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## Investing in a new world order

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The second quarter of 2025 opened with Liberation Day, which swept the markets, and it closed with US equities back near all-time highs. With valuations at 22.5 times the price/earnings ratio\*, the market is not only demonstrating an incredible ability to ignore any negative news, but it is also underestimating **five risk factors**:

1. **Geopolitical** risks of further escalation of existing (Middle East, Eastern Europe) or potential (Taiwan) military conflicts.
2. Growing **social and political** tensions in the United States, at a level of an intensity not seen since the Vietnam War.
3. Tariff-related **economic risks**, which could simultaneously lead to a slowdown in economic growth and a rise in inflation.
4. An unprecedented public and private **debt** load in the US.
5. The **largest capital expenditure in history** (on artificial intelligence), in itself a positive factor, were it not for the fact that the return on that investment is at least uncertain.

Are we then back to “**American exceptionalism**”, prematurely given up for dead?

To answer this, it is worth remembering that this is based on four pillars that appear increasingly fragile as a **new world order**, economic, political and monetary, emerges.

The first is the **dollar**: it will continue to be the world's leading reserve currency for some time, but it has embarked, in our opinion, on a **trend of decline** that is destined to continue. In the new multi-currency order, it is no longer an unconditional safe haven, nor is it the main trading currency. **Gold's** strength, moreover, is the other side of the dollar's weakness.

The second pillar is the **structural US trade deficit**, counterbalanced by the surpluses of China and Germany. This balance is decreasing, and in a more multipolar world, capital account imbalances are also decreasing, resulting in **less need for surplus countries to hold US government bonds** among their foreign exchange reserve components.

The third is the “**pax americana**”, the pivot of geopolitical balances: Trump has called its value into question with his disengagement in European defence and the US retreating within its own (current and not only) borders.

The fourth pillar is the **expansive US fiscal policy**, the engine of its economy. But **tariffs are**, in fact, an **instrument of fiscal tightening** in the US, counterbalanced by potential fiscal expansion in Europe, driven, incredibly, by Germany.

### ***The consequences for portfolios***

In the new world order, the consequence for portfolios is a **gradual but irreversible global rotation** towards a broader, selective and diversified view. This does not mean ignoring US stocks altogether, which will



continue to offer stock picking opportunities. But it is imperative to look elsewhere for yield: in **Europe**, for the potential momentous change in fiscal policy; in **Asia**, where we expect the strongest economic growth in the coming years; and particularly in **China**, where industrial policy supports global leadership in many strategic sectors. In **Latin America**, which is showing the first signs of a new season of fiscal austerity and openness to private capital, with the Argentine model likely to be emulated by the next Brazilian government coming in 2026; among **real assets**: we believe it is correct to hold a significant share of it, up to **25%** of the portfolio. This includes **gold**, not only because of the dynamics that have underpinned its rally, including central bank purchases, but especially because of its nature as a “safe haven currency” in the face of a dollar that is gradually losing centrality and inflation that will be structural in the coming years.

### ***AI, the wild card of the new order***

We remain convinced that, following the convergence of structural phenomena destined to reshape the world order, the **next five years will be very different from those we have just experienced**.

The impact of **Artificial Intelligence**, the real wild card of the new order, will have to be monitored: with its deflationary force, unprecedented speed of adoption and ability to dramatically increase productivity, it could significantly affect the emerging equilibrium.

It is not yet clear who the winners and losers of this epochal race will be, and the ability of big tech to monetise the acceleration of capex investments made and planned remains unanswered. But it remains a key disruptive factor, which could overturn at least some of the arguments about the need to underweight US equities.

At this stage, we therefore **monitor the current and potential effects of its adoption** on the industries in which we are invested and select individual high-potential opportunities globally **across the AI value chain**, looking, for example, at enablers and smaller companies that we believe can indirectly benefit from the AI adoption race.

### ***Navigating markets between structural inflation and financial repression***

In a changing world, one thing is certain: we will face a scenario of **lower growth** in the West, starting with the US, and **structural inflation**. And with a record global public debt that has already surpassed \$324 trillion in the first quarter of 2025\*, many countries could resort to forms of **financial repression**, with negative real yields for government bonds of the most indebted countries with uncertain growth trajectories.

*\*Source: Bloomberg*

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