



# Fending off the “Panicans” with stimulus and spending

## **Q2 2025: Market review and outlook**

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July 2025



# Fending off the “Panicans” with

# Spending

# Stimulus

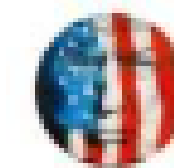


# Fending off the “Panicans” with stimulus and spending

## 1. Market review

## 2. Investment outlook

## 3. Investment strategy



Donald J. Trump ✓

@realDonaldTrump

The United States has a chance to do something that should have been done DECADES AGO. Don't be Weak! Don't be Stupid! Don't be a PANICAN (A new party based on Weak and Stupid people!). Be Strong, Courageous, and Patient, and GREATNESS will be the result!

9.7k ReTruths 43k Likes

Apr 07, 2025, 8:59 AM

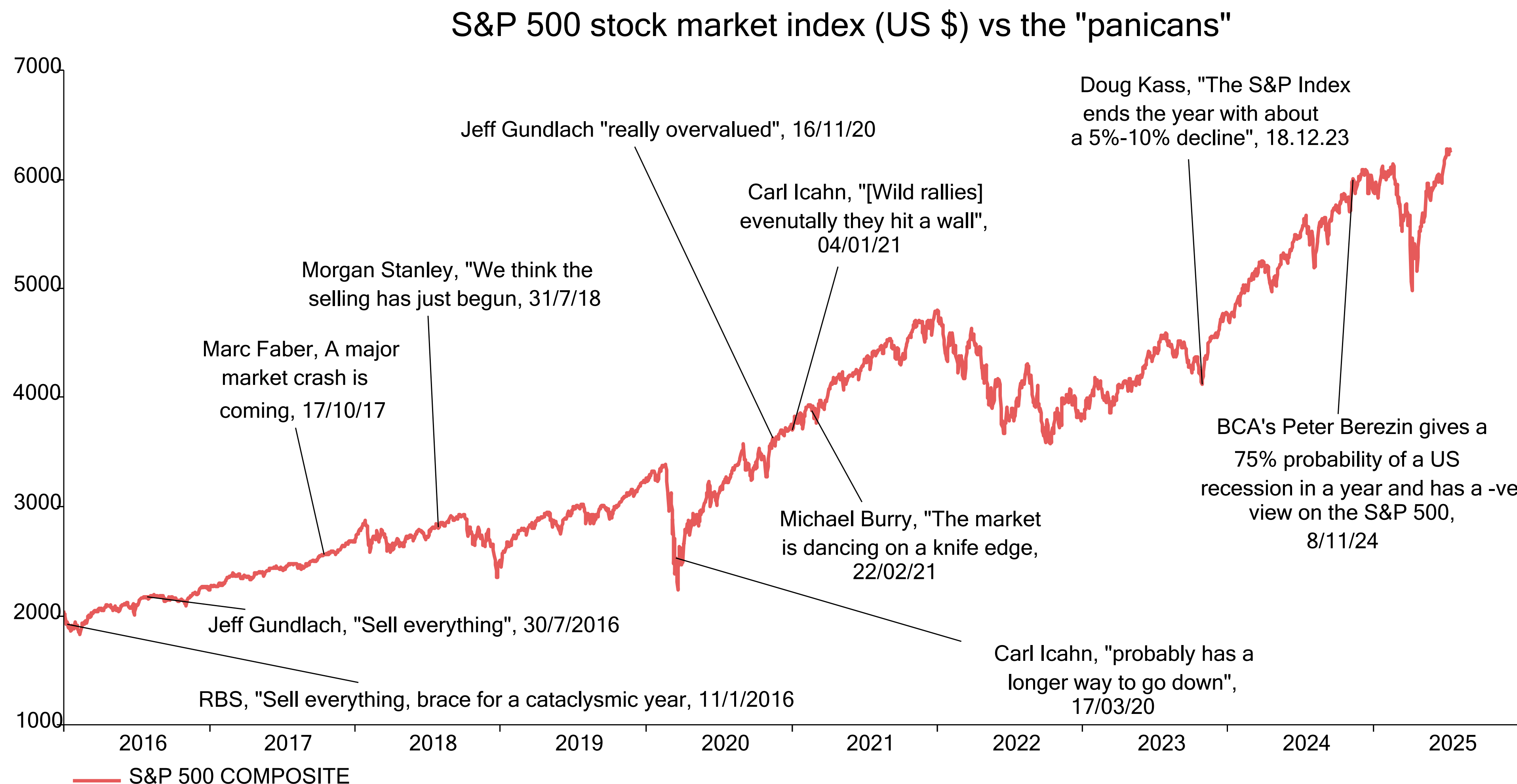


# 1. Market Review



*'This invitation to the Jeff Bezos wedding was left behind our wheelie bins'*

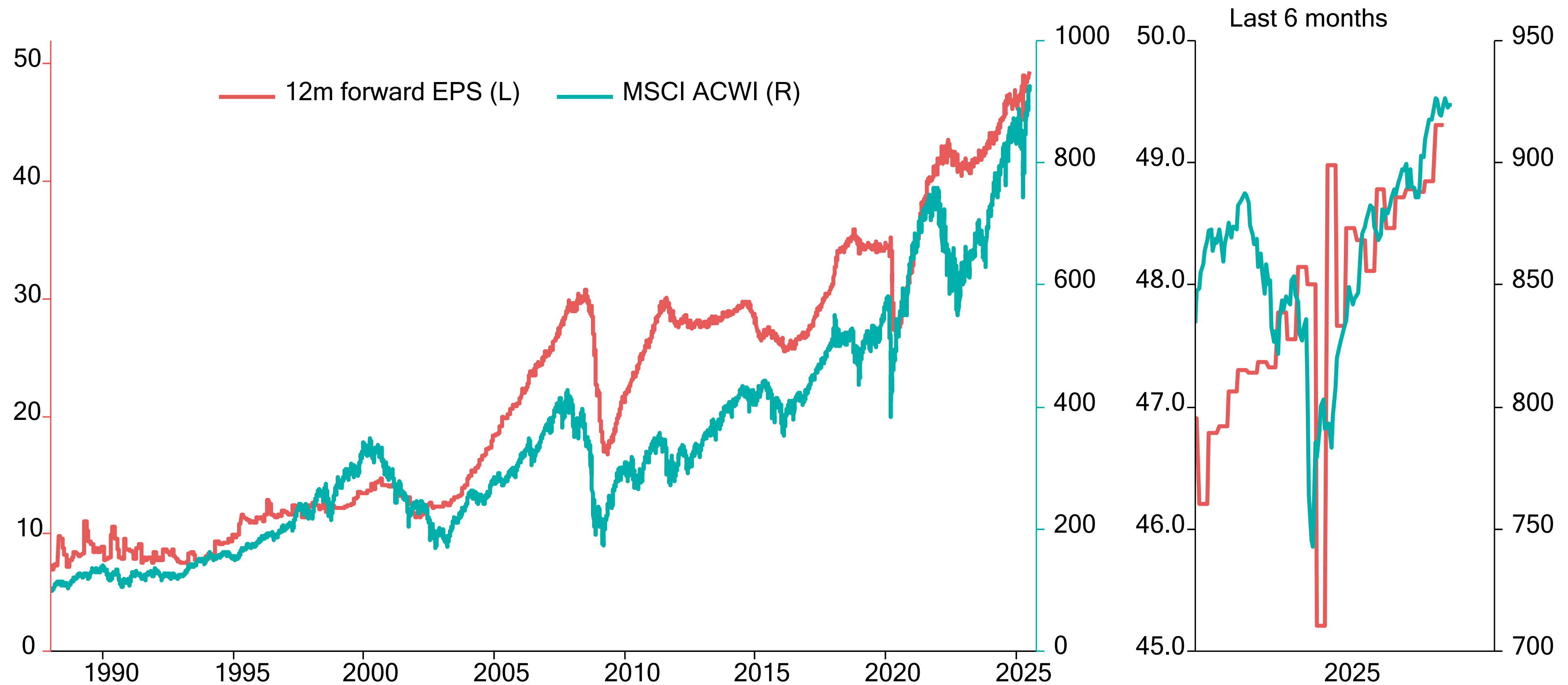
# Investors have largely ignored the "Panicans"



Source: LSEG Datastream/Evelyn Partners, Data as at 15 Jul 2025

# Nevertheless, companies continue to deliver on the earnings front

## MSCI All Country World: Earnings Per Share and stock price index in USD terms

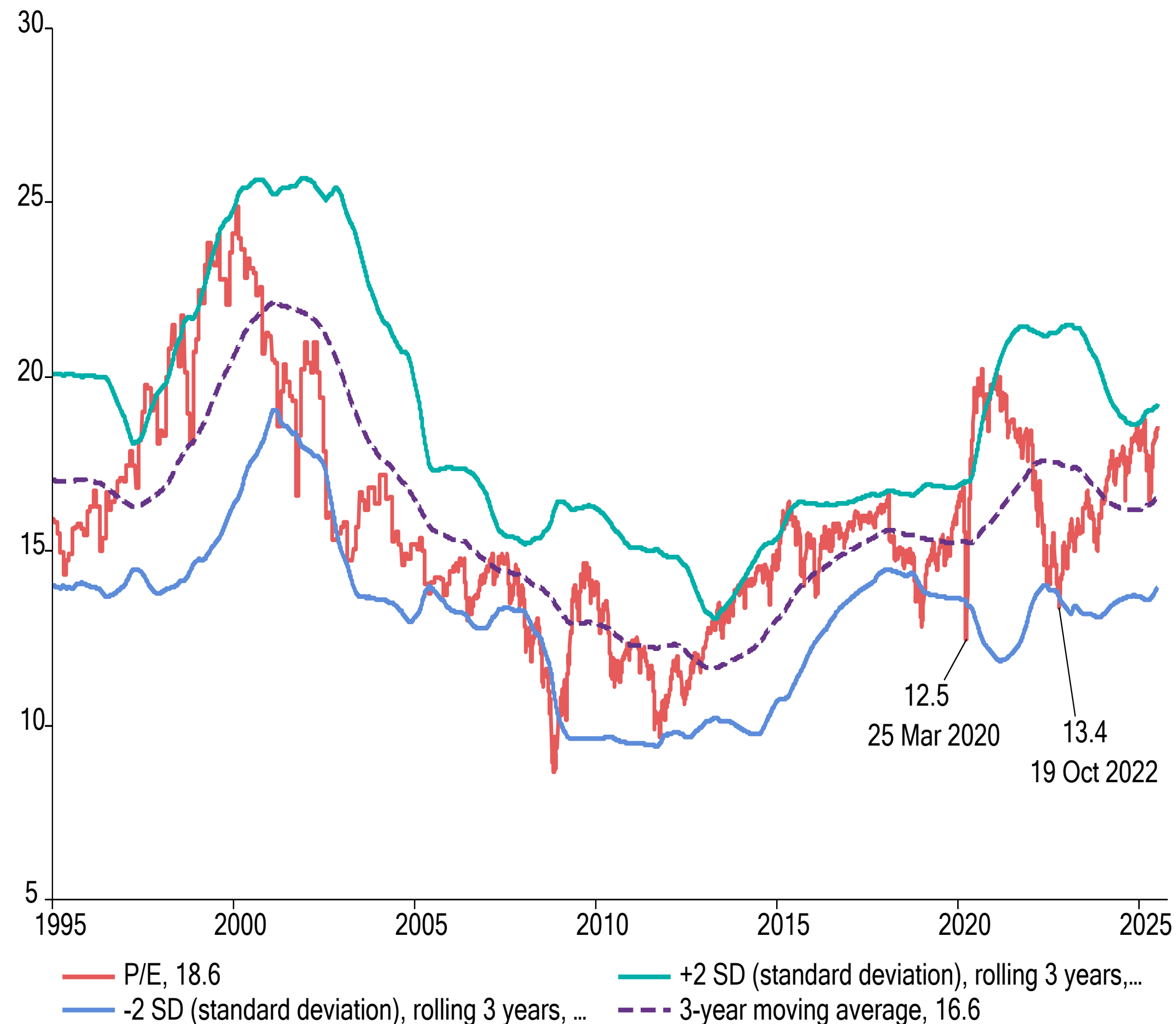


Source: LSEG Datastream/Evelyn Partners, Data as at 15 Jul 2025.



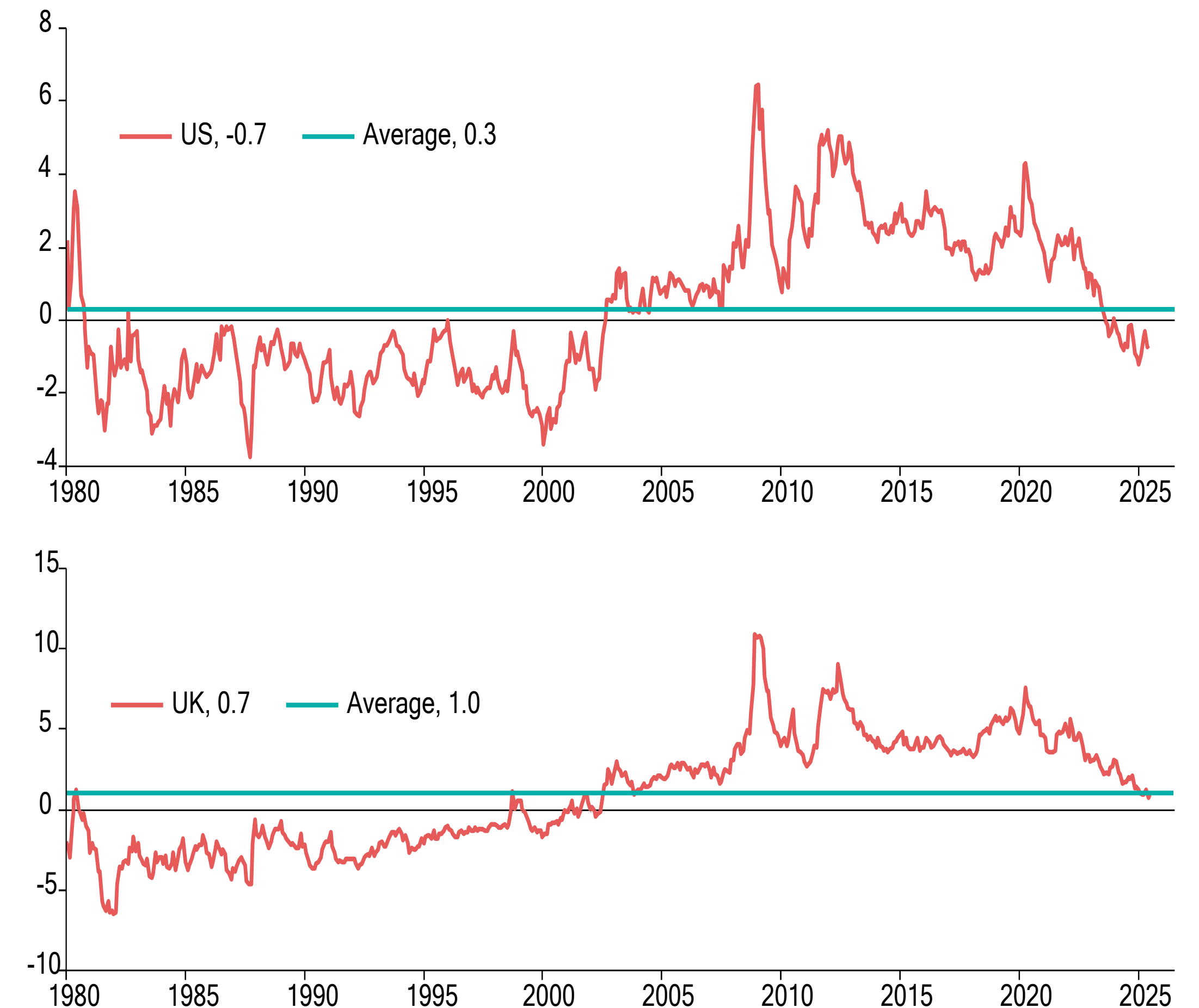
# Equity valuations are above trend, but look less demanding vs. bonds

Global equities 12m forward Price-to-earnings ratio, ACWI



Source: LSEG Datastream/Evelyn Partners, Data as at 15 Jul 2025

Equity earnings yield less 10-year government bond yield, %



Source: LSEG Datastream/Evelyn Partners, Data as at 15 Jul 2025

## 2. Investment outlook



*'If we call these new starter homes, the Government has almost hit its target'*



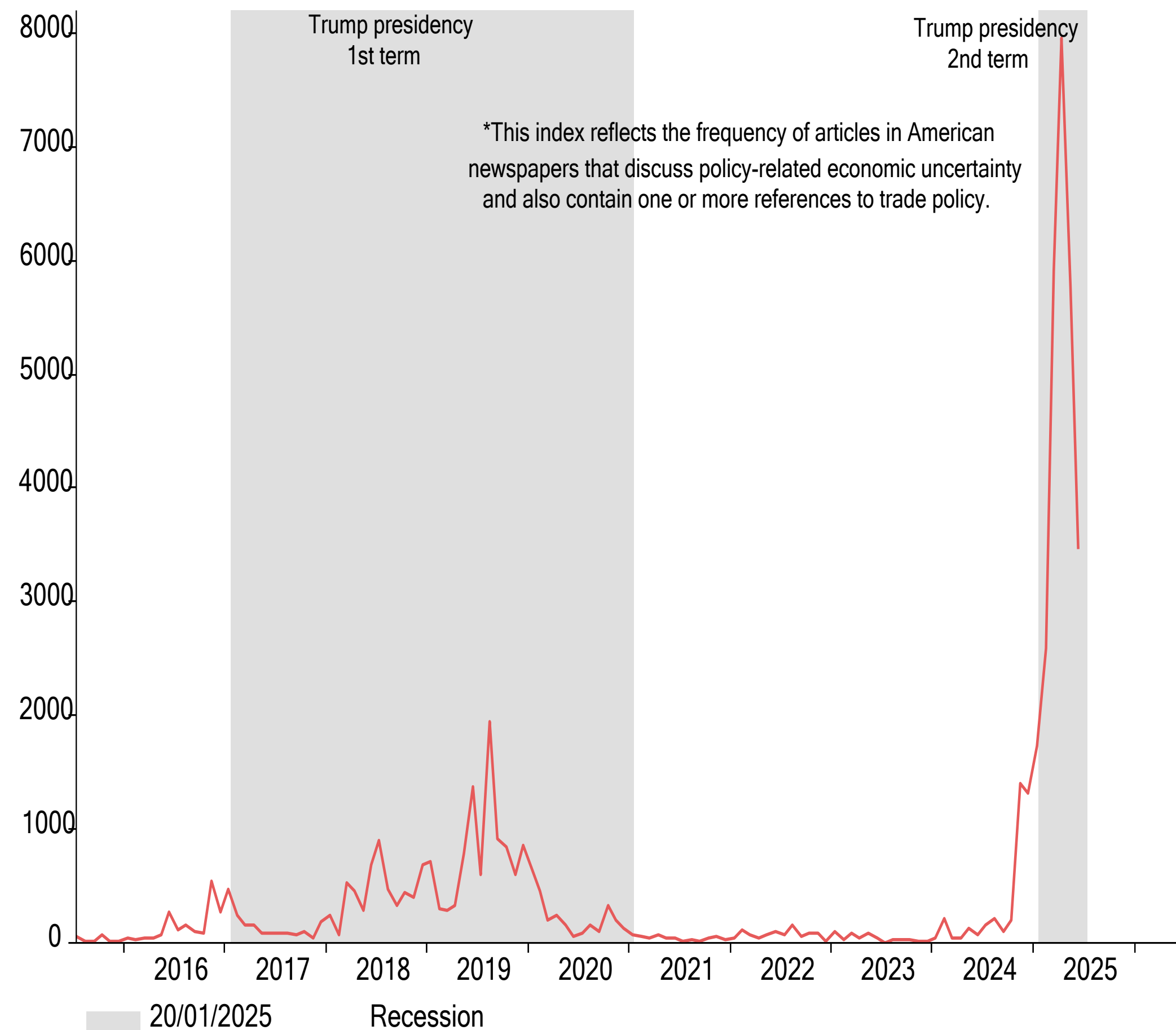
Investment outlook: Tailwinds largely offset the headwinds

Headwinds	Tailwinds
Trade (and capital) wars	Stimulus
Geopolitical tail risks	Spending
US recession concerns	Expanding profit margins
Bond market uncertainty	Improving market liquidity from a weaker USD

# Trade (and capital) wars

Trade protectionism uncertainty may have peaked

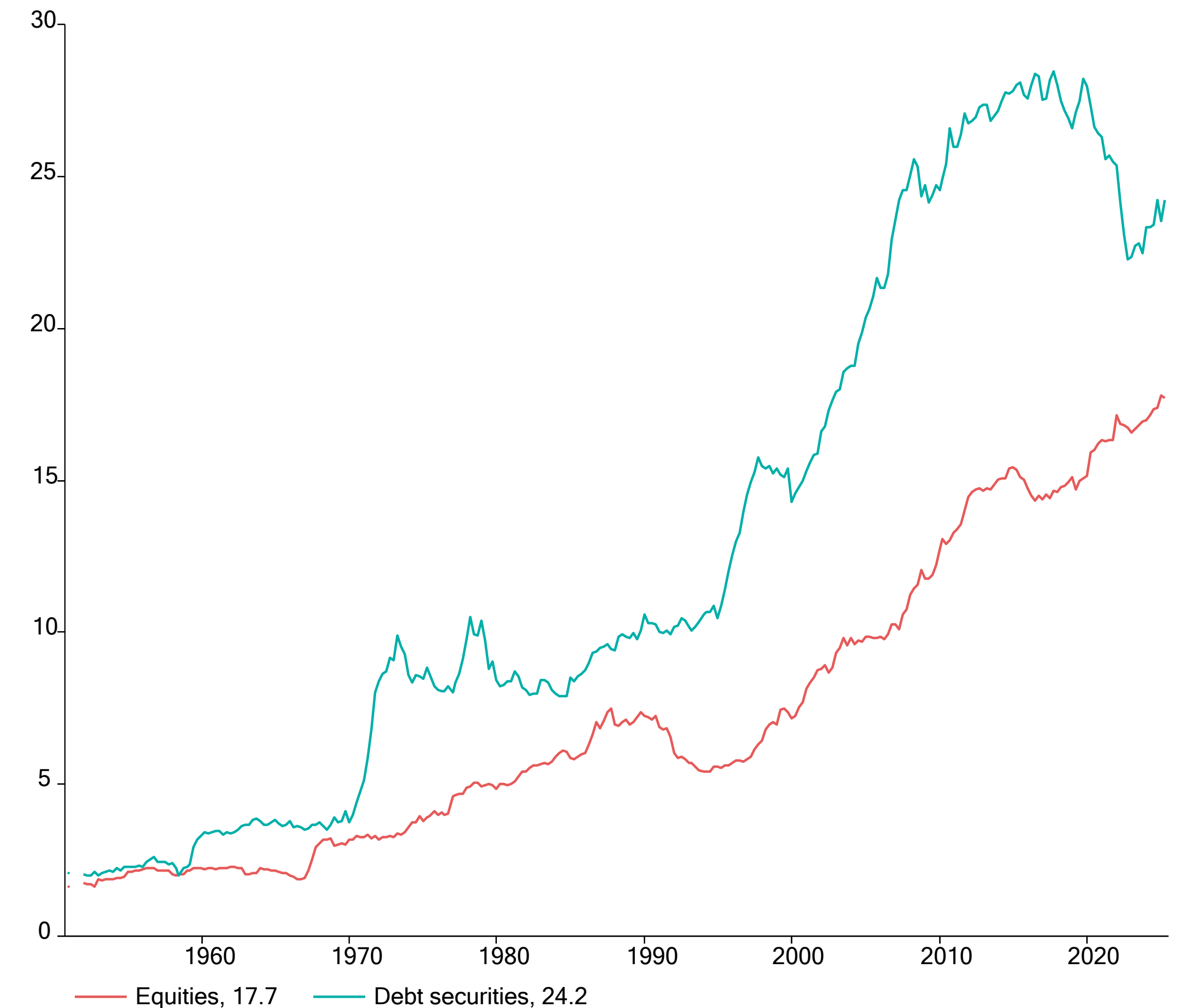
US monthly trade policy uncertainty index\*



Source: LSEG Datastream/Evelyn Partners, Data as at 15/07/2025

However, there is a risk of a capital/financial war

Foreign holdings of US equities and debt  
% of total at market value



Source: LSEG Datastream/Evelyn Partners, Data as at 15/07/2025



# Geopolitical tail risks - the Middle East

Polymarket betting odds

Iran has been actively jamming GPS signals in the Straits of Hormuz



**Will Iran close the Strait of Hormuz in 2025?**



Peak of 60% on 22 June



**Will the Iranian regime fall in 2025?**



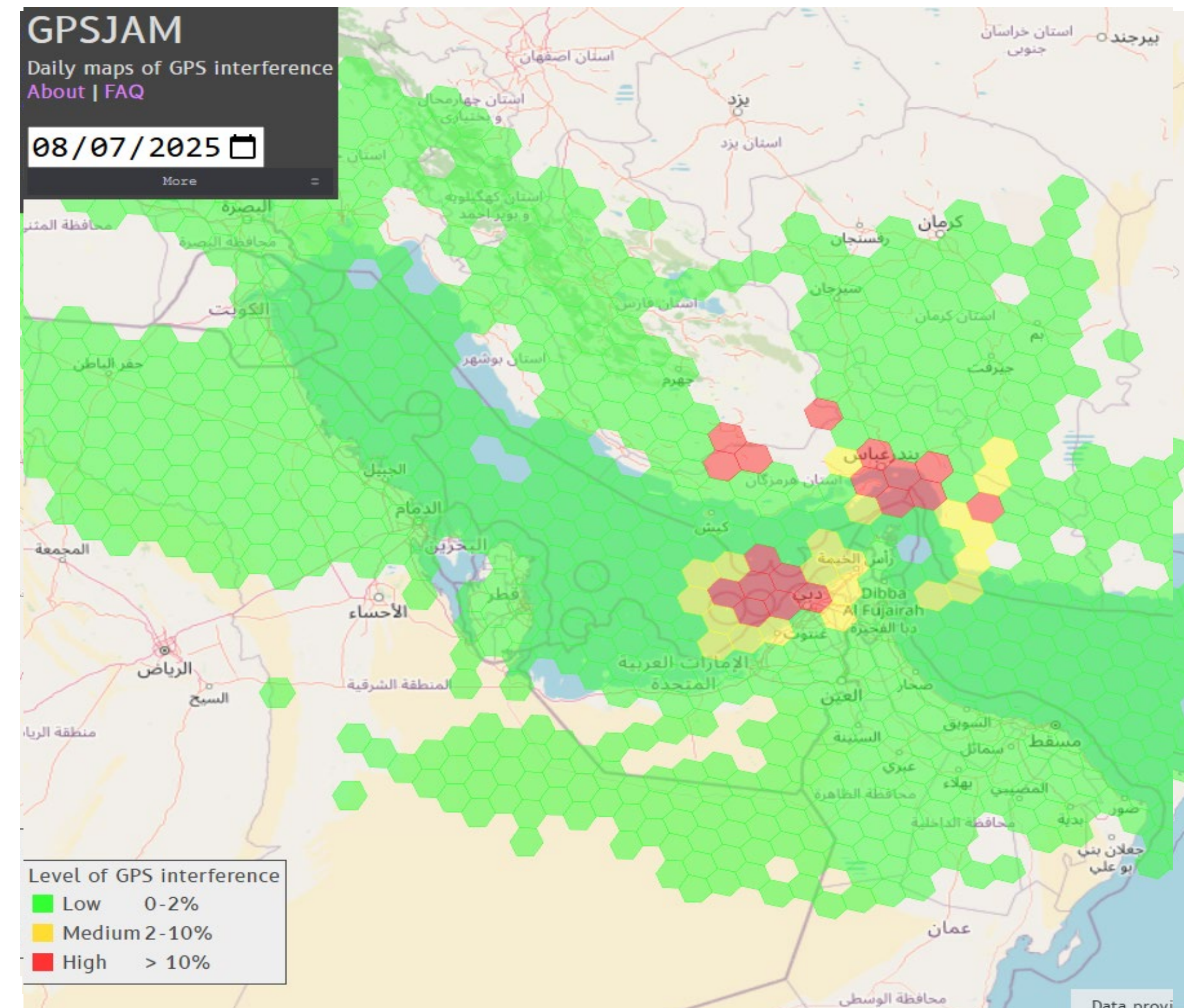
Peak of 55% on 17 June



**Israel military action against Iran in July?**



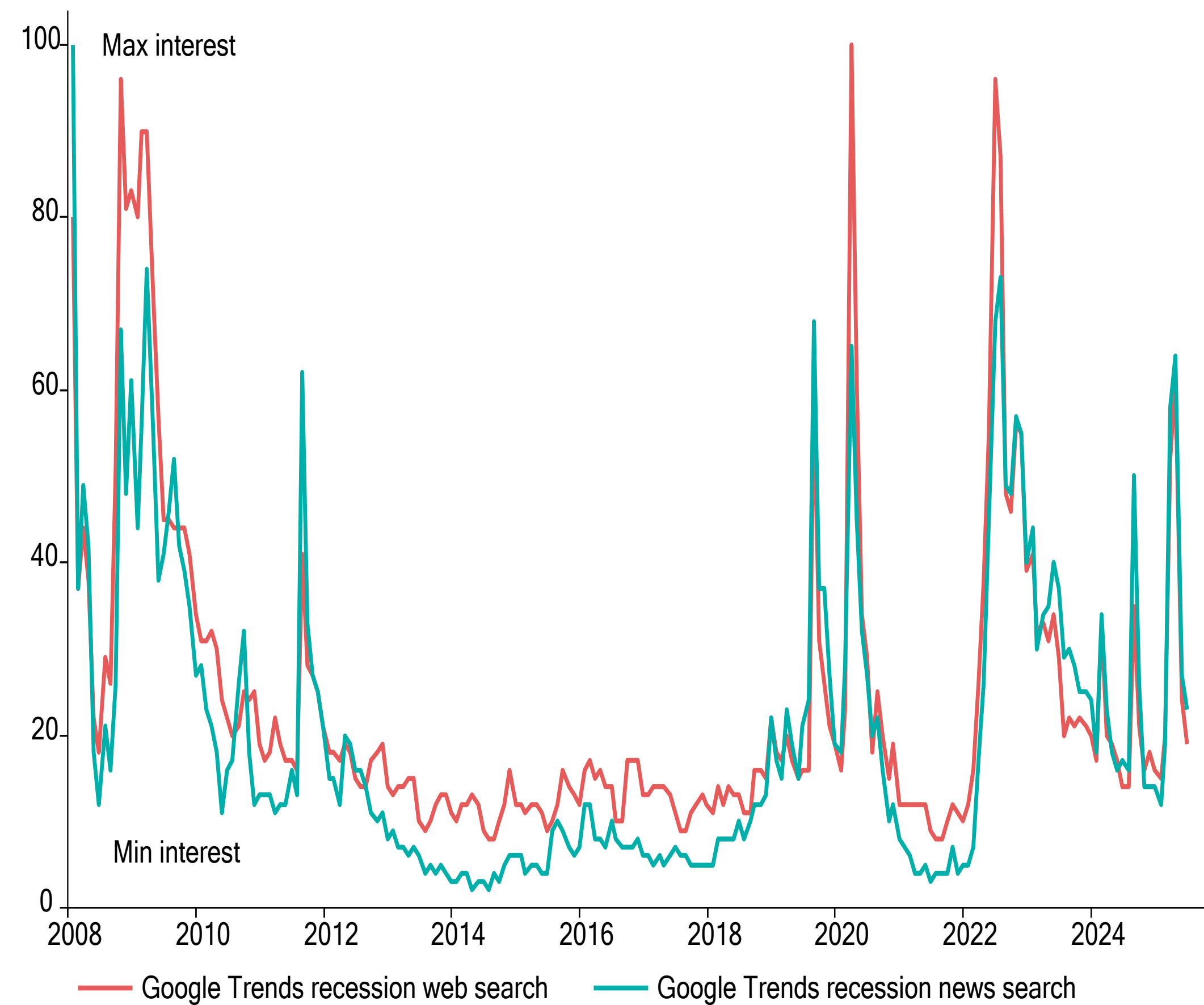
Peak of 86% on 23 June





US recession concerns

Google Trends: search for the word "recession" in Google  
Numbers represent search interest relative to the highest point on the chart



Source: LSEG Datastream/Evelyn Partners, Data as at 15 Jul 2025

US recessions since 1970

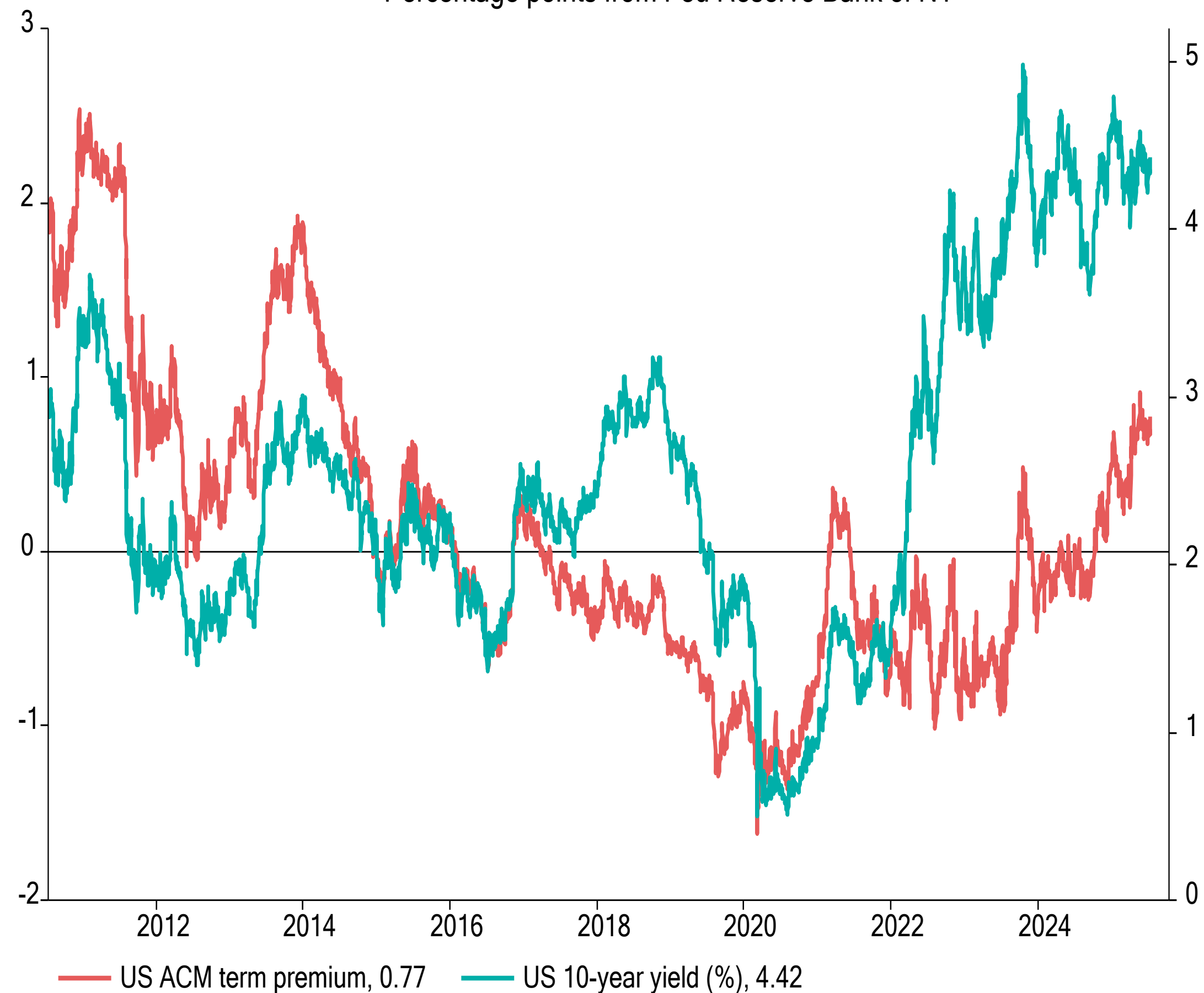
Recessions (NBER)	Months	S&P performance (Pre-recession peak to trough) %	Change in GDP, %	PE ratio month prior to recession (trailing, ranked)
Feb'25 - ?		-19		29.1
Mar'01 - Nov'01	8	-49	-0.3	27.8
Jan'22 - Jul'22	7	-15	-0.2	25
Dec'07 - June'09	18	-57	-4.3	20.8
July'90 - Mar'91	8	-20	-1.4	17
Nov'73 - Mar'75	16	-48	-3.2	14
July'81 - Nov'82	16	-27	-2.7	8.8
Jan'80 - July'80	6	-17	-2.2	7.3
Average	11.3	-33.3	-2.0	17.2



# Bond market uncertainty

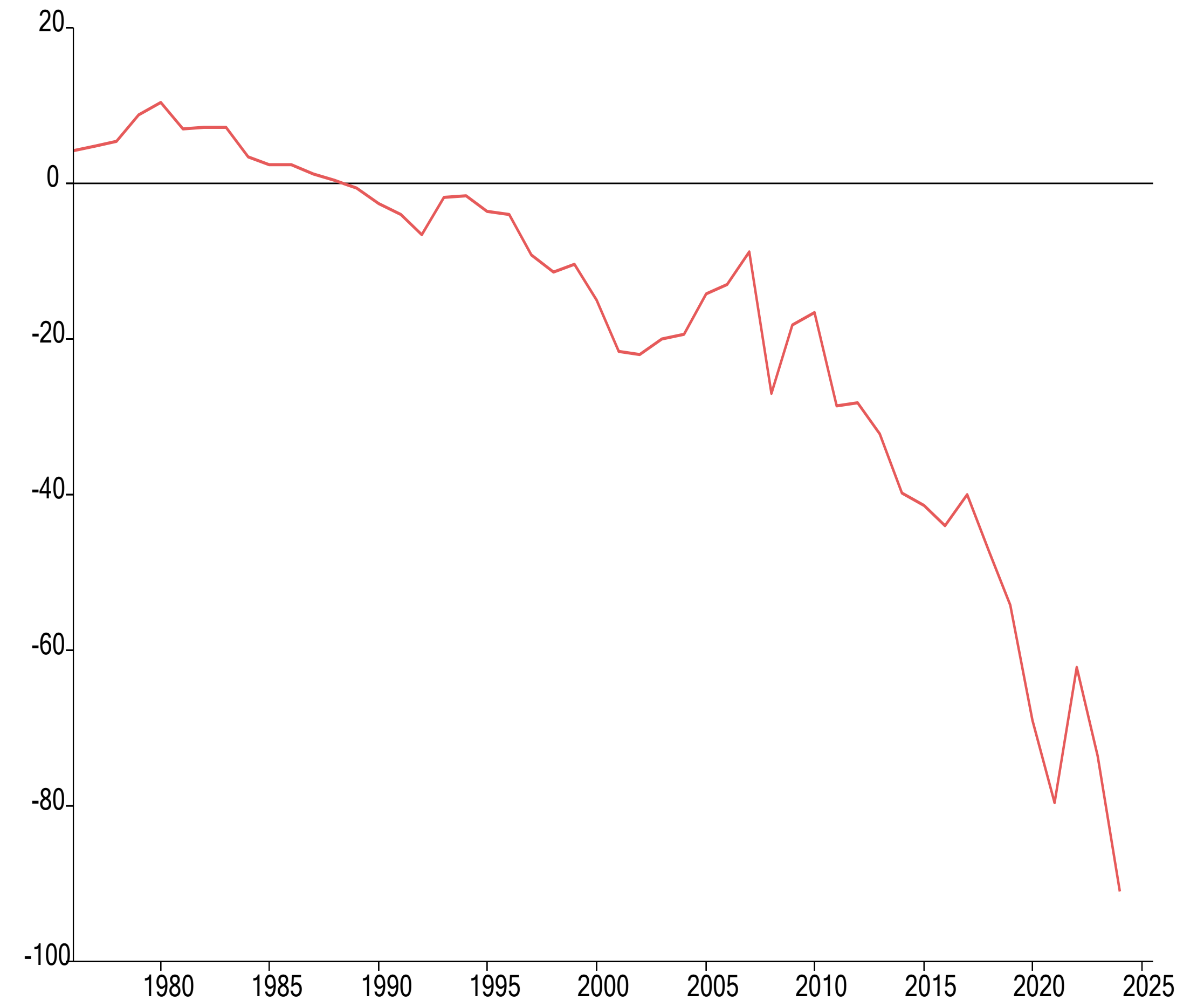
## ACM US 10-year term premium model estimate & 10-yr Treasury yi

Percentage points from Fed Reserve Bank of NY



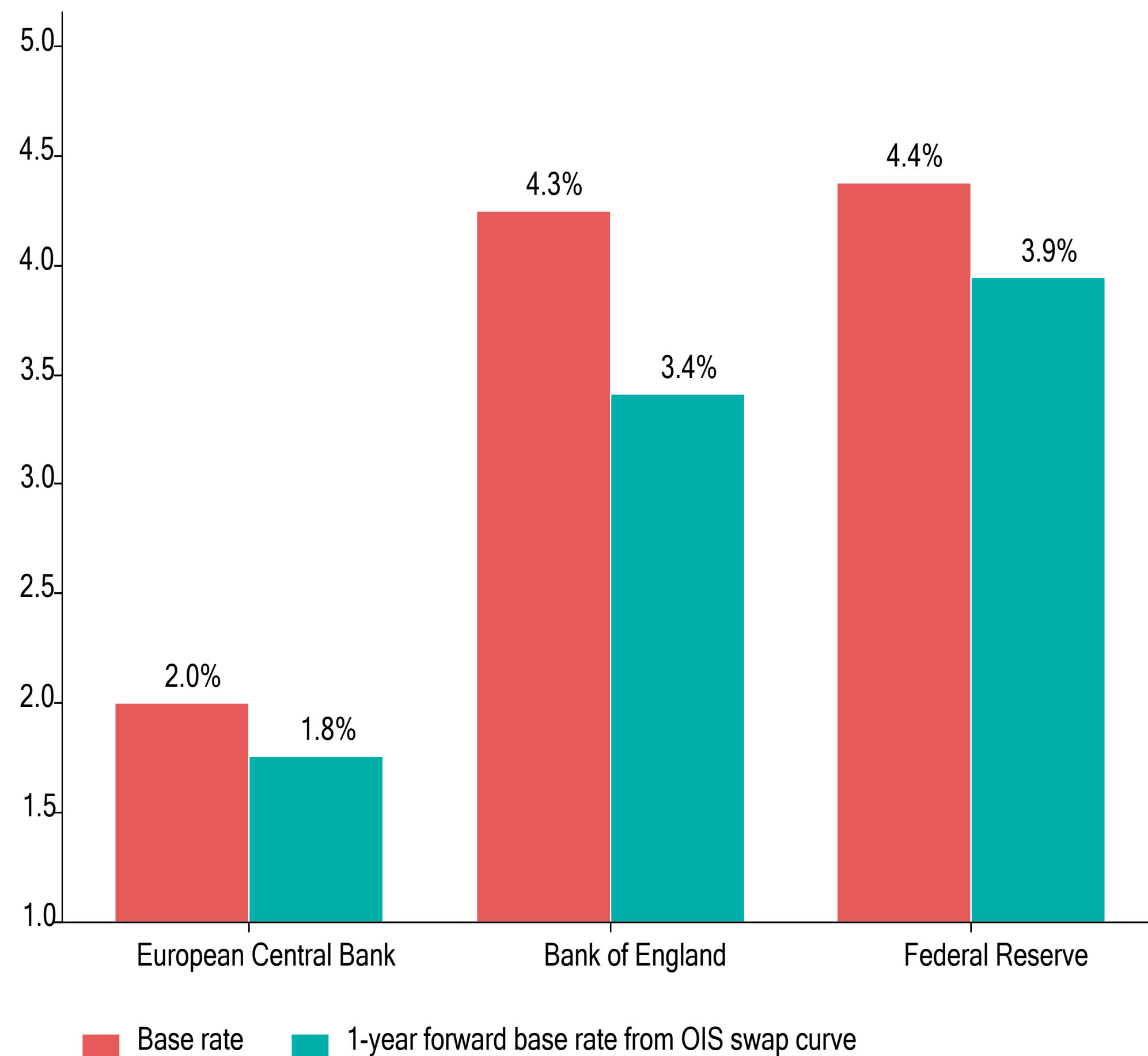
Source: LSEG Datastream/Evelyn Partners, Data as at 15 Jul 2025

## US net international investment position (% of GDP)



# Stimulus

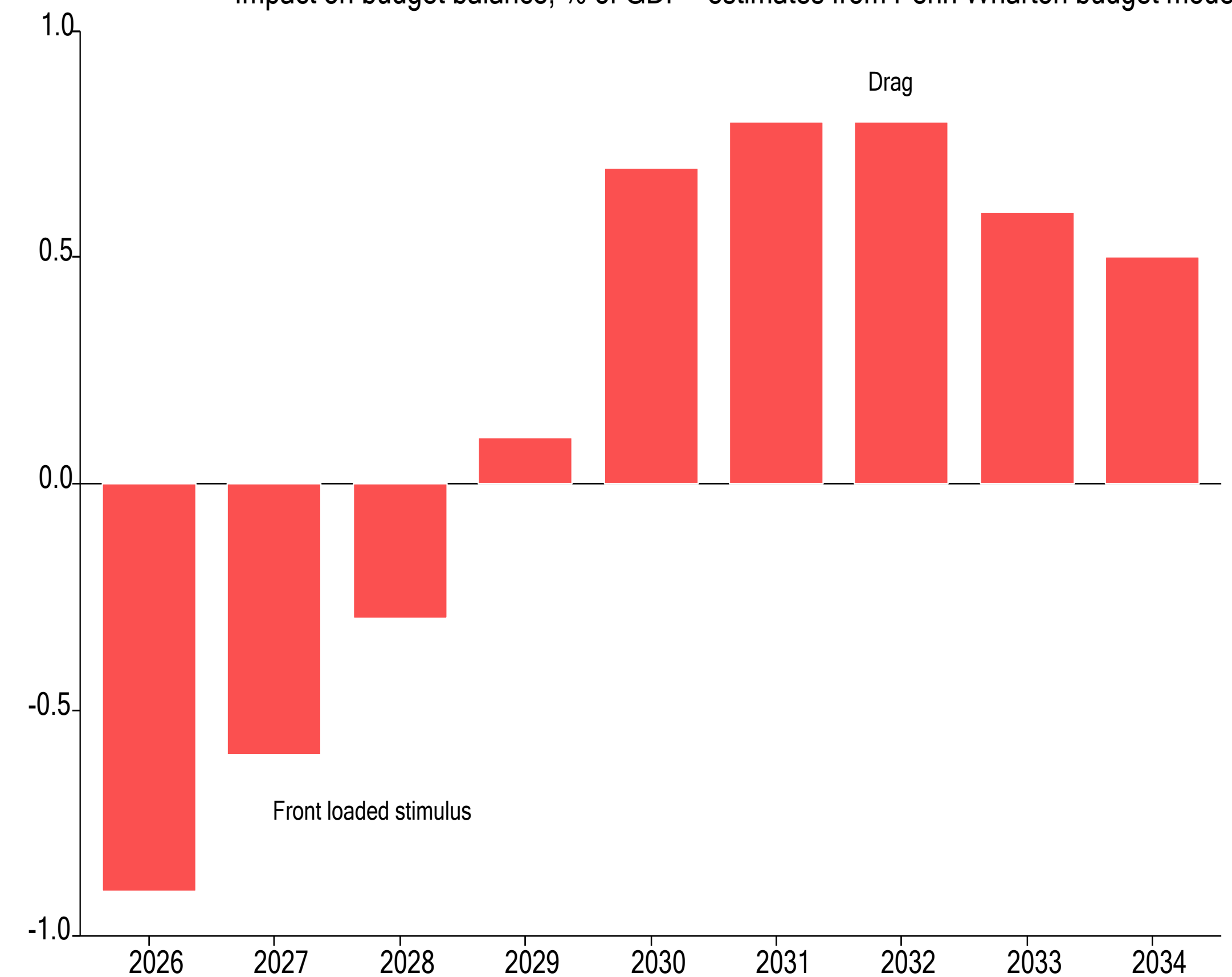
## Central bank base rates



Source: LSEG Datastream/Evelyn Partners, Data as at 15 Jul 2025

## US One Big Beautiful Bill Act, excluding extending the TCJA

Impact on budget balance, % of GDP - estimates from Penn Wharton budget model



Source: LSEG Datastream/Evelyn Partners, Data as at 15/07/2025



# Spending

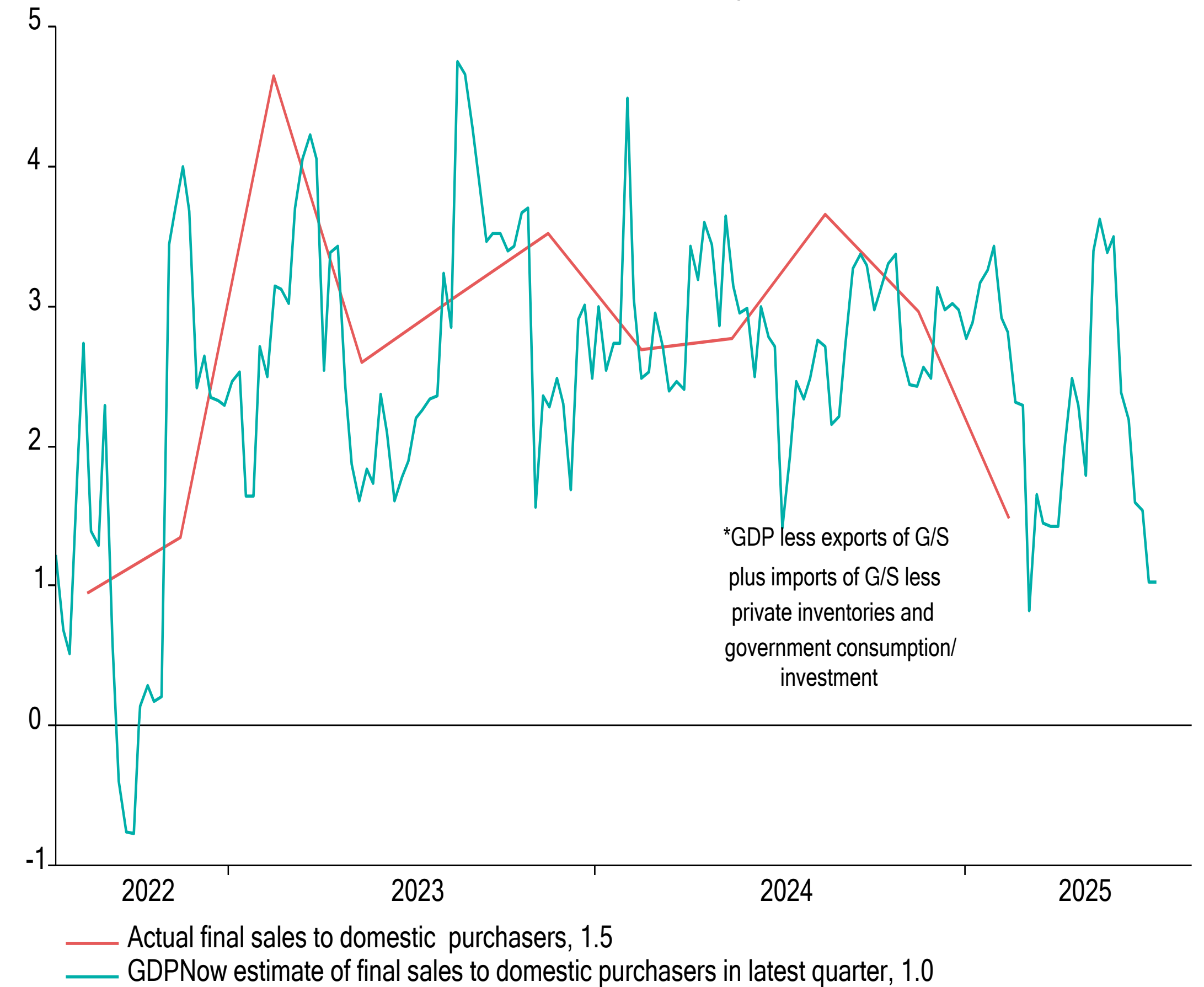
“Shop, shop, shop, shop, shop, shop, shop”



English for Aliens clip, Harry Enfield, 1990s

## US real final sales to domestic purchasers\*

\*% annualised over a quarter



Source: LSEG Datastream/Evelyn Partners, Data as at 15/07/2025

# Expanding profit margin

Global equities profit margin\* (%)

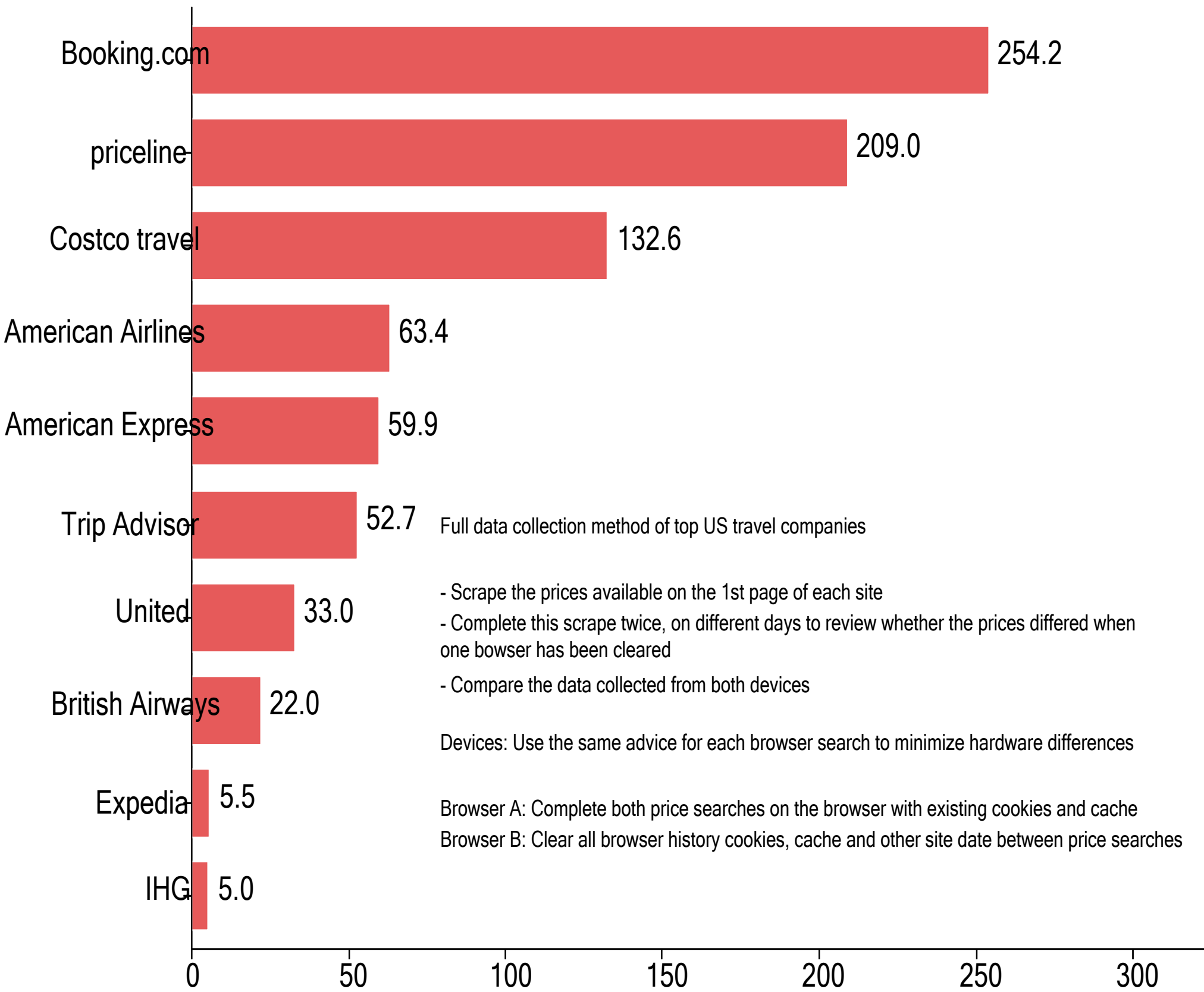
\*Company earnings/sales for MSCI All Country World Index



Source: LSEG Datastream/Evelyn Partners, Data as at 15 Jul 2025

US travel websites with the largest price increases (USD)

Price search (with cookies/cache) less price search (cleared cookies/cache)



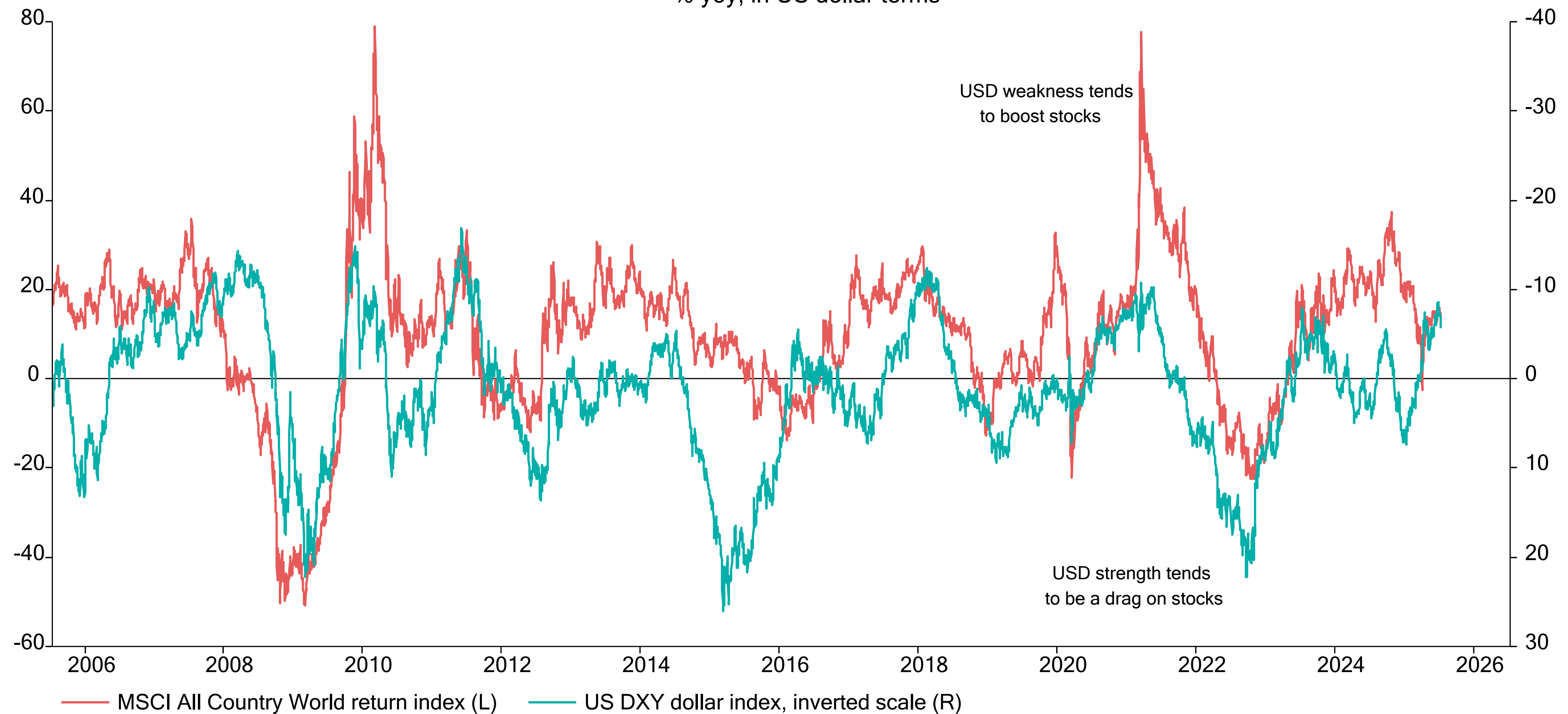
Source: LSEG Datastream/Evelyn Partners, Data as at 15 Jul 2025



# Improving market liquidity from a weaker US dollar

## MSCI All Country World return and US dollar indices\*

\*% yoy, in US dollar terms



Source: LSEG Datastream/Evelyn Partners, Data as at 15/07/2025

# 3. Investment Strategy

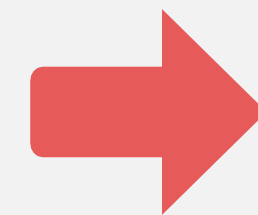


*'The UK is getting 12 new submarines, but if the Russians come in small rubber boats it will be impossible to stop them'*



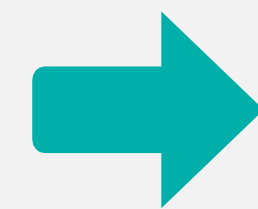
## Summary – In our view, we see...

### 1. Opportunities in equities



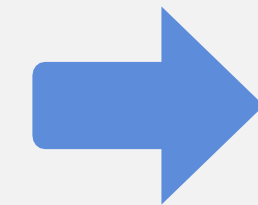
- Our risk appetite indicator favours equities over bonds
- US stocks can rise on a 12-month view

### 2. Joining the gold rush



- Structural demand for gold from central banks in emerging economies
- Gold adds portfolio diversification

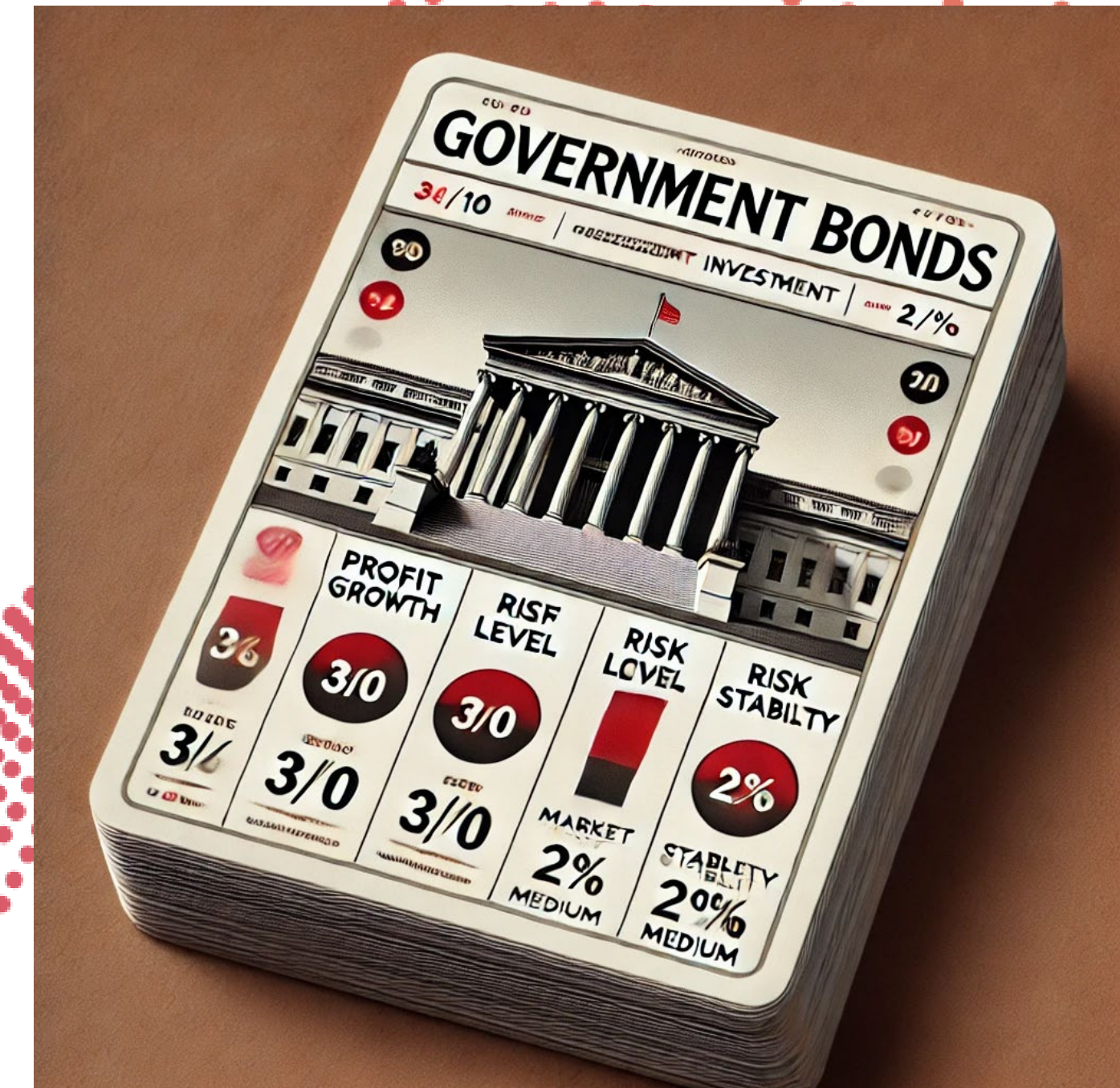
### 3. Dollar downside



- Trump probably wants a weak USD, which has room to fall
- An “America First” agenda is probably incompatible with a strong USD

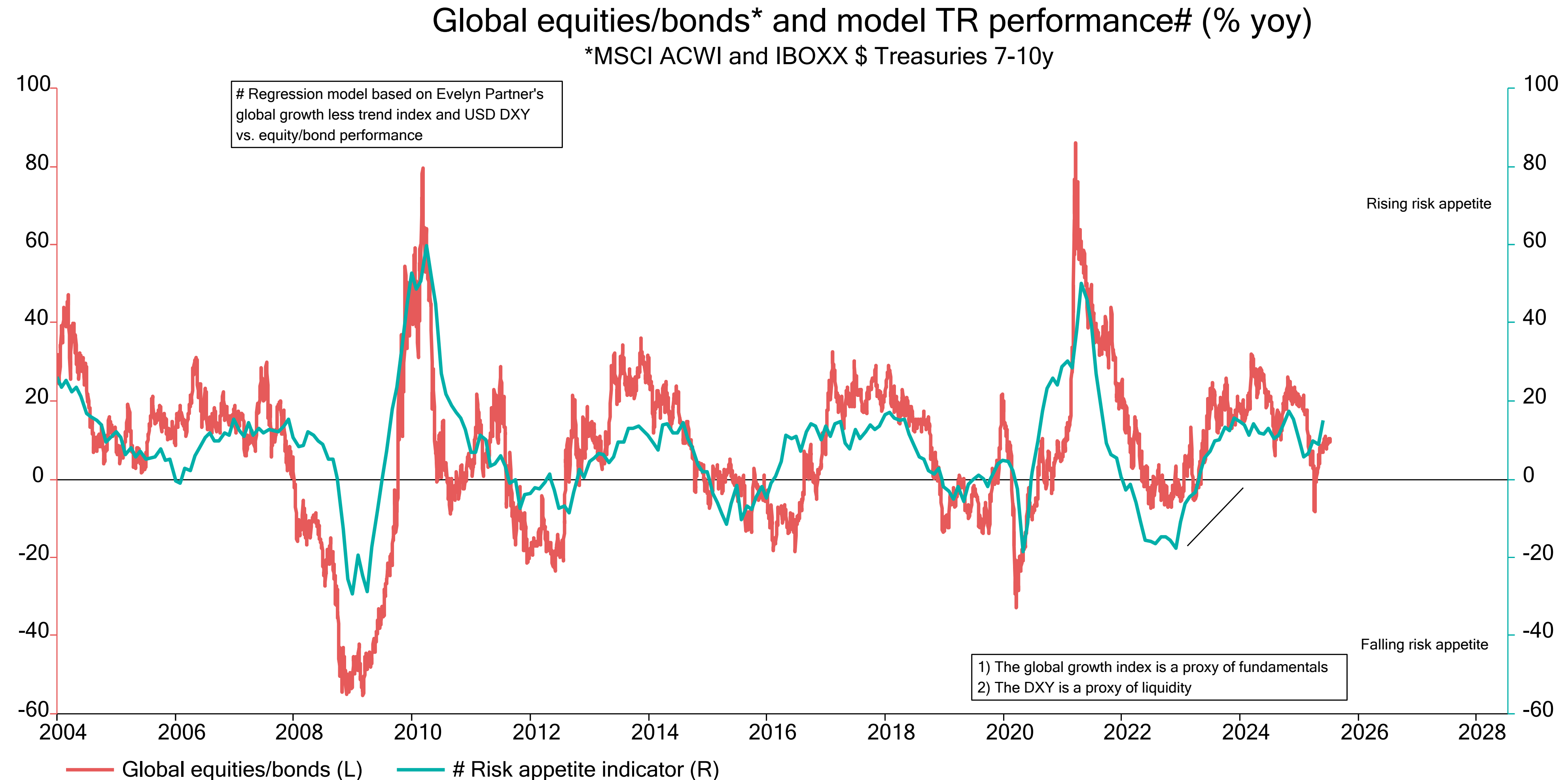


# 1. Opportunities in equities





# Our risk appetite indicator favours equities over bonds



Source: LSEG Datastream/Evelyn Partners, Data as at 15 Jul 2025

# Sharp bear markets that trigger within 100 days typically recover quickly

			Subsequent forward price returns % USD			
Bear market started	Prior market peak	Days	1M	3M	6M	12M
16/10/1987	26/08/1987	51	-13	-11	-8	-3
10/10/1990	16/07/1990	86	4	5	24	27
07/10/1998	17/07/1998	82	18	31	37	36
21/12/2018	21/09/2018	91	11	18	22	33
10/03/2020	19/02/2020	20	-3	11	16	35
04/04/2025	19/02/2025	44	11	-	-	-
	Average	62	5	11	18	26

Note: Bear markets in this table are classified as intra-day peak to trough drawdowns of 20% that occur within 100 calendar days of the most recent all-time high. Hence excluding some notable prolonged sell offs such as Dot com in 2000-Oct'02 and GFC from 2007-Mar'09

Source: LSEG Datastream, Evelyn Partners, 26 June 2025



Our Investment Strategy

## 2. Joining the gold rush

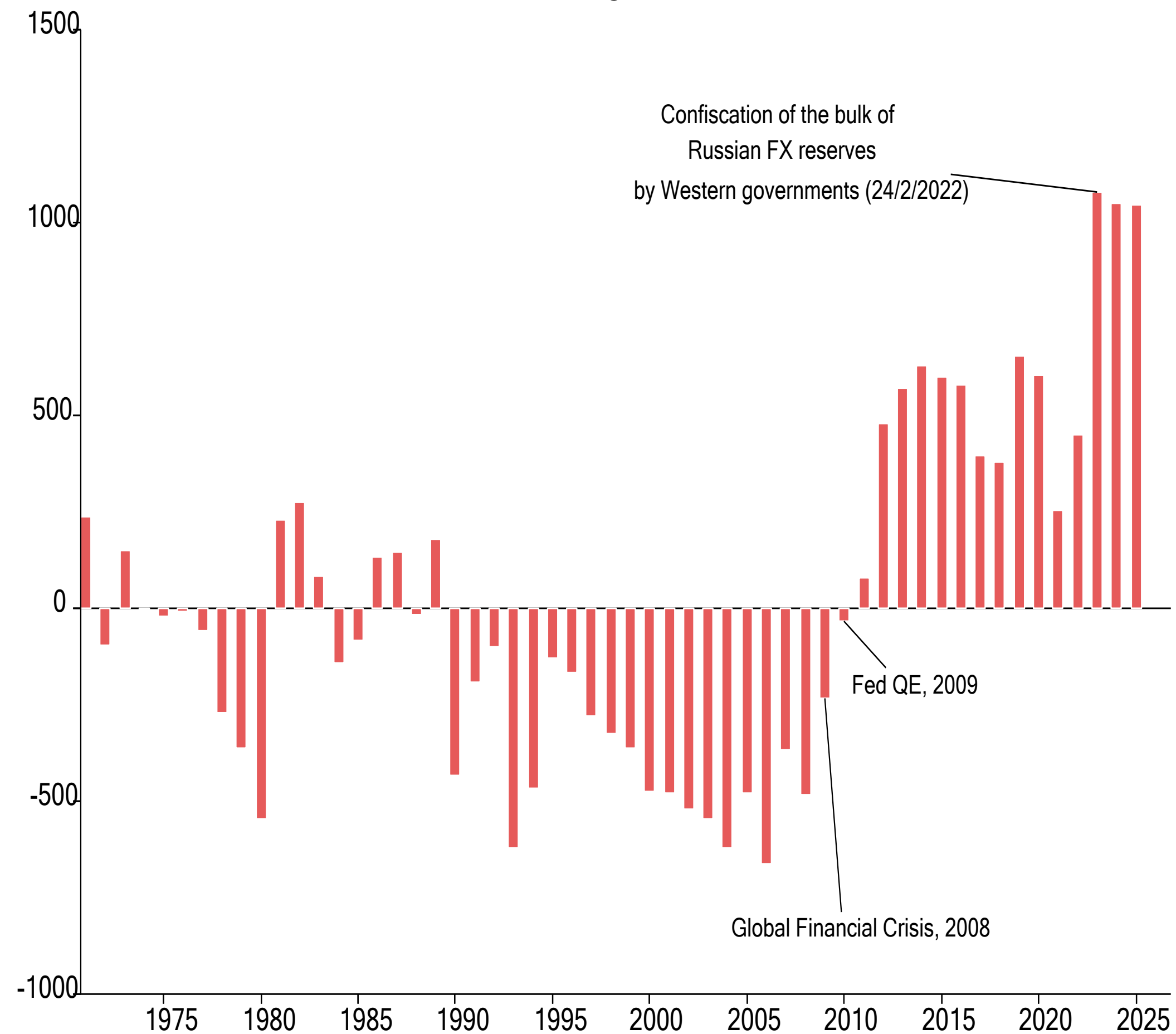




# Structural demand for gold from central banks in emerging economies

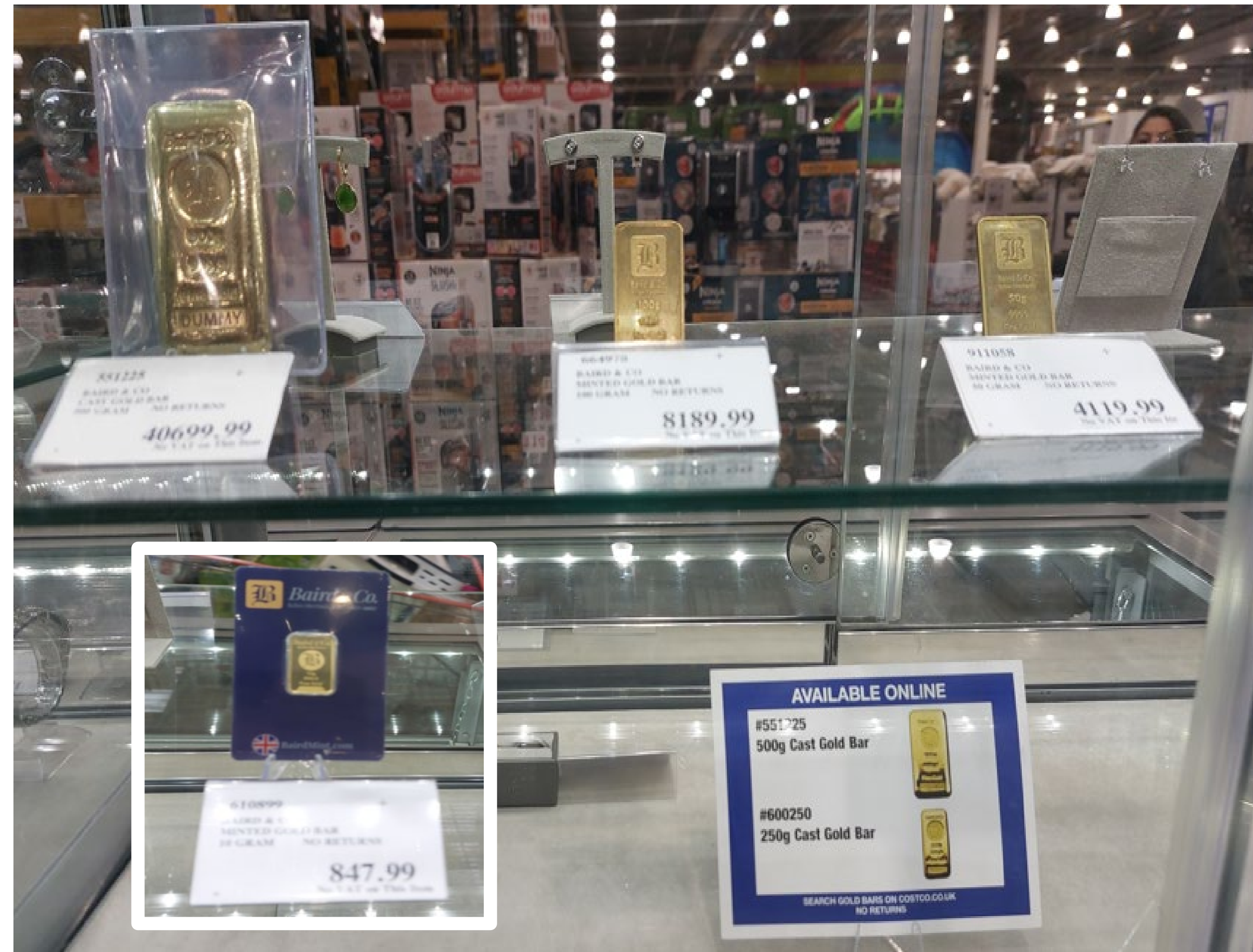
Central banks take-up  $\frac{1}{4}$  of mined supply

Central bank gold demand, tonnes



Source: LSEG Datastream/Evelyn Partners, Data as at 15/07/2025

Private sector piggybacking on top of official demand





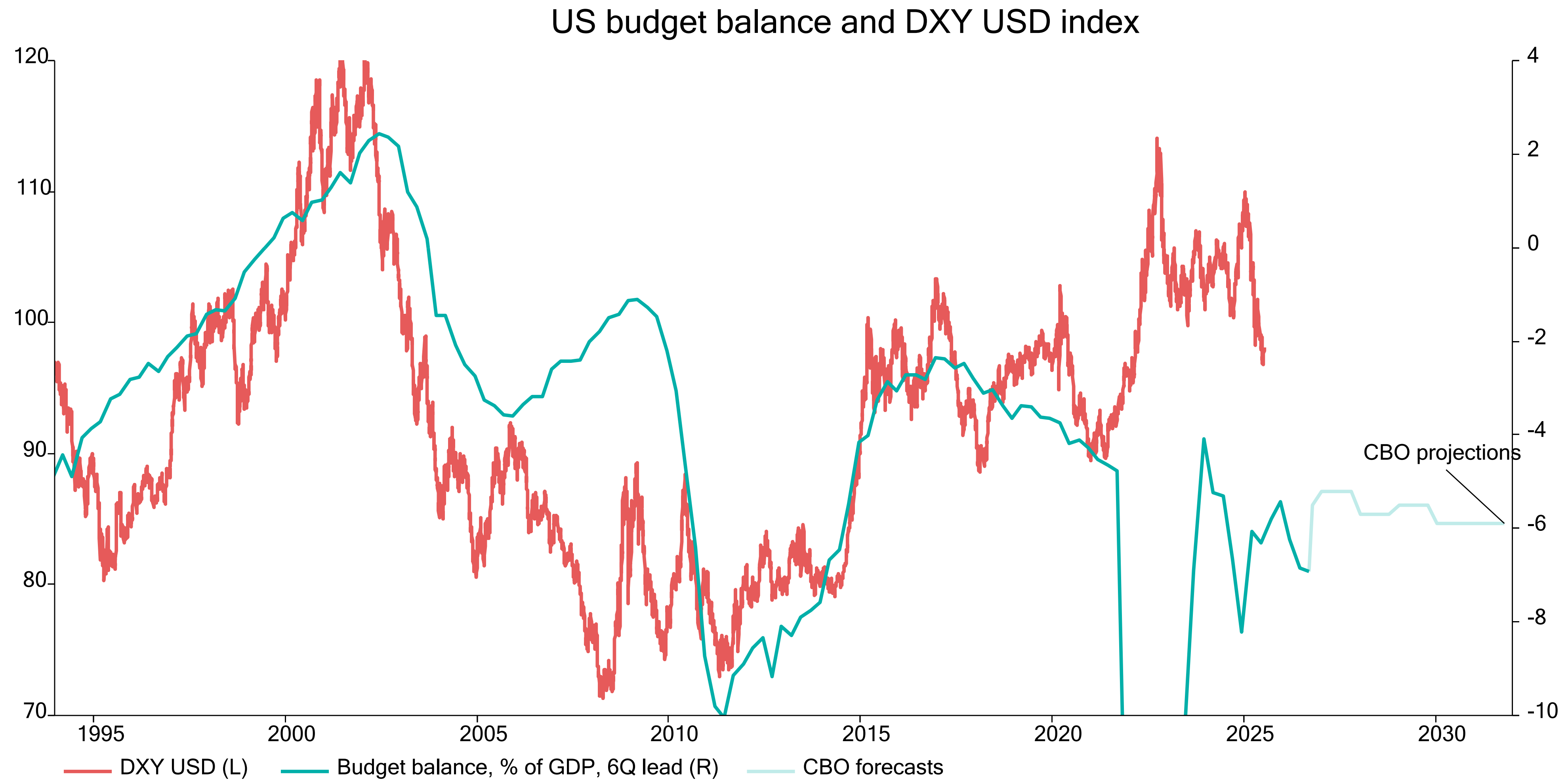
Our Investment Strategy

## 3. Dollar downside





# An “America First” agenda is probably incompatible with a strong USD



Source: LSEG Datastream/Evelyn Partners, Data as at 15 Jul 2025



## Conclusions: In our view, we see...

1. Opportunities in equities

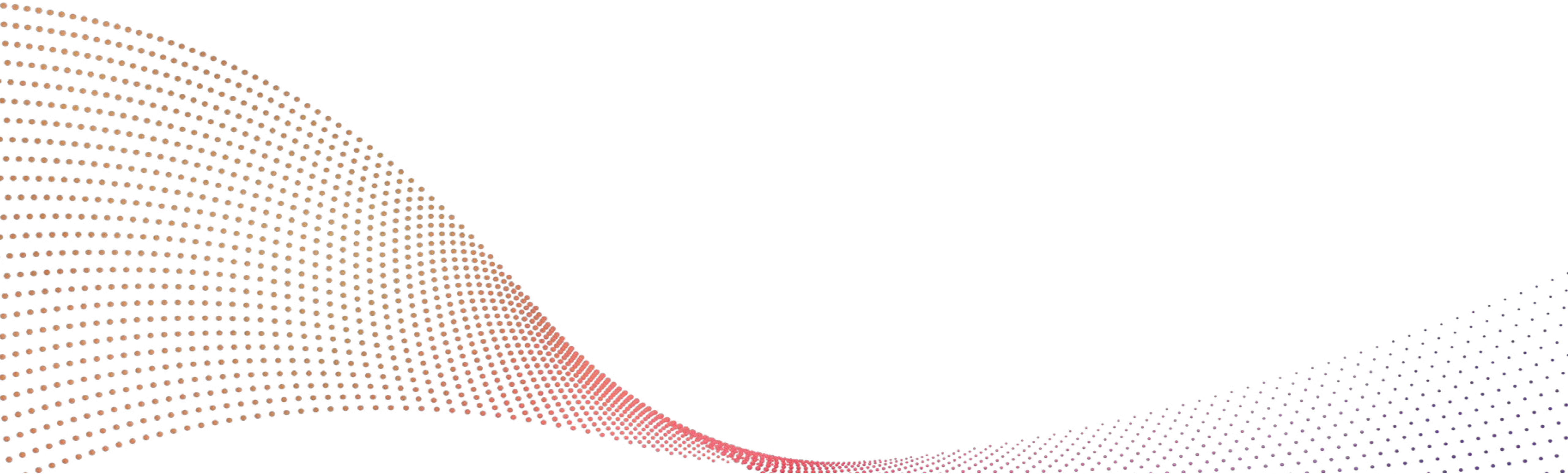
2. Joining the gold rush

3. Dollar downside

Remain wary of trade related risks

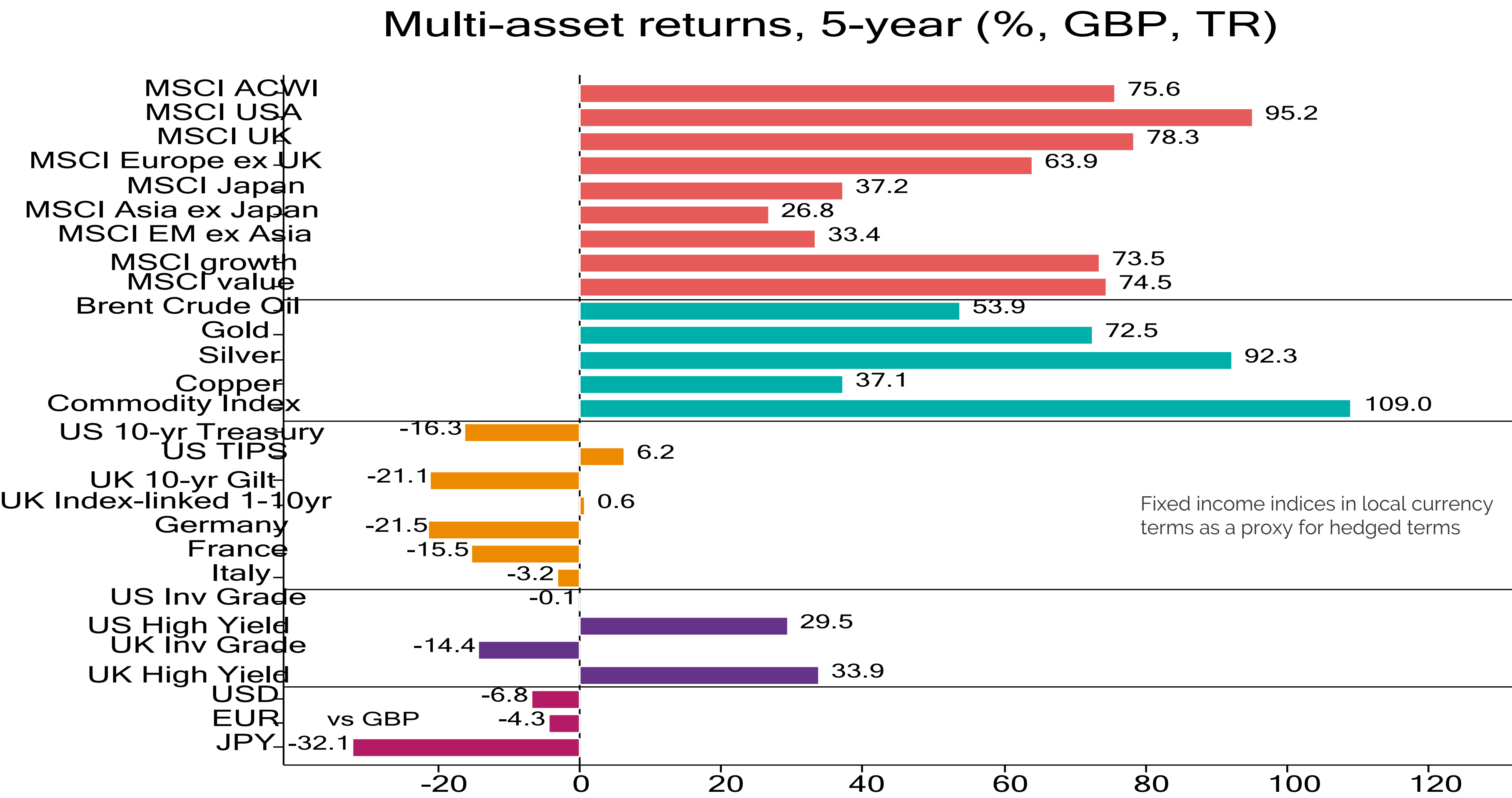


# Questions





# Appendix: 5-year data



Source: LSEG Datastream/Evelyn Partners, Data as at 15 Jul 2025

# Ad-hoc Market Thought Pieces

Author	Date	Title
Daniel Casali	3 January 2024	<a href="#">Renewables Feel the Heat</a>
Daniel Casali	26 January 2024	<a href="#">5 investment themes for 2024: Opportunities after 'The Great Escape'</a>
Daniel Casali	13 February 2024	<a href="#">How will the Red Sea disruptions impact my investments in 2024?</a>
Daniel Casali	14 February 2024	<a href="#">Outlook 2024 US markets: Can the rest of the stock market catch the Magnificent Seven?</a>
Daniel Casali	06 March 2024	<a href="#">US election: The divided States of America</a>
Daniel Casali	07 March 2024	<a href="#">Hunting for growth in the UK</a>
David Goebel	19 March 2024	<a href="#">Navigating government bonds: Nominal bonds vs real bonds</a>
Daniel Casali	12 April 2024	<a href="#">Geopolitical uncertainty is heating up</a>
Daniel Casali	23 May 2024	<a href="#">Labour wants Bidenomics for Britian</a>
Daniel Casali	25 June 2024	<a href="#">Get ready for a sterling revival under labour</a>
Daniel Casali	17 December 2024	<a href="#">Taxing times ahead for the UK</a>
Daniel Casali	19 December 2024	<a href="#">Exceptional US Equities – FM Report</a>
Daniel Casali	17 February 2025	<a href="#">Make Britian Grow Again</a>
Daniel Casali	13 March 2025	<a href="#">US Equities are Adjusting to China-US Tensions</a>
Rob Clarry	27 March 2025	<a href="#">Spring Statement Update: Walking the Fiscal Tightrope</a>
Daniel Casali	1 April 2025	<a href="#">Europe has Woken up to the “American First”</a>
Daniel Casali	2 April 2025	<a href="#">President Trump's “Liberation Day” creates a placeholder for a summit with President Xi</a>
Daniel Casali	4 April 2025	<a href="#">Traversing Trump Tariffs</a>
David Goebel	4 April 2025	<a href="#">What is a balanced portfolio?</a>
Daniel Casali	24 April 2025	<a href="#">Bouncebackability of Equities</a>
David Goebel	9 April 2025	<a href="#">Are we Heading for Stagflation?</a>
Daniel Casali	1o April 2025	<a href="#">Not-so-beautiful US Taxes</a>
Rob Clarry	13 June 2025	<a href="#">Operation Rising Lion: Israel's strike on Iran Raises Geopolitical Concerns in Markets</a>
Daniel Casali	23 June 2025	<a href="#">Israel-Iran Conflict: Another Proxy War has Begun</a>

# Investment Outlooks

Author	Date	Title
Daniel Casali	January 2024	<a href="#">The Great Escape for equities</a>
Daniel Casali	February 2024	<a href="#">Election engines are revving-up globally</a>
Daniel Casali	March 2024	<a href="#">Balancing growth and inflation</a>
Daniel Casali	April 2024	<a href="#">Markets are breaking out</a>
Daniel Casali	May 2024	<a href="#">Diversifying the diversifiers amid geopolitical tensions</a>
Daniel Casali	June 2024	<a href="#">Global equities are supported by stealth stimuli in the US</a>
Daniel Casali	July 2024	<a href="#">Looking into the second half of 2024</a>
Daniel Casali	August 2024	<a href="#">Getting through market summertime blues</a>
Daniel Casali	September 2024	<a href="#">Gearing up for US interest rate cuts</a>
Daniel Casali	October 2024	<a href="#">Reading the rhetoric ahead of the US election</a>
Daniel Casali	November 2024	<a href="#">Easy does it for Central Banks and China</a>
Daniel Casali	December 2024	<a href="#">Exceptional US equities</a>
Daniel Casali	January 2025	<a href="#">Picking 'Top Trumps' in 2025</a>
Daniel Casali	February 2025	<a href="#">Challenging Times in Government Bond Markets</a>
Daniel Casali	March 2025	<a href="#">Equities Swipe Left on Trump's Tariff Threats</a>
Daniel Casali	April 2025	<a href="#">Europe has Woken up to the “America First” Agenda</a>
Daniel Casali	May 2025	<a href="#">The US President is for turning</a>
Daniel Casali	June 2025	<a href="#">Back to the Future with Fundamentals</a>



# Appendix: Valuations - countries

Region	EPS %			P/E			PEG		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
ACWI	7.4	12.9	12.1	20.0	17.7	15.8	2.7	1.4	1.3
World	6.8	12.9	12.2	21.2	18.8	16.7	3.1	1.5	1.4
US	9.6	14.2	13.2	24.5	21.4	18.9	2.6	1.5	1.4
Europe ex-UK	2.2	11.5	11.5	16.1	14.4	12.9	7.4	1.3	1.1
Japan	11.0	1.4	11.7	15.5	15.3	13.7	1.4	10.8	1.2
EM	11.3	12.8	11.4	13.6	12.0	10.8	1.2	0.9	0.9
UK	2.1	11.5	10.6	13.3	11.9	10.8	6.4	1.0	1.0

Source: LSEG Datastream/Evelyn Partners, Data as at 15 Jul 2025

# Appendix: Valuations - sectors

Sector (ACWI)	EPS %			P/E		
	2025	2026	2027	2025	2026	2027
Industrials	7.3	13.3	11.9	22.3	19.7	17.6
IT	19.1	18.3	14.4	29.6	25.0	21.8
Energy	-9.9	11.5	18.5	13.8	12.4	10.4
Financials	4.7	10.7	10.2	13.9	12.6	11.4
Utilities	4.3	6.9	7.1	16.2	15.1	14.2
Comms services	14.3	10.5	12.6	20.8	18.8	16.7
Consumer Disc	-0.4	17.5	15.4	23.2	19.7	17.1
Consumer stap	1.4	8.4	8.2	20.9	19.2	17.8
Health care	13.7	11.2	11.2	17.3	15.5	14.0
Real estate	3.6	12.2	9.8	25.9	23.1	21.0
Materials	9.8	14.6	9.4	17.2	15.0	13.7
ACWI	7.4	12.9	12.1	20.0	17.7	15.8

Source: LSEG Datastream/Evelyn Partners, Data as at 15 Jul 2025



# Important Information

The value of investments, and the income derived from them, can go down as well as up and you can get back less than you originally invested. Past performance is not an indication of future performance.

## Changes in exchange rates may increase the risk to the value of an investment

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