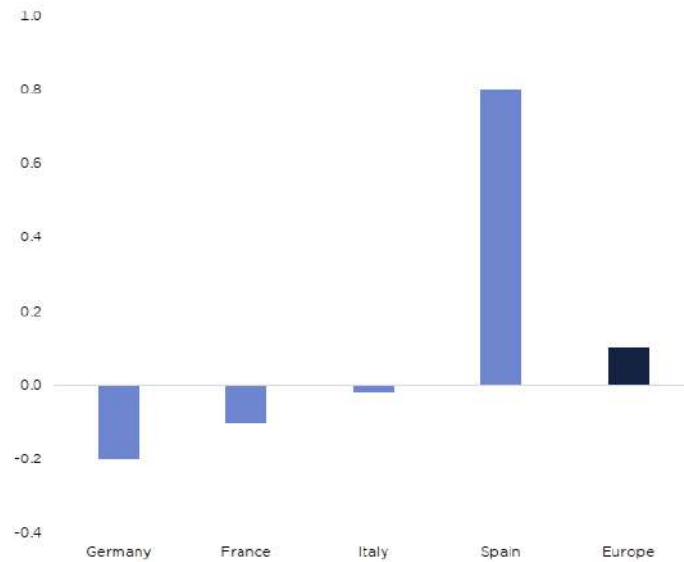


Expected Fed Fund rates for Dec 2025 increased from 3.85% to 4.05%

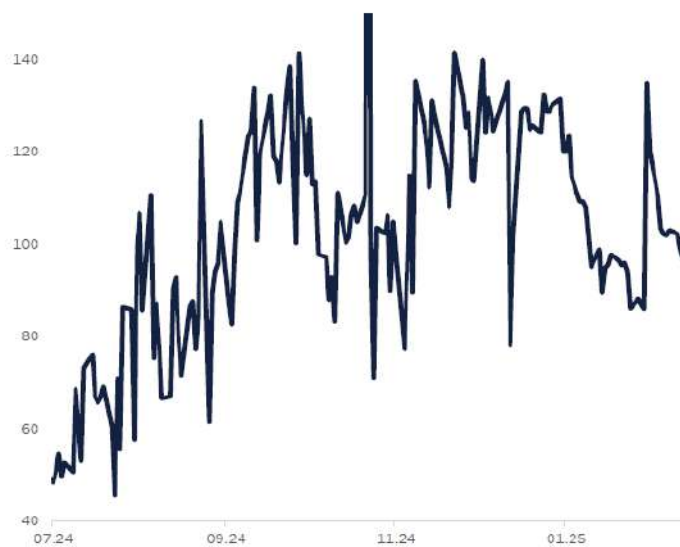


■ EUROPE – GDP REVISED UP SLIGHTLY FOR Q4 2024 BUT STILL WEAK, MORE RATE CUTS IN THE OFFING

European activity has been sharply affected by the weak external demand and high rates affecting manufacturing countries, but dispersion between countries was large (countries focused on services did better)

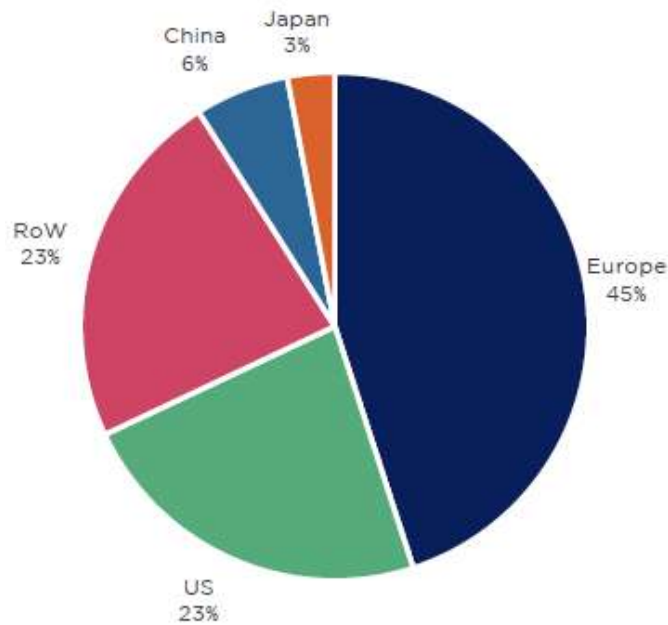


The probability for a 25 bps rate cut in March 2025 remains above 100%, i.e. more than one rate cut is currently anticipated

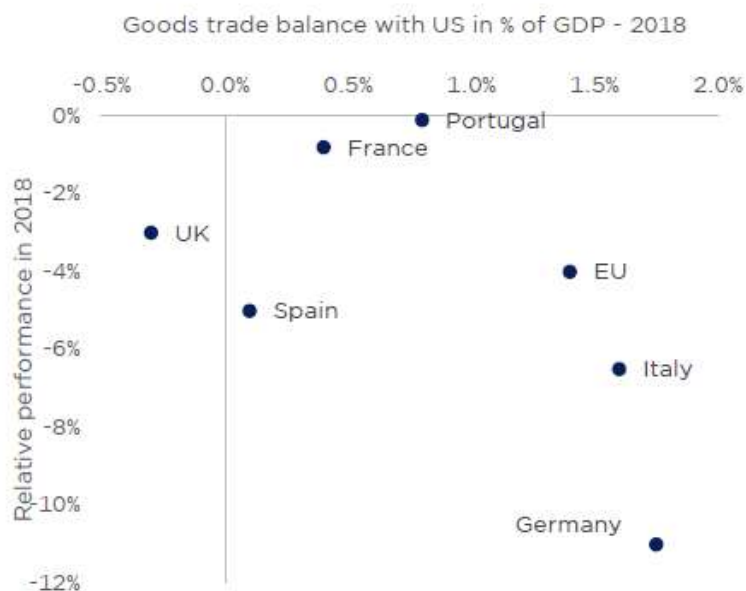


■ EUROPE – FOREIGN SALES EXPOSURE IS LARGE, MAKING IT VULNERABLE TO TARIFFS

STOXX 600 foreign revenue exposure is large

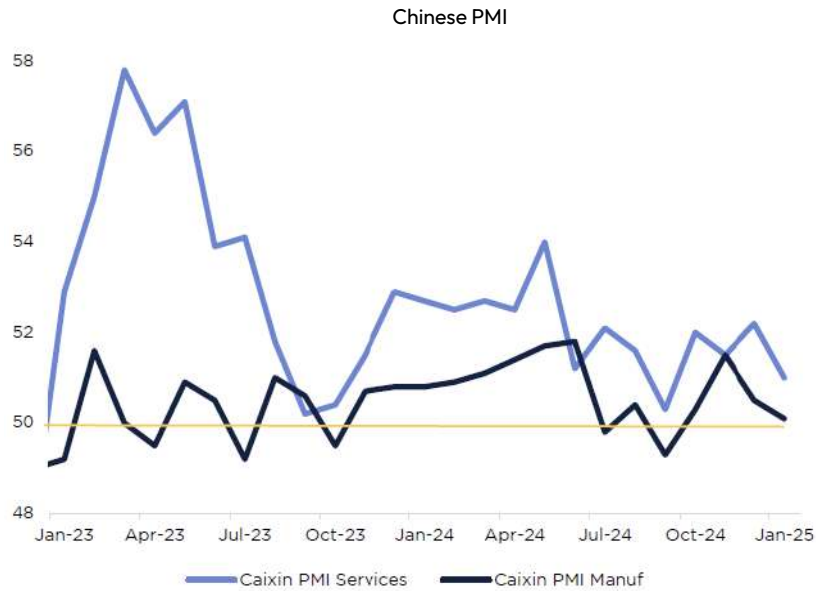


During the tariffs headline heavy period of 2018, EU countries with a high trade surplus with the US underperformed the most

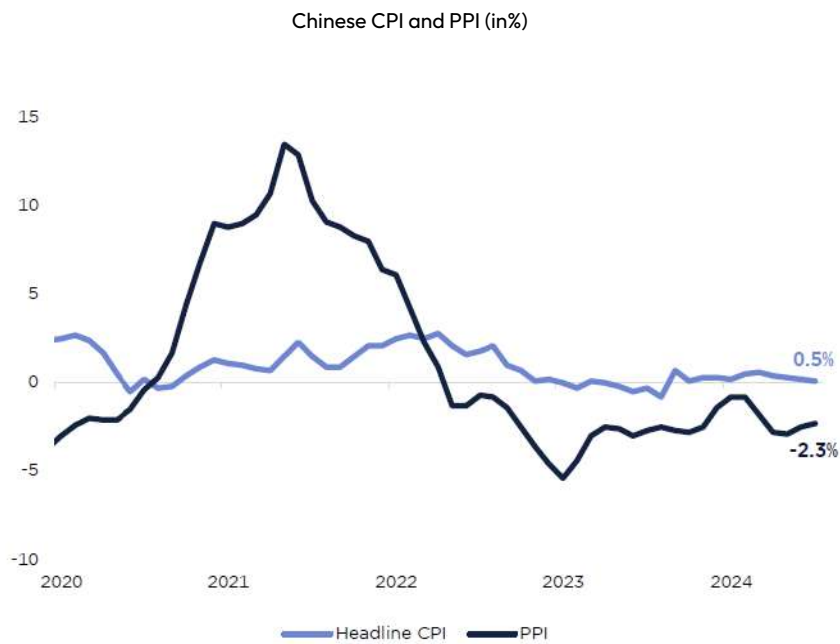


CHINA – RISK OF DEFLATION REMAINS ELEVATED

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



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



■ ANNEXURE



■ **US 10 YR – TARGET REMAINS AT 3.95%-4%**



GERMAN 10 YR – TO TARGET 2.30% - 2.45% OVER 3-6 MONTHS



EURO – TOO EARLY TO TURN BULLISH, STRONG RESISTANCE IN 1.0870-1.0940 RANGE



GBP – STRONG RESISTANCE IN 1.2950-1.3050 RANGE



USD/JPY – INITIAL TARGET OF 148 ACHIEVED, NEXT TARGET 142-143, EVENTUAL TARGET AT 138



USDCHF – STRONG SUPPORT IN 0.8715-0.8800 RANGE



GOLD – IN THE SHORT-TERM TO TARGET 2700-2750, RESISTANCE IN 2890-2920 RANGE



SILVER – TARGET 34.50-35.50, SUPPORT REMAINS IN 30-31 RANGE, EVENTUAL TARGET IS AT 40



ASSET CLASS - PERFORMANCE

Asset Class	Instrument	2022	2023	2024	YTD 2025
Commodities	Natural Gas	20.0%	-43.8%	44.5%	14.8%
	Brent Crude oil	10.5%	-10.3%	-3.1%	-5.5%
	Nickel	43.2%	-45.0%	-7.9%	6.4%
	Copper	-14.6%	2.1%	3.5%	17.0%
	Silver	2.8%	-0.7%	21.5%	12.2%
	Gold	-0.3%	13.1%	27.2%	11.2%
	Platinum	10.9%	-7.7%	-8.5%	6.7%
	Palladium	-5.9%	-38.6%	-17.1%	3.6%
	Coffee	-26.0%	12.6%	69.8%	22.9%
	Bloomberg Commodity Index	13.8%	-12.6%	0.1%	5.3%
Currencies	Japanese Yen vs. U.S. Dollar	-13.9%	-7.6%	-11.5%	6.7%
	Swiss Franc vs. U.S. Dollar	-1.3%	9.0%	-7.8%	3.3%
	Australian Dollar vs U.S. Dollar	-6.2%	0.0%	-9.2%	1.8%
	New Zealand Dollar vs U.S. Dollar	-7.0%	-0.5%	-11.5%	2.3%
	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%	5.0%
	GBP vs. U.S.Dollar	-10.7%	5.4%	-1.7%	3.2%
	Dollar index	8.2%	-2.1%	7.1%	-4.5%

ASSET CLASS - PERFORMANCE

Asset Class	Instrument	2022	2023	2024	YTD 2025
Fixed Income	Bloomberg US Treasury Index	-12.5%	4.1%	0.6%	2.2%
	Bloomberg Global High Yield	-12.7%	14.0%	9.2%	2.5%
	Bloomberg EM Local Currency Debt	-8.4%	6.9%	1.7%	2.3%
	Bloomberg Global Aggregate - Corporate	-16.7%	9.6%	1.1%	2.6%
Equities	Shanghai A shares	-15.1%	-3.7%	12.7%	0.6%
	Japan Nikkei 225	-9.4%	28.5%	18.9%	-7.5%
	FTSE 100	0.9%	3.8%	5.7%	6.1%
	Euro zone STOXX	-11.7%	19.2%	8.3%	11.9%
	S&P 500	-19.4%	24.2%	23.3%	-2.4%
	Dow Jones Industrial Average	-8.8%	13.7%	12.9%	0.1%
	Nasdaq 100	-33.0%	53.8%	24.9%	-4.6%
	MSCI Frontier Markets	-29.0%	7.3%	5.1%	6.1%
	MSCI Emerging Markets	-22.4%	7.0%	5.1%	5.2%
	MSCI Developed Markets	-19.5%	21.8%	17.0%	0.6%
	MSCI All-Country	-19.8%	20.1%	15.7%	1.1%
Volatility	Volatility index S&P500	25.8%	-42.5%	39.4%	38.5%
	Volatility index Nasdaq	30.2%	-41.3%	23.0%	31.7%
	Volatility index Eurostoxx 50	8.4%	-35.3%	25.8%	28.7%

Asset Class	Instrument	2022	2023	2024	YTD 2025
MSCI world sectors	MSCI World Index	-19.5%	21.8%	17.0%	0.6%
	Utilities	-7.0%	-2.5%	10.0%	1.4%
	Energy	41.1%	-0.7%	-0.4%	0.3%
	Consumer Staples	-8.0%	0.1%	3.5%	7.2%
	Real Estate	-28.0%	3.4%	-3.6%	2.0%
	Materials Sector	-13.7%	11.7%	-7.5%	7.4%
	Health Care	-6.6%	2.4%	-0.1%	8.3%
	Industrials	-14.6%	21.2%	11.7%	5.4%
	Financials	-12.4%	13.1%	23.8%	6.0%
	Communication Services	-37.6%	44.0%	32.6%	1.0%
	Information Technology	-31.3%	52.3%	32.2%	-7.6%
	Consumer Discretionary	-34.0%	33.6%	20.4%	-5.8%

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