Global Macro News & Views

- The United States has embarked on a new foreign policy under the Trump administration as it breaks away from traditional Allies and attacks its largest trading partners vis-à-vis tariffs to make trade fair. Trump appears to be making détente overtures with Russia's Putin. Markets have gyrated violently since early March as bond yields sink, oil prices tank and the dollar corrects sharply on fears of an economic slowdown and a decline in domestic consumption;
- Global investors have piled into European defense stocks over the past several weeks as fears grow that NATO might dissolve as the United States contemplates its military umbrella over Europe. Germany, breaking from decades of strict budgetary rules, has opened the spigots and plans on spending to boost its military. Agreed with the center-left Social Democrats, who are expected to form a coalition with Merz's Christian Democratic Union (CDU), the plan also includes the creation of a €500bn fund to finance spending on Germany's infrastructure over the next 10 years. German bund yields surged over the last few days as investors cheer economic stimulus;
- The S&P 500 Index is down 1% in 2025, the NASDAQ off 4.6%, and the Dow Jones Industrials Average is up 1%. The U.S. is finally taking a backseat to foreign markets in early 2025. Major international benchmarks are outrunning the Mag-7, which are down more than 10% this year. The MSCI EAFE Index ex. USA is up more than 10% YTD; the MSCI Europe Index is leading the world, up 14% in dollars as investors rush into non-technology names like European defense, healthcare and financial services. The EUR is also surging, up more than 4%;
- The world economy could face a crash like the Great Depression of the 1930s unless the U.S. rows back on its plans to impose steep tariffs on imports, a senior official at the *International Chamber of Commerce* warned. "Our deep concern is that this could be the start of a downward spiral that puts us in 1930s trade-war territory," said Andrew Wilson, deputy secretary-general of the ICC, which promotes global business and trade;
- Economists say the tariffs, likely affecting goods valued at 1% to 2% of total annual U.S. economic output, could mildly reduce economic growth. This is already causing the market to worry that companies are pulling back on capital spending, preferring not to overinvest in case demand for their goods and services weakens. Year-over-year growth in capital expenditures for equipment fell to 3% in early 2025 from mid-single digits early last year, while investment in structures has fallen to flat year over year, according to *Ironsides Macroeconomics*. The data have "pointed to a cooling in the post-election business confidence, perhaps due to trade policy uncertainty," says Barry Knapp, Ironsides' director of research;
- **Wal-Mart** sent stocks sharply lower starting last week, setting the stage for a correction in the broader market. Wal-Mart saw record sales last year, but warned of slower growth in 2025 amid concerns about consumer spending as U.S. President Donald Trump imposes tariffs on trading partners and threatens deportation for millions of immigrants, a move that could reduce numbers of shoppers at Wal-Mart stores and workers in its vast supply chain;
- The share of outstanding US consumer debt that's in delinquency rose in the fourth quarter to the highest in almost five years, according to a Federal Reserve Bank of New York report. Total household debt — which is primarily composed of mortgages, student loans, auto loans and credit-card balances — rose 0.5% to a record $18 trillion.

Global Equities & Real Estate

- **Berkshire Hathaway Inc**. sold more than $134 billion worth of stocks in 2024 and in the past quarter, boosted its record cash pile further to $334 billion, almost double the $167.6 billion seen at the end of 2023. The value of Berkshire's equity portfolio stood at $272 billion at year-end. At the end of 2023; these stood at $354 billion. Why is Buffett so bearish on **Bank of America**? According to *The Motley Fool*, Buffett sold 34% of Berkshire's stake in BofA or about 325 million shares since mid-2024. Recently, the Oracle of Omaha purchased stakes in **Constellation Brands** (beer and other spirits), **Domino's Pizza** and raised its stake in **Occidental Petroleum**, which hit a fresh 52-week low on March 5;
- Despite the soft patch of economic data and policy uncertainty, there has also been a rotation trade away from the Magnificent-7 and into the S&P 493 in recent weeks. Stock investors have become very cautious in recent days. AAII bears surged to 60.6% last week, the highest since the trough of the 2022 bear market. The AAII bull/bear ratio plunged to 0.32, also as pessimistic as at the trough of the 2022 bear market. We view this widespread pessimism as bullish from a contrarian perspective. The stock market is in the midst of another growth scare. The latest batch of economic indicators has been weak. The current growth scare is reminiscent of last summer's scare. Markets need to see stronger data the next several days and weeks;
- German stocks booming, despite weak GDP. Europe, including Germany, is trouncing Wall Street so far in 2025 as Mag-7 fatigue sets in and investors move funds to Europe ahead of massive fiscal stimulus. German will finally fire a spending 'Bazooka' to boost domestic infrastructure, grow jobs and significantly increase defense spending. Fund-flows are flooding into European stocks with Germany a major beneficiary. On March 3, the Stoxx Europe Aerospace & Defense Index surged more than 8%, its biggest single day advance since November 2020. The German DAX Index is up almost 22% in dollar terms in just ten weeks of trading;

- Japanese trading houses offer excellent value after correction. The sector declined sharply starting last summer and continues to offer great value. **Mitsubishi Corp**. (Tokyo-2548), **Marubeni** (8002), **Sumitomo Corp**. (8053) and **Mitsui & Co**. (8031) are excellent long-term purchases at these prices after Warren Buffett recently signaled **Berkshire Hathaway** was likely to increase its substantial stakes in Japanese trading houses. Japanese benchmark borrowing costs hit the highest since 2010 recently after data showed the economy grew at a faster than expected 2.8% annualized in the last quarter of 2024. The yen, long in the gutter, has responded, rallying more than 5.5% this year;

- It's no secret U.S. corporate insiders have been aggressively dumping stock for the past 18-24 months even as the market surged. But the pace of selling has accelerated, and not just in technology. One of the biggest sellers is Jamie Dimon, CEO of **JPMorgan Chase & Co**. His latest sale is $234 million in stock in February at $269.84 a share. That's a big sale, and not his first tranche of selling, either. Another consistent net seller is the executive branch of **Airbnb**, including CEO Brian Chesky; the latest batch of dumping in February totaled $92.8 million, mostly Chesky. On the buying side, one of the largest this year based on cash purchases is **Estee Lauder** director, Paul Fribourg, who acquired $9.86 million worth of shares in February (see chart). Estee Lauder stock has been mauled over the past two years and now trades 80% below its all-time high of $353.

Fixed-Income

- Euro zone bond yields surge led by German bunds. After decades of strict economic management of its balance sheet, the German government under newly elected Chancellor, Friedrich Merz, plans to do 'whatever it takes' to get Germany growing again. The new German leader will suspend debt rules – strictly defined under the Maastricht Treaty but subsequently broken during the euro-zone debt crisis in 2009-2011 – and launch a 'Bazooka' stimulus package to unleash major defense spending. From its lowest level this year at 2.36% four weeks ago, the German 10-year government bund has seen its yield soar to 2.84%. That partially explains why the EUR has taken off as U.S.-German debt spreads blow-out in favor of Germany;
- **Morgan Stanley** picks 5 states based on financial strength. Factors under consideration in the rankings include debt, adjusted pension and post-employment benefits as a percentage of GDP, and states; general fund balance as a percentage of revenues and the adjusted pension liability-funded ratio. Ranked #1 is Nebraska followed by North Dakota, Tennessee, South Dakota, and Utah;
- China has cut the value of U.S. Treasury securities to their lowest levels since 2009. The value of U.S. sovereign debt held by Chinese investors declined by $57 billion to $759 billion in 2024, according to U.S. Treasury data. The data comes as no surprise; 20 years ago, Beijing was the single largest investor in Treasury securities, but has progressively reduced its holdings while also accumulating gold and other assets to diversify its reserve assets.

Currencies

- USD slammed in winter sell-off as growth fears surface amid on-and-off tariffs. The U.S. dollar corrected sharply in early March following the introduction of tariffs by the United States targeting its largest trading partners. Markets have not welcomed the disruption in potential trade flows, inflationary impact on consumers and a general pullback underway in U.S. economic activity. The dollar index is down 5.2% from its January peak and has been trading at its lowest levels since last November;

- The **ENR Global Currency Sandwich**, investing equally in gold, the Japanese yen, Singapore dollar, and the British pound, is up 5% in 2025 -- its best start in years. Gold continues to drive our gains (+10%) while the Japanese yen has finally awakened from a long bear market, up 5%. The SGD is up 2% and the GBP up 2.2% in 2025.

Commodities

- The Reuters/Jefferies CRB Index is barely positive this year, +1.5%. Major declines in constituents in energy and some foodstuffs have helped to offset big gains in precious metals and some base metals, live cattle and eggs, and some agricultural commodities. Overall, the steep losses in the energy complex have held the benchmark back this year;

- The price of Brent crude oil is barely hanging on at $69 per barrel, down 7% in 2025 (see chart, bottom page 4). However, recent announcements of major economic stimulus packages by the Chinese and Germans this week might put a bottom in for oil and energy overall. Lower oil prices should stimulate more global economic growth and oil demand. Peace plans in Ukraine are bearish for oil;
- Gold has become the top Trump trade this winter, displacing Bitcoin (-5%) and the S&P 500 (-2%). Until last week, the gold price rallied in every week of the year since January 1st. The more disruption to trade or the possible application of high tariffs, the higher the gold price on any given day.
- **Rio Tinto** reported a 15% rise in annual net profit, but cut its dividend as weaker iron-ore prices weighed on earnings. The world's second-biggest miner by market value earned $11.55 billion in 2024, up from $10 billion in 2023. Rio's bottom line was hurt by weaker prices for iron-ore – the main contributor to its profits. A bust in China's property market has weighed on prices as fewer homes are built and some developers go bust. Importantly, Rio Tinto is reshaping its business to lessen its reliance on iron-ore for profits and raise bets on commodities it expects will be essential for the global energy transition, including copper and lithium. In 2023, the company mined 13% more copper.

ENR Model Portfolio

- February was a strong month for the ENR Market Outlook Portfolio. But March has thus far been brutal. Not everything is declining in unison with the broader market. On the losing side, several natural resource stocks are getting slammed, including **ConocoPhillips**, **Albermarle** and **Cameco.** But some are rallying, including **Rio Tinto**, **Nike**, **Uber Technologies** and the **iShares MSCI Hong Kong;**
- Investors should largely be on the sidelines at this point with the broader market losing technical support at the 200-day moving average and other parts of the market falling apart, including Big Tech, the Nasdaq and small-caps. Foreign markets like Germany are booming but are now heavily overbought. Be patient;

- However, we have started to purchase **Amazom.com** (NASDAQ-AMZN) following a steep correction. This best-in-class Big Tech company is superbly managed, and we like the current stock level as a good entry point.

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