

Macro Team

Macro Outlook

29 September 2025

Fall 2025





AGENDA

US Overview & Outlook

EU Overview & Outlook

Emerging Markets - India

Markets Overview & Outlook

Industry Guidance

Solar energy in the U.S.

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US Overview & Outlook

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Fall 2025



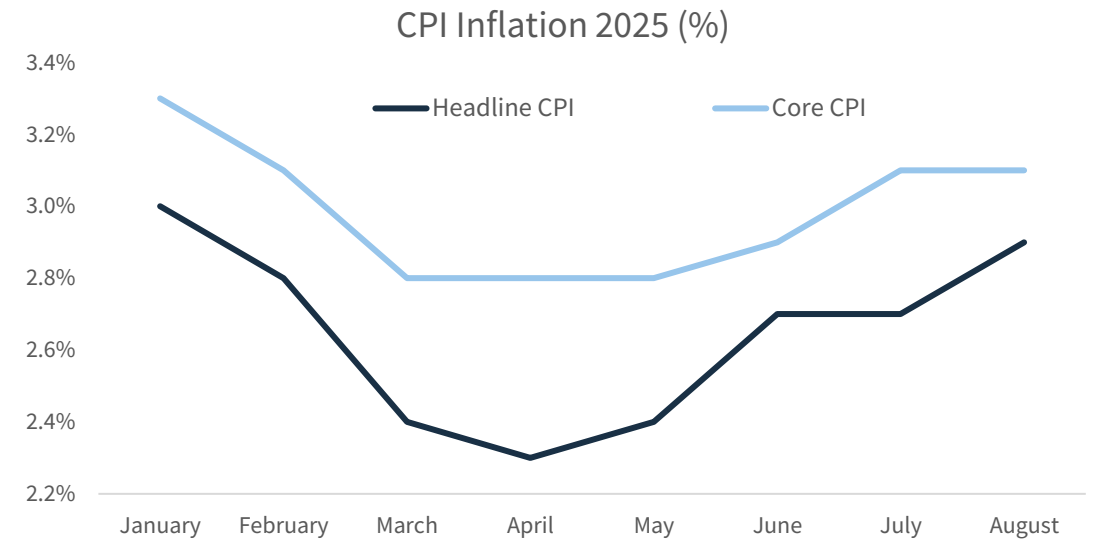
Economic Indicators

Fear of recession unjustified?, Tariffs reduce trade and CA deficit

Macro Data

- **Real GDP growth** rebounded from **-0.5% in Q1** to **3.8% in Q2** (annualized)
- Annualized predictions for **Q3** got revised to **3.9%** (from 3.3%)
- FED predicts an average real GDP growth of **1.6%** in **2025** and **1.8%** in **2026**
- **CA deficit** decreased by **42.9%** to \$251 billion from Q1 to Q2
- **Trade deficit** narrowed by ~\$196 billion from Q1 to Q2
- In FY2025, the **fiscal deficit** rose by almost **\$2 trillion** (~7% of GDP)
- **Debt to GDP** ratio currently at ~**119%**

Inflation (CPI)



- **Headline CPI** rose to **2.9%** in August (Core CPI 3.1%)
- Housing, Services, **Tariffs** main drivers
- Energy and Food prices rather **stable**

Labor Market

Worrying job market, little hope for fast recovery

Unemployment Rate

- **Unemployment Rate** rose to **4.3%** in **August 2025** → highest point since October 2021
- FED predicts UR to settle around **4.4%-4.5%** and stay there until the end of **2026**

Unemployment Rate 2022-2025 (%)



Job Creation & Openings

- **Revision** in reported Job creations by **911,000** between March 2024 and March 2025 → Trump fired Commissioner of Labor Statistics
- -13,000 Jobs in June, +77,000 Jobs in July and +22,000 Jobs in August → **weaker job growth** than expected

Job Openings 2022-2025 (in thousands)



Political Controversies

Is the FED still independent?, US vs China and India

Tariffs & Trade Deals

- Tariff revenue of \$27.7 billion in July and \$29.5 billion in August → **inflationary effects**
- (preliminary) **Trade Deals** reached with **EU, Japan, UK**
- **US-China**: 90 day pause on new tariffs, **expanded export controls** (AI chips, semiconductors) → biggest Russian Oil Importer
- US-India: still major disagreements (Russian Oil)

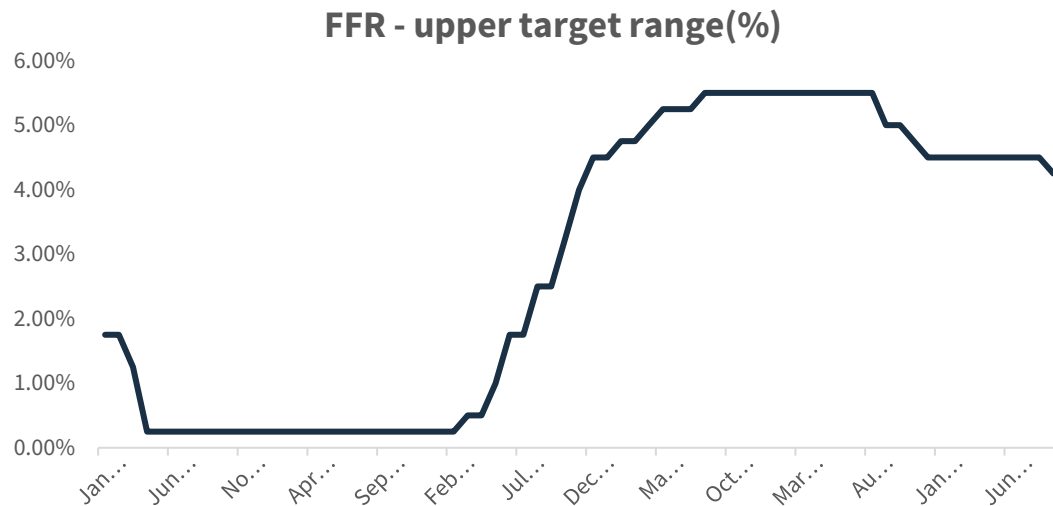
FED - Independence

- **Trump** continuously **criticized Jerome Powell publicly**
 - „too slow to cut rates“, „bad for the economy“, „termination can not come fast enough“, „Not planning to fire him, but we will see“
- August: Trump announced he had fired **Lisa Cook** → petitioned Supreme Court for emergency order → **temporal block by federal judge**
- Biggest **threat for FED independence** in decades → undermines credibility → higher uncertainty and **risk premia?**

Monetary Policy

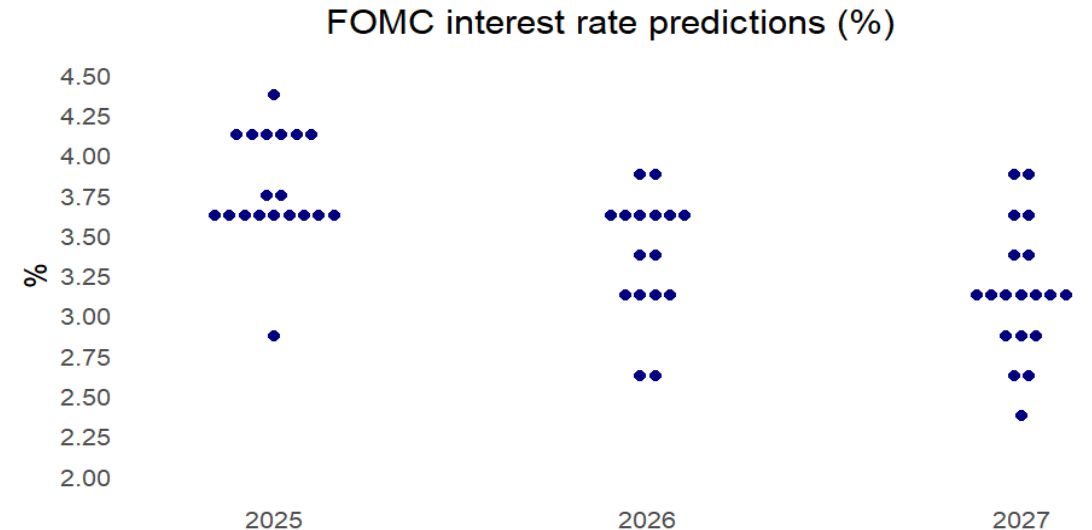
Market vs FED projections, diverging FED predictions

Interest rate cut



- On September 17, FED decided to **cut interest rates** by 25 basis points to **4%-4.25%**
- **Dual Mandate:** Persistent Inflation - weak labor market
- Lower refinancing costs → boost housing + job market

Interest rate predictions



- FED expects **1-2 more rate cuts** until the end of **2025**
- Prediction for **2026: 3.25%-3.5%** and **2027: 3%-3.25%**
- Market predicts **FFR** to be at **3.7%** end of **2025** and **3%** in **2026** and **2027** => gap in 2026 predictions

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EU Overview & Outlook

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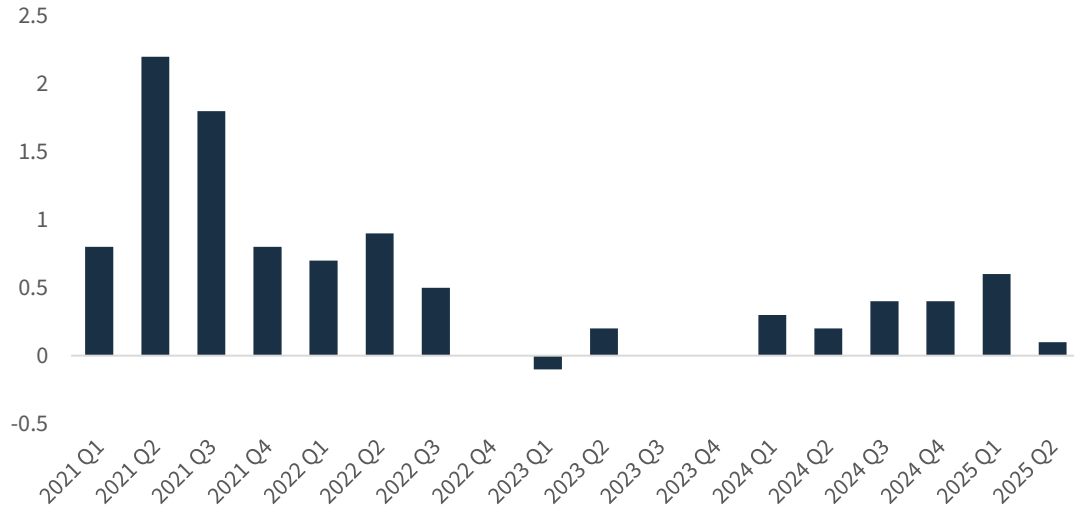
Fall 2025



General Macro Data

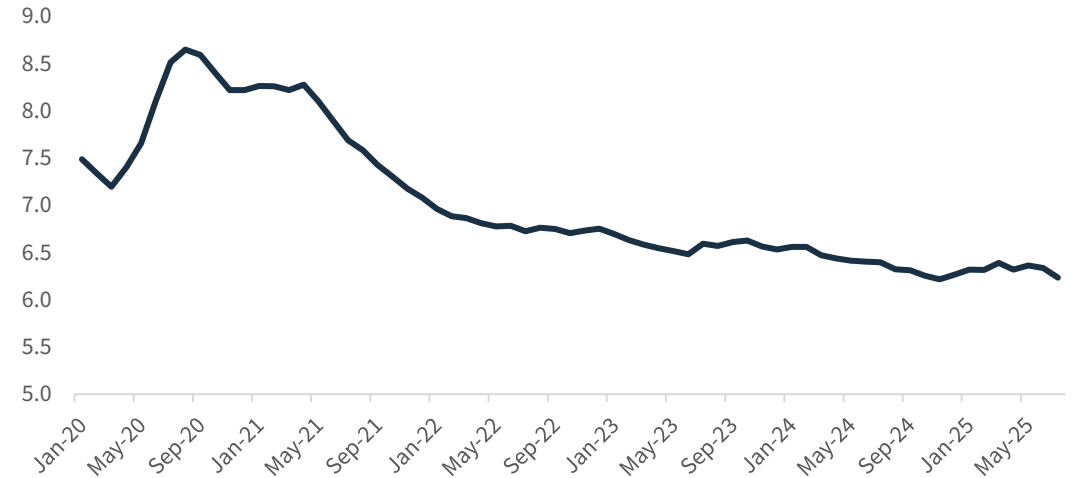
Europe's sluggish economy despite strong labor market reflects weak productivity

EA GDP growth rate (%)



- **EA** economy grew only by **0.1% in Q2 2025**, the slowest pace since Q4 2023
- Growth is projected at **1.2% in 2025** (up from 0.9%), **1% in 2026**, and **1.3% in 2027**

EA Unemployment Rate (%)

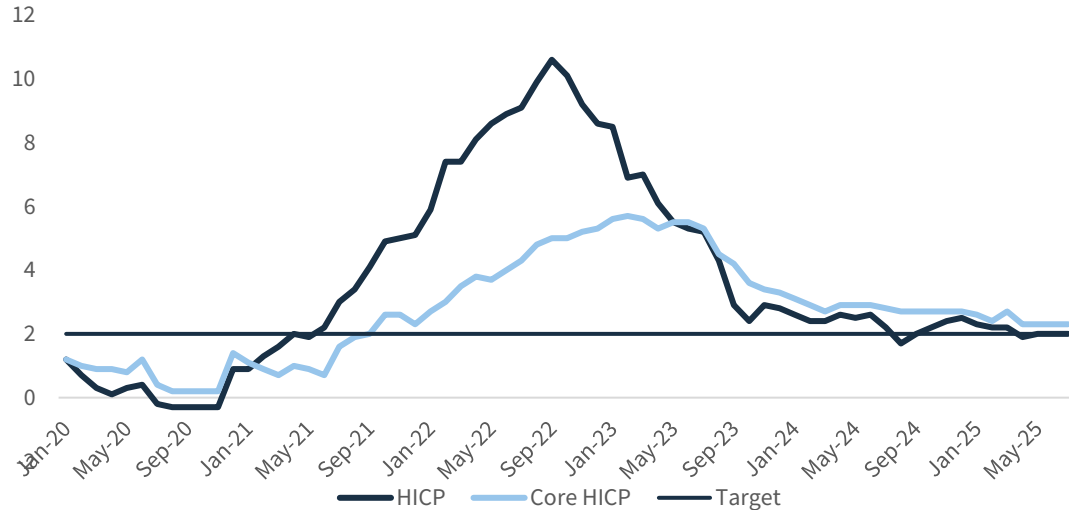


- **Unemployment** fell to **6.2% in July** down from **6.3% in June**, matched with its **record low** → strong labor market
- **Youth** unemployment also improved to **an all-time low of 13.9%** from 14.3% in June

Monetary Policy

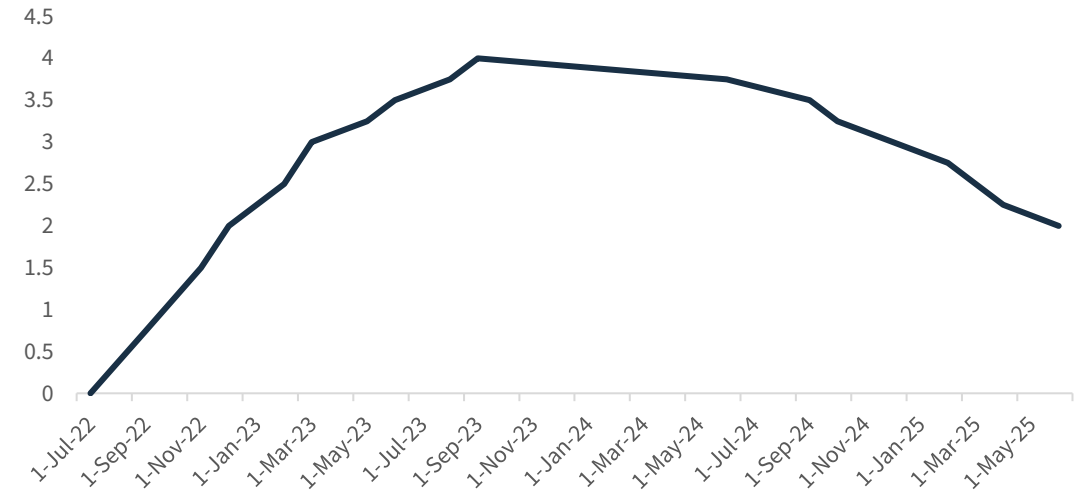
With inflation under control, the ECB is near the end of its cutting cycle

EA Monthly Inflation Rate (% annualized)



- HICP matched ECB's **2% target for third straight month**
- Core HICP is at **2.3% for the fourth consecutive month** in August
- ECB staff inflation projections: **2.1% in 2025; 1.7% in 2026; 1.9% in 2027**

EA Interest rates – ECB Deposit Facility Rate (%)

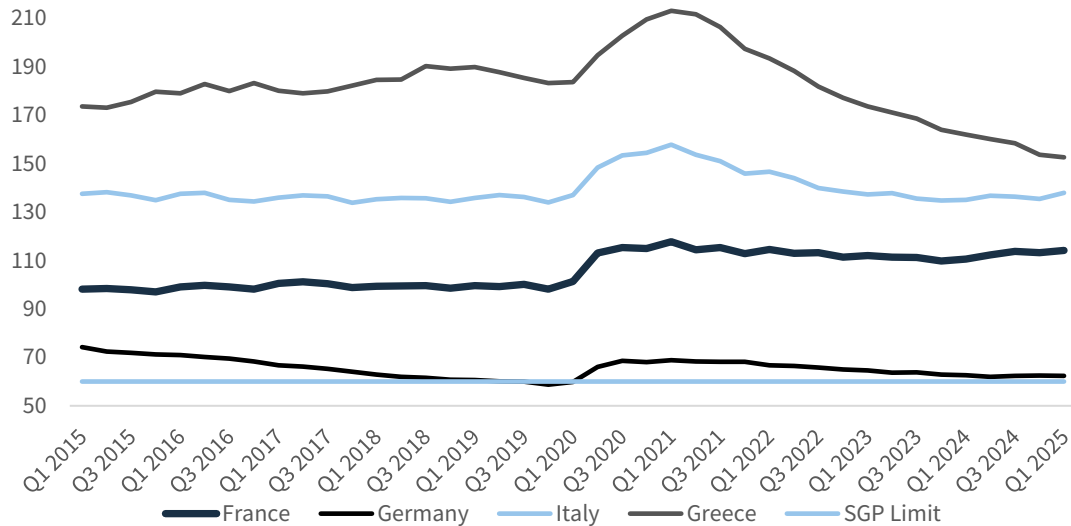


- Since **June 2024**, interest rates dropped from **4% to 2%**
- ECB kept deposit facility **unchanged at 2% for second consecutive meeting** (as expected)
- **Further rate cuts unlikely this year** given the 2% inflation and more balanced growth risks

France's Fragile Balance

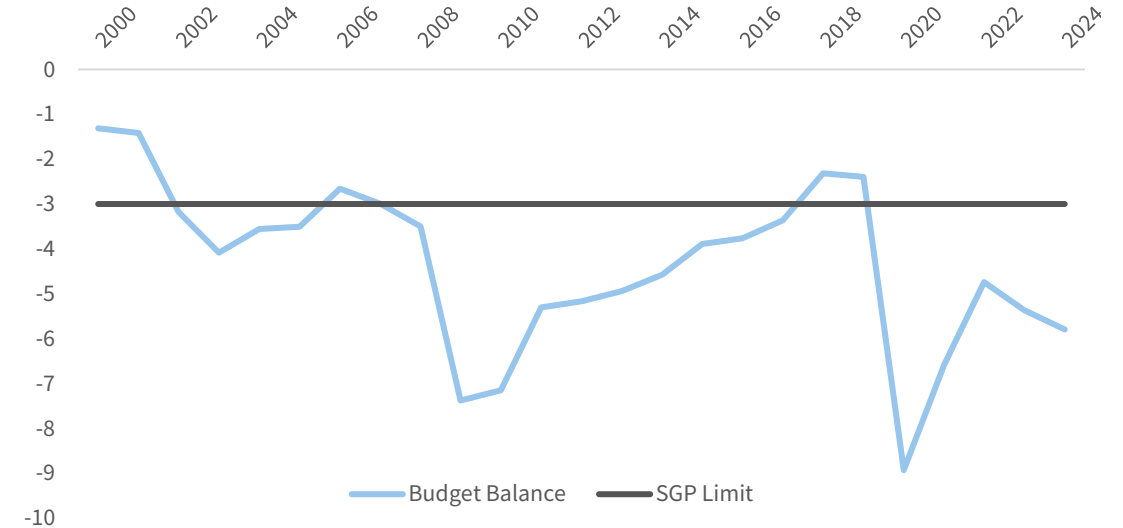
France is facing a deepening political and fiscal crisis. New appointed government is faced with exactly the same issues

Government Debt (% of GDP)



- **François Bayrou's** government collapsed on **Sep 8th**
- Inability to secure a majority for **budget consolidation**
- Attempted a **€44 billion budget cuts for 2026**
- **Sébastien Lecornu** appointed to new PM.

Budget Balance (% of GDP)

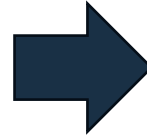
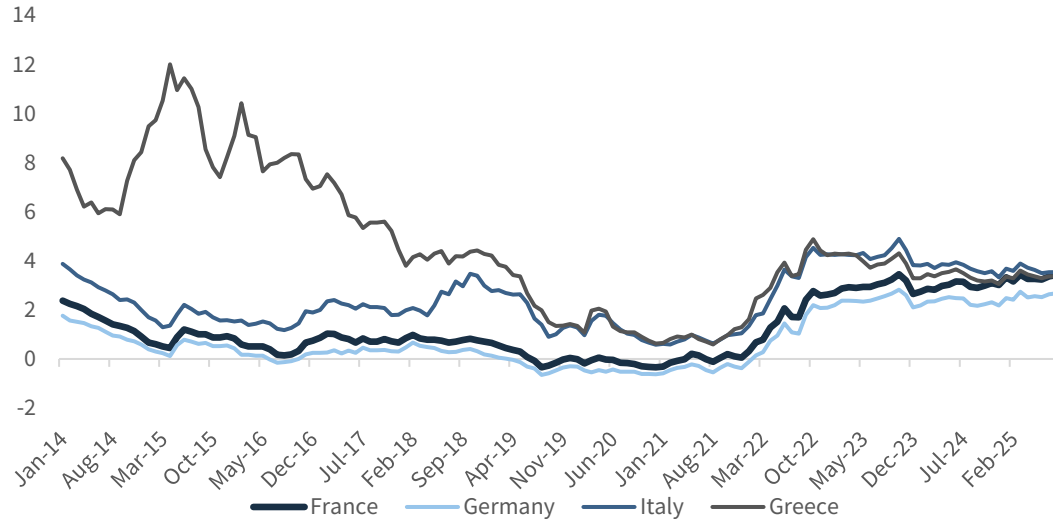


- France has the **third-highest debt-to-GDP in Europe**, only below Italy and Greece
- Unlike others, debt has not decreased since Covid-19
- **Deep deficits (5-6%)** will continue to deteriorate the situation and **politicians don't seem to care.**

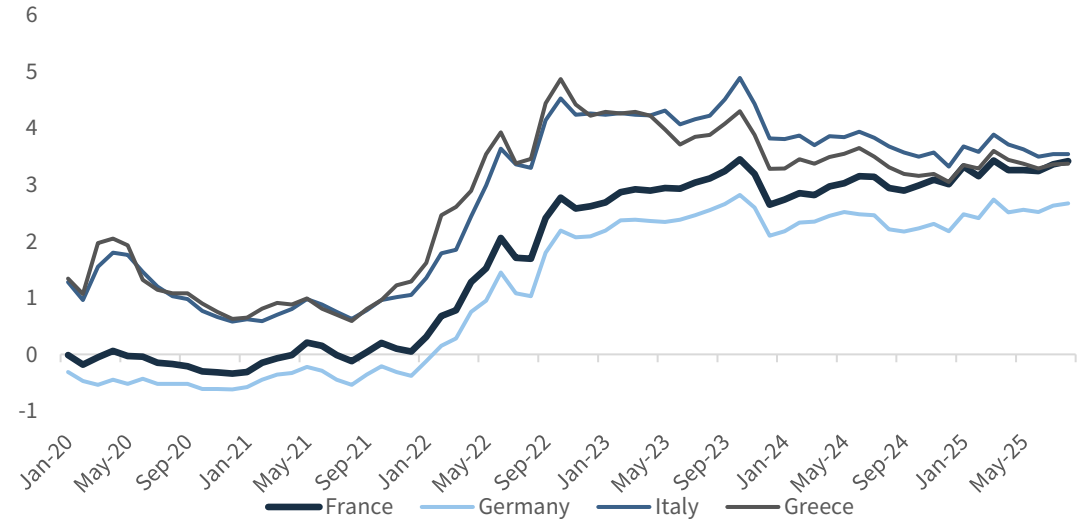
France's Fragile Balance

There will be huge public unrest as situation can only be reverted with austerity measures

10Y Yields Post Sovereign Debt Crisis



10Y Yields Covid-



- **Once very close to German 10Y yields** and almost unaffected by the **Sovereign debt crisis (2012-2014)**
- **Now already surpassed Greece 10Y in July**, the country with the highest debt-to-GDP in Europe and **close to Italy 10Y yields**

- **Rating agencies: they all downgraded France** with **Fitch most recently** downgrading to **A+**
- With higher borrowing costs, debt servicing becomes even more expensive → **negative feedback loop**

The Draghi Report – One Year On

Only 11% of the 383 recommendations have been implemented with important structural reforms blocked at national level

Policy Area	Progress	Implementation
Defence	High	EU and national spending rising sharply, mainly due to Trump pressures
Budget Reform	Moderate	Competitiveness & defense share to rise from 14% to 23% in 2028-34 EU budget. No new joint debt issuance
Regulation / Single Market	Moderate	Strategy to tackle top 10 Single Market barriers launched, but will take a lot of time
Innovation	Low	Several initiatives: InvestAI (€200bn), Apply AI, Scaleup Europe Fund, etc. but very limited and behind the U.S. and China
Savings & Investment Union	Low	European Savings & Investment account expected in Q3 2025

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India outlook

29 September 2025

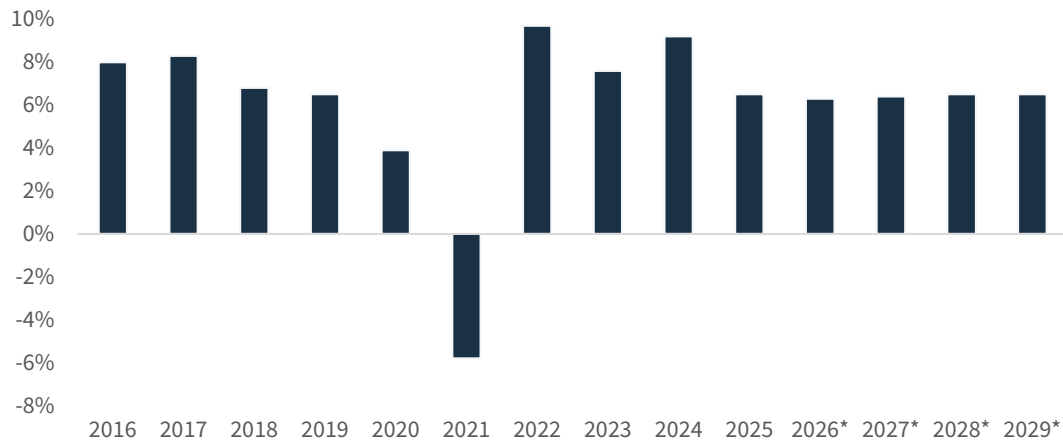
Fall 2025



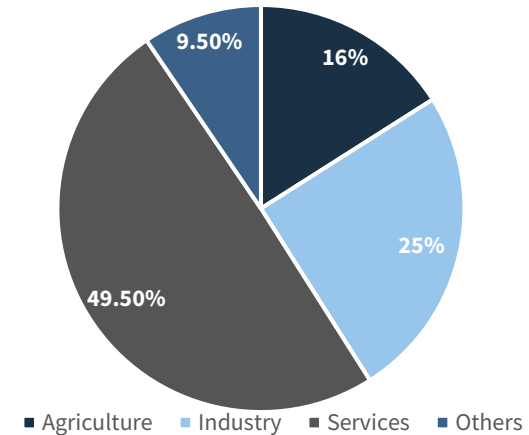
India: Economic Landscape

Structural reforms (huge public capex, infrastructure, political stability, central bank credibility) as drivers of high economic growth

GDP Growth Rate (%)



GDP components 2025



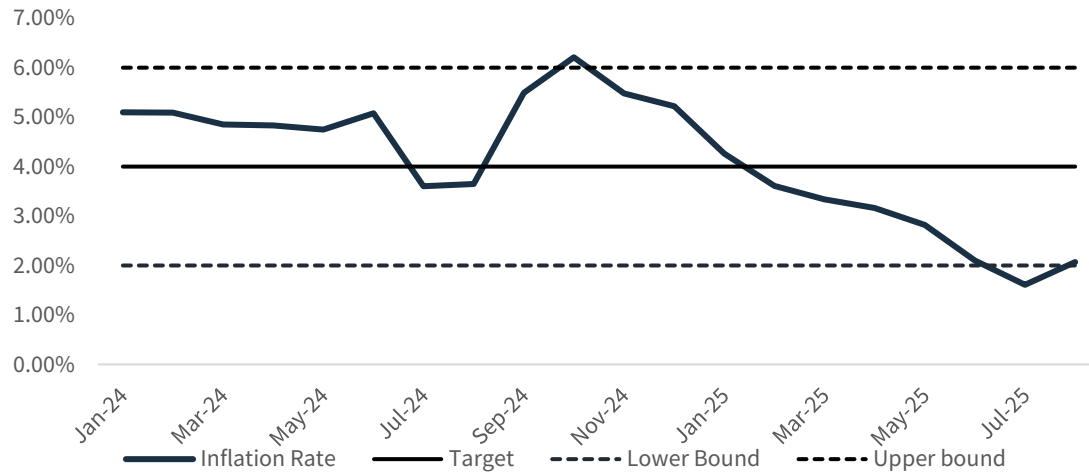
- Fastest growing economy worldwide with **9.2% in 2024**
- **5th largest** economy to **3rd largest** economy by **2030** with **6.5-7%** expected growth rates
- Examples of high public capex spending: **145 airports in 2025** vs. 65 in 2014; **average 28km of roads built per day** vs. 14km in 2014

- **GST cuts** (effective Sep 22nd), **RBI** frontloaded **100bps rate cuts**, liquidity boosting measures to **revive domestic demand** and corporate earnings
- Key risks: **50% U.S. tariffs** on Indian goods exports, **\$100K fees on H-1B visas** with **70% held by Indians**, **uneven monsoon** distribution increasing food prices

India: Economic Landscape

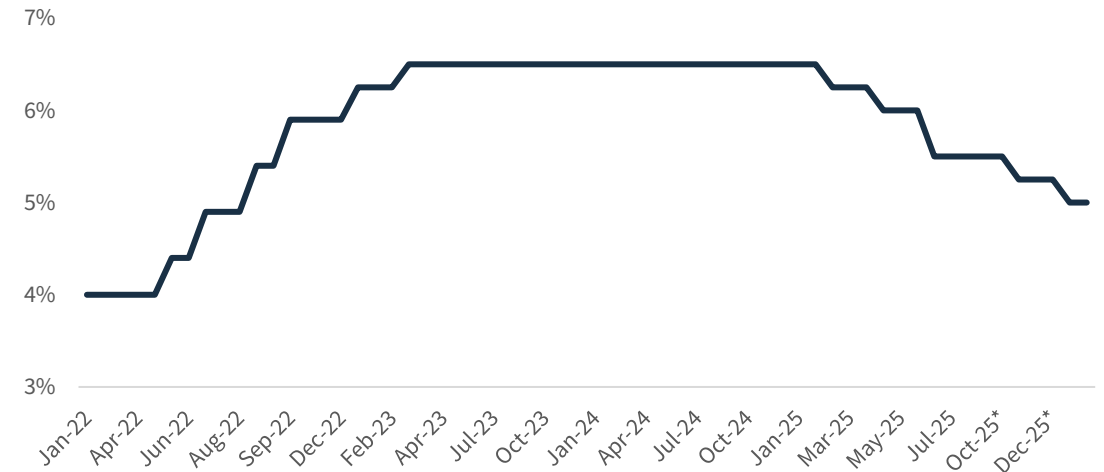
Despite key risks, India's medium- to long-term outlook remains very positive

CPI Inflation Rate (%)



- Falling CPI inflation allowed RBI to cut rates by **100 bps since January. CPI at 2%** below the **4% target**
- Expected to trend lower than 4% in the medium-term due to **modest crude oil, food prices** and **consumer prices** across the board on **GST rate cuts**

Interest Rates – RBI Repo Rate (%)

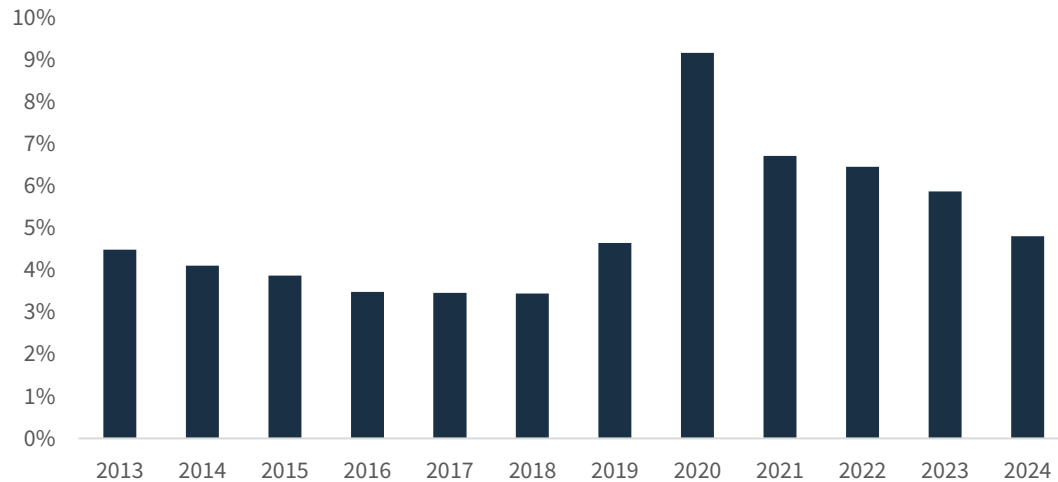


- **Inflation outlook** combined with **FED easing** cycle allow for **further rate cuts** in the medium term
- **Rate cuts** and **liquidity** boosting measures, combined with the **fiscal stimuli**, will **support domestic demand**

India: Economic Landscape

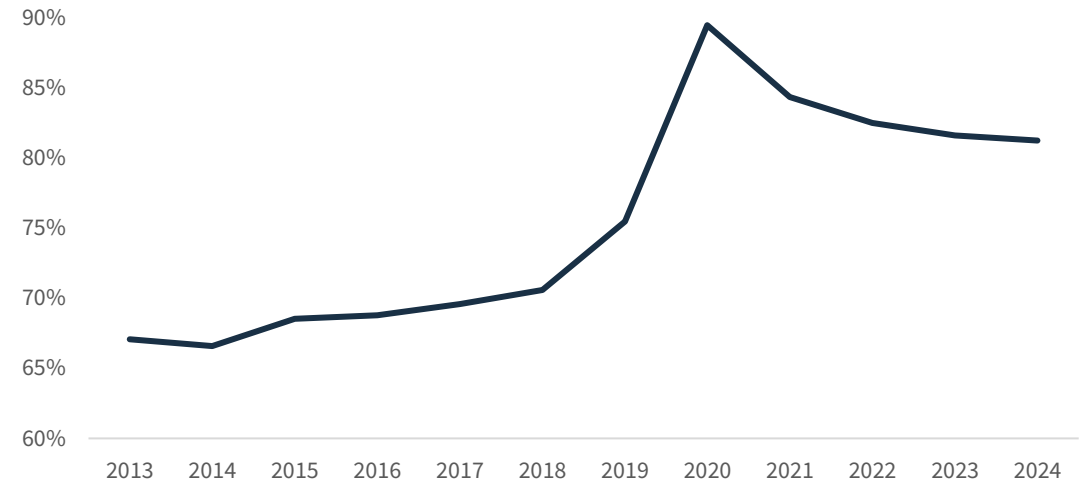
Balance between fiscal prudence but supporting demand and structural policies underscores macroeconomic resilience

Fiscal Deficits (% of GDP)



- **High fiscal deficits (>5%)** since Covid-19, **justified** by **structural reforms** and fiscal stimuli
- Deficits are **not bad per se** if they drive productivity and economic growth
- **GST** and **income tax rate cuts** will **slash revenues**

Government Debt (% of GDP)



- Despite high fiscal deficits, government debt-to-GDP **peaked at 90% in 2020** and is now at **81%** → economy is expanding faster than deficits
- Both, **deficits and debt expected to decrease** by cutting spending in unproductive sectors

Tapping into India's transformation

Strong Macro fundamentals outweigh risks, keeping India's growth close to trend

Medium Term Drivers



GST rate cuts (effective Sep 22nd) improves economic efficiency and supports consumption growth



Simplification of GST process supports ease of doing business



Impact: Annualized benefit of 0.6% of GDP and lower prices by 40-50bps



Higher GDP growth and greater tax compliance offsets revenue loss from GST and income tax cuts



Past policy measures: robust public capex; structural reforms; incentives to boost manufacturing and infrastructure



Risks: U.S. trade tensions; global trade disruptions (BRICS); global growth slowdown; volatility in U.S. Treasury yields

Despite **several risks**, they are expected to have a **small impact** on economic growth and positive outlook.

Structural reforms, fiscal and monetary policy and political stability outweigh risks in **driving productivity and growth**

Tapping into India's transformation

Mega forces will keep India as the fastest growing country in the coming decades

Long Term Drivers – Mega Forces

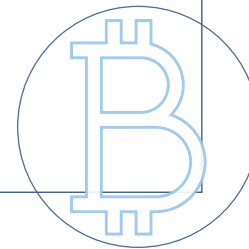
- **Young, working-age** population expected to expand by **140 million** in the **next 20 years** (opposite to all other countries)
- Reaching full potential requires **greater female workforce participation** and greater skills development

Demographic dividend



- Expansion of **digital public infrastructure** enhances productivity, **market access** and **financial inclusion**
- **Gift city:** India's 1st international financial center as a **gateway for foreign investors**

Digitization



- Supply chain diversification and shifting alliances have benefited India by **attracting new FDI** and emerging as a **new global production hub** (see Apple's iPhone as example)

Resilience in a fragmented geopolitical environment



Taking a structural, not cyclical, view

India will have a bigger importance in long-term portfolios than current benchmark indexes suggest

Indian Equities

- Likely **recovery in domestic growth**, driven by improving consumption on easing financial conditions and fiscal stimulus measures (GST and income tax cuts) is likely to **support corporate profitability**
- India's **structural strengths outweigh near-term softness** from weak domestic sentiment and uncertainty over U.S. trade policy (50% tariffs)
- A narrow focus on cyclical trends – such as slowing growth – risks missing the **bigger picture and opportunities**

Drivers

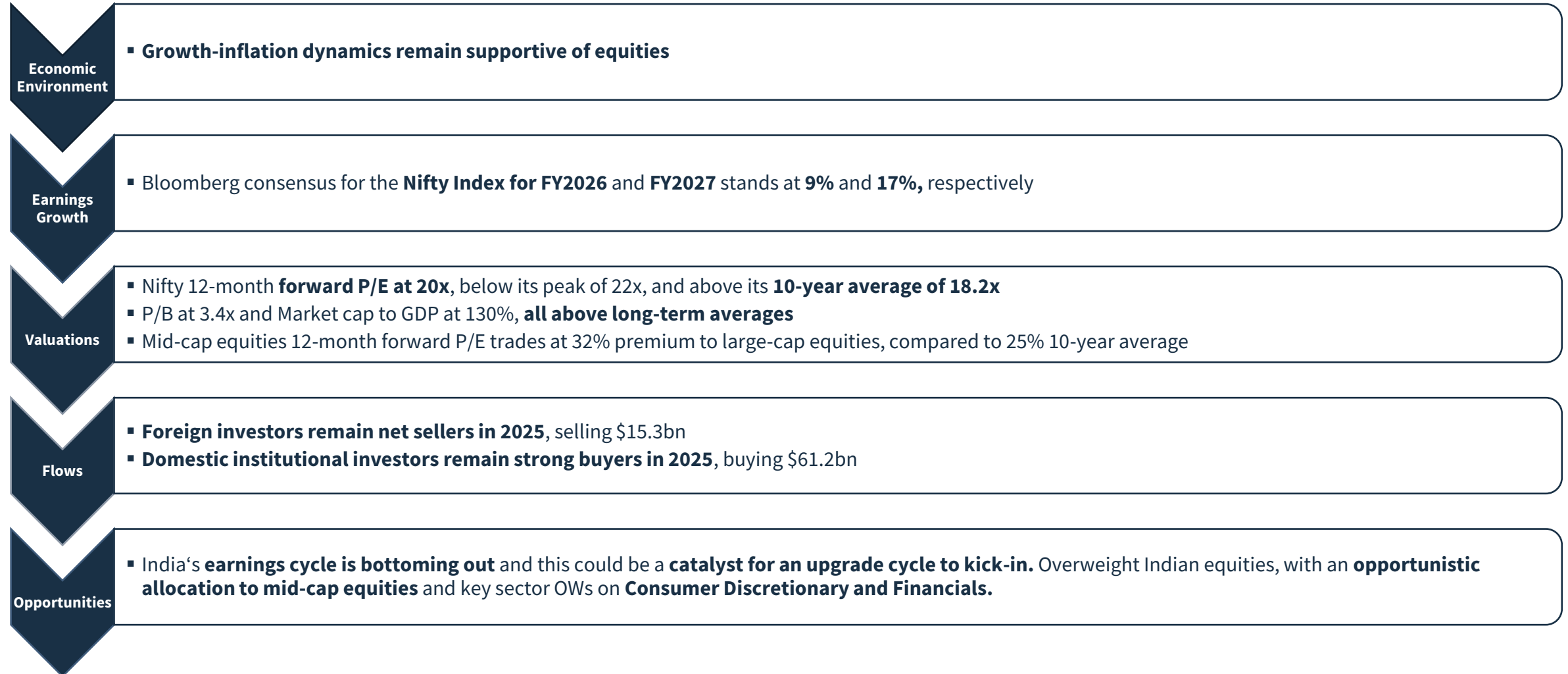
- **GDP growth** and **earnings outlook** is likely to **improve** and outpace major peers
- **Stable inflows from domestic investors** driven by inflows into systematic investment plans
- Likely **resumption of foreign investor inflows** amid **superior macro fundamentals** and low foreign investor positioning towards Indian equities

Risks

- **Growth slowdown** and probable **downgrades of earnings expectations**
- **Elevated absolute equity valuations** (Forward P/E of MSCI India at 21.5 compared to historical average of 16)
- **Foreign investor selling** amid slowing domestic investor flows

Taking a structural, not cyclical, view

High valuations are justified by India's long-term growth potential



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Markets Overview

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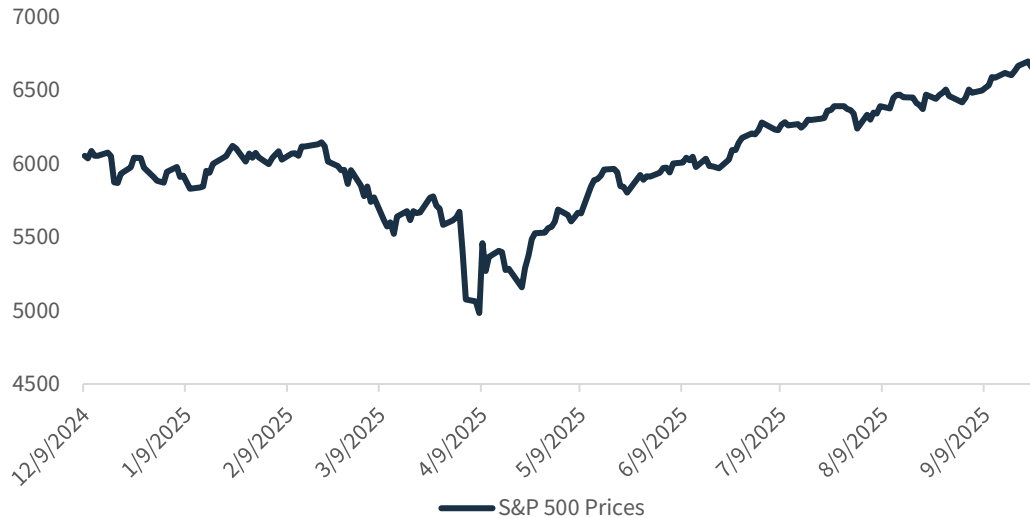
Fall 2025



United States

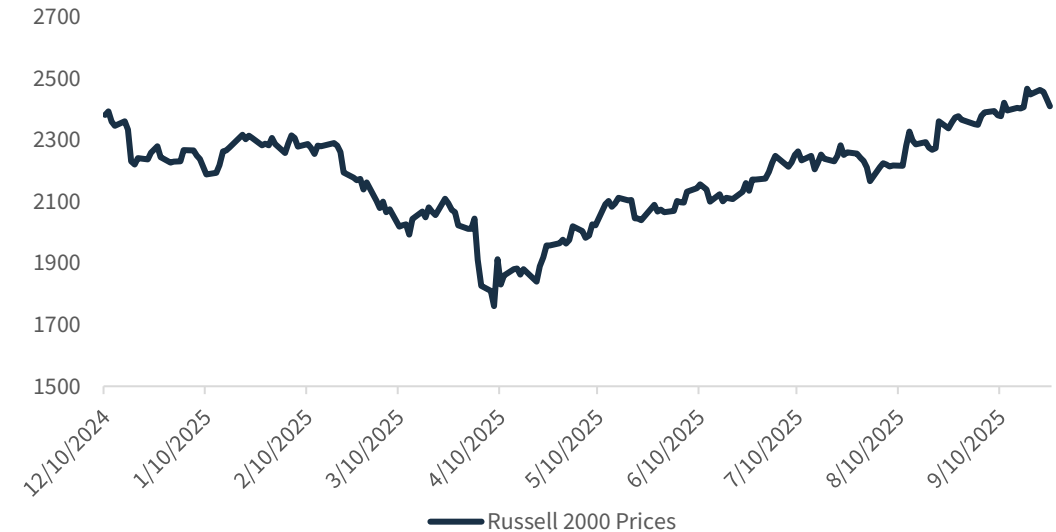
Equity markets in U.S. are soaring on pure HOPE; hope that AI saves the future and FED saves the present

S&P 500



- Besides tech, YTD top performing sectors are **industrials, utilities and financials**, which **hit all-time highs** this quarter.
- Recovered well from April's drop, **14.62% YTD returns**, out of which **7.6%** comes from **growth in earnings**.

Russell 2000

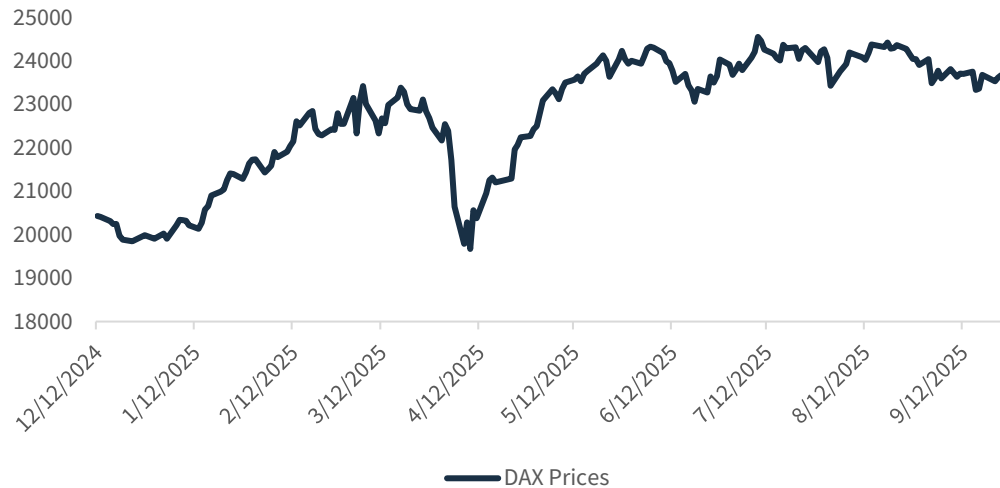


- Represents around 2000 small cap U.S. companies and unlike S&P 500 has **low tech concentration**. Top performing sectors were industrials, tech, financials and consumer discretionary.
- Experienced tariff tumbles but has recovered well with **10.79% returns YTD**.

Europe

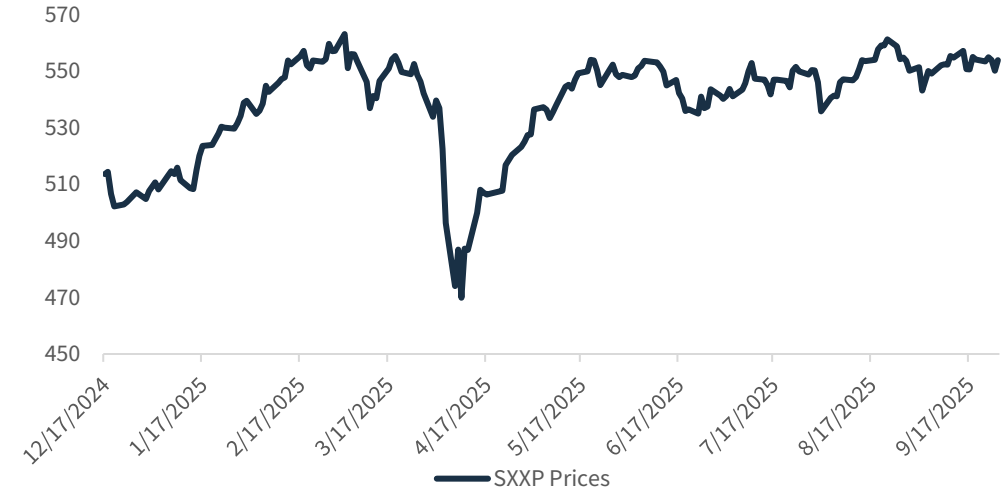
Markets' response underscores the sensitivity of European equities to U.S. trade policies

DAXX



- Was **strongly affected by tariffs** in March followed by 10% tumble when Rheinmetall dropped 27%
- But has yet again **outperformed the S&P 500 by 20.54% YTD**

SXXP

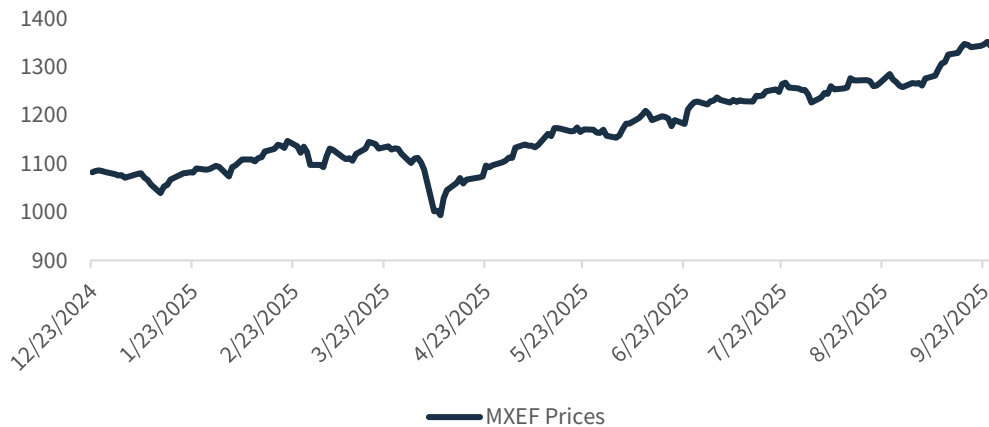


- Experienced significant volatility due to U.S. tariffs, its worst performance in April with a loss of 8.4%
- Sectors like **healthcare, automotive worsened** while **defence showed resilience**
- Yet has **return of 27.9% YTD** and **outperformed S&P 500 by 13.28%**

Emerging Markets

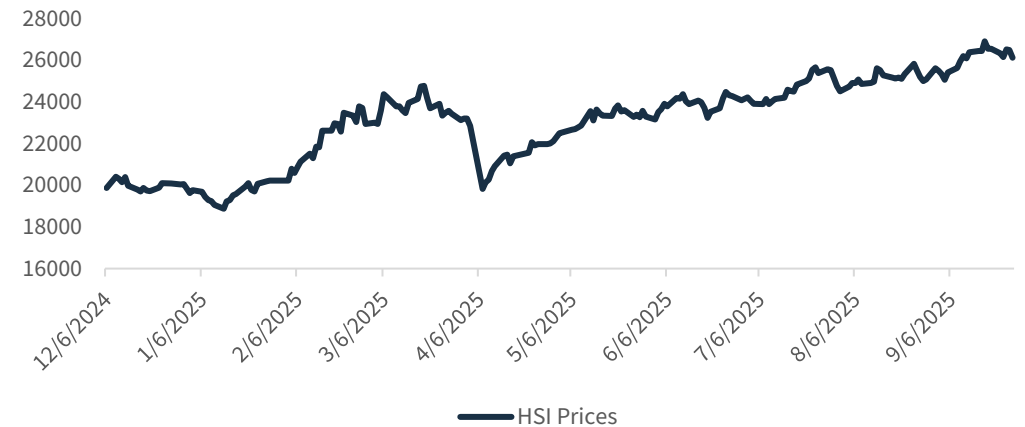
EMs have greatly benefitted with the global trade tensions and investors diversification from U.S. with increasing capital inflows

MXEF



- Is a free float index designed to measure equity performance in the emerging market economies. Major country weights are of **China(30.4%), Taiwan(19%), India(16.2%), Korea(10.6%)**
- Has **28.06% returns YTD outperforming the S&P 500 by 13.43%**

HSI



- Has **outperformed all European and U.S. equity indices** with YTD returns of **41%**.
- **China's inflows into Hong Kong stocks** have reached **HK\$ 1tn** so far this year.
- Growth is attributed to companies like **Alibaba, Tencent and Baidu** which are up **96%, 55% and 59%** respectively.

Major concern for MXEF's performance is its link to the bull Chinese market as it is composed up of 30% of Chinese equities.

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Markets Outlook

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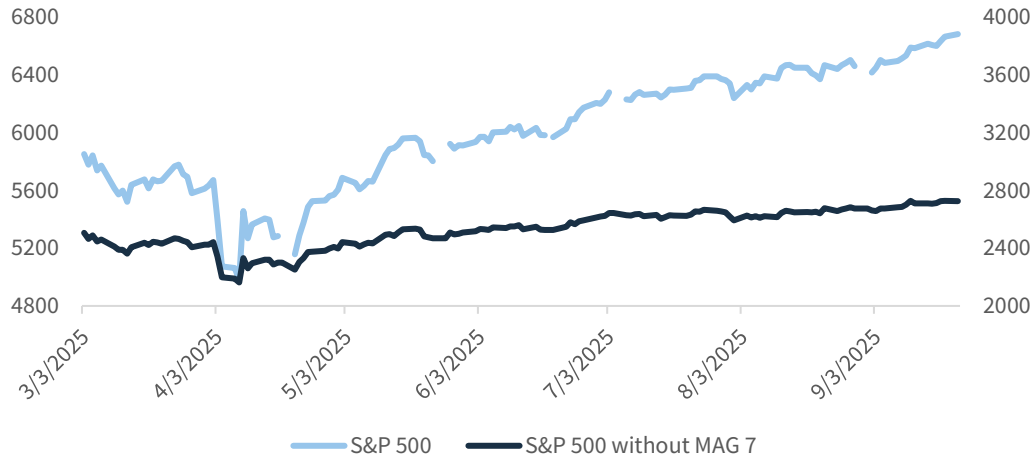
Fall 2025



United States

While the outlook for U.S. remains closely tied to the evolution of AI, small cap indexes like Russell captures domestic economic trend

S&P 500 Outlook



- Assuming a second rate cut from the FED, declines in bond yield and economic softening in the coming quarter, the consensus seems **moderately positive** which is why major banks have also pushed their **year-end targets above 6,500**
- However, the risks of **tariffs uncertainty, sticky inflation** and **breadth risk** is still a concern

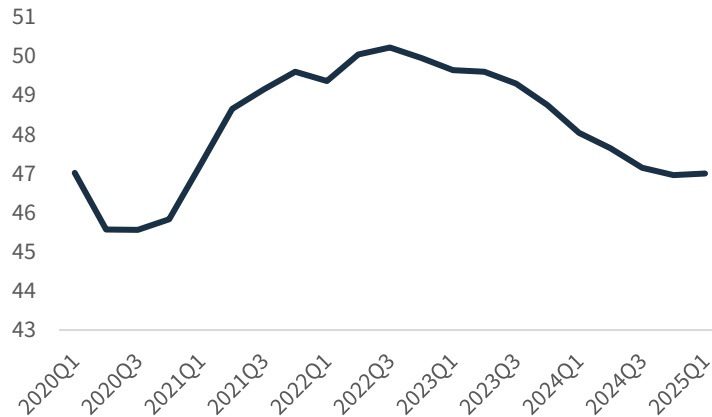
Russel 2000 Outlook

- Has projected **40% earnings growth** in 2025, surpassing the S&P 500's expected growth
- Small caps are trading at lower valuations compared to their large-cap counterparts. Also given the recent investor behaviour i.e **diversification from large cap tech heavy equities**, we see a lot of potential here
- Assuming Fed cuts, we see **better growth potential than S&P 500** given that small caps tend to have higher debt and shorter debt maturities

Europe

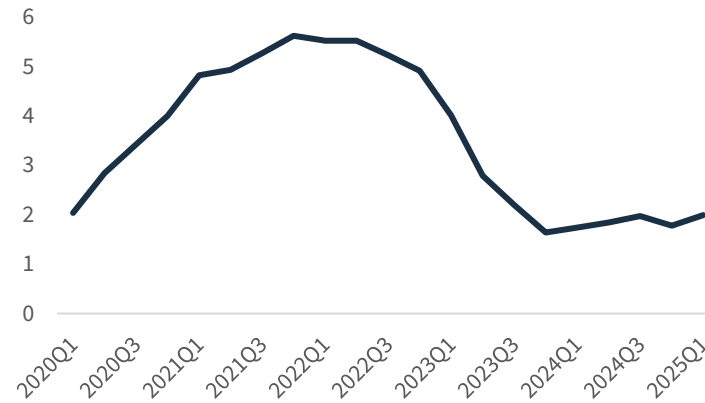
Investors are looking to diversify into European markets but structural challenges limit their convictions

Profit Rate



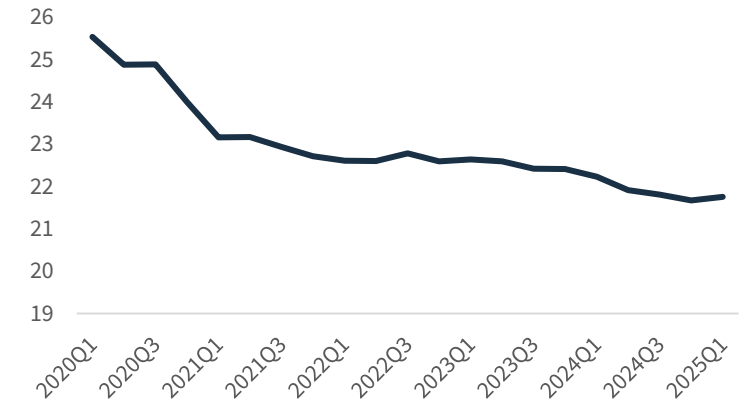
- Earnings levels were uneven in Q1 2025 due to tariff shocks **and Q2 profits are likely to pause or dip slightly** due to input cost volatility, tariff pressure and weaker external demand

Financial Investment Growth



- Financial investment growth levels have still not **recovered to pre-covid era**
- SEM support proposals in 2025 may **boost lending capacity** so banks can provide new loans to corporates

Investment Rate



- **US- EU trade tensions** could reduce **willingness to invest**, however investors sentiment of **diversification from US** could increase the investment rate in the coming quarter

Emerging Markets

Emerging markets for the win in the long run

China

- Chinese stocks have **outperformed global peers**, the rally began after **DeepSeek's** artificial intelligence breakthrough.
- However, the rally **shows signs of a bubble** rather than a recovering market.
- The surge in stocks can be mainly attributed to **savings surge** from households and **hedge funds** buying into Chinese equity and inflating it.

South Korea

- One of the **fastest growing economies** with South Korea's equity market being one of the top performers of 2025.
- **Easing monetary policy** supports South Korea's economic growth as foreign capital inflows increase projects a **robust recovery and growth ahead**.
- Financial stocks have appreciated significantly with high expectations for rate cuts.

Other Economies

- Opportunities in **Brazil's commodity linked companies** due to strong **commodity exports like iron, soy, oil** benefitting from global demand.
- **Vietnam's** VN-index has risen ~28% YTD fueled by **foreign investment inflows** and shows great potential for **technology manufacturing industries**.
- **Indonesia's** large domestic market, natural resource exports and **energy sector** are creating attractive opportunities for investors.

Sovereign Bond Market

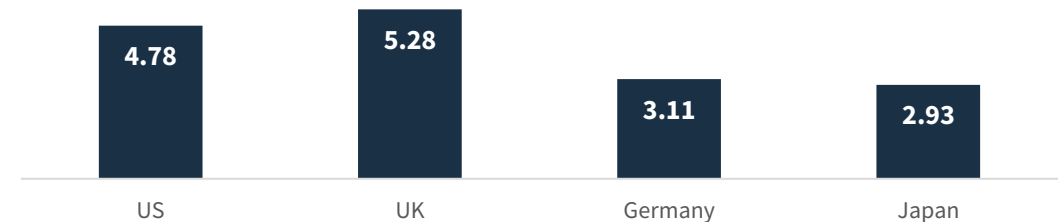
Expanding fiscal deficit putting a crack in the bond markets along with policy-market disconnect

Why is the Bond market on the verge of collapsing?

- **Central Banks** have been **shifting away from treasuries** and increasing the percentage of gold. (a little nuanced)
- **The treasury sell off in April** due to tariff threats namely inflation concerns, fiscal deficit worries, resulted in the **surge of treasury yield from 3.86% to 4.5%** within a matter of days.
- **Corporate Bonds Spreads** are at **15yr lows** against the treasury of just **73 bps** making corporate bonds relatively attractive.
- U.S debt no longer has an AAA rating which indicates a **deterioration of market sentiment** towards US sovereign bonds.

Global Sovereign Bonds

30Y Government Treasury yields



- **German bonds** have remained **relatively stable**, influenced by the ECB's cautious approach to rate adjustments.
- In **UK**, public debt is projected to rise to 92.8% of GDP in 2025. And, **yields on long term bonds** have reached **25 yr highs** reflecting investor concerns over **rising debt and inflation**.
- **Japan's** bond market is **under pressure** from escalating debt- servicing costs as it **transitions from a prolonged period of negative interest rates** to more normalized interest rate.

Things adults shouldn't believe in anymore:



Dollar Depreciation

Weak dollar following Trump's rise to power

Weakening Dollar

USDEUR in 2025



- **Euro is gaining traction as the ECB is projected to have 1 or no interest rate cuts until the end of the year**, with the consensus being the latter
- **Investors still expect 2 interest rate cuts by the Fed until the end of the year**

Key Drivers of Bearish Dollar

- **Political uncertainty**
- High deficit spending outlook - **increasing debt burden**
- **Concerns over Fed independence**
- Weaker job growth and stagnant inflation – **Slowing economy outlook with stagflation concerns.**
 - Fed is seemingly beginning its interest rate cutting cycle – **Lower interest rate differentials**
 - **However**, recent US statistics showing **better economic performance with sticky inflation might point to a slower rate-cutting cycle**

Dollar Depreciation – Implications

Should we leave the US aside?

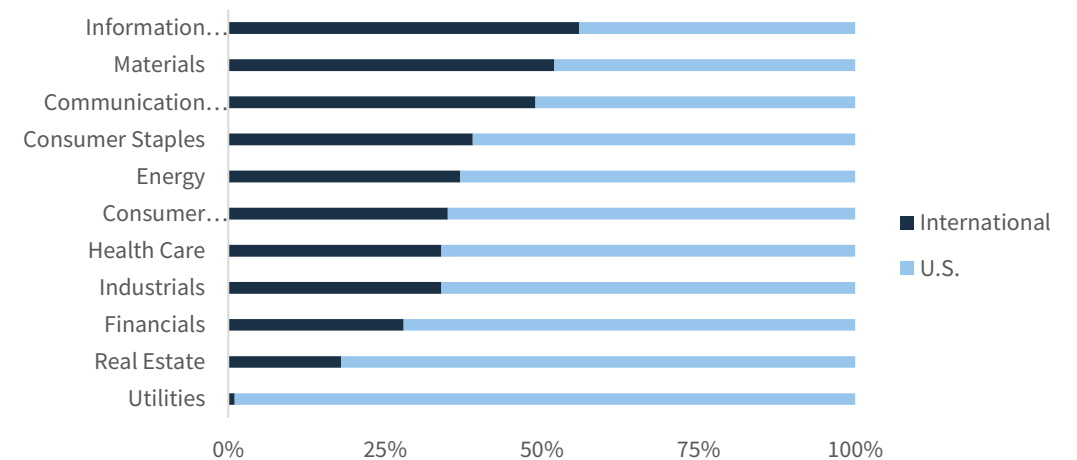
Who Wins

- **Export-heavy companies in the U.S. benefit from competitiveness**
 - However, higher tariffs may hinder its potential benefits
- **American multinationals** that have a large share of their earnings from abroad – **cheaper to convert earnings into dollars**
- **Commodities such as gold and silver, used as a safe haven**
- **Currency diversification is more attractive**

Who Loses

- **Foreign export-heavy sectors** exposed to U.S.
- **Continuous depreciation may weigh on returns** on securities priced in USD.
- **U.S. importers of raw materials**

Share of geographic revenue by sector in S&P500



Commodities – Oil

Different forces driving its price in the near and medium term

Decreasing Oil prices



- Decreasing trend from **weak demand expectations, due to the slowing economy outlooks, and large supply from the OPEC+**

Bearish Outlook

- **Forecasted weakened global economy**
- **Trade tensions between the US and the rest of the world can worsen**
- **Higher inventory accumulation** due to high supply by OPEC+
- **geopolitical tensions in the Middle East** can worsen or more **sanctions can be imposed on Iran and Russia – Supply Disruptions**

End of 2025
\$59/b
Forecasted

Early 2026's
\$50/b
Forecasted

Later in 2026
\$51/b
Forecasted

Commodities – Gold

A proxy for fear in investors and dollar hedging

Gold as a Dollar Hedge



Sources: Bloomberg, World Gold Council

29 September 2025

Bullish Outlook

- **Bullish since the beginning of the Ukraine war**
- **Geopolitical tensions continue to arise in Europe** as Russia continually invades Nato airspace
- **The forecasted dollar depreciation further helps a bullish thesis for gold**, as investors seek to protect their portfolios
- **Central banks**, especially in emerging markets, **continue purchasing more gold over the years**
- **Upside risks still seem to prevail** above downside

Market Sentiment

Results from the Fund Managers survey from Bank of America and volatility

BofA Global FMS Investor Sentiment

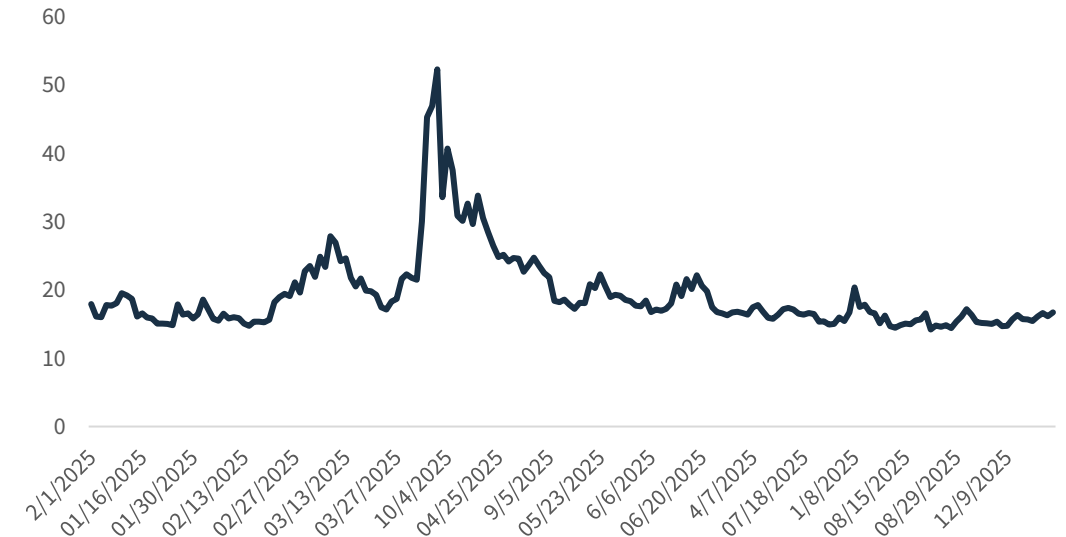


Source: BofA Global Fund Manager Survey.

BofA GLOBAL RESEARCH

- Investors are **gaining their confidence back as the trade war appears to be receding**
- However, **58% of global fund managers say equity markets are overvalued**

VIX index

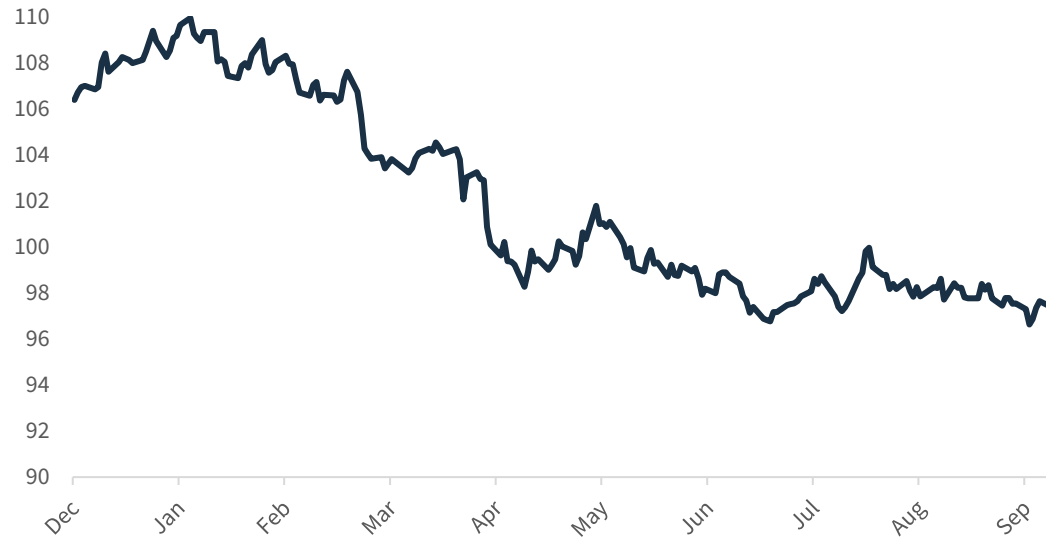


- Volatility has **normalized at intermediate levels as trade wars appear to recede**
- The markets have calmed**, but political uncertainty remains

Is the World De-dollarizing?

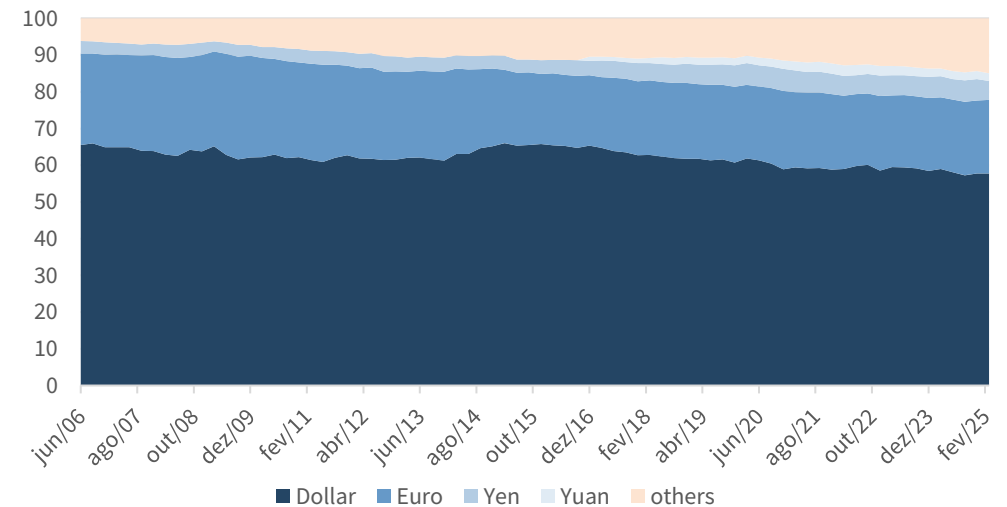
The dollar is losing strength, but no clear alternatives yet

DXY Index



- The **DXY index fell approximately 10% YTD**, and it's currently sitting at 98
- Expected to fall until the end of Trump's presidency – **hitting 94 in the next year and down to 92.9 in 2028**

Composition of Official Foreign Exchange Reserves

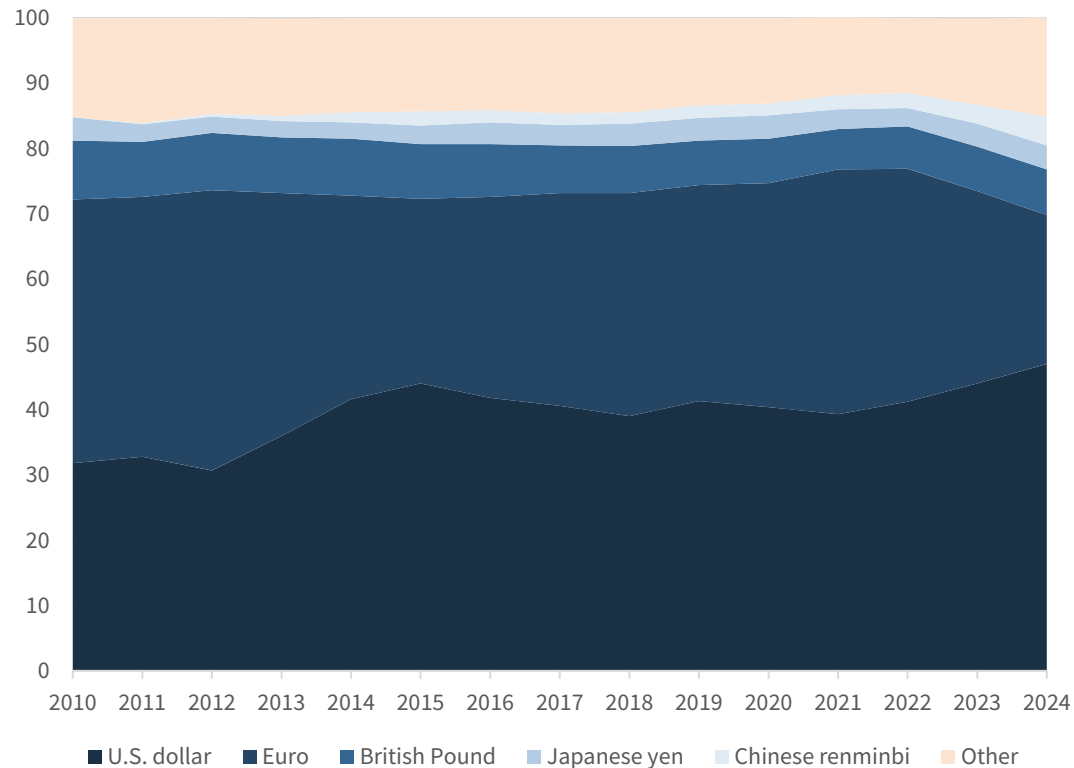


- **Slowly losing its share to alternative currencies** while the euro stays consistent at 20%
- Central banks are **seeking to diversify into other currencies such as AUD and CAD**

Is the World De-dollarizing?

The dollar is losing strength, but no clear alternatives yet

Share of International Payments per Currency



Efforts to De-dollarize

- USD remains the dominant currency for cross-border payments, **especially for oil trade, however, decreasingly so**
- However, **transactions in local currency among BRICS** are growing, especially between Russia, China, and India, although somewhat slowly, **as efforts to de-dollarize grow, mostly due to:**
 - **Sanctions on Russia**, namely the freezing of Russia's central bank reserves by the west
 - **Trump tariffs as a punishment for trying to de-dollarize** (welcome to Trump policy)

Is the World De-dollarizing?

The dollar is losing strength, but no clear alternatives yet

Short Answer: Not so fast

- **No evident alternative** to the dollar for now
- **Dollar monopoly may be at risk, but its dominance in the world isn't**
- To take its position, **other currency has to comply with the pillars below as well as the dollar historically had**, such as:

Economic Size & Stability

Rule of Law & Institutional Strength

Safe-Asset Supply

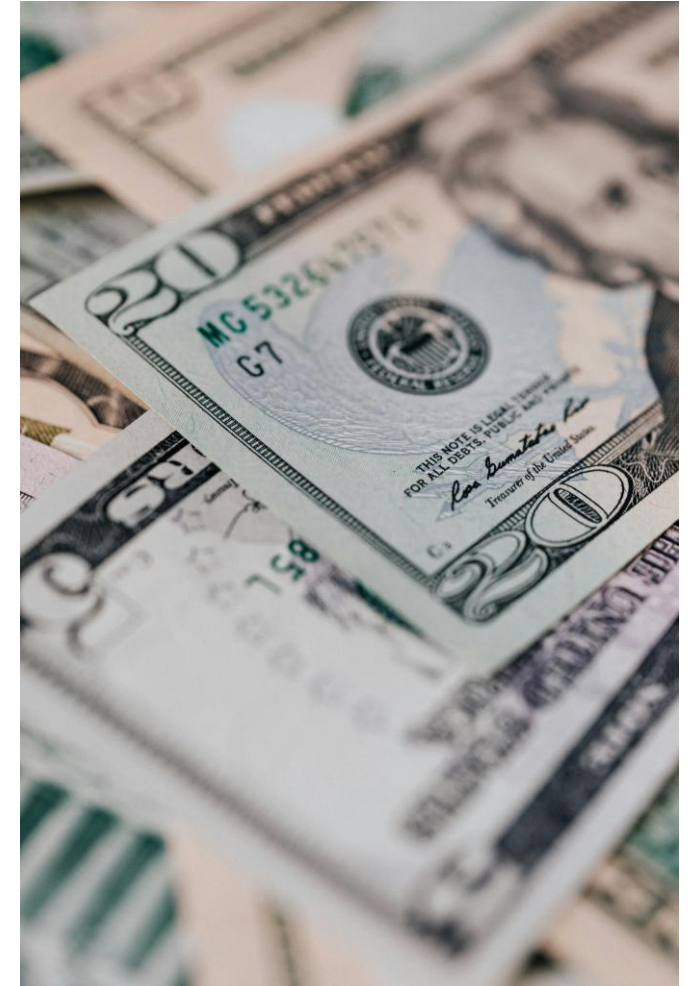
Network Effects & Inertia

Depth & Liquidity of Financial Markets

Past Crisis Behavior

However, Trump is changing that as we are witnessing the fading of:

- Rule of Law & Institutional Strength – **Fed Independence**
- Safe-Asset Supply – **Debt Burden**
- Past Crisis behavior – **Dollar devaluing**



Macro Team

Industry Guidance

29 September 2025

Fall 2025



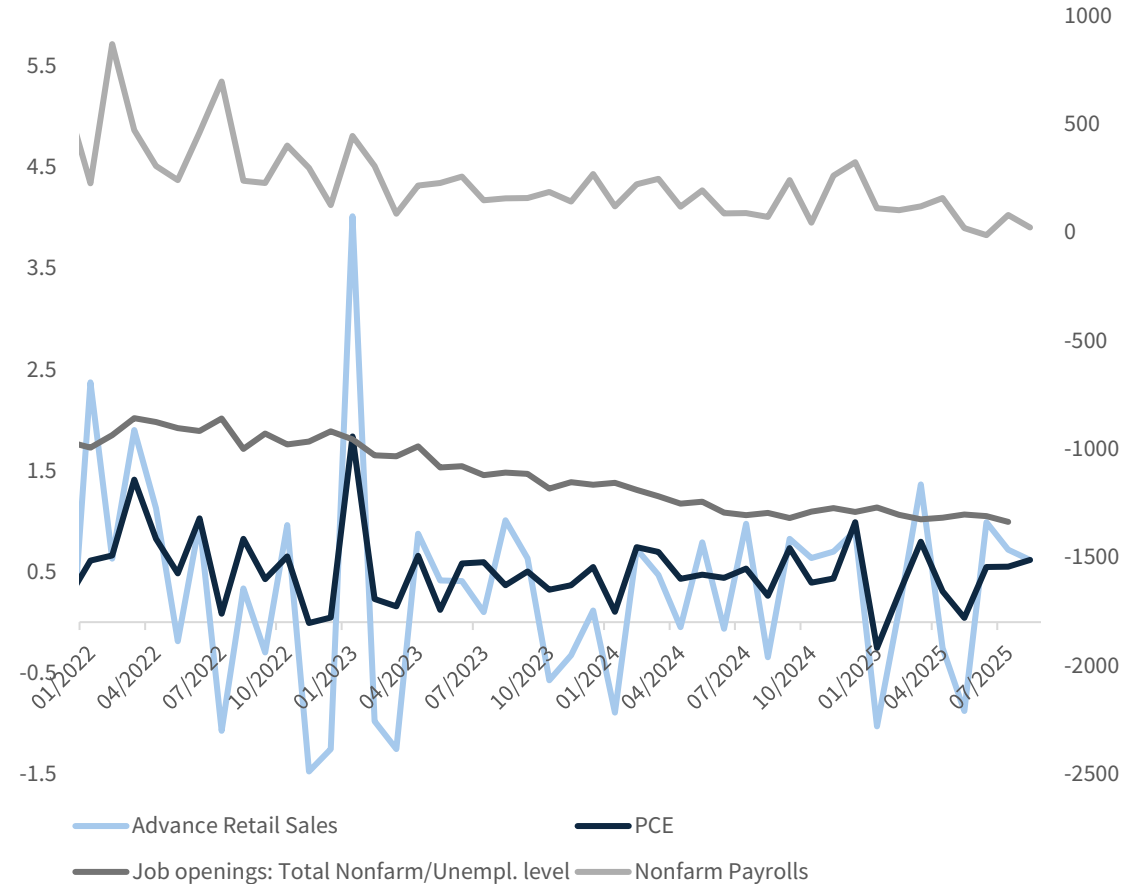
Sectors to avoid

As economic development becomes hard to explain, the outlook for cyclical sectors in the US economy remains uncertain

US Consumer Discretionary and Cyclical

- **Weakening labor market**, with softer job gains and less job openings
- However, **consumption continues steady** (up 5.5% YoY)
- A possible explanation for this divergence is a "**K-shaped**" economy, where rich consumers drive aggregate spending
- Moody report points to **half of US spending** being accounted for by the **top 10%**
- Labor market statistics have become **increasingly hard to navigate**, as we don't quite know how many jobs the US economy should be creating every month
- We could also see tariffs continuing to pass-through to consumers, increasing inflation

Shifting Labor Market vs. Steady Consumption



"Cash allocations are not as high as they look", FT; FRED

Other Sectors' Outlook

We could see further developments in real estate as rates drop, while the outlook on defense is positive

Defense (positive)

- **NATO countries** pledged to spend **3.5% of GDP** on defense and 1.5% of defense related matters
- **German military expenditure** to reach **€162bn** in 2029, up from €95bn this year
- **Defence stocks** have been a large force behind the 9% rise in the **STOXX 600** this year
- Despite diplomatic efforts during 2025, **little substantive progress** has been made toward peace in Ukraine
- Russia's incursions into NATO airspace are testing the NATO defenses and contributing to pressure for defense spending

US Real Estate (flat)

- **New-home sales** in the US surged to **800.000**, its fastest pace since 2022, but likely due to sales incentives by builders
- Homebuilders still struggling with **affordability concerns** by buyers
- **Decreasing policy rates** could help drive **mortgage** and **building costs lower**
- Aformentioned **labor market uncertainty** continues to be a concern

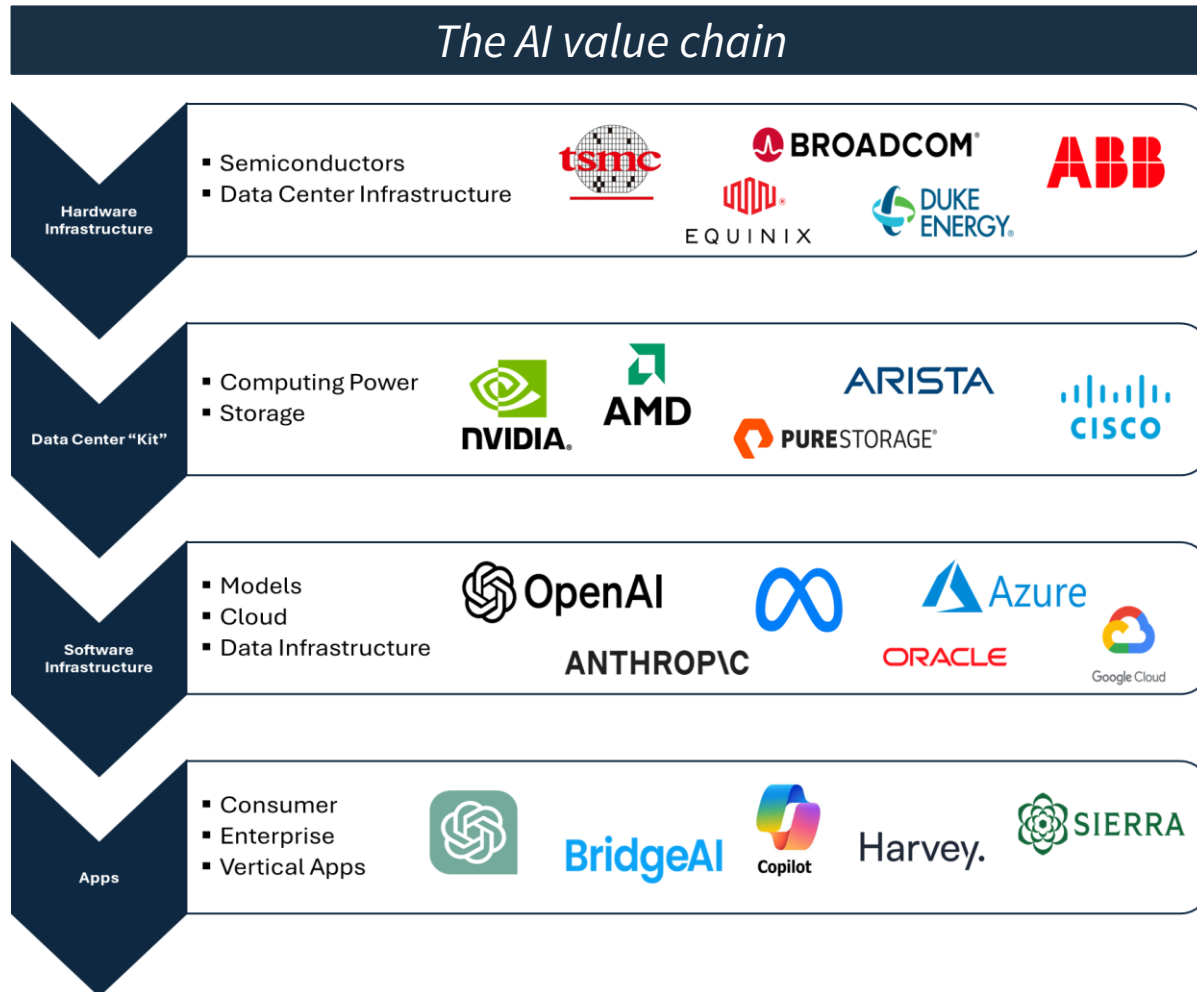
US Financials (negative)

- **Banks' profitability** tends to compress in a **falling-rate environment**, as spread between what they pay on deposits and what they earn on loans
- **Health Insurance companies** are also also facing **sustained pressure**, due price increases and uncertainty regarding tariffs
- **UnitedHealth Group Stock** is **down 31% YTD** as a result of this

"What is NATO's new 5% defence spending target?", REUTERS; "US New-Home Sales Jump Over 20% in Broad Advance", Bloomberg; "Americans face biggest increase in health insurance costs in 15 years", FT

AI Bubble?

GPT adoption through history is cyclical and how AI is being implemented into companies is unclear



AI and History

- AI is being compared to the **telecom bubble**, when **heavily leveraged carriers** financed huge network build-outs on the assumption that the growth of internet-driven data traffic would justify the investment

Some AI concerns

- What if businesses fail to **meet revenue targets**: MIT report stating that **95% of organisations zero return** from **generative AI pilots**
- Depreciable assets: **Short useful life of chips**, which make up **50-65% of data centers costs**
- Dept ratios: **Big-four hyperscalers** to spend about **\$3tn on data centers** by 2030, financing at least **\$1.5tn** through **private credit, private equity** and **securitisation**

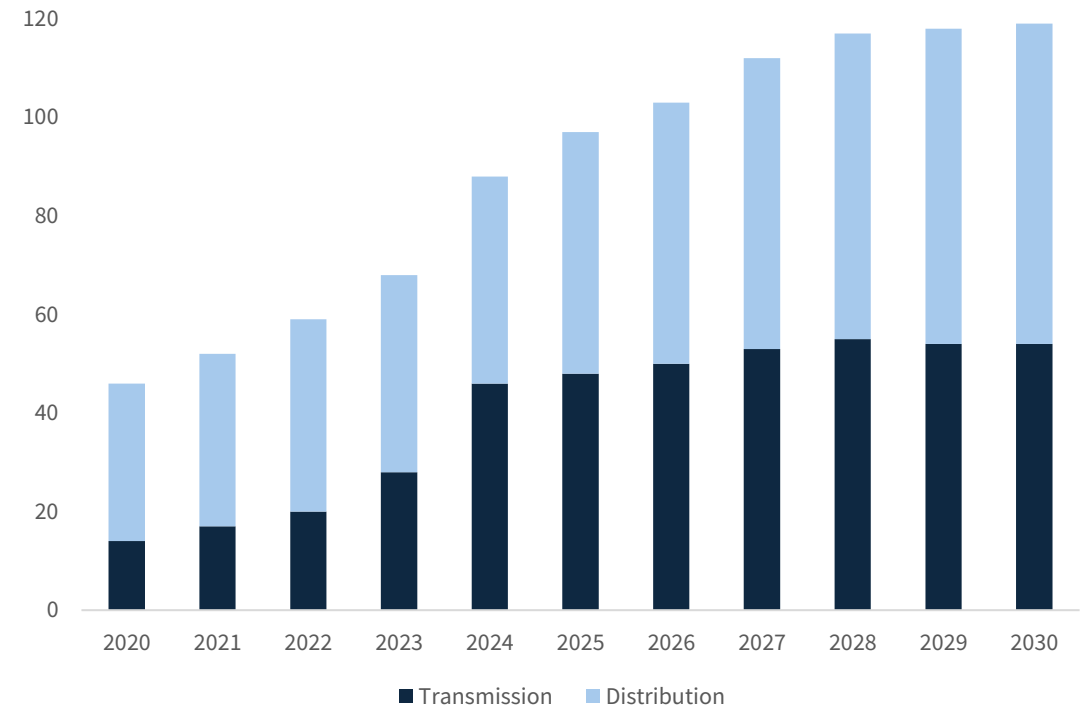
Favourable sectors

Both Europe and the US could be entering their first real load-growth era in decades

Utilities in the US and Europe

- **US data centers, reshoring and electrification** are driving demand for energy with **utility capital expenditure** expected to hit **\$212.1bn** in 2025, a 22.3% rise (YoY)
- **Energy demand** in Europe to grow at **1.3% CAGR** till 2027 due to **data center** demand and **electrification** in **homes, factories and transport**
- **Pure Grid Operators** (TSOs) in the US and Europe will benefit from investment needed to update **40-50 years old networks**
- Goldman Sachs estimated that European networks will attract **€800bn** of **capital expenditure** between 2024 and 2033
- **Affordability** remains a **long-term risk**, with regulators, politicians and advocacy groups potentially stepping in

Europe's capex on transmission and distribution (€ bn)



TSO's **regulated profits business model** could provide a more predictable exposure to a possibly irregular AI expansion

Macro Team

Solar energy in the U.S.

29 September 2025

Fall 2025



Solar Energy sector in the U.S.

Recent years have been characterized by efficiency gains and decreasing costs

Strong growth in 2024

U.S. Solar installed **capacity grew 21%**, adding nearly 50GW

It accounted for **66% of all new electricity-generating capacity**

Technological advancements

Solar module prices are at **historic lows** – 80% down in the last 10 years

Next generation solar cells record **efficiency gains over 25%**

Portfolio diversification

We are **currently underweight in Energy and Utilities** – Our only stock is DHT Holdings (oil transportation)

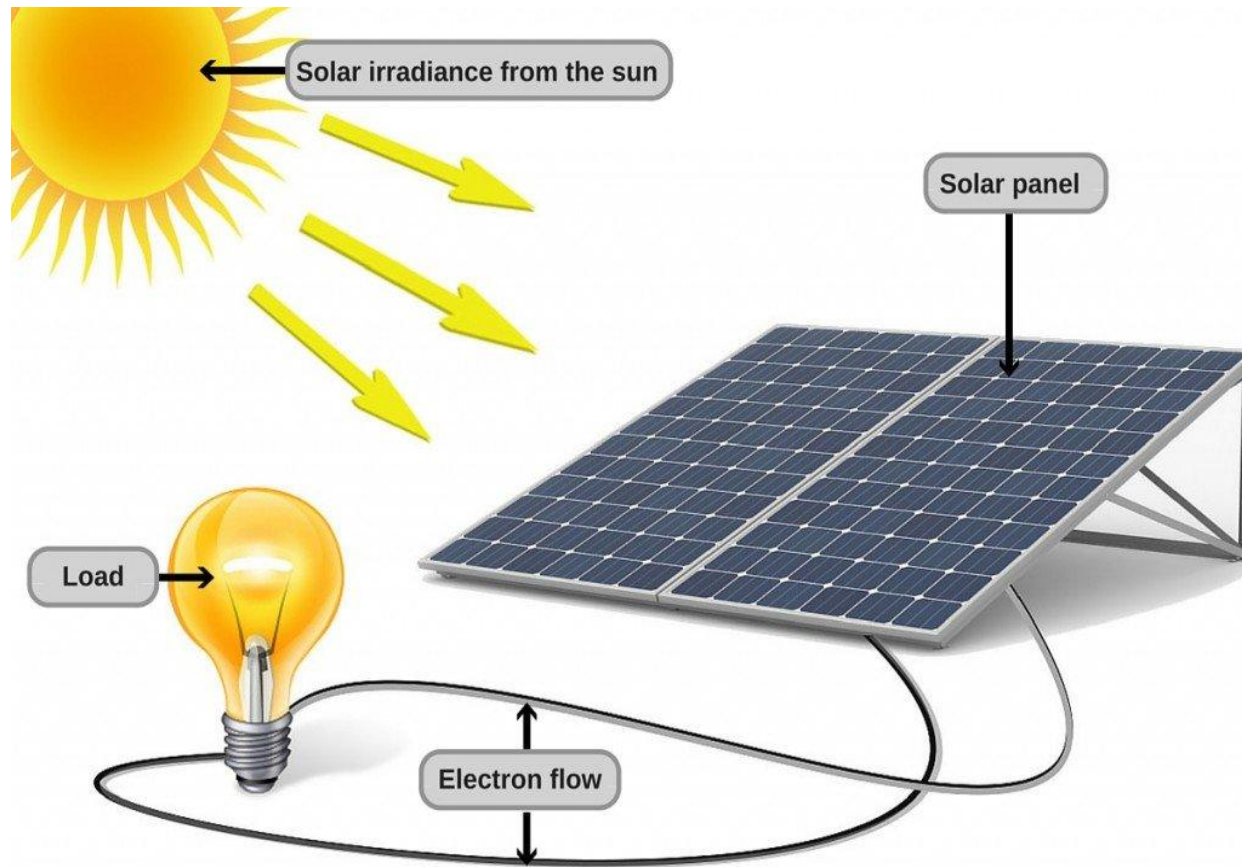
As a renewable source of electricity, **solar energy stocks usually meet ESG criteria**



Electricity generation process

It is one of the most flexible, scalable and cheap sources across renewables

Solar panels convert energy from the sun into electricity and heat



15-23% energy conversion rate
(depends on the amount of direct sunlight and the quality and size of the panels in use)

One of the most scalable renewables
(Can power anything from a single home rooftop to massive power farms)

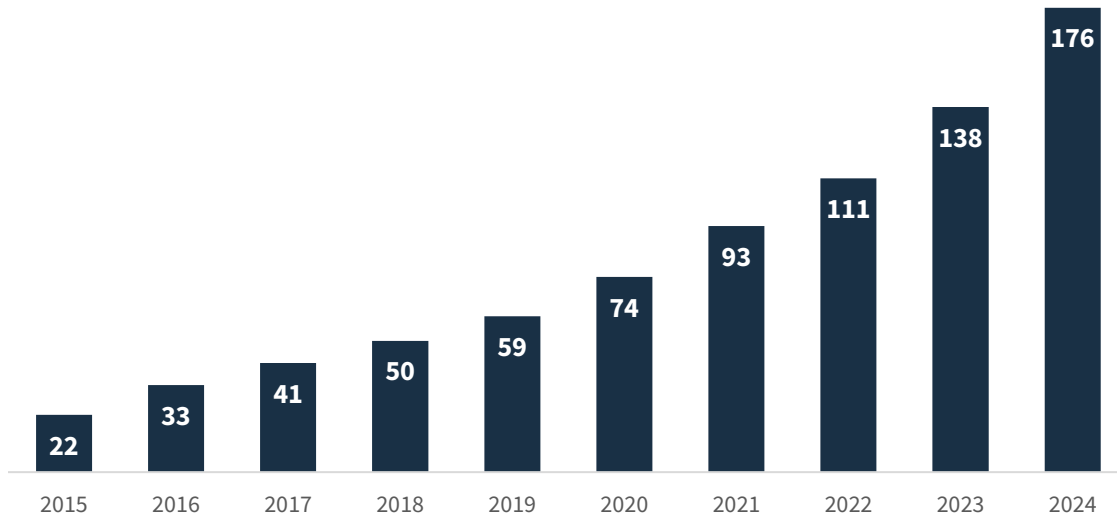
Very limited carbon footprint
(Solar panels last for over 25 years and their materials are increasingly recycled)

Sector data

Solar power is the fastest growing generating source in the U.S., specially in Rust Belt and Mid-Atlantic

Supply Overview

Photovoltaic installed capacity in the U.S. in GW



Despite consistent growth in the U.S., **China's installed capacity is the largest in the world**, nearing 1000GW

Types of solar installations by capacity share:

- Utility scale solar – ~60%
- Commercial and industrial solar – ~20%
- Residential solar – ~20%

Top states by capacity are CA, TX, FL and NY



Solar power provides 5% of US electricity



Competitive landscape

2025 has been a very positive year for the sector, with 75% gains since April lows

Main players in the sector

Manufacturing:

- First Solar – \$23.59B market cap

Development:

- NextEra Energy – Largest developer

Installation:

- SunRun – residential (20% mkt share)
- McCarthy Building Companies – utility

It is a very fragmented market where no player dominates across all stages

Solar Industry Index

30 largest companies based in the U.S. that design, manufacture or install solar power systems and components

\$51.67B
Market Cap

+23.45%
Year-to-date growth



0.22%
industry weight



Growth prospects

U.S. solar will become a significant component of the country's energy mix

What do projections look like for the next 5 to 10 years?

Upside Scenario

Installed capacity to double by 2030

- The green transition and increasing operational efficiency will continue to drive growth in Utility-scale farms and distributed photovoltaic

Downside Risks

Policy change may threaten growth

- The current Trump administration is much more favorable to traditional fossil fuels as energy sources – “Drill, baby, drill”

Net impact remains very positive, with solar power potentially supplying 15-20% of U.S. power by 2035

Key growth drivers

In 5 to 10 years, panels' output can increase up to 20% with little extra cost

Growth arises from different dimensions:

1. Increasing economic viability

- On average, **it takes 7.3 years to breakeven** on the investment in solar panels
- Most homeowners will **save between \$34,000 and \$120,000 over 25 years** with solar power

3. Innovative sector boosts efficiency

Advanced solar cells

Energy storage integration

Smart grids and trading platforms

2. Federal policy and local support

- Until the end of 2025, the Biden-era residential solar incentive programme offers **30% tax credits**
- Despite Trump's policy to cut federal credits, the sector still benefits from **state-level programmes**

4. Broad demand and commitment

100% clean-energy goals over 300 major companies

NY, LA and CH also adopted 100% renewable targets

Federal tax credits cut

Earlier subsidies' phase-out will mainly affect the residential solar sector

Solar Investment Tax Credit expiration

The 2022 **Inflation Reduction Act** provides **10-year tax credits up to 30% of solar projects' total costs** and adds bonuses for U.S. made components

On average, these **credits amounted to roughly \$8,000 per project in 2024**

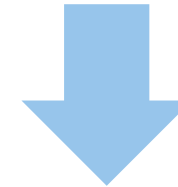


IRA support increased installations by 46%

How much will it disrupt the solar sector?

1. In the short term:

- Out-of-pocket **costs will rise and a sharp drop in the pace of installations** will probably occur
- Residential solar is already more expensive in the U.S. than **anywhere else in the western world**
- Subsidies have been “hiding” **unnecessary installation costs** and shady sales practices



Average installation costs about \$29,000

Federal tax credits cut

Earlier subsidies' phase out will be net positive for the industry

How much will it disrupt the solar sector?

2. In the medium-long term:

- By 2028, the home solar industry is expected to **start growing again by 8-12% per year**
- By 2050, homeowners will install more capacity **than in a subsidy-driven future**
- The end of subsidies will lead to **operational efficiency gains** and will benefit consumers too:
 - SolarAPP+ can significantly shorten permit approval times

Residential installations' costs breakdown

Solar hardware
15-20%

+

"Soft costs"
~65%

- Dealers that charge fees to arrange financing may take **25-40% of the loan amount**
- Sales consultants paid entirely on commission also employ predatory practices

Structural headwinds

Recent growth has not come without some friction

Grid interconnection



~1,400 GW projects
queued for connection

Trade and supply



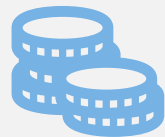
Equipments and raw
materials' shortages

Permitting and Land



Large solar farms need
5-10 acres per MW

Financial factors



Financing is sensitive
to interest rate changes



Value-chain opportunities

This is a list of some of the segments that offer the best growth prospects and the respective biggest players

Segment	Public Companies	Highlights
PV manufacturing	First Solar and Moxeon Solar	Capacity is expanding but low-cost Asian panels pressure margins
Inverters and power electronics	Enphase Energy and SolarEdge	High-margin niche and significant barriers to entry
Trackers and Balance-of-System	Nextracker and Array Technologies	Trackers benefit from domestic manufacture expansion
Residential and commercial installers	SunRun and SunPower	Ample room for further adoption and financing innovations
Solar project developers	NextEra Energy and NRG Energy	Long term PPAs with corporates provide stable cash flows

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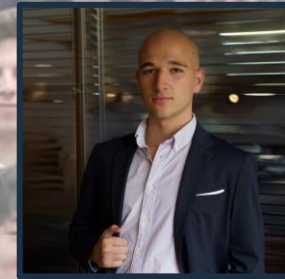


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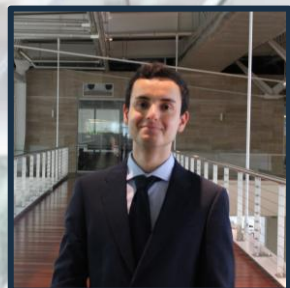


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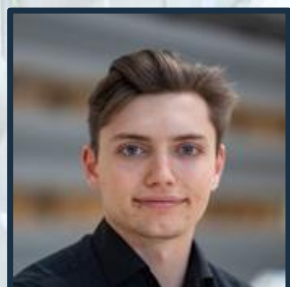


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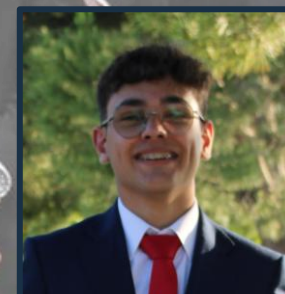


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