



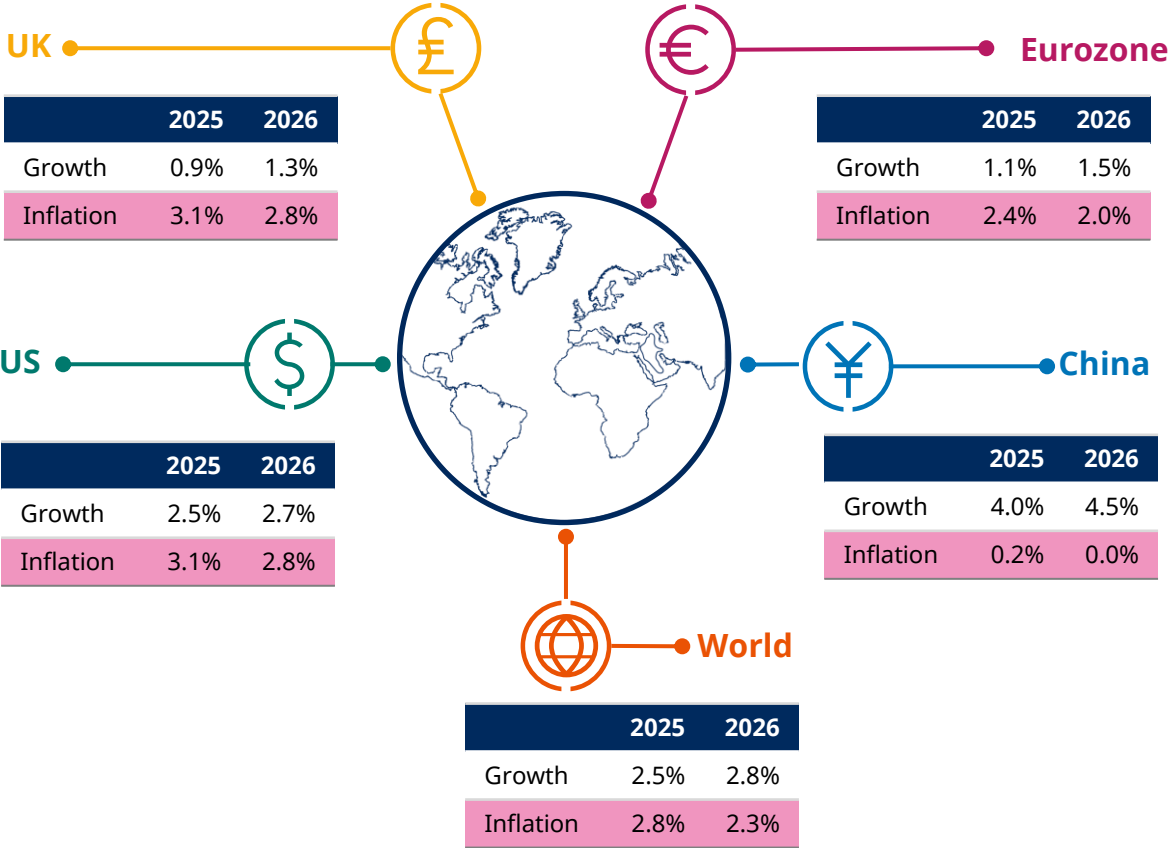
# Market Outlook

## Q2 2025

April 2025

# Growth and inflation forecasts will be impacted by tariffs

Growth forecasts likely to be lower and inflation higher

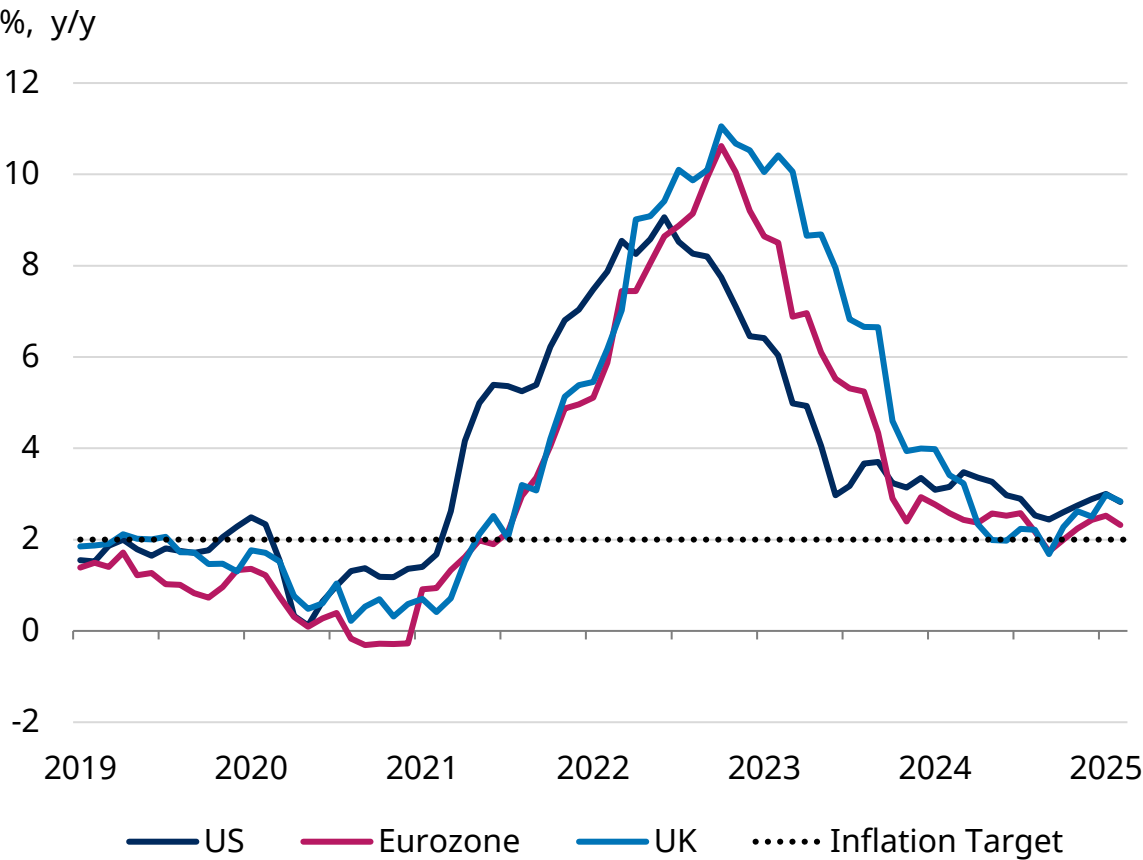


Source: Schroders Economics Group. Forecasts are the latest as at February 2025, and are not guaranteed and should not be relied upon.

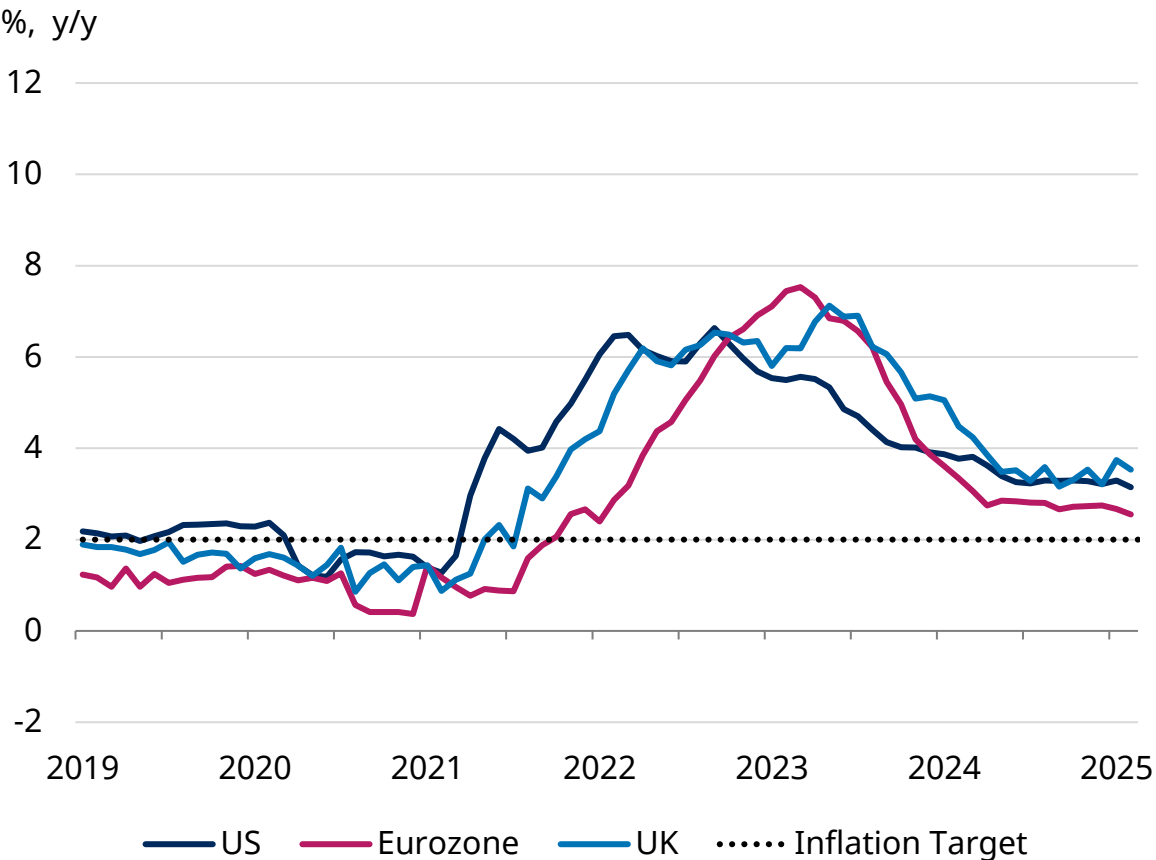
# Headline inflation has increased after briefly reaching target

Core inflation remains elevated, whilst tariffs will likely increase forecasts

## Headline CPI inflation



## Core CPI inflation

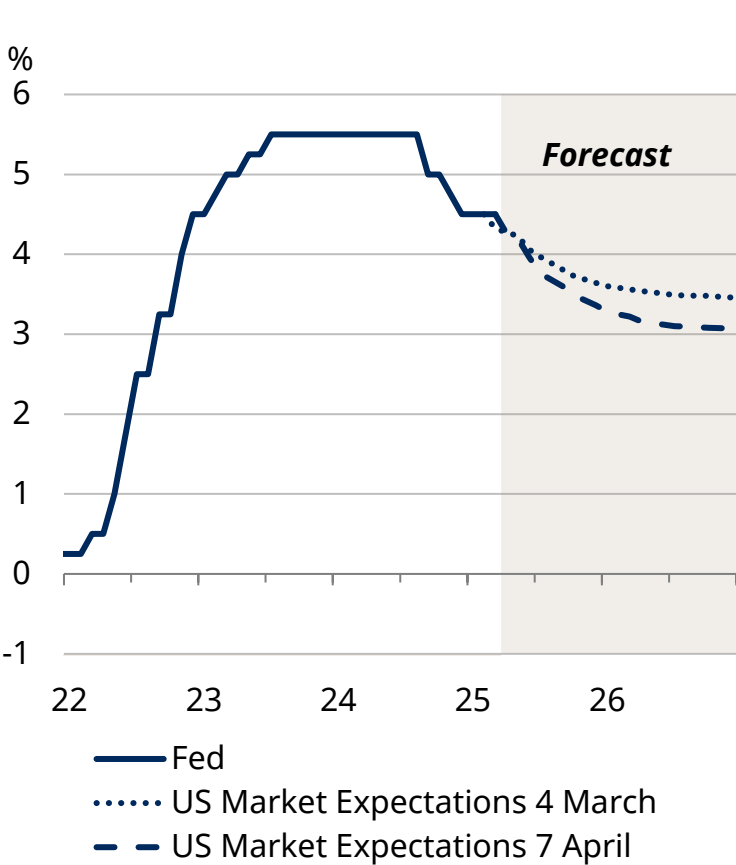


Source: Schroders Economics Group. Forecasts are the latest as at February 2025, and are not guaranteed and should not be relied upon. Core inflation means headline inflation ex food and energy. Y/Y= Year on year. CPI= Consumer Prices Index.

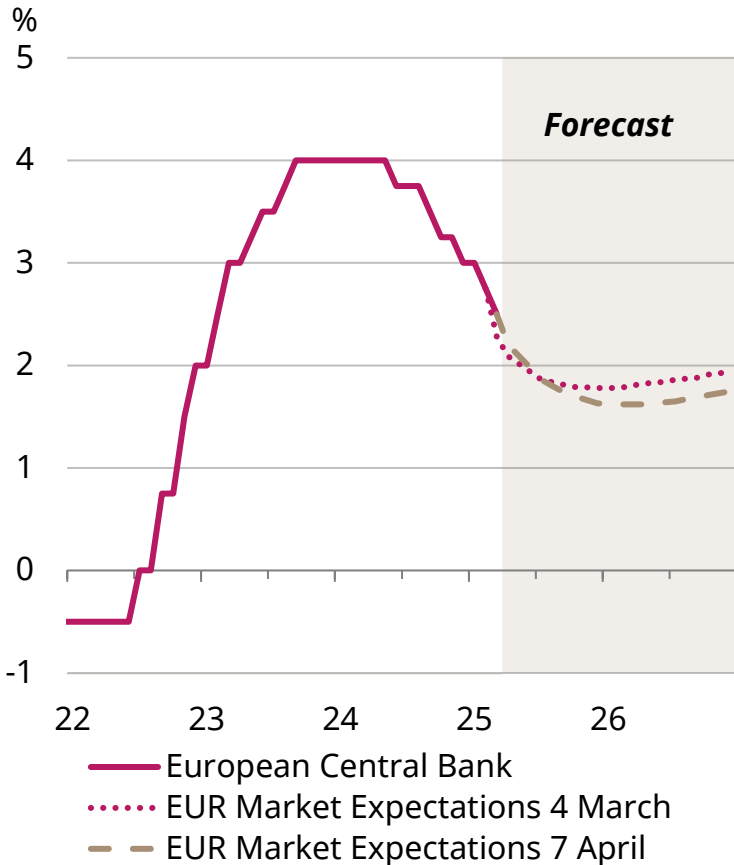
# Markets continue to expect rate cuts in 2025

As central banks weigh the impact of tariffs on inflation (up) and growth (down)

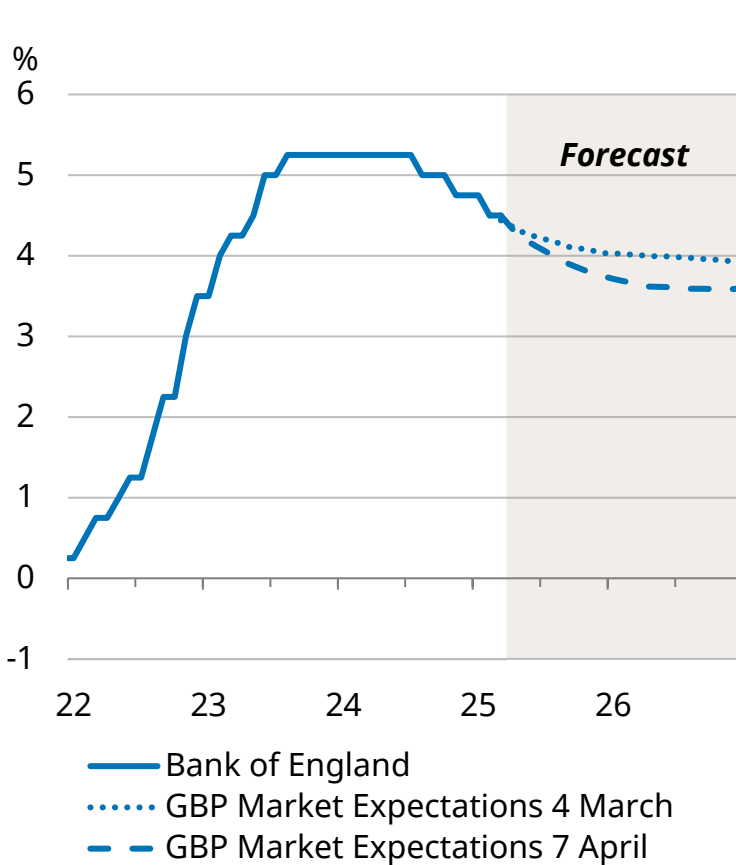
US interest rates forecast



Eurozone interest rates forecast



UK interest rates forecast



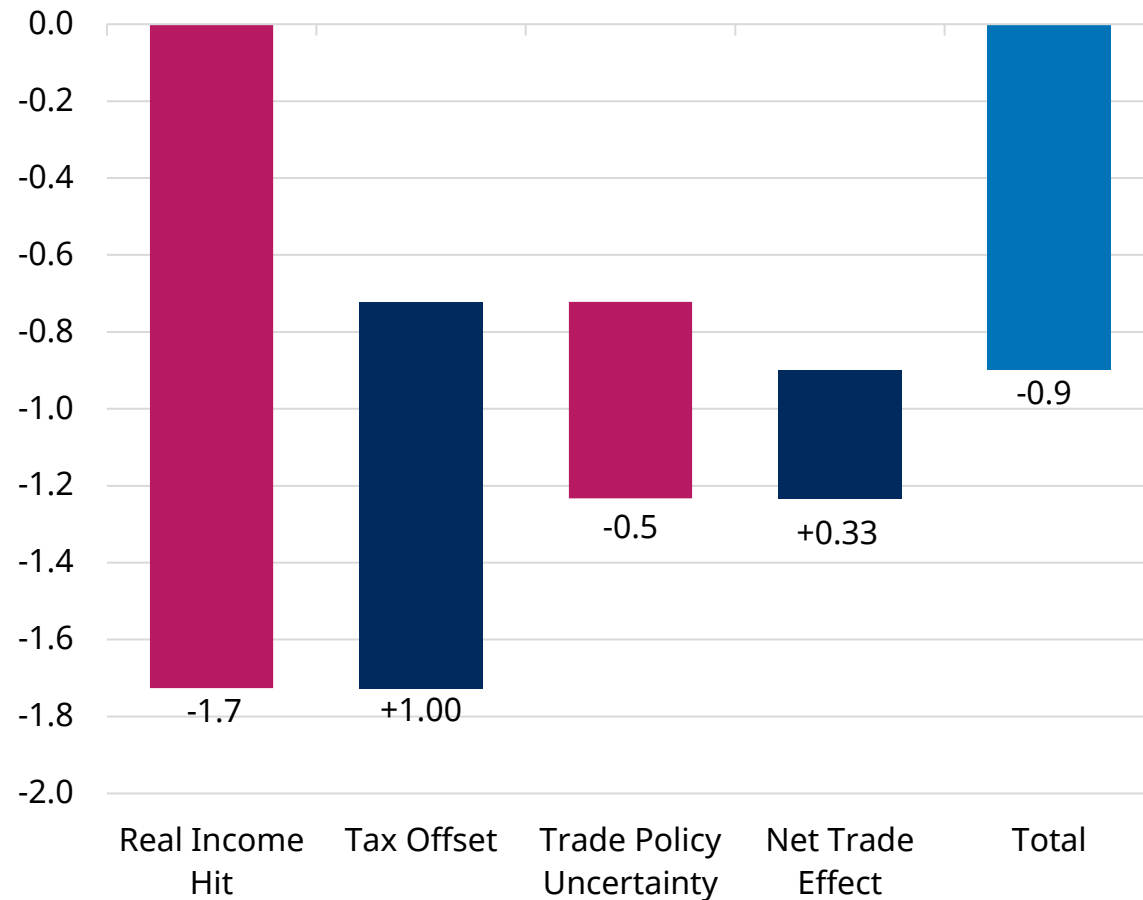
Market expectations are proxied by overnight index swap rates. Depo = deposit rate. Fed = US Federal Reserve. BoE = Bank of England. ECB = European Central Bank  
Source: Schroders Economics Group, April 2025. Goldman Sachs data for OIS, April 2025. Forecasts included are not guaranteed and should not be relied upon.



# “Liberation Day”

Trump’s tariffs are forecast to be a sharp growth shock for the US

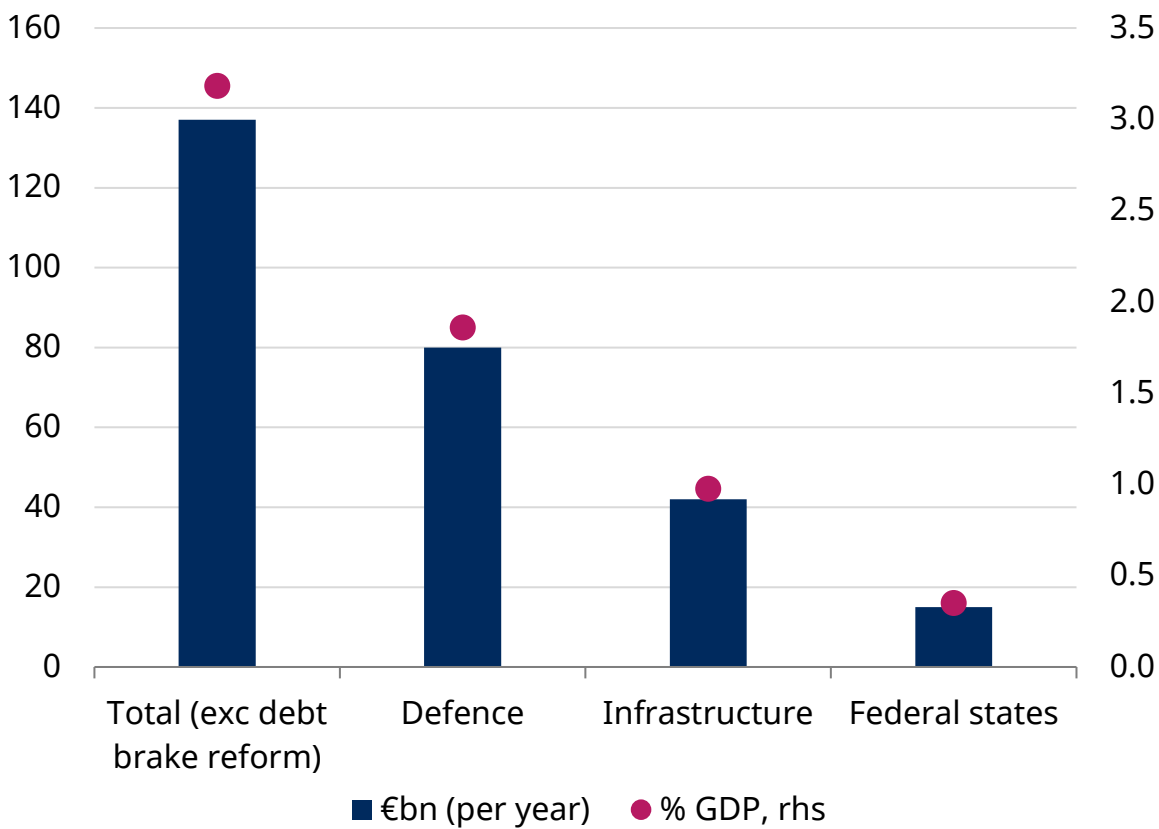
Impact on US GDP Versus Schroders Baseline (% Point)



# Germany agrees historic fiscal package

A positive boost to medium term growth

Estimated volume of fiscal spending proposals



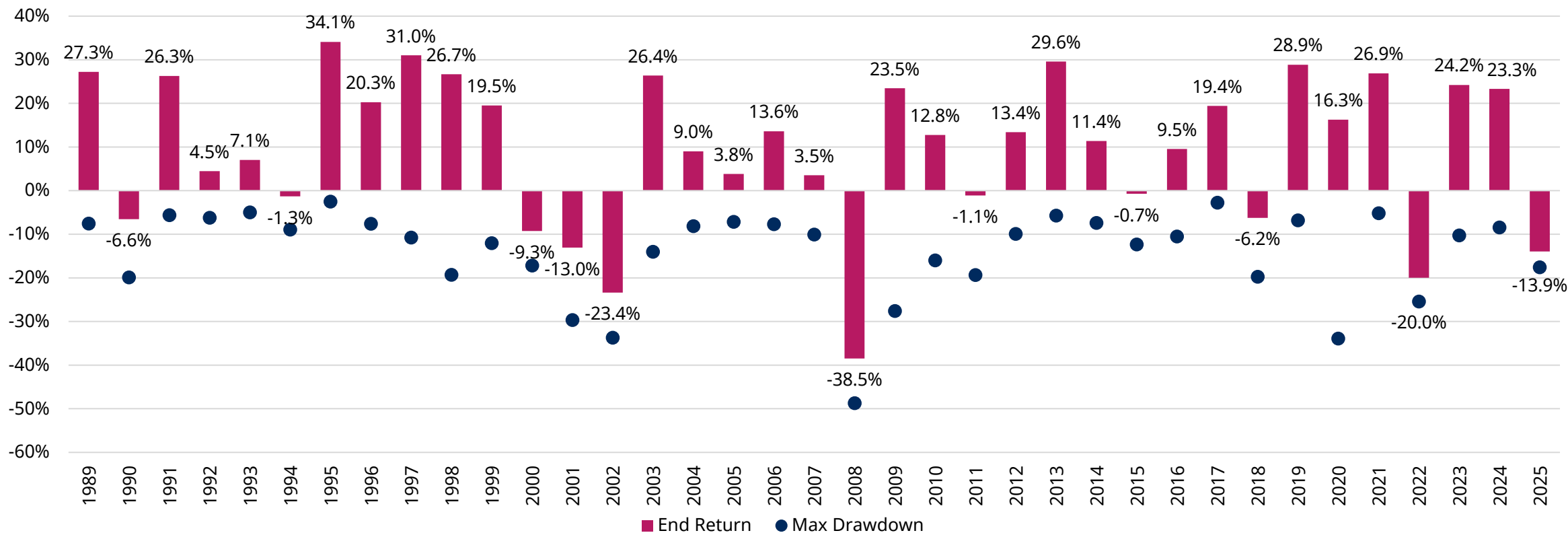
Source: Schroders Economic Group, GS Marquee, Refinitiv Datastream, Deutsche Bank, 12 March 2025. Forecasts included are not guaranteed and should not be relied upon.

# Yearly Performance vs. largest sell-off

Drawdowns of more than 10% are not uncommon

## S&P 500

Max Drawdown and Calendar Price Return

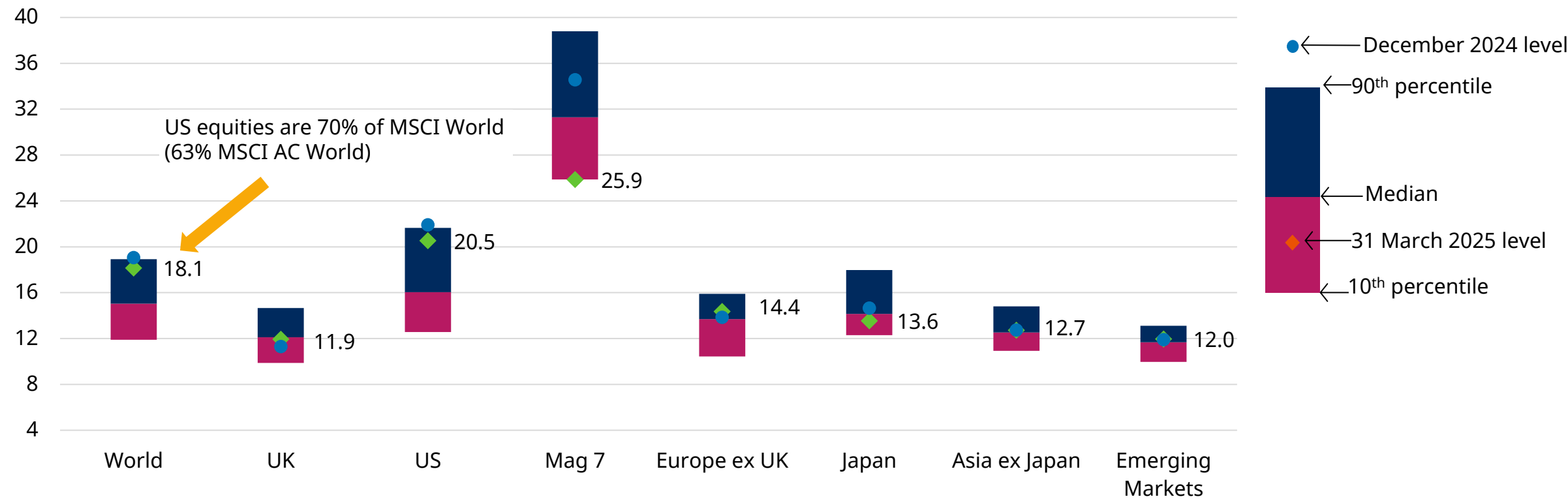


Source: Cazenove Capital. LSEG Datastream, as at 7 April 2025 .

# Equity valuations are at historic averages outside of the US

And most regions became cheaper outside of Europe and the UK

## 12m Forward Price to Earnings



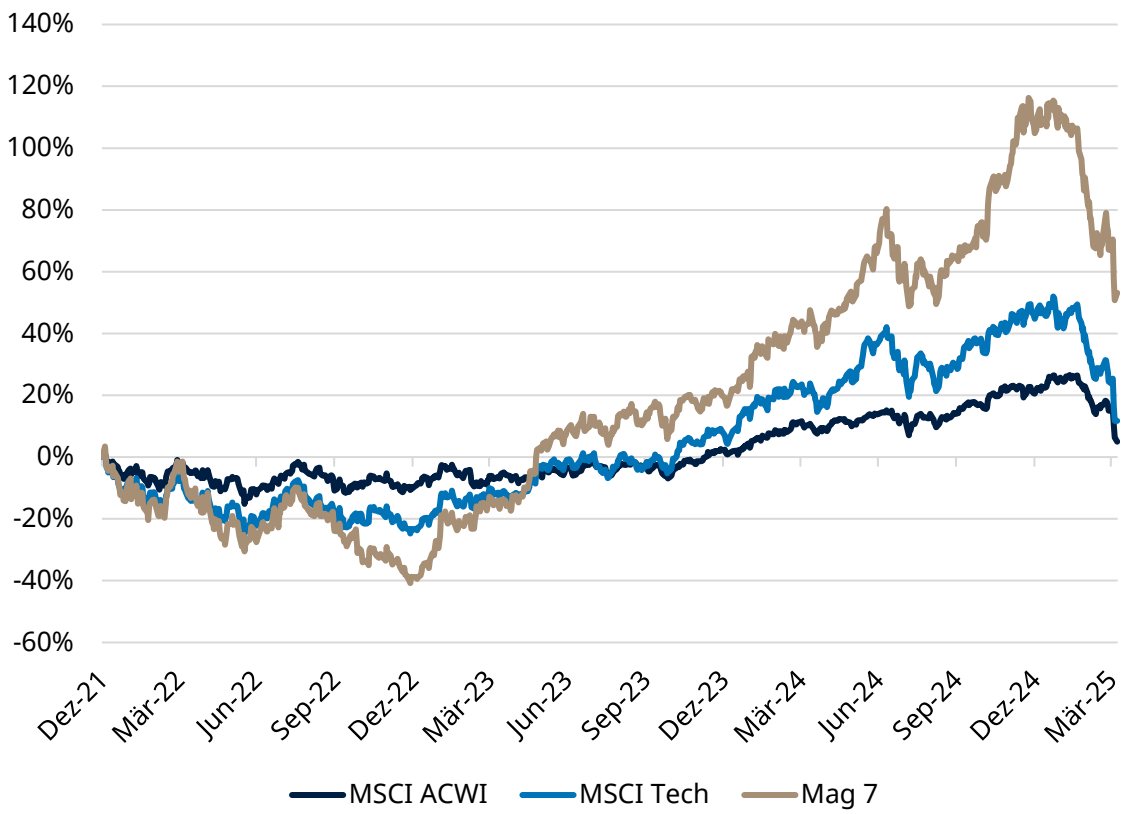
Forecasts included are not guaranteed and may not be repeated.  
Source: Cazenove Capital, LSEG DataStream, Bloomberg. 31 March 2025. Mag 7 = A group of large technology companies and include Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. Chart uses 15 years of price to earnings data.



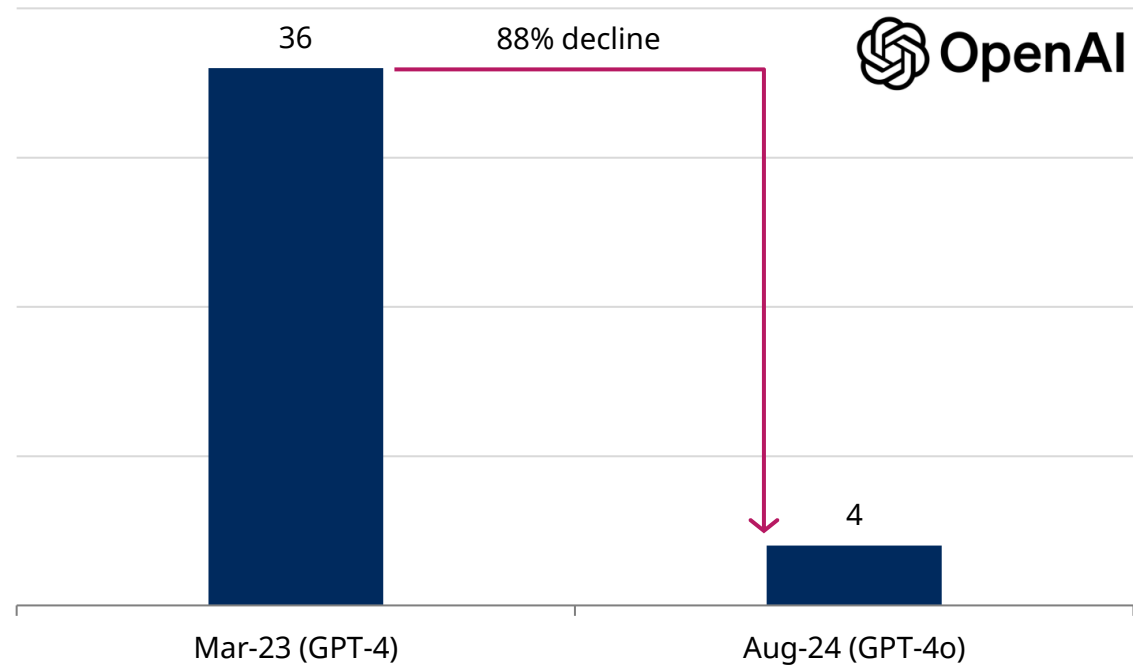
# Adding to Technology

Recent sell-off provides a buying opportunity

Tech Performance since Covid (Dec 21)



OpenAI inference cost (\$) per 1m tokens

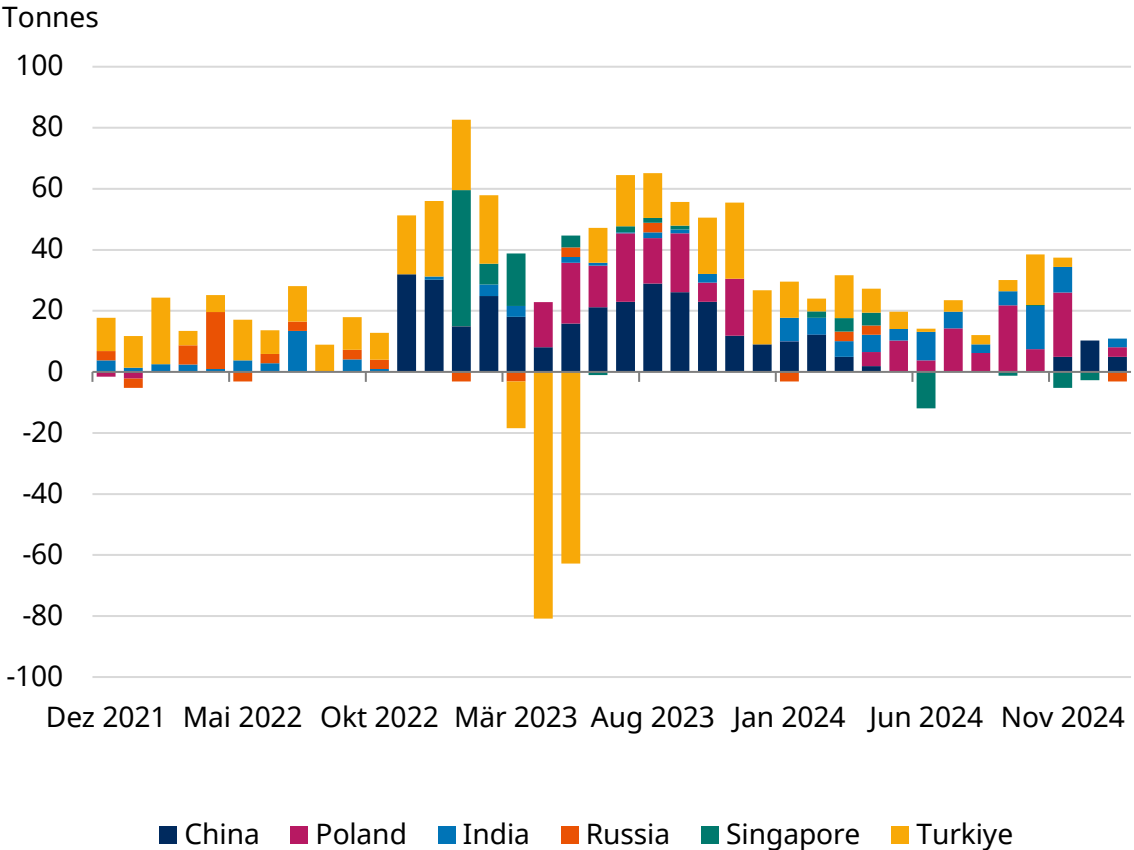


Source: Lipper, Schroders, Evelyn, All performance data in GBP to 7 April 2025.

# Gold continues to shine

Liquidity conditions and demand remain favourable and may have more room to grow

## Gold continues to break all time highs



## Central banks have been adding to their gold reserves

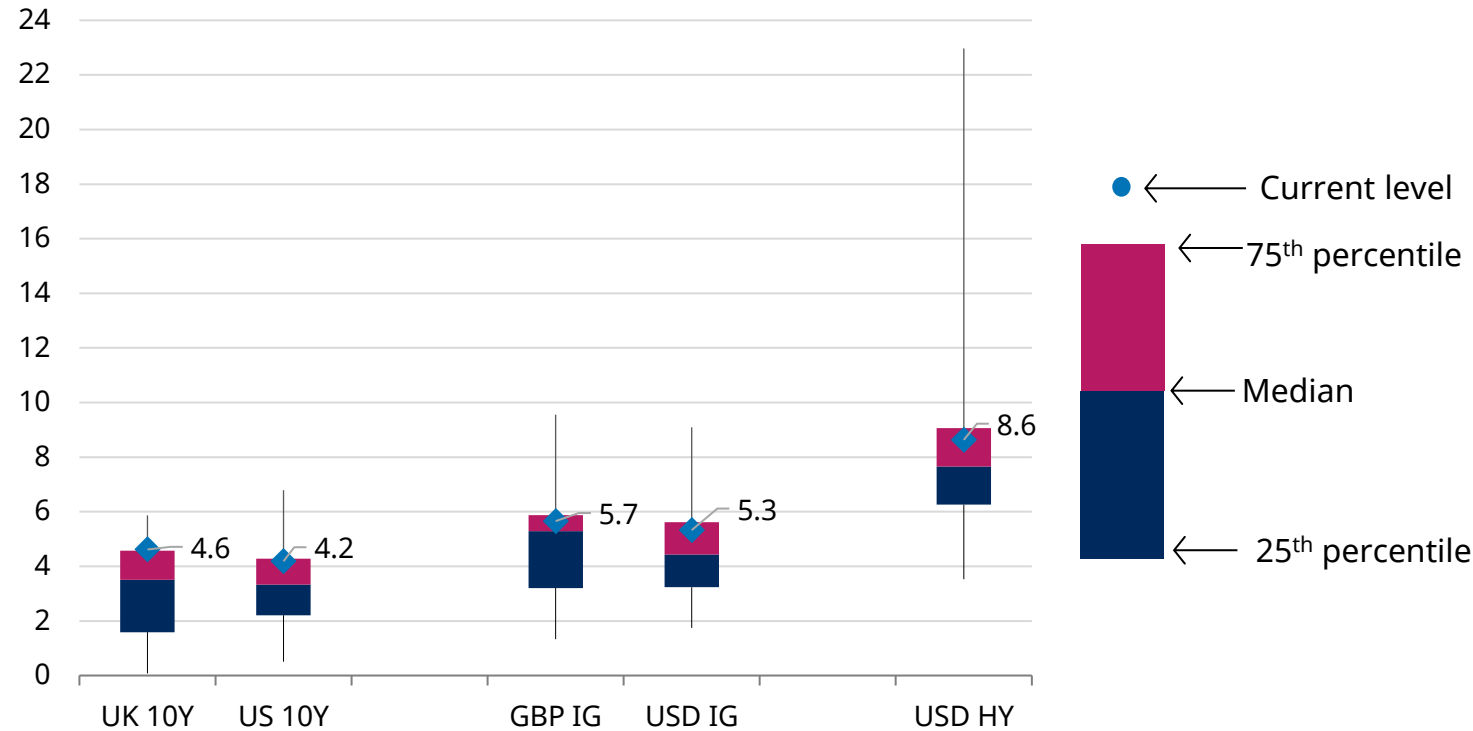


Source: World Gold Council. Schroders Economics Group. 31 March 2025.

# An improving environment for bonds?

Bonds yields offer attractive yields as well as ballast to equity volatility

## All in Yields for Rates and Credit



Source: Cazenove Capital. LSEG Datastream, 7 April 2025 . IG = Investment Grade. HY = High Yield.

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