Global Macro News & Views

- America's trade policy and geopolitics are undergoing paradigm shifts that will not only reshape the global economic order but also impact income growth, corporate profits, and the financial market outlook. Rising tariff rates are initially stagflationary but ultimately deflationary for an economy. Although tariff hikes tend to drive up goods prices, they depress real income, siphon off profits, and weaken the economy over time;
- Is this the end of U.S. stock-market exceptionalism? After more than a decade of stock-market domination largely led by innovative Big Tech and other companies, U.S. stocks are down sharply in 2025, despite the bullish rancor surrounding President Trump's election victory last fall. The narrative has dramatically changed from tax cuts, deregulation and booming M&A to trade wars, higher inflation, and plunging consumer and business confidence. Economists and historians said the flurry of recent moves suggest the world could be heading toward the largest, broadest surge in protectionist activity since the U.S. Smoot-Hawley Tariff Act of 1930;
- The volatility in equities isn't only attributable to Trump. The AI boom was overdone, and Big Tech spending on capex extraordinary. It should come as no surprise that a deep correction was due, with market leadership dramatically changing over the past eight weeks coupled with historically high valuations;
- According to Ed Yardeni of *Yardeni Research*: *Recent data showing manufacturing faltering and purchasing managers paying higher prices suggest stagflation is already taking root…Increasingly, it looks like the President is trying to induce a recession since late February…We are hoping that the Republicans will realize that the odds are increasing that they will lose their majorities in both houses of Congress, if the White House continues to pursue stagflationary trade policies;*
- The Conference Board's March survey showed that forward-looking expectations for income, business and labor market conditions dropped to the lowest level in 12 years. More people are taking a negative view of the American economy, according to *The Wall Street Journal*;
- An overdue rebalancing of global markets has just started and is likely to be playing out for a long time. Countries across Europe are ramping up domestic military spending as the United States signals an increasingly isolationist foreign policy. Without the United States acting as a counter military deterrent to adversaries, the rest of the world is left in a vacuum, potentially creating more conflicts. The world needs the United States and its powerful deterrent potential;
- Mostly off the radar screen for investors this year is the trouble brewing in Indonesian financial markets. Similar flare-ups in Thailand in the summer of 1997 triggered the Asian currency crisis. The rupiah fell to its lowest levels last month vs. the USD since the Asian financial crisis in 1998, down only 2% this year but off 6% since last October;
- *The Financial Times* reported that Bank Indonesia intervened in bond and currency markets in late March to 'ensure the stability of the rupiah exchange rate and maintain the balance of foreign exchange demand and supply, thereby maintaining market confidence.' The central bank blames Trump's tariffs and the Federal Reserve possibly turning more hawkish as inflation accelerates. Putting a huge strain on finances is the government's free lunch program for schoolchildren and pregnant women with an estimated cost of $28

billion. Indonesia is the region's largest population and its biggest economy. The Jakarta Stock Exchange is down 10% in dollar terms this year;

- The big macro theme in 2025 is the secular change in fiscal spending underway in Germany and the euro-zone. The bullish case for European equities was made possible by Germany's unprecedented approval to inject €1 trillion ($1.08 trillion) into the nation's economy. The German DAX has been rallying to multiple new highs for the past 12 months but received a jolt of buying from global investors ahead of massive fiscal stimulus this month. Since 2010, the S&P 500 has skyrocketed compared to the Frankfurt DAX (see chart);

- Germany has long suffered from excess savings, and aggressive fiscal expansion is urgently needed. CDU leader and probably the next Chancellor, Friedrich Merz, plans to lift the Germany economy out of its prolonged slump, which is bullish for European equities, especially German stocks, bearish for bunds and positive for the EUR;
- In late March, German software giant, **SAP AG**, overtook Danish drugmaker, **Novo Nordisk**, to become the most valuable company in Europe with a market-cap worth $308 billion. The stock has rallied 40% over the past 12 months as investors have welcomed the shift of its business customers to the cloud while also riding the wave of euphoria for Artificial Intelligence. Prior to 2023, **LVMH** of France held the title as the most valuable company in Europe.

Global Equities & Real Estate

- Stock-market leadership has profoundly changed since February as the Mag 7 plunge along with homebuilders, semiconductors and growth stocks generally. The S&P 500 saw its largest quarterly decline since Q2 2022 on US stagflation concerns and tariff uncertainty. Mag 7 stocks account for almost 90% of the negative return in Q1. U.S. equities saw the largest relative quarterly underperformance in Q1 vs Global ex. U.S. since 2009. European and Chinese equities outperform in Q1. In USD terms, U.S. equities have still delivered almost three times the returns of the Global ex. U.S. index
over the past decade. China is the only market to see negative returns over 3 and 5 years;
- The S&P 500 is now down 2.5% below its 200-day moving average. In the past, corrections were often associated with 5%-10% declines below this average. Bear markets tended to bottom when the index was

more than 20% below its 200-day moving average. In March, the broader market fell 5.8%, its worst monthly decline since December 2022;

- In my view, investors should add exposure to major non-U.S. industrialized and some emerging markets. Some ASEAN markets should be avoided as economic developments favor better managed economies in the region, including Singapore, Malaysia and Vietnam. Indonesia and Thailand should be avoided;
- Investors should patiently await new entry points for capital deployment into Germany and Europe more broadly because the region is still overbought on a short-term basis. The valuation story as described below isn't news. Non-U.S. stocks have been cheaper for years and nobody really cared. That is changing now because of the poor performance of the American broader market, the Big Tech wreck and the macroeconomic landscape where fiscal stimulus should propel German assets higher for the next several years, similarly to the way it boosted American stocks from 2009 to 2024 under the guise of the Fed's Quantitative Easing and massive fiscal spending during Covid;

- Renewable stocks plunge to five-year lows. Green energy stocks declined to levels last seen five years ago ahead of an environmental, social and governance (ESG) mania that lifted the sector to new highs before crashing in late 2021 (see above chart). From all-time highs, popular renewable ETFs like ICLN and ERTH have crashed anywhere between 64% and 45% from their 2021 highs, respectively. Any hopes for a recovery were dashed when Trump won his second term; the President froze additional funding from Biden's Inflation Reduction Act for green projects and withdrew from the Paris climate agreement – again. Even in Europe – long a bastion of renewable energy support – fossil fuels are making a comeback in some countries;
- The weakness in publicly traded renewables comes despite overall strong investment in clean technology. According to *S&P Global Commodity Insights*, renewables are set to overtake upstream oil and gas spending in 2025 for the first time, driven by solar and battery storage. Wind and solar energy generated more electricity in the United States than coal for the first time ever last year, according to think tank *Ember* and *The Wall Street Journal*. The two renewable energy sources accounted for 17% of the country's power mix while coal fell to a low of 15%. Wind and solar have overtaken coal in 24 states;
- Chinese stocks are back on the radar in 2025 after years of poor performance. Driven by strong corporate profits, a U-turn by Xi Jinping to court entrepreneurs and the success of AI wonder DeepSeek, stocks in Shanghai and Shenzhen have rallied this year. Hong Kong, too. The MSCI China Index, which tracks stocks across A and H-share markets, has gained 16% this year. Stocks in Hong Kong are up 18%.

Fixed-Income

- The German bond market got rattled in March as yields surged following the introduction of a €1 trillion spending bill to finance defense spending and infrastructure. The spike in German bund yields was the highest in more than 30 years and took the benchmark 10-year bund yield from 2.38% to 2.92% almost overnight. The yield has since declined to 2.68%. But there's no doubting hedge funds, and other speculators are feasting on the prospect of massive fiscal spending in Germany and the resultant cost to finance the boldest legislation since reunification 35 years ago. German bunds are unlikely to remain the Europe's safe-haven destination; Switzerland will hold that title alone;

- Mar-a-Lago Accords. Though not official policy, this speculative idea has been circulating in investment circles since Trump's election in November. It suggests a global agreement, potentially backed by the United States, to restructure U.S. debt and realign trade, all aimed at boosting American competitiveness and easing debt pressures. In the absence of deficit reduction, the United States will face a debt crisis. The federal government is currently spending roughly $7 trillion and collecting only $5 trillion in taxes annually. The resulting deficit is a little over 6% of gross domestic product, a disturbingly high number for an economy around full employment. The CBO expects public borrowing to remain at this elevated level or higher for decades. Assuming no recessions, public debt will rise to 100% of GDP this year and 118% by 2035 — and it just keeps rising from there. The United States isn't alone. The Trudeau government (2015 to 2025) nearly destroyed Canada's finances with the country now funding its highest deficits since nationhood in 1867. France, UK, Italy, Japan and many other nations are also sitting at all-time high debt-to-GDP ratios;
- Rich nations' debt interest reaches highest levels since 2007. According to *The Financial Times* and the OECD interest payments are devouring the biggest portion of wealthy nations' economic output since at least 2007, outstripping spending on defence and housing. Debt service costs as a percentage of GDP for the 38 OECD countries climbed to 3.3% in 2024, a sharp rise from 2.4% in 2011. Interest costs were 4.7% in the United States as a percentage of GDP, 2.9% in the UK, and 1% in Germany. The credit crisis in 2008 and Covid pandemic in 2020 sparked the biggest surge in government borrowing in decades.

Currencies

- The dollar is having its worst start to a year since 2008, slumping more than 4% so far in 2025 based on the USD Index. The USD got slammed starting in February as growth fears surfaced amid on-and-off tariffs, plunging consumer confidence and weak economic data;
- The **ENR Global Currency Sandwich**, investing equally in gold, the Japanese yen, Singapore dollar, and the British pound, is up 7% year-to-date and its strongest quarter since 2014. Gold (+18.4%), the Japanese yen (+4.7%) and the British pound (+3.5%) are main drivers. The Singapore dollar is up a modest 1.8%;
- The strongest currencies in 2025 are the Nordic currencies of Sweden and Norway, up 9.4% and 8%, respectively, versus the USD. The SEK had its best quarter since 2010 and the NOK its strongest quarterly advance in two years. Called the EUR on 'steroids' by FX traders, the Nordic currencies are likely to further supported by higher rates and infrastructure spending from Germany. Last week, the Norges Bank kept interest rates on hold at a 17-year high of 4.5%.

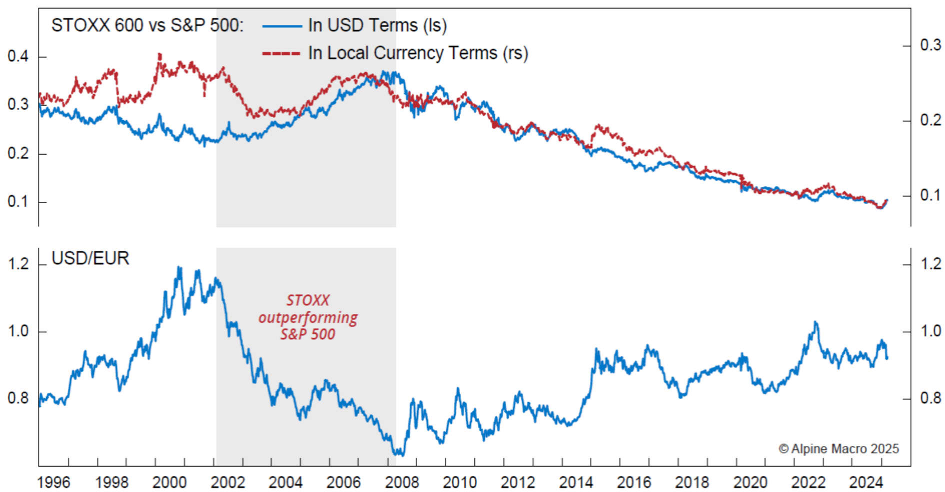
Commodities

- The Reuters/Jefferies CRB Index has rallied over 3.5% since our last update while the S&P 500 Index and other U.S. indices have declined. YTD, the CRB Index is up 4.7%. Oil, a laggard until recently, has also reawakened since March with Brent approaching $75/barrel and up 4.6% in March. Commodities have proved to diversify portfolios at a time when stocks have struggled, at least domestically. Copper prices are up 10% over the past month, live cattle up 9.5%, gold up 8%, silver 7%, tin 19%, and cocoa up 12%. Some of the worst commodities are orange juice (-20% in March), milk (-15.4%) and the biggest decliner -- eggs (-60%);
- Gold continues to rocket to new highs almost daily and crossed the $3,100/ounce mark last week for the first time as markets rolled into the June contract; silver trails gold but is catching up despite trading about 23% below its post-1980 high of $43.70/ounce in 2011. Platinum has also found new legs and trades miles below its high in 2008 and attempting to cross over $1,000 an ounce and find new support;
- After lagging gold bullion for years, the XAU Philadelphia Gold & Silver Index of mining companies is up 28% this year, outpacing gold's 18% rally. Many gold stocks have recorded spectacular gains.

ENR Model Portfolio

- U.S. President Donald Trump wants to reshape the global economic order as well as the U.S. domestic economy, and he has been acting quickly. Trump has so far issued 103 executive orders and put up import duties against Mexico, Canada and China, as well as on steel, aluminum and autos. However, what is not clear is the potential economic and financial market consequences of these various and often conflicting policy agendas;
- March was mostly a bad month for the *ENR Market Outlook Portfolio* with growth stocks, especially Big Tech, slaughtered in a vicious sell-off. Market leadership has shifted from Big Tech, semiconductors and homebuilders since 2023 to defensive groups in utilities, consumer staples and energy. Value has performed better than growth this year;

Chart 10 Relative Performance Of STOXX 600 Against S&P 500



- The long-term outperformance of the S&P 500 Index might be at a turning point (see above chart). For this reason, I'm focusing new BUYS on Europe, mostly Germany, and select sectors and countries that should benefit from a weaker dollar and investor rotation away from growth stocks and into value. It's impossible to forecast the net effect of tariffs in a trade war, but I must believe corporate earnings will be revised lower in the months ahead. The S&P 500 is the most vulnerable. Staying liquid and only buying cheap stocks is your 'margin of safety' in 2025 as the post-2022 Big Tech bull market is over – at least for now;
- This month we are buying Germany's **Hochtief AG** (Frankfurt-HOT), a mid-cap stock that has corrected almost 20% from its high and a major beneficiary of German stimulus spending. This high-quality engineering and infrastructure company, founded in 1875 in Essen, also trades at attractive multiples;
- Also, we're buying highly distressed renewables. Everyone hates renewable energy. But the valuations are bombed out and the sector is making major headway replacing fossil fuels in many U.S. states and countries, even Red states. I like the iShares Global Clean Energy ETF (NASDAQ-ICLN).

Eric Naimer Roseman
Montreal, Canada
April 2, 2025

Security	Listed	Symbol	Entry Price	Date	Current Yield	Current Price	Gain/ Loss	Advice
Hochtief AG	XETRA	HOT	€ 154.30	Apr 1/25	3.39%	€ 154.30	NEW	BUY
iShares Global Clean Energy ETF	NASDAQ	ICLN	$11.37	Apr 1/25	1.91%	$11.37	NEW	BUY
iShares MSCI Hong Kong ETF	NYSE	EWH	$18.35	Nov 5/24	3.96%	$17.67	-1.80%	BUY
Uber Technologies, Inc.	NYSE	UBER	$74.03	Nov 5/24	0.00%	$72.39	-2.22%	BUY
Rio Tinto Group	NYSE	RIO	$64.71	Apr 2/24	6.48%	$60.13	-4.34%	BUY
Cameco Corporation	NYSE	CCJ	$38.55	Sep 5/24	0.25%	$41.09	6.87%	BUY
abrdn Physical Palladium Shares ETF	NYSE	PALL	$89.81	Jun 28/24	0.00%	$90.80	1.10%	BUY
WisdomTree India Earnings Fund	NYSE	EPI	$32.42	Mar 3/23	0.27%	$43.35	34.27%	BUY
Lazard, Inc.	NYSE	LAZ	$50.05	Jan 8/25	4.36%	$42.74	-13.61%	SELL
Research Affiliates Deletions ETF	NASDAQ	NIXT	$25.83	Oct 2/24	0.00%	$23.09	-9.21%	SELL
NIKE, Inc.	NYSE	NKE	$73.71	Jul 29/24	2.27%	$63.44	-12.89%	SELL
Freeport-McMoRan Inc.	NYSE	FCX	$39.26	Mar 29/23	1.49%	$37.57	-1.25%	SELL
Apple Inc*	NASDAQ	AAPL	$23.20	May 9/16	0.46%	$220.45	880.26%	HOLD
Wheaton Precious Metals	NYSE	WPM	$22.78	Jun 5/19	0.83%	$77.32	251.93%	HOLD
Newmont Corporation*	NYSE	NEM	$17.99	Dec 31/15	2.11%	$48.54	227.71%	HOLD
Berkshire Hathaway*	NYSE	BRK.B	$197.73	Aug 5/19	0.00%	$533.40	169.76%	HOLD
HSBC Holdings plc	LSE	HSBA	£4.74	Nov 9/22	5.49%	£8.74	137.34%	HOLD
Zurich Insurance Group	VTX	ZURN	CHF 411.20	Oct 4/22	4.19%	CHF 620.60	81.17%	HOLD
Nestlé SA*	VTX	NESN	CHF 65.15	Dec 7/16	3.33%	CHF 90.22	79.69%	HOLD
iShares Russell Top 200 Value Index	NYSE	IWX	$52.46	Jan 2/18	1.82%	$81.65	75.30%	HOLD
ConocoPhillips*	NYSE	COP	$67.56	Sep 29/21	3.06%	$104.77	68.59%	HOLD
AbbVie Inc	NYSE	ABBV	$140.24	Nov 30/23	3.00%	$210.21	55.48%	HOLD
The Southern Company	NYSE	SO	$66.47	Dec 7/21	3.22%	$91.42	50.08%	HOLD
Alphabet Inc.	NASDAQ	GOOGL	$104.65	May 5/23	0.49%	$155.28	48.95%	HOLD
Microsoft Corporation	NYSE	MSFT	$256.72	Jul 5/22	0.81%	$375.16	48.93%	HOLD
Lazard Global Listed Infrastructure Portfolio	NASDAQ	GLIFX	$14.04	Aug 4/20	2.58%	$16.60	31.15%	HOLD
Albemarle Corporation	NYSE	ALB	$61.01	Sep 4/19	2.08%	$70.85	30.27%	HOLD
Vanguard Small Cap Value Index Fund	NYSE	VBR	$157.50	Oct 2/23	2.27%	$185.34	20.90%	HOLD
Energy Select Sector SPDR	NYSE	XLE	$86.74	Feb 7/23	3.06%	$93.32	14.34%	HOLD

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