Press release
Paris, July 3rd 2025

With a changing world and unflappable markets, Edmond de Rothschild Asset Management unveils its investment outlook for the second half of the year

- **H1 2025: major political issues, but no significant impact on market performance, apart from occasional volatility.**
- **Points to watch for investors in the second half of the year: geopolitical risk, trade tensions and the US public deficit.**
- **Allocation point: slight underweighting of equities - particularly US equities - and of the dollar. On the bond side, avoid long-dated bonds, as the risk of recession remains moderate.**
- **Positive views on Europe: the implementation of the Draghi plan could enable the continent to catch up, by boosting competitiveness and supporting industry and technology.**

Paris, 3 July 2025: Edmond de Rothschild AM unveils its investment outlook for the second half of 2025, against a backdrop of a deteriorating geopolitical environment and an economic outlook hampered by US policy.

Economic outlook still disrupted by US policy and public deficits

The introduction of tariffs in the United States could have a negative impact on global growth in the second half of the year and increase US inflation, thereby reducing support for the market. However, the 2026 US budget, currently under discussion, proposes a stimulus of 1% of GDP, offering the hope of a temporary recovery despite the anticipated slowdown. Even if the US bond market does not rebel, tensions remain among non-resident investors, concerned about their exposure to the dollar. The markets could overcome the current trough if the protectionist cycle is brought to an end, although this scenario remains uncertain.

Benjamin Melman, Chief Investment Officer at Edmond de Rothschild AM, comments: "The *US/China discussions could drag on, while those with Europe are likely to be complex. For the second half of the year, we have decided to maintain a slight underweight in equities, particularly US equities, and in the dollar"*.

A worsening geopolitical environment

In addition to a war in Europe between Russia and Ukraine that is dragging on, tensions in the Middle East between Israel and Iran, and the risk of China invading

Taiwan by 2027, the US, the ultimate guarantor of world order, has stated that it wants to revisit its international commitments (as regards Nato, Aukus, etc.). This new geopolitical context, marked by a widespread increase in uncertainty, is weighing on the global economic outlook and putting pressure on public finances. It is also forcing governments to strengthen their resilience and reassert their power.

Structural headwinds for long yields

US long yields are under threat from uncompensated tax cuts (the DOGE has drastically scaled back its ambitions), leading to a further drift in deficits.

In the rest of the world, the need for public investment is increasing significantly in the face of the new geopolitical situation. Securing our territory, our supply chains and our digital sovereignty will come at a significant cost. Term premiums, which are currently being rebuilt, should continue to rise.

Furthermore, with inflation in decline, duration no longer plays its protective role in the event of a shock. The correlation between long rates and equity markets, for example, has remained particularly unstable, even during the upsurge in tensions between Israel and Iran. Only a recession seems capable of restoring the bond market's initial properties. What's more, the dollar did not play its traditional role, particularly during the phase of rising geopolitical tensions. As a result, Edmond de Rothschild AM's investment teams prefer to stay away from long-dated bonds, due to the moderate risk of recession.

Does the return of German leadership herald the return of the European Union?

After a period of stagnation, Germany has undergone rapid change. Historically, its economy was based on imports of Russian raw materials and exports of valuable goods, especially to China, under US protection. Today, Germany's crisis has taken on an almost existential dimension, prompting Europe to follow its lead in bringing about major changes in the EU. Since the last elections, Mr Merz has adopted a bold approach, with an ambitious plan for investment in defence and infrastructure, tax cuts for businesses, and a strengthened international role, particularly regarding Ukraine.

Chancellor Merz plans to focus strongly on international issues, and the question is whether he could influence Europe to follow the recommendations of the Draghi report, which he has warmly welcomed. If this trend is confirmed, European equities should continue to rise, benefiting from the fact that international investors are still underweight Europe.

Benjamin Melman concludes: *"As we enter the second half of the year, we are taking a cautious approach to US assets, while continuing to explore other asset classes. Positive surprises could emerge if the Trump administration turns its back on protectionism, favouring a climate of deregulation and tax cuts. In Europe, the implementation of the Draghi plan could help to make up some of the lost ground. The rise of AI could gradually improve productivity, although its impact remains limited at this stage. However, caution is still called for in the face of high asset valuations, US policy uncertainty, geopolitical tensions, and the general economic outlook."*

About Edmond de Rothschild

Edmond de Rothschild is an investment house founded on the conviction that, when harnessed for the good of the real economy, wealth can have a meaningful impact and help to rejuvenate the concept of progress.
Driven by a culture of financial foresight for nearly three centuries, Edmond de Rothschild specialises in private banking and asset management, boasting recognised expertise in its main business lines of: wealth management, wealth engineering, life insurance, services for independent wealth managers, corporate finance, private equity, real estate, infrastructure, liquid strategies, and fund administration. The 100% family ownership structure gives the investment house real independence, serving to align with the interests of its clients and fostering the emergence of financial solutions adapted to the specific needs of a client base of families, entrepreneurs and institutional investors. At 31 December 2024, the Edmond de Rothschild Group had over CHF 184 billion in assets under management and a robust balance sheet with a CET1 of 19.7%. With more than 2,700 employees in 28 global locations, it ranks as a key player in the main markets where it operates, including Geneva, Luxembourg, Paris and Monaco.
Edmond de Rothschild is at the heart of a unique ecosystem of businesses ranging from farming, wine-making and hospitality to family philanthropic activities, the Gitana offshore racing team and the perfume house Caron.

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