

## GENERAL INVESTMENT CLIMATE

### Economy

The months of 2025 have been particularly bumpy. Many geographies experienced persistent inflationary pressures combined with prolonged economic weakness in both Europe and China. The US economy, although having performed significantly better post-Covid, was also in for a shake-up as Trump vowed to use his first 100 days in his second term to wield all presidential powers available to him, including the use of his favorite word “tariffs”. Mexico, Canada, and China were the first to be subjected to a 25% tariff in March, putting strain on the complex supply chains that have been developed in recent decades and caused many side effects. While the largest economy in the world still experienced growth of 2.4% YoY in Q4 of 2024, growth is now expected to be mediocre at a projected rate of 0.3% in Q1 of 2025. This is primarily on the back of policy uncertainty and subdued consumer confidence that increases the risk of a US recession later this year. Core inflation remained above 3% throughout the quarter and showed signs of acceleration towards the end of March. Meanwhile, the job market also showed signs of deterioration, with the unemployment rate slightly increasing 4.2%. Although the business confidence measure PMI Services index stayed in expansionary territory above 50, PMI Manufacturing painted a less bullish picture, slipping into contraction in March.

In Europe, the trajectory of inflation in the eurozone was heading in the right direction of the target of 2% in the mid-term. The inflation rate came down from 2.5% YoY in January to 2.2% in March. Still, wages and prices in certain sectors are still adjusting to past inflation with a delay. Therefore, the ECB responded by lowering the three key ECB interest rates in March by 25 basis points, after already making a similar cut in January. After these moves, monetary policy was further eased to a main refinancing rate of 2.65%. The eurozone economy was still facing headwinds from continued weakness, particularly in Germany, its largest economy, which even saw a negative growth rate.

After the snapshot election in February, results were in favor of CDU/CSU’s Friedrich Merz, who vowed to reinvigorate the economy with a fiscal stimulus of €500 billion into a special fund aimed at strengthening the country’s infrastructure over the next decade. This required a historic debt brake reform, which was agreed on in March and signals an end to Germany’s period of austerity the country has seen since 2009. With the appointment of Bayrou as French prime minister in December of 2024, the political turmoil in France also seems to have subsided for now. Following the elections in Germany, sentiment in Europe improved and the PMI for March rose to a seven-month high with manufacturing production returning to growth for the first time in two years.

China’s government stimulus package that was introduced in September 2024 seems to have shown its first positive effects. Fixed asset investment increased, manufacturing investment remained robust and infrastructure investment also increased. However, Chinese domestic demand remains subdued, with only a slight increase in retail sales growth in the first two months of the year. Export growth slowed in the same period after some there was some frontloading in late 2024 caused by the announced US import tariffs.

## Foreign exchange and money markets

During the first quarter of 2025, the dollar fell against the euro and other safe-haven currencies like the Japanese yen. Furthermore, the British pound maintained a rising trend throughout the first months of the year. Factors that supported these developments were mainly attributed to the increased likelihood of a US recession, and changing capital flow away from the dollar.

Given the current geopolitical turmoil, countries might consider bringing capital home to domestic markets, after holding substantial amounts of US financial assets. This could present a serious risk for the US' ability to refinance debt in 2025 and could cause upward pressure on interest rates.

## Stock markets

**Table 1.1 - General**

	31-Mar-25	31-Dec-24 - 3 mnth	30-Sep-24 - 6 mnth	30-Jun-24 - 9 mnth	31-Mar-24 - 12 mnth
AEX	898,8	2,30%	-1,24%	-2,71%	1,93%
BEL20	4335,42	1,66%	0,83%	11,53%	12,74%
DAX40	22163,49	11,32%	14,69%	21,54%	19,85%
EU50	5248,39	7,20%	4,96%	7,24%	3,25%
DJ	42001,76	-1,28%	-0,78%	7,37%	5,51%
SP500	5611,85	-4,59%	-2,61%	2,77%	6,80%
Nasdaq	17299,29	-10,42%	-4,89%	-2,44%	5,62%
EUR/USD	1,0816	4,47%	-2,86%	0,96%	0,24%
Euribor 3 maanden	2,34	-0,38	-0,94	-1,38	-1,56
NL govt 10 jaar	2,96	0,37	0,54	0,13	0,36

After the positive developments in 2024, the US stock market was increasingly characterized by uncertainty. Capital market flows shifted from the US to Europe in the first quarter. This led to a significant outperformance of the European stock markets compared to their US counterparts. Moreover, the German stock market was boosted by the announced fiscal stimulus package and increased defense spending, which led to a double-digit gains for the DAX and a significant gain for the broader Eurostoxx50 index as well. On the other side of the Atlantic, trade uncertainty and fears of an AI bubble resulted in the Nasdaq declining by a double-digit percentage.

## Other markets

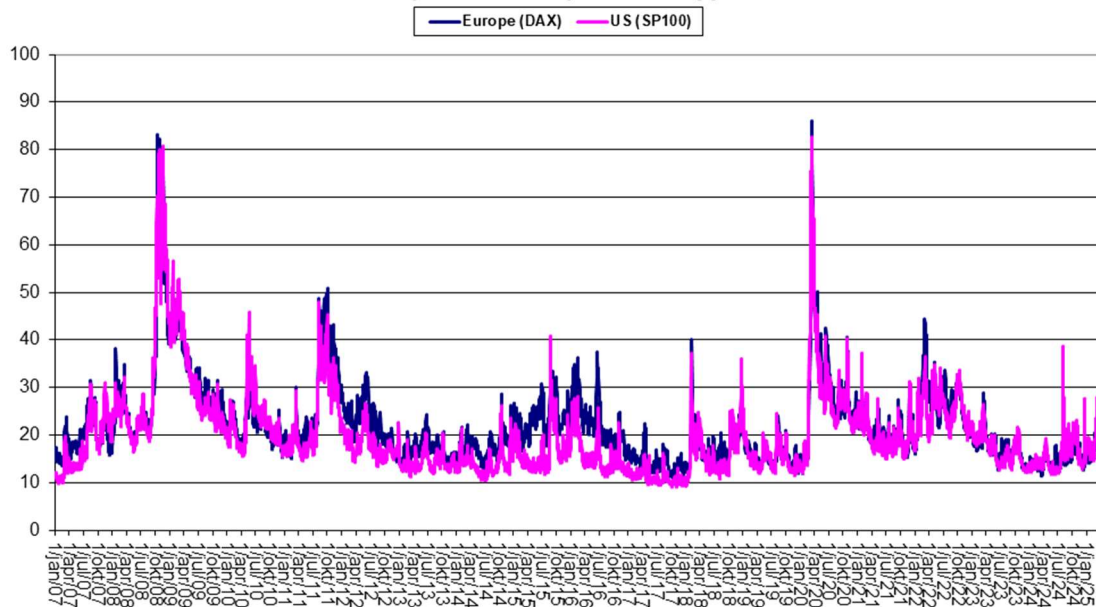
Oil prices were volatile during the first months of the year. Brent crude started the quarter with soaring prices, moving to a high of \$82 a barrel after dropping to a low in the beginning of March of around \$69 on the back of increasing signals of a looming trade war. Prices recovered throughout March to \$75, until OPEC+ countries unexpectedly agreed to advance their plans to phase out oil output cuts.

Global M&A was set for a strong quarter, as deregularization and tax cuts were expected to drive US M&A activity. However, given the development over the last weeks, it is unlikely that this momentum will be extended throughout the year.

### Implied volatility

In early 2025, a short-lived US stock rally after Trump’s policy announcements was followed by a correction five weeks later due to tariff fears and lackluster economic developments. In Europe, indices remained rather stable, with steady volatility and a solid ECB policy painting a calm picture in contrast to the turbulent US market.

Table 1.2 Development of the implied volatility jan 07 - mrt 25



### The long term

At the end of March, the 200-day moving average of the AEX was flattening after the index remained relatively stable around the 900-point mark since the start of the second half of 2024. Given the many uncertainties in the market surrounding potential tariffs and countermeasures, it seems more likely that the moving average has reached its high-mark for the time being.

Table 1.3 Long-term development AEX jan 03 - mrt 25

