MAXIMUS

Macro Outlook - Active Allocation Views Q1 2025

	REGION	OUTLOOK (- Neutral +)	COMMENTARY
EQUITIES	US	○ ○ ○ ◎ ●	This market continues to deliver high quality and solid earnings per share growth, but valuations, especially in the technology sector, pose a challenge. For the lower market cap segment, we find attractive valuations and diversification opportunities as the outlook improves with the slowdown being contained. However, high financing rates remain a challenge.
	EUROPE	○ ○ ● ◎ ○	Despite attractive valuations in relative terms, the persistent weakness in the economic cycle, with no traction from the European Central Bank's rate cuts, and evidence of excess inventories in key industries continue to hinder equity performance in the region.
	CHINA	○ ● ○ ○ ○	China would be the most affected economy by tariffs, but it is also the one likely in the strongest position to implement defensive stimulus measures both in the monetary and fiscal realms. Investor sentiment is less negative than a few months ago, but we believe it is still not enough to take positions in light of the imminent increase in concerning news regarding tensions with the U.S.
	ASIA	○ ○ ● ○ ○	Although the stimulus measures announced by the Chinese government have improved the outlook for the region, and we maintain a positive long-term view on India, we still believe that structural challenges will continue to weigh on the global economy, along with the strength of the dollar.
	EMERGING	○ ○ ● ○ ○	Emerging market equities will benefit from global interest rate cuts and the favorable dynamics of domestic inflation, while growth conditions remain promising. However, the likelihood of increased obstacles to global trade makes us more cautious regarding the outlook for emerging markets.
FIXED INCOME	TREASURIES	○ ○ ◎ ● ○	Yields, in general, appear attractive, but short-term bond prices, in particular, now seem to present limited downside risk. We also believe that long-term bond yields are close to their fair value, but subject to volatility within a range due to uncertainty in both growth prospects and the sustainability of government debt.
	HIGH GRADE	○ ○ ○ ● ○	Strong corporate health and demand for quality carry keep spreads tight, but the advantage of carry over sovereign bonds persists. Therefore, we continue to recommend a tactical approach to duration management, favoring the 4-7 year segment.
	HIGH YIELD	○ ○ ● ○ ○	Our perspective on credit stress remains moderate and more idiosyncratic than systemic, so we see opportunities in short-duration positions and in the highest quality segment. Therefore, we continue to be highly selective, finding opportunities and seeking to predict the debt repayment capacity.
	EMERGING	○ ○ ○ ● ○	In particular, we find attractive short- and medium-duration sovereigns and corporates with good credit quality and healthy balance sheets. However, we prefer dollar-denominated issuances due to their relative value and credit quality, in addition to being protected from the weakening of local currencies as central banks move forward with monetary normalization.
OTHERS	COMMODITIES	○ ○ ● ○ ○	Considering the valuations and the slowdown in global demand, we are unable to adopt a positive view on commodities. However, they remain a useful hedge against the unexpected, which in the current scenario could be triggered by a resurgence in inflation, upside growth surprises, seasonal effects, and/or geopolitical uncertainty.
	CASH	● ○ ○ ○ ○	While central banks will continue their rate-cutting process, we understand that current yields not only protect purchasing power against inflation but also offer a solid alternative to the low returns that holding cash may generate.

○ Actual

◎ Previous (if any changes)