



In July, we kept a very close eye on the statements issued **by central banks**. After reporting that **inflation has eased**, central bankers are now focusing on the impacts of **recent tariff agreements** before they adjust their **monetary policies**. Meanwhile, several key deals were reached between the United States and Japan, and with the European Union, which have finally allowed us to **stabilise our earnings forecasts**.

Many companies also released their earnings, which were rather **mixed** on the whole. However, beyond HI data, we were mostly concerned by the **statements and guidance issued by managements**, which were often tinged with prudence or even pessimism. Furthermore, on account of rising equity valuations over the past few weeks, investors may **react more strongly** if companies disappoint on their publications.

In this environment, we have maintained our **neutral allocations** for the summer, and our positioning has remained **rather stable** compared to last month.

David TAIEB, Chief Investment Officer - Listed Assets

SUMMARY



Growth

Most economists have revised their global growth forecasts downwards for 2025, **from 3% at the start of the year to 2 - 2.5%**. Boosted by the lower dollar, growth in emerging countries, on the other hand, has been revised upwards and **remains higher than in developed countries**. According to the INSEE's most recent forecasts, **French GDP should grow at a pace of 0.6% in 2025, a sharp slowdown** compared with 2024 (+1.1%).



Inflation

Global inflation **has stabilised** over the past 4 months, **at around 2.7%** year-over-year. In the United States and Europe, it rose between May and June, reaching 2.7% (+0.3%) and 2% (+0.1%) respectively. France - where prices rose 1% in June - **is one of Europe's best performers** in this regard.



Monetary policy

The Fed left its **key rates unchanged** at 4.25-4.50% for the 4th consecutive meeting and **claims it will adopt a wait-and-see approach this summer**, to fully assess **the economic impact of Donald Trump's policies**. In Europe, the ECB has also opted for **stability** before **two possible rate cuts** before the end of the year.



SUSTAINABLE

Climate change: the ICJ delivers a landmark advisory opinion



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Last week, the **International Court of Justice (ICJ)** issued a unanimous statement that “a **clean, healthy and sustainable environment** is a precondition for the enjoyment of many **human rights**, such as the right to life, the right to health and the right to an adequate standard of living, including access to water, food and housing.” This opinion, delivered by the ICJ, follows lobbying by Small Island States, spearheaded by Vanuatu.

States will have to comply with the **rules set out in international treaties**, such as the Paris Agreement, as well as **customary and applicable international law** – even if they have not signed climate treaties. This means that despite America’s withdrawal from the Paris Agreements, the country **cannot avoid all its obligations** in the fight against climate change.





SUSTAINABLE (continued)

Climate change: the ICJ delivers a landmark advisory opinion

Climate inaction now carries **international legal obligations** for a State and may lead to legal proceedings, including the obligation to cease harmful practices, to provide guarantees of non-recurrence, and cover the full cost of remedial actions via reparations, compensations or satisfactions, as long as a causal link between the act and the damage incurred can be clearly established.

This decision has created a **robust legal framework** allowing countries affected by climate change (hurricanes, rising sea levels...) to take legal action and potentially request reparations from larger greenhouse gas producing countries. Beyond its legal reach and despite its non-binding characteristics, this decision is viewed as a **historic landmark**. It establishes a stricter deployment of international law in the fight against the climate crisis and could **inspire legal actions across the world**.



TREND

EU – United States: fears of tariff escalation are over

15%. This is the tariff Donald Trump and Ursula von der Leyen, President of the European Commission, have agreed on. The framework agreement concerns most European goods imported into the United States, including cars, semi-conductors and pharmaceutical products.

The deal also covers the following aspects:

▲ **Several sectors are exempt from the 15% taxes:** the aeronautical industry and a selection of chemical products, generic medicines, electronic devices, farming produce and critical commodities.

▲ **50% taxes are still applied to steel and aluminium,** according to Trump; Von der Leyen has however mentioned continued talks, with a view to lowering tariffs on these products and setting up a quota system.

▲ The EU is to import **750 billion dollars' worth of energy products** (primarily shale gas) over the next three years.

▲ It will also **increase imports of electronic chips and weapons,** reaching considerable amounts, according to Trump.

▲ And finally, the EU is **committed to investing 600 billion dollars** in the United States.





TREND (continued)

EU – United States: fears of tariff escalation are over

Although this agreement is **much less favourable** than the ‘zero for zero’ deal initially pushed by the EU, it does **reduce uncertainties**, and importantly, the likelihood of a ‘tit for tat’ escalation. Such a scenario would have weighed heavily on European GDP, with the **risk of the conflict** extending to other non-trade related issues. A 15% tariff should be manageable for the EU, with **an estimated -0.2 to -0.3% impact on GDP**, which should also be more than offset in the mid-term by rising defence spending and infrastructure investments in Germany. Nevertheless, these tariffs are expected to be **long-lasting** and will mechanically ripple down, with **negative effects for the economy**.

With this deal, we anticipate a **new wave of downward revisions** to European corporate earnings which may cause **earnings forecasts** to turn negative in Europe. As an example, a 10% tariff lowers the average earnings of the Stoxx Europe 600 index by around 5%.





CONVICTIONS

Every month, our Allocation Committee brings together our entire investment team to determine our asset allocation strategies, which are then implemented in the daily management of our funds.

EQUITIES



EUROZONE

We have maintained our overweight on German mid-caps as well as our exposure to European Mid and Small Caps, as these domestic stocks are less affected by the tariffs. While we are expecting a potential re-rating for European equities by June 2026, we have switched to neutral on the asset class.



UNITED STATES

US tech stocks have returned to their all-time highs, generating some risks. Indeed, the sector tumbled 26% when its momentum collapsed in April. We have nevertheless maintained our exposure to technology stocks and remain neutral on US equities.



EMERGING COUNTRIES

Indian stocks are benefiting from favourable national macroeconomic policies and from rising interest from foreign investors. While the country's trade policy remains a risk, India's tendency to turn to its domestic market could offer some protection. We are therefore positive on Indian and Chinese stock markets and neutral on Brazilian equities.

FIXED INCOMES



SOVEREIGN BONDS

Bond yields have been rising for several weeks. We are taking advantage of this situation to purchase bonds by increasing our funds' modified duration via Eurozone sovereign bonds. We have also kept our position on emerging debt.



CREDIT

The fundamentals of the credit market will remain strong in 2025 with valuations expected to stay stable, with limited volatility. We prefer the risk/return ratio offered by Investment Grade, European High Yield and subordinated financial debt.



Change in view versus previous month.



Investment team's asset class views.



CONVICTIONS (continued)



CURRENCIES

In light of the recent depreciation of the Yen, we initiated a long position in the Japanese currency against the Euro. The Euro is at risk of falling back against the USD in the near term owing to the 15% agreement on tariffs.



COMMODITIES

Gold has kept its protection and diversification qualities, but prices are very high. Oil, on the other hand, is trading at a fair price with the Brent priced at around €60/bbl. Our view remains neutral on commodity markets.



Change in view versus previous month.



Investment team's asset class views.



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