

The game of Monopoly illustrates capitalist mechanisms and the basics of real estate investment. Power struggles, tough negotiations, profit management... are all part of the strategy to achieve victory: fortune.

Combining his real estate experience with the presidency of the United States, Donald Trump has embarked on a game of Monopoly against the entire planet. If business culture is an integral part of the American mentality, it's all the more pronounced at the start of this mandate, which looks like a very aggressive and strategic start to the game.

## Trump vs World

The second quarter began with a bang, with *Liberation Day* on April 2<sup>nd</sup> and the announcement of the tariffs that the US declared it would impose on the entire planet. There have been many changes in tone and inaccuracies (whether intentional or not) on the part of the US government.

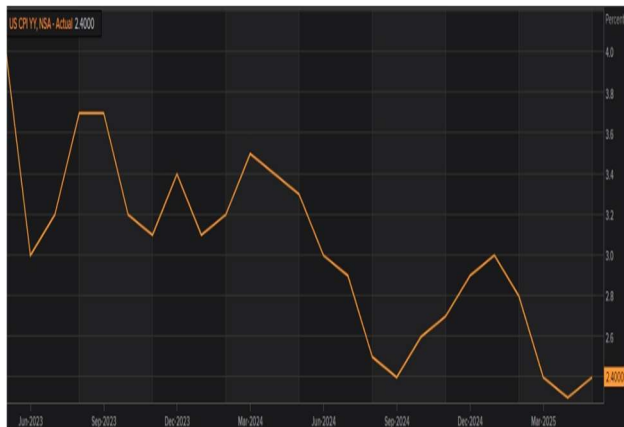
The following points stand out:

- A universal 10% tariff on imports, with certain exceptions (e.g. steel, aluminum, automobiles, etc.),
- With China: general framework signed on June 11, aimed at extending the truce, with rare earths at the heart of the negotiations,
- With the EU: tough negotiations, with a truce until July 9.

The impact on the financial markets was immediate and very violent, with a fall in the equity markets (-15% over the first 10 days of April), a rise in US 10-year yields from 3.87% to 4.6% and a 6% fall in the dollar against all currencies since *Liberation Day* (i.e. -10% since the start of the year).

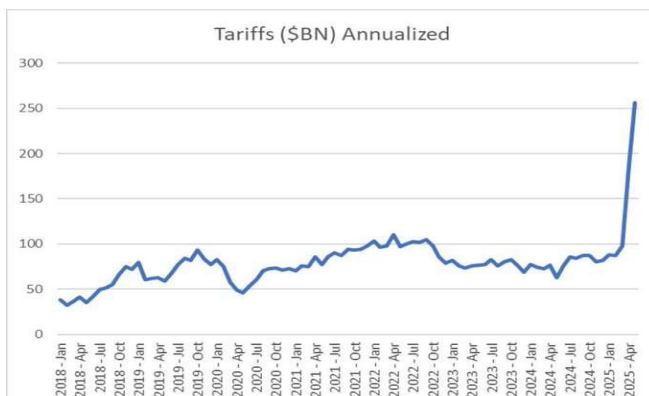


Investors focused on the lack of visibility, fears about financing the US deficit, and fears of a potential return of inflation. At the end of the second quarter, trade negotiations are still underway, indicating Trump's willingness to move things forward, but the US deficit and inflation remain the major uncertainties.



Despite the introduction of the first tariffs, inflation has not accelerated. Although total inflation is falling, the latest figures date from May, too soon after *Liberation Day* for the full impact to be felt. The market will be dissecting each price related data release (PPI, CPI, PCE) with an eye on July inflation, published in August; this figure will give a first glimpse of the full effect of the tariffs set by Donald Trump.

We continue to believe that a 10% tariff on foreign components, in a context where the US dollar has lost more than 10%, will not harm competitiveness or exports (price paid = +10% tariffs - 10% currency). A 10% increase in foreign components (estimated at 60% of all products consumed in the U.S.) would only represent a 6% rise in final prices, which wouldn't really move the needle in a context where Americans have never been so rich.



The manoeuvre is much broader: Trump aims at reshaping the entire American budget. Tariffs are the first measure and could contribute<sup>1</sup> between \$2,500 and \$3,000 billion over 10 years. The second measure, the "*One Big Beautiful Bill*" (voted in early July), aims to extend tax cuts (-\$4,460bn in tax revenues over 10 years) to stimulate growth, while offsetting this with cuts in social spending (+\$1,200bn) for a net effect of around -\$3,200bn. The balance

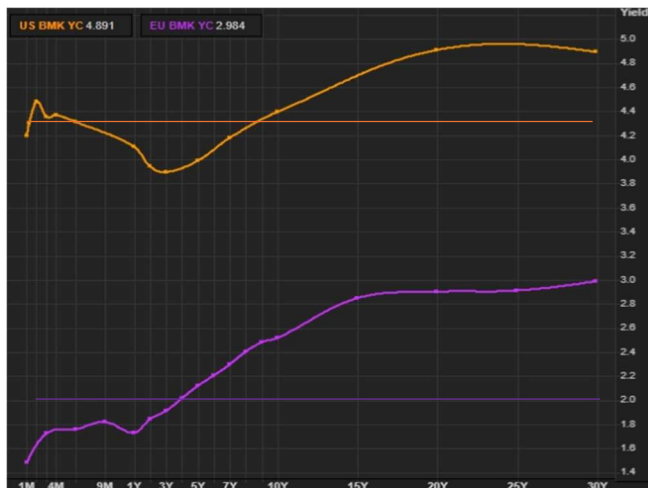
is thin and the gamble daring: if the Keynesian demand shock does not trigger a virtuous circle of growth (by boosting consumption), the deficit will worsen...and US GDP growth could come to a halt.

It's not a meaningless gamble, since Trump is addressing head-on a latent problem of rising debt, reaching 125% of GDP by 2025. Only time will tell if this gamble was the right one.

<sup>1</sup> <https://budgetlab.yale.edu/research/state-us-tariffs-may-12-2025>

As we have already mentioned, the US dollar has depreciated by over 10% since Trump became President, and by around 7% since *Liberation Day*, reaching its lowest level since 2022. This depreciation does not reflect the current US yield curve, with the US 10-year yield remaining at a relatively high level of around 4.3%, down 30 bps since the end of May. The yield situation is worth a closer look.

Traditionally, the yield curve is rising, with long rates higher than short rates, reflecting positive economic expectations and a risk premium for the longer maturity. This is not the case in the United States: the 2-year yield is below the FED's key rates, indicating that the market is afraid of an economic slowdown and signalling to the FED a potential delay in rate cuts, on long rates: fears of the return of inflation with the tariffs. J. Powell is determined (quite rightly) to wait, despite pressure from Trump, before deciding on a further rate cut, given the reduced visibility of inflation. In Europe, the situation is healthier, with a steepening



curve reflecting low fears of recession, and long rates well above key rates, indicating little risk of inflation.

While the decline in global equities after *Liberation Day* was impressive, the V-shaped recovery that followed was equally so. By the end of June, the S&P 500 had surpassed its all-time high, while the European indices (Stoxx 50) were approaching it. The recovery of the major indices has been global, combining the effects of Trump's openness to negotiation with significantly eased valuations.



Central banks remain accommodative, with Trump continuing to push Powell to cut key rates, while the ECB has lowered deposit rates to 2%, with 2 cuts of 0.25% planned over the rest of the year. Last but not least, China has brought out an arsenal of measures to add to its "bazooka stimulus": property support, financial market injections, fiscal stimulus, etc. The result is a widespread market rally.

The stock market boom since the end of 2022 has largely been driven by the emergence of artificial intelligence.

In order to grow, a stock market needs economic growth to catalyze corporate earnings, but also (and above all) a "surprise" factor: stronger than anticipated actual results.

We believe that the benefits of AI are still largely underestimated. At our level, we decided to test its potential, particularly following the hacking of Harvest, an IT leader in wealth management. In just one month, we developed an in-house solution, using AI, covering all our needs: customer onboarding, portfolio monitoring, product referencing, with particular attention paid to scalability and regulatory constraints. Estimated avoided cost: 100 to 200 k€ for a SME.

The use of AI agents within companies of all sizes is already delivering substantial operational gains, and their acceleration is being confirmed. The S&P 500 has an operating margin of 12%, which AI could improve by 300 bps. At 15% margin, the S&P's PE would fall from 22x to 17x, slightly above its historical average of 15x. This observation, all things being equal with overall growth, seems to us sufficient to justify the market's current "dearness".

In order to continue to grow, however, companies' results must not disappoint: the slightest weakness in sales growth or operational gains will translate into increasingly severe stock market penalties as the AI effect wears off. If the US heavyweights still manage to surprise, and although the uncertainties linked to Trump are diminishing, new growth relays on a scale equivalent to AI will be needed to justify the continued US premium over the rest of the world.

One innovation seems to us to be potentially worth keeping an eye on, as the <sup>23</sup> declarations of the *magnificent 7* over the last few months lead us to believe that this technology is reaching the critical point where the concept is validated, and the acceleration towards industrialization and use could happen within the next 5 years... remember that the market buys future expectations, not past results.

**Exhibit 37: S&P 500 sector P/E valuations relative to history**

	Consensus forward 12-month P/E valuation				
	Current P/E	Absolute P/E		P/E vs. S&P 500	
		%ile rank vs. history		%ile rank vs. history	
		10-year	30-year	10-year	30-year
Information Technology	27x	85%	78%	80%	54%
Consumer Discretionary	27	68	89	35	74
Industrials	24	88	96	94	96
Consumer Staples	22	95	89	37	21
<b>S&amp;P 500</b>	<b>22</b>	<b>76</b>	<b>86</b>		
Materials	20	81	88	40	28
Communication Services	19	47	54	13	4
Utilities	18	68	89	56	63
Real Estate	17	34	55	13	20
Financials	16	73	85	25	24
Health Care	16	39	34	7	3
Energy	14	38	57	40	20

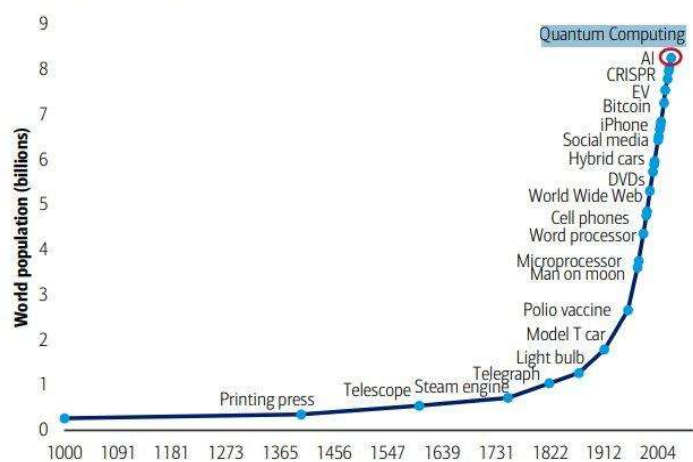
Source: Compustat, FactSet, IBES, Goldman Sachs Global Investment Research

<sup>2</sup><https://www.pymnts.com/artificial-intelligence-2/2025/nvidia-ceo-sees-quantum-computing-reaching-inflection-point/>

<sup>3</sup><https://thequantuminsider.com/2025/02/13/practical-quantum-computing-five-to-ten-years-away-google-ceo/>

**Chart 14: 1000 Years of Technological Disruption**

Technological disruption since 1000 AD



Source: BofA Global Investment Strategy, Global Financial Data

BofA GLOBAL RESEARCH

Quantum physics is the fundamental theory that describes the behavior of matter and energy at the atomic and subatomic scales. One of its major principles is superposition: an atom can exist simultaneously in several different states. This property is exploited by the quantum computer, which uses qubits (quantum bits). Unlike conventional bits, which are either 0 or 1, a qubit can be both 0 and 1, thanks to superposition. The acceleration in computing power is phenomenal:  $2^n$ ,  $n$  representing the number of bits. Since a conventional computer has 64 bits, a quantum computer equipped with 64 qubits

could be 18,000 billion times faster than a traditional computer. Although this technology does not concern everyday uses (streaming, office automation...), it could revolutionize pharmaceuticals, materials, cybersecurity and any sector dealing with massive data. Operational quantum computers, capable of processing 32 qubits, are planned for 2029.

## Cryptocurrencies

On June 17, the United States passed the "Genius Act" on stablecoins (cryptocurrencies backed by the US dollar), in order to regulate their use and protect consumers. Leading companies such as Amazon and Walmart have declared that they are introducing proprietary *stablecoins* into their ecosystems, in order to reduce their dependence on payment players such as Visa and Mastercard. The motivation is obviously focused on reducing interchange fees, thus saving costs on a large scale, and sending a strong signal that the payments ecosystem is indeed being challenged by these new technologies. While the enthusiasm surrounding these initiatives is real, we would point out that no-one will be able to pay for their shopping in Walmart *stablecoins* without a fiat currency transaction having been made first. We could therefore imagine a system akin to the purchase of a "gift card", or even the centralization on a *blockchain* of a "loyalty program" type model; which should calm the ardor of the most optimistic...

As for bitcoin, it continues to hover around the \$110k mark, after dipping below \$75k, confirming once again that, whatever the technological revolution, it is a risky and volatile asset. Finally, the much-heralded "Alt-season", the almost parabolic progression of any other crypto-currency, did not take place; in our view, this reflects a paradigm shift: the maturity reached by bitcoin and *blockchain* means that they are now an asset that will certainly be less and less volatile, and investors will be much more demanding when it comes to the fundamentals of the projects they are considering investing in.



## Market positioning

We remain optimistic about market dynamics, given that fundamentals remain positive and momentum is still building. The recent lightning crisis in Israel and Iran reminds us just how great the uncertainties are, and argues for good diversification, both in terms of geographies and in terms of styles and factors.

Our preference in terms of equity positioning remains for the US, which could once again surprise, even if the uncertainties are great. The European dynamic is also worth keeping an eye on, as the upturn seen over the last few quarters, underpinned by the challenges of reindustrialization/defence and budgetary support in a context of depressed equity valuations, makes it a zone of choice. Our positioning on China and India remains unchanged.

On the bond front, we are more comfortable with the European yield curve, enabling us to navigate maturities correctly, and are once again tactical on the US, taking advantage of the long end of the curve (>10y) as soon as yields rise above 4.5%.

So, while it would appear that the worst is behind us, it's at the start of the summer period that we remain extremely attentive to the reminder forces that could be key: negotiations and vote on the "*Big Beautiful Bill*", end of the trade truce from July 9, inflation figures in the US reflecting tariffs, tense EU/US negotiations, the Middle East... We remind you: market volatility in August can often be amplified by the reduced number of operators on the market...

Against this highly volatile backdrop, we took advantage of the sharp falls in the indices to increase equity exposure between April 9 and 14, by strengthening the large-cap indices: MSCI World, S&P 500, Stoxx 600 and MSCI China, reflecting our relative optimism. While we believe that most of the risk is behind us, we would like to see confirmation that the environment will not further deteriorate before considering strengthening less liquid pockets (eg: small caps, particularly in Europe).

A good balance between different styles (*growth vs. value* and *cyclical vs. defensive*), as well as between geographies, enabled us to sustain a maximum decline of -11.16% vs. -17% for the S&P 500. The performance of the major indices over the period was 5.07% for the MSCI World, 5.19% for the S&P500 (in dollars) and 7.85% for the Stoxx 600.

Lastly, the low dollar exposure (around 10%) had a negative impact on us.

In the bond portfolio, our relatively low duration (around 5 years), reflecting our reserve on long-term US bonds, meant that we were little affected by volatility in US long rates, while still capturing performance on the carry side. European long rates, on the other hand, failed to recover from their surge following the defense plan.

It should be noted that exposure to *corporate* and *high yield* (around 25%) generated a satisfactory average performance of 3.6% over the period.

Cryptocurrencies remain highly volatile, although they recovered strongly in the second quarter (+15% vs. -30% in the first quarter). The balances are changing radically compared to other "cycles", with bitcoin significantly outperforming other tokens.

Performances	Equities	Bonds	Crypto	Cash
2023	20,2%	10,3%	122,0%	3,5%
2024	20,6%	7,1%	90,0%	3,9%
YTD 2025	5,2%	1,8%	-18,7%	1,3%
Annualized	18,4%	7,6%	63,7%	3,5%

## Conclusion

Although investors were already used to and prepared for his unpredictability, Donald Trump nonetheless surprised them with the strength of his start. Beyond his aggressiveness, it was also the breadth of his program, its precision, readability and ambition that impressed. Although his gamble is risky, isn't it worth it?

This was underlined by the rapid resolution of the Israel-Iran conflict, with the remarkably precise destruction<sup>4</sup> of nuclear facilities threatening global security. Apart from this reaction, it is above all the speed of execution of a mission of such magnitude (each B-2 spirit worth more than +\$10bn the coordination of the 6<sup>th</sup> fleet) that calls for attention.

From diplomacy to economic policy to arduous trade negotiations, Trump is placing himself at the center of the global game board and will run his game according to American interests, and that's very clear. If the financial markets are moving very fast, a thoughtful, strategic and pragmatic approach remains an investor's best weapon, or like a game of Monopoly, you'll have to play with opponents of different sizes and motivations.

We hope that your family summer games will be less animated than those taking place behind the scenes of world diplomacy and wish you a wonderful summer!

Bertil Aubrun

Completed on 01/07/2025

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<sup>4</sup> Source : The White House