

SARASIN

# Six Minute Strategy

## Tariffs, tensions - and a reluctant rally

July 2025

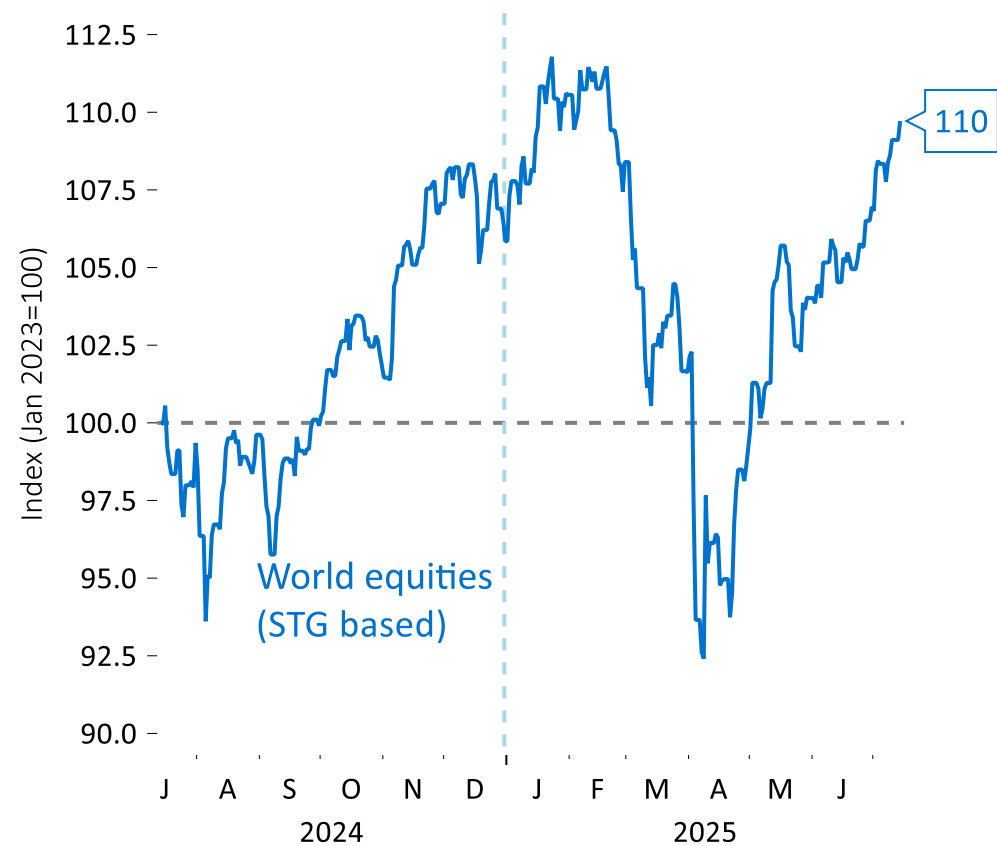
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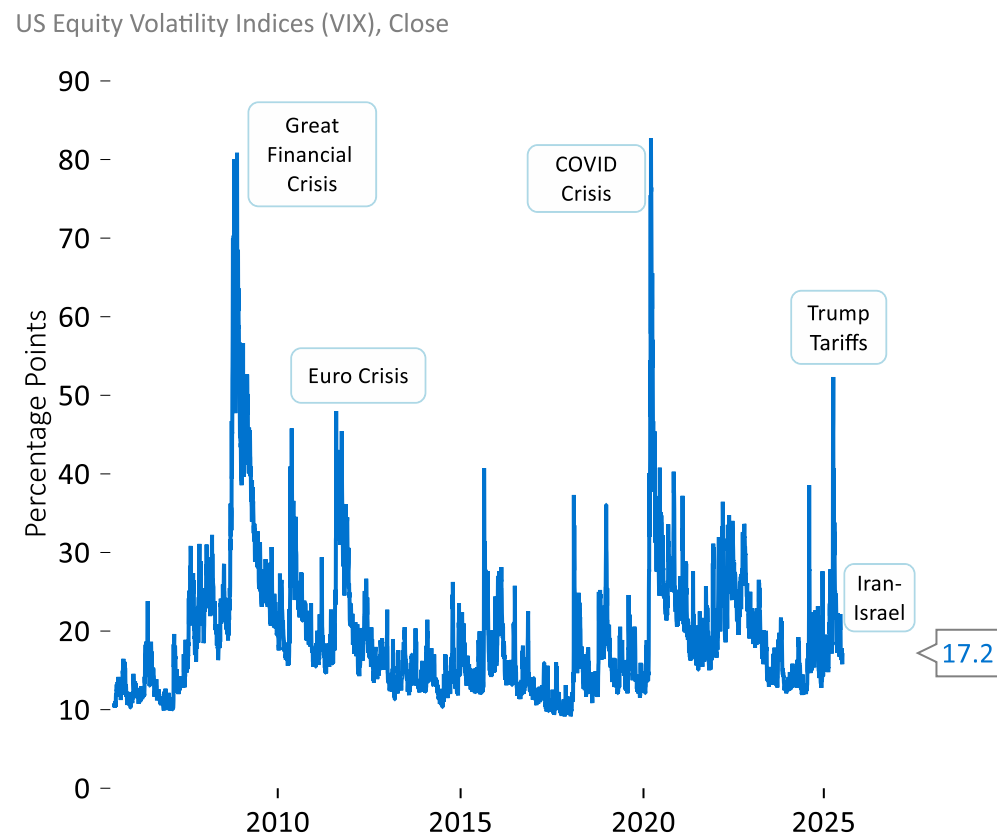


# Global equity sell-off and recovery

 Equities rally from Liberation Day sell-off



 Volatility over Iran conflict extraordinarily subdued



Source: Macrobond, 15.07.25

Past performance is not a reliable indicator of future results and may not be repeated.

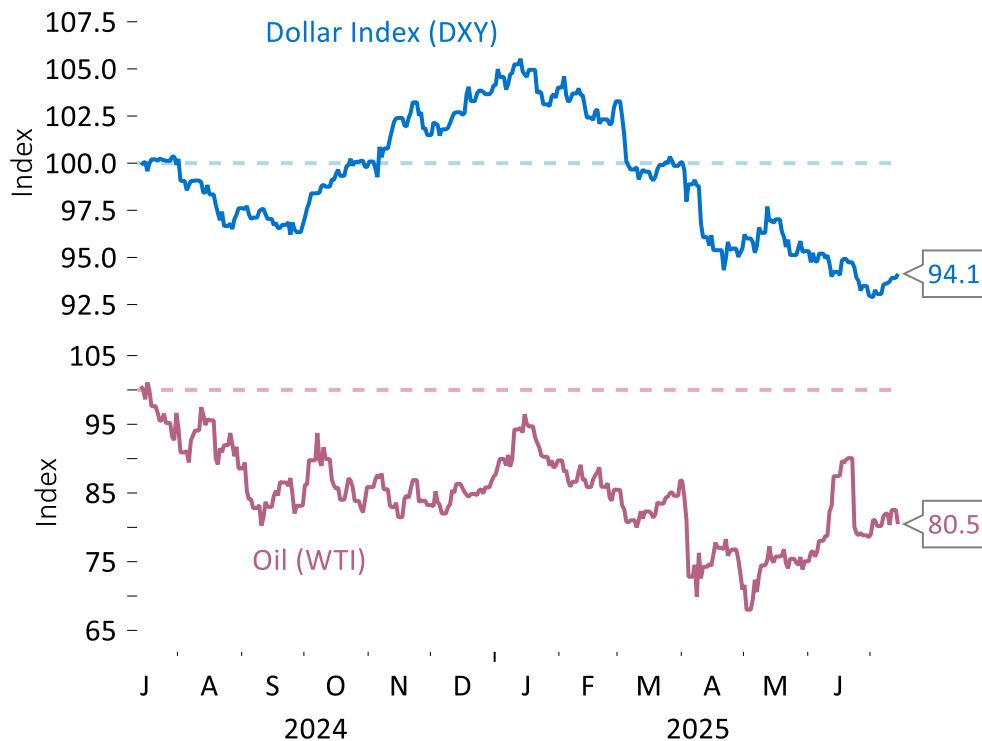
# Other assets

Dollar and oil begin to stabilise – all major markets see yield curves steepen



Dollar declines start moderate – oil rallies from lows

One year asset class performance  
1Yr ago = 100

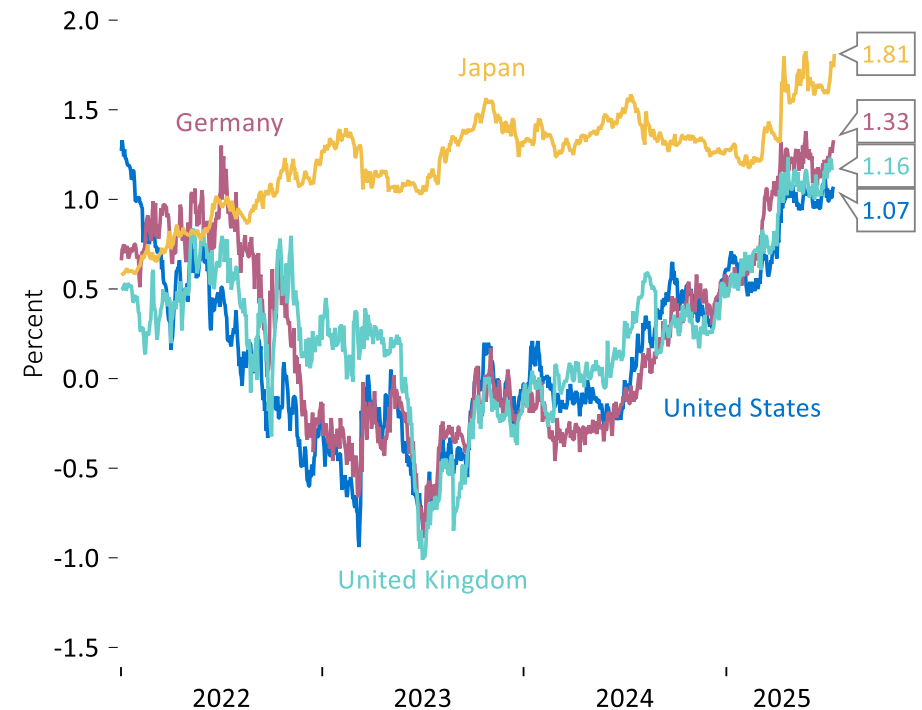


Source: Macrobond, 15.07.25



Yield curve steepens

Government Bond Yield Curve Slope (20-2yrs)



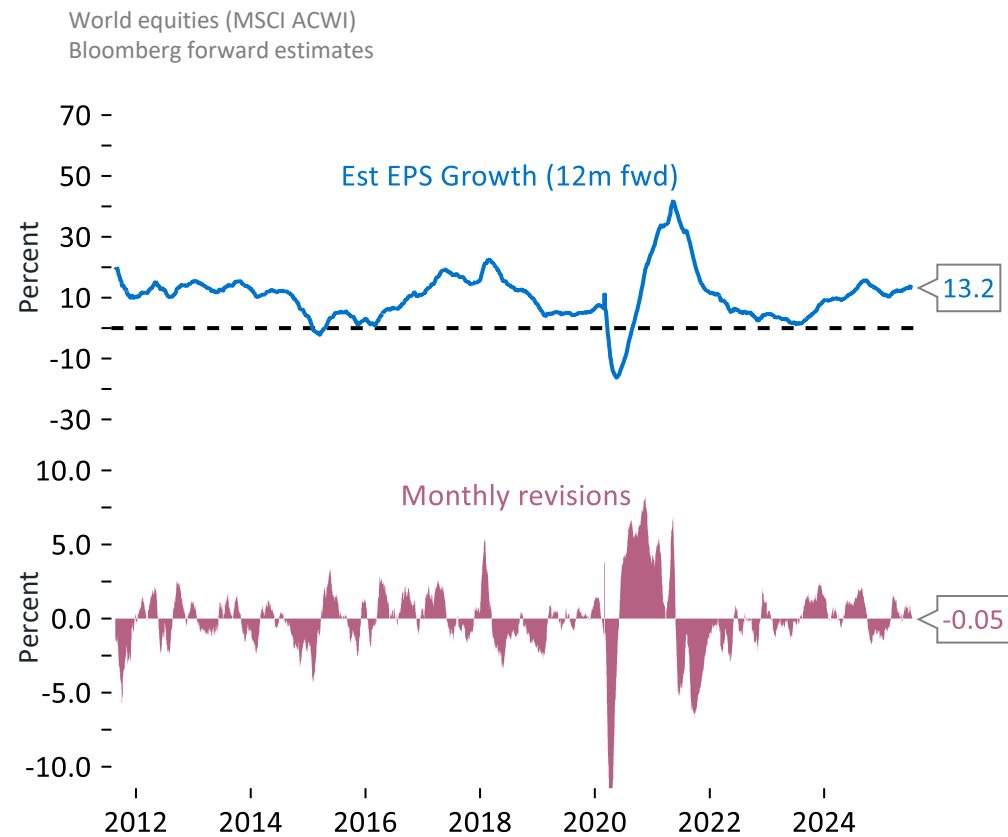
Source: Macrobond, 15.07.25

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# Global earnings and dividend growth

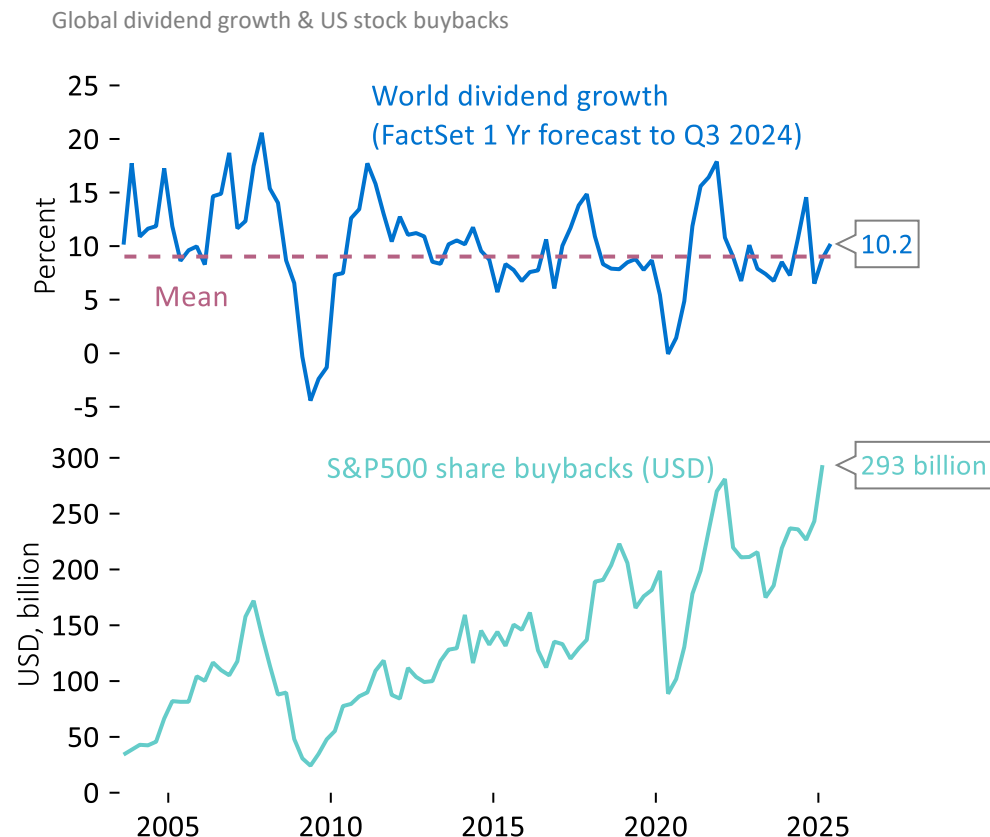
Downward earnings revisions are not visible yet – dividends and buybacks remain robust

## Global earnings growth still robust



Source: Macrobond, 15.07.25

## Global dividend strong and US buy-backs at record levels

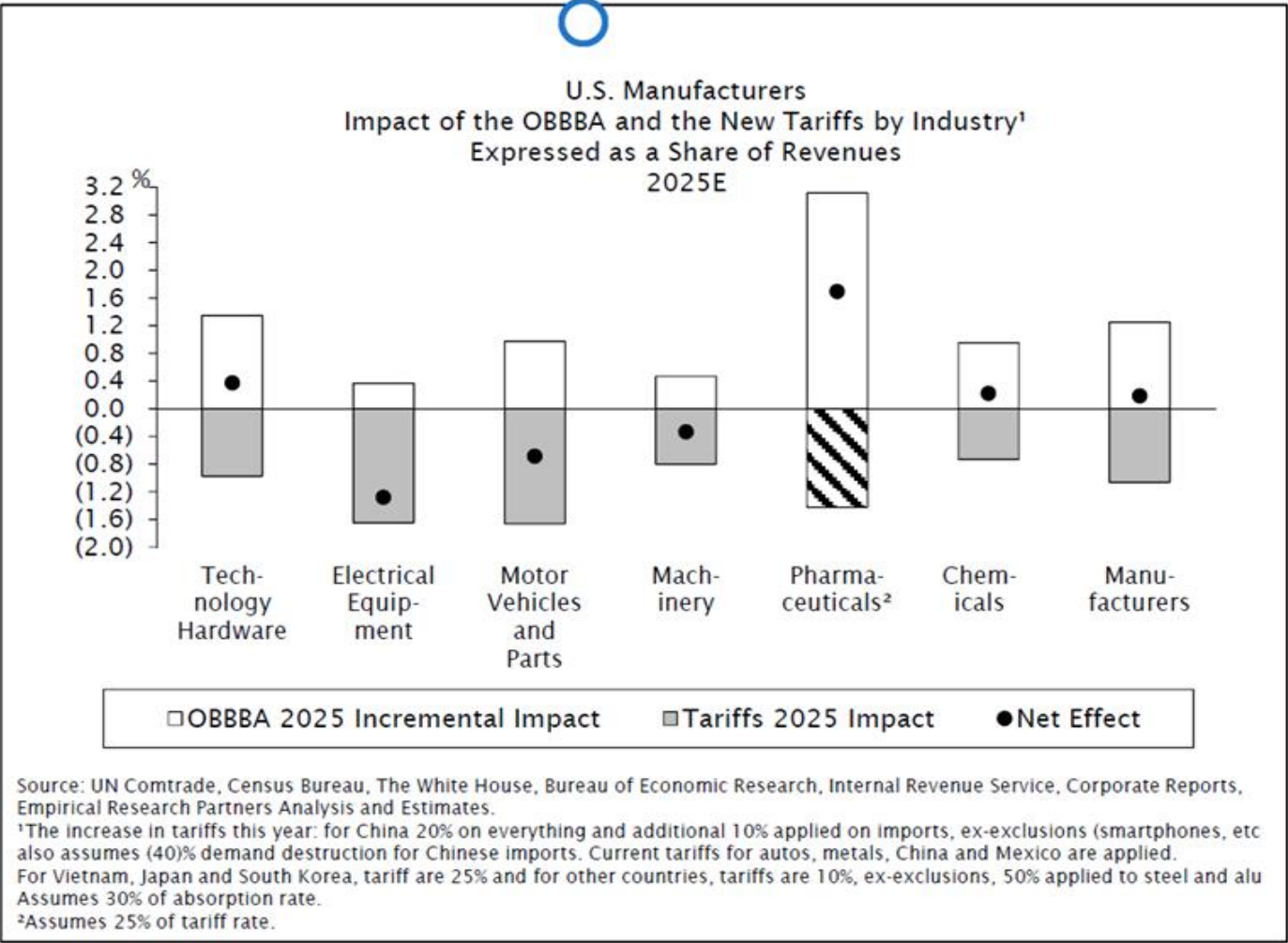


Source: Macrobond, 15.07.25

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# US corporate revenues

Tariffs and the impact from OBBBA are about a wash across US industry groups



Source: Empirical Research LLC July 2025  
OBBBA = 'One Big Beautiful Bill'

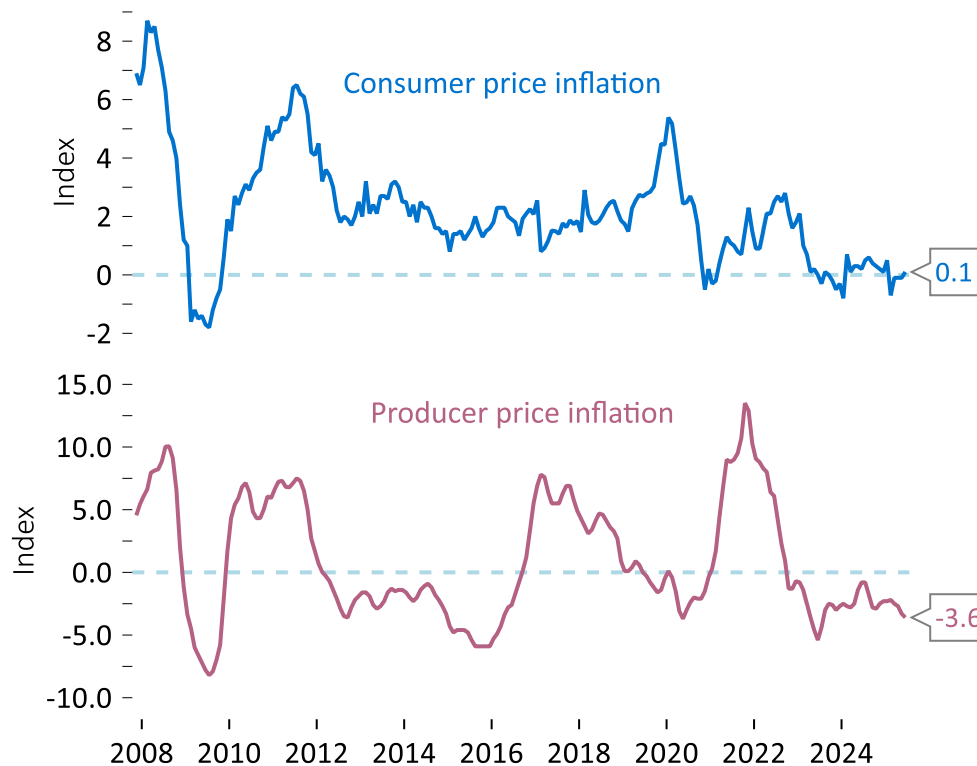
# China: Still a long road to economic reflation

Tariff impact already being felt – flood of Chinese exports to RoW likely



**Stubborn Chinese deflation suggests fiscal stimulus needed**

China inflation measures

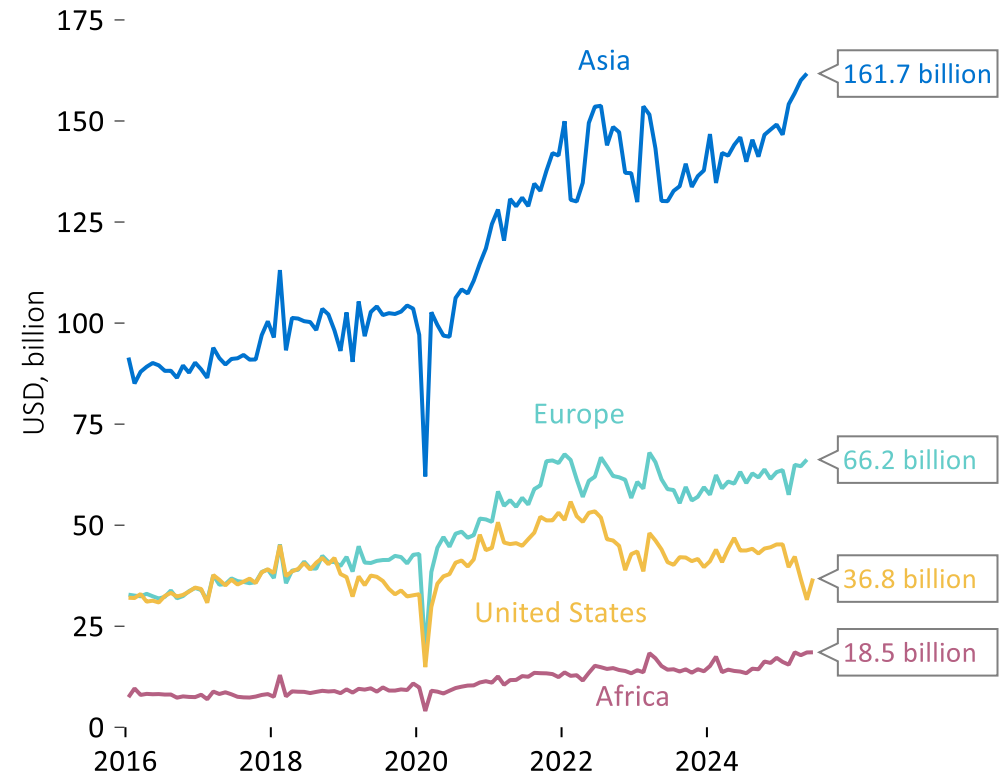


Source: Macrobond, 15.07.25



**China export to US redirected through Asia**

China, Foreign Trade, Export, Countries, Export, Value, USD



Source: Macrobond, 15.07.25

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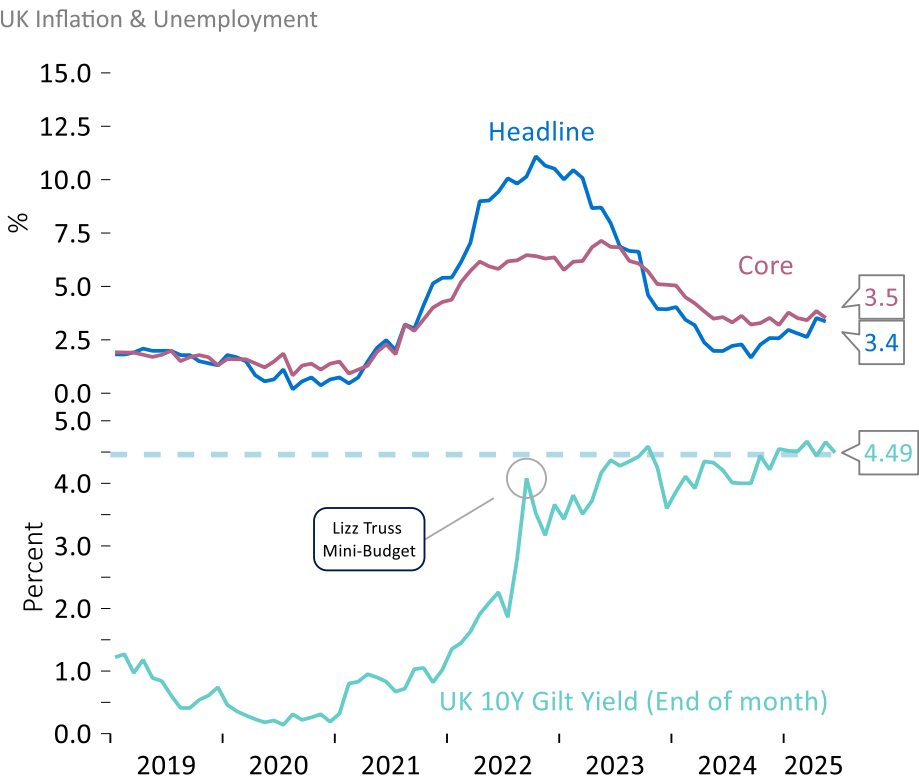


# UK: Public finances stretched

Gilt market ‘vigilantes’ keep watch on UK fiscal position

 UK inflation near peak – gilts nervous of UK fiscal discipline

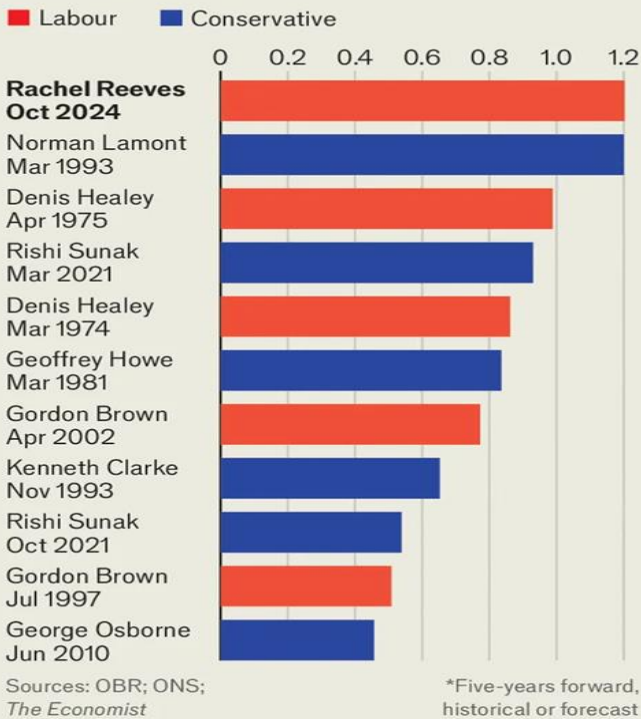
 Reeve’s 2024 budget left UK tax/GDP highest since 1970’s



Source: Macrobond, 15.07.25

## Chancellors of gloom

Britain, largest tax increases in budget\*  
1970-2024, % of GDP



‘UK underlying debt has risen by 24 per cent of GDP over the past 15 years and by 60 per cent of GDP over the past 20.’ - OBR, July 2025

# Policy summary

Global Strategy July 2025

Bonds	<b>Underweight</b> <ul style="list-style-type: none"><li>• <b>Neutral government:</b> yields offer value amid likely further interest rate cuts across most major economies</li><li>• <b>Underweight credit:</b> spreads remain historically tight – offering little overall value</li></ul>
Equities	<b>Neutral</b> <ul style="list-style-type: none"><li>• <b>Equity:</b> Global equity earnings remain robust – buybacks and dividend growth strong</li><li>• <b>Valuation:</b> US equities expensive but AI-linked earnings still climbing – RoW valuations broadly neutral</li></ul>
Alternatives	<b>Neutral</b> <ul style="list-style-type: none"><li>• <b>Alternatives:</b> diversified exposure to absolute return funds, private equity, and infrastructure</li><li>• <b>Overweight gold:</b> EM central bank buying supports demand – gold in bank reserves now greater than euros</li></ul>
Cash	<b>Neutral</b> <ul style="list-style-type: none"><li>• Long-term dollar depreciation against a broad basket of currencies – Asian currencies are the main beneficiaries</li></ul>
Risks	<ol style="list-style-type: none"><li>1. <b>Stagflation:</b> tariff retaliation lowers growth and leaves inflation sticky – US labour shortage worsens</li><li>2. <b>Government debt climbs:</b> bond yields rise – US dollar falls – risk of bond market ‘vigilantes’</li><li>3. <b>War risks:</b> Iran-Israel ceasefire fails – incremental Chinese blockade of Taiwan</li><li>4. <b>Climate risks:</b> 2024 hottest year on record – 2025 likely worse – greenhouse gas emissions stubbornly high</li></ol>

Source: Sarasin & Partners, 14.07.25



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