GLOBAL EQUITY PERSPECTIVES 22 SEPTEMBER 2025

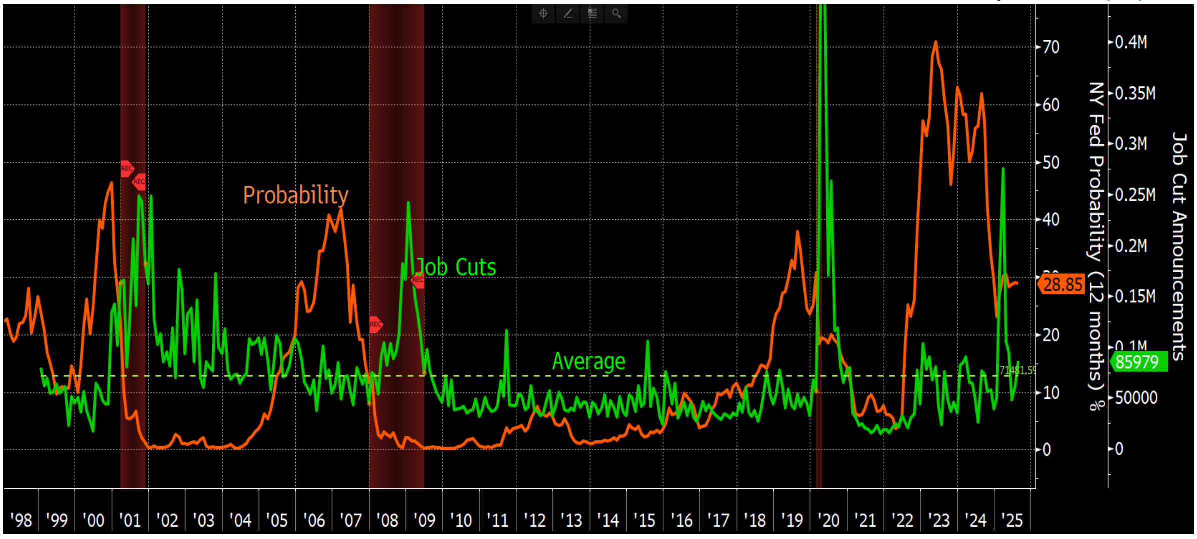
"A ship is safe in harbour, but that's not what ships are for."

John A Shed

1. US ECONOMY

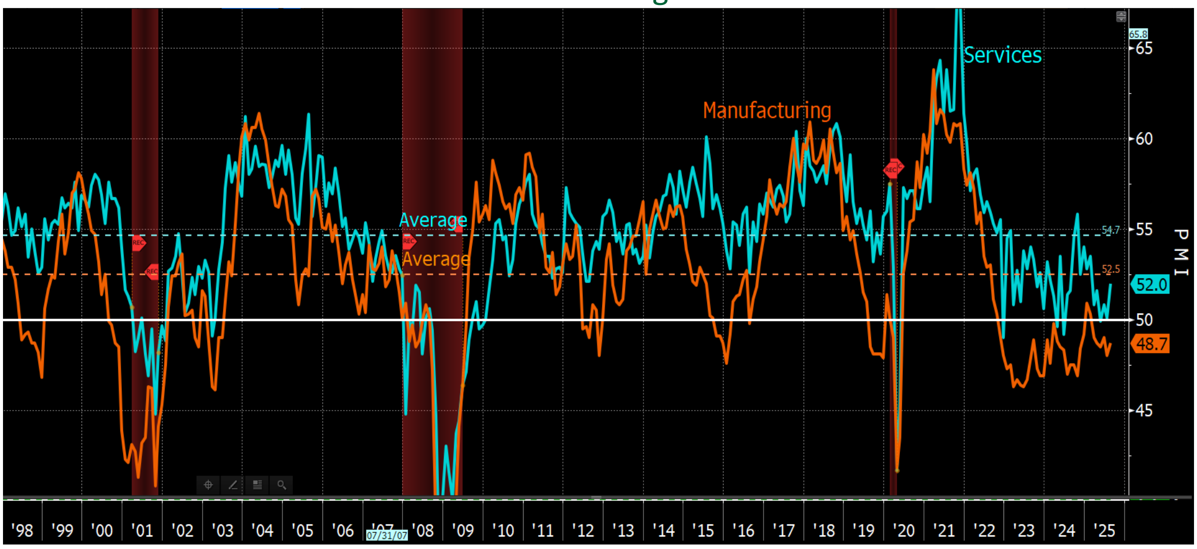
Much has been said about the meaningfully lower new employment numbers over recent months in the US. Despite those concerns, the Unemployment Rate, Initial Jobless Claims and Delinquency Rates have remained at moderate levels.

US – Job Cut Announcements vs New York Fed Recession Probability Index (%)



The Job Cut numbers (the green line) are currently close to their long-term average. The Recession Probability Index (the orange line) has recently dropped sharply from elevated levels. Whilst the current reading is still elevated, it is lower than peak levels running up to previous recessions.

US – ISM PMI Manufacturing vs Services Indices

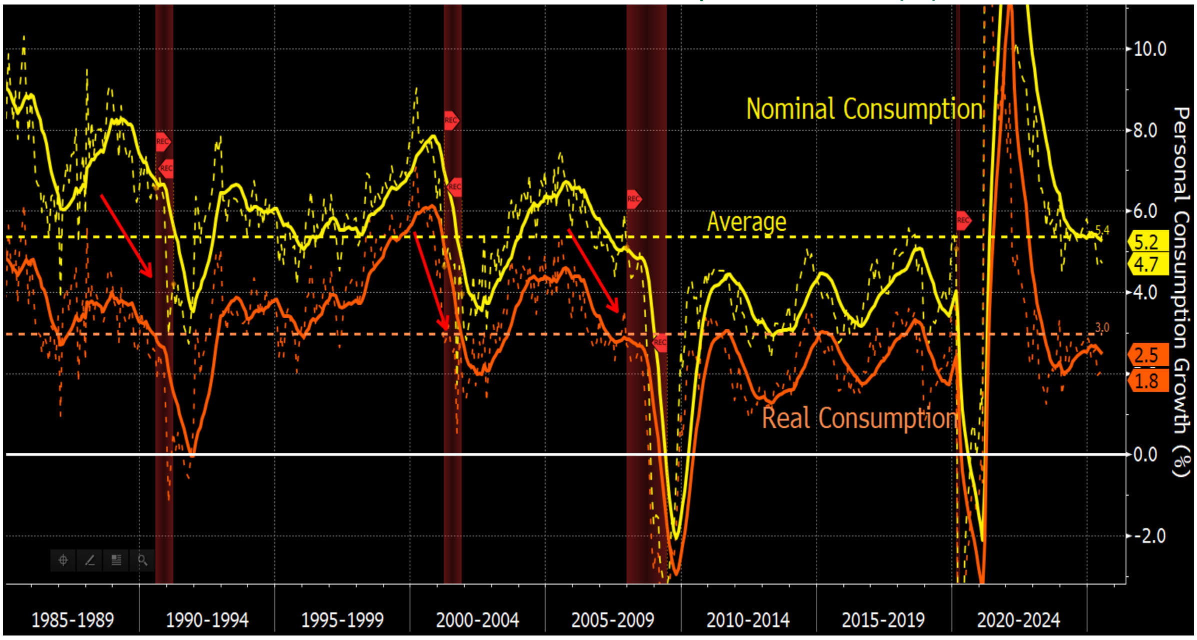


Many economists are surprised about the continued strong economic performance. We believe the particularly high capital expenditure programs have something to do with it. It is also noteworthy that the Services PMI Index (the blue line) has recovered from the neutral 50 reading. The Economic Activity Index we showed in our previous note has since risen further, reflecting a growing economy.

2. US CONSUMPTION

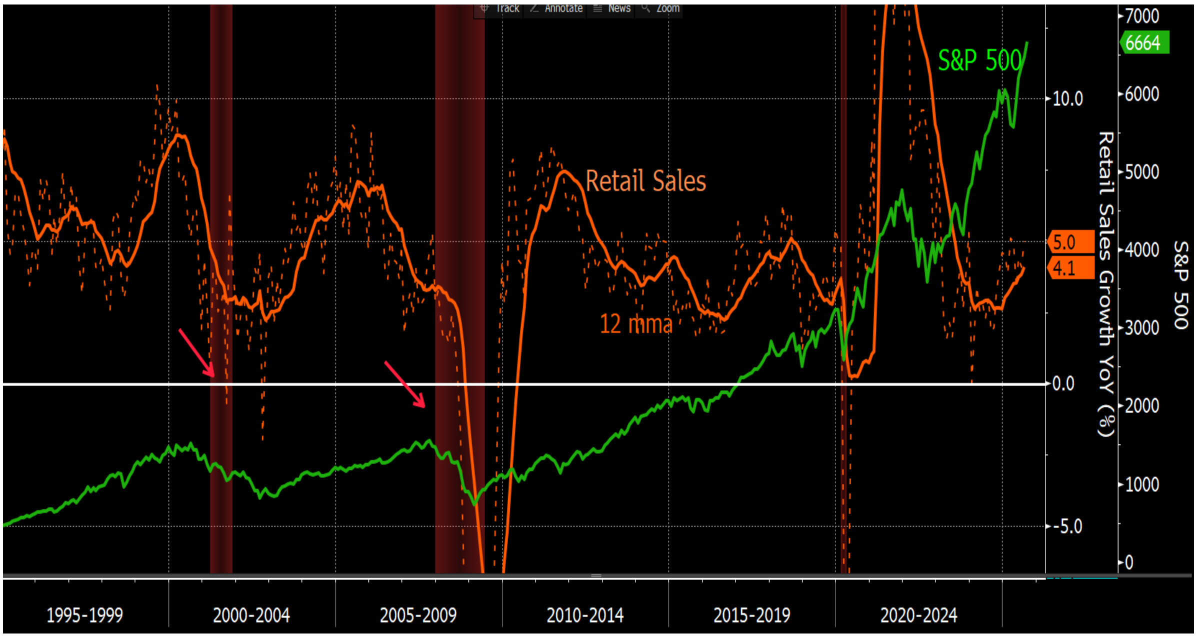
We often consider consumption to ensure we understand risks in the US economy.

US – Nominal and Real Consumption Growth (%)



Nominal Consumption (the yellow line) is currently close to its long-term average. It is trending sideways at around 5%. In real terms (the orange line), it is currently marginally below average, also reflecting the higher US inflation levels. On balance, it seems consumption continues to support the US economy.

US – Retail Sales Growth vs S&P 500



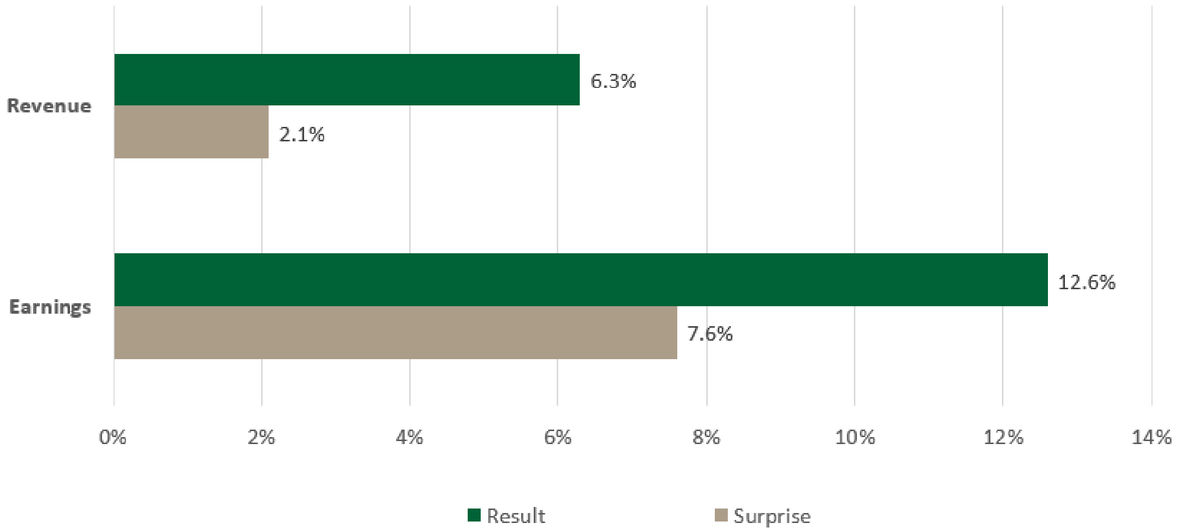
Historically, the direction of growth in Retail Sales (the orange line) has logically been a good indicator for stock market performance (the green line). Following the Pandemic disruptions to Retail Sales, it is currently in a rising trend, clearly offering further support to consumption.

We reflected on the strong household balance sheets in our previous note. Along with fair employment and economic data, it is clear that consumers have the financial capacity to continue spending should they wish.

3. COMPANY RESULTS

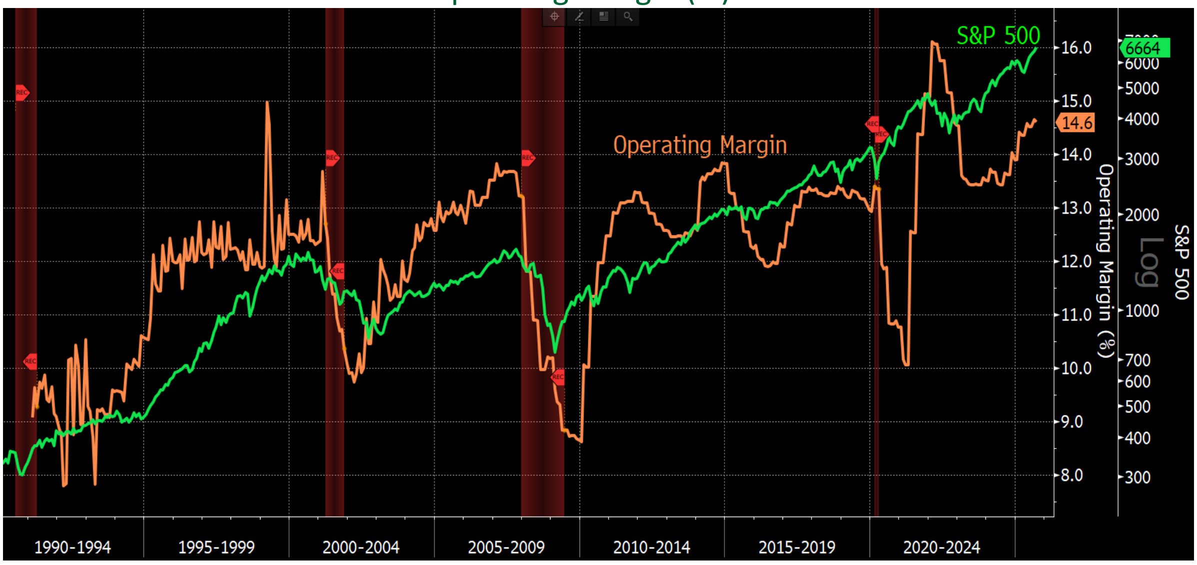
With the US's second quarter results now all available, investors will take cognisance of a strong outcome:

S&P 500 – 2Q2025 Results (Growth %)



Revenue grew by +6.3% and Earnings by +12.6%. These results reflect +2.1% and +7.6% surprise factors respectively, which were much better than consensus expectations. Seeing the difference between Revenue and Earnings results, it also implies a growth in profitability. These strong results indicate why valuations are high, and how companies grow into their valuation multiples.

S&P 500 Operating Margin (%) vs S&P 500



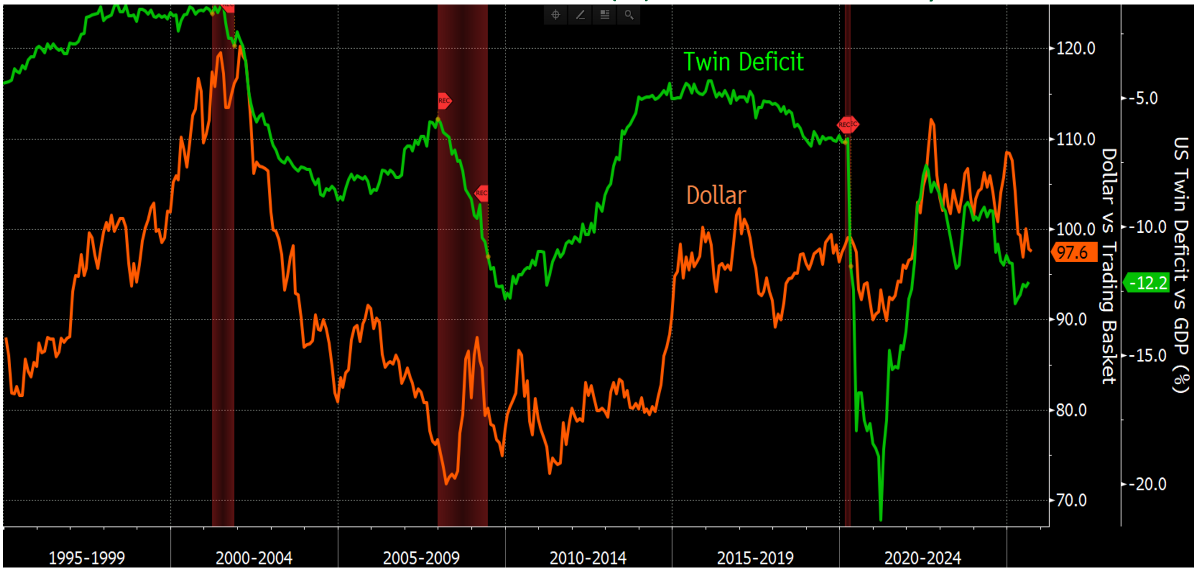
The aforementioned growth in profitability reflects in the rising Operating Margin trend in the above chart (the orange line). This is mainly ascribed to larger volumes and technological support. We do not have reservations about the current high level as the effect AI-driven productivities are yet to be fully realised.

Consensus expectations for Earnings Growth over the next twelve months have, over the past month, accelerated from +9.4% to +10.6%. Apart from this acceleration, the point should also be made that the higher growth is based on a higher earnings base following the results. This is clearly constructive for investor sentiment and valuation levels.

4. DOLLAR CURRENCY

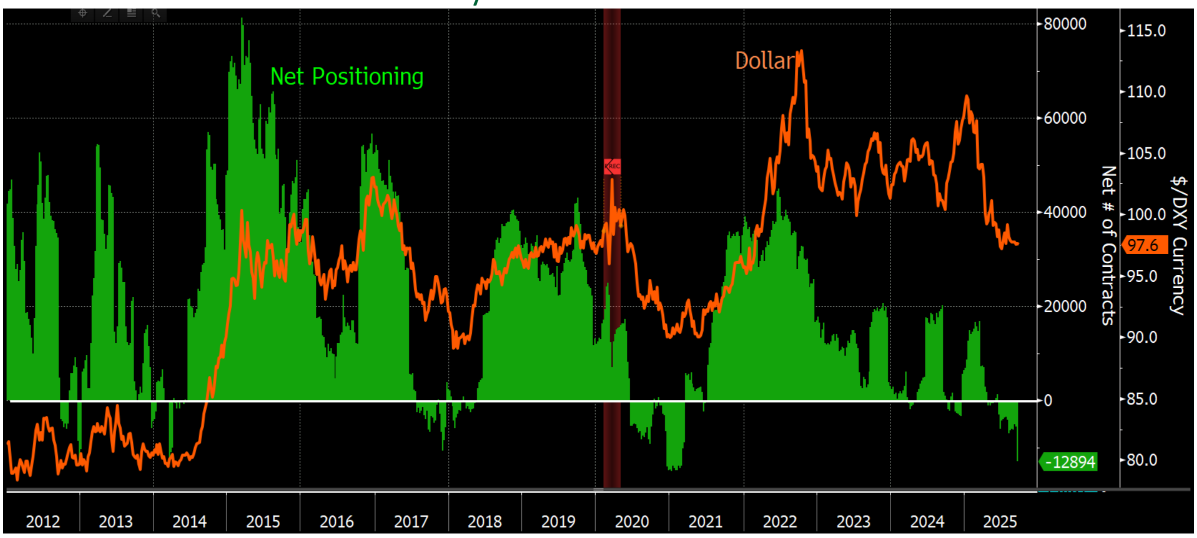
The weak Dollar this year mainly follows uncertainties around the US geopolitical and economic policies, Federal Reserve rate cuts, expectations of a slowing US economy, expectations of a strengthening European economy and other central banks' diversification of their global reserves into other assets, like gold.

US – Twin Deficit vs GDP (%) and Dollar Currency



Further to the above, the twin US deficit (the green line in the above chart) has been in a structural negative trend for ten years already. It has worsened sharply over the past twelve months. This clearly affects the value of the Dollar. Against this, future tariff incomes can offset some of these negative effects.

Dollar Currency vs Net Dollar Futures Contracts



The levels of currency hedging provide indications of market participants' views of the Dollar's outlook. The above chart shows the net number of Dollar Futures contracts outstanding (the green bars). This number has gone negative earlier this year, which indicates expectations of a further weakening currency.

We believe it is important to highlight that the major Dollar strength earlier was detrimental to the US economy, world trade and Emerging Markets. Its current level is still above average, and indications of further potential depreciation should not be negatively perceived. On balance, it supports capital markets.

5. TECHNICAL INDICATORS

Technically, the S&P 500 seems well balanced – its Upper Bollinger Band, 52-Week New High and 70 RSI membership readings are all close to average. Its Fear & Greed reading dropped one point to a 62 reading, being at the lower end of *greedy* and closer to *neutral*.

Silver/Gold Ratio vs S&P 500

The Silver/Gold ratio is currently increasing, following a drop earlier in the year. Such sharp drops (see the arrows in the chart) are often followed by a strong stock market.

S&P 500 vs 50- and 200-Day Moving Average

In June, the S&P 500 produced a Golden Cross. This is a strong technical break (see the yellow arrows). Further to this, both the 5-day (orange line) and 200-day (blue line) averages are in rising trends, which are both positive technical indications. The ratio between the current value and the 200-day moving average (see the purple bars) is currently 1.11 and getting close to historical record levels (see the orange arrows). We believe a slower pace of growth or a tactical breathing period can be expected at some later stage.

Gerrit Smit

Partner - Head of Global Equity Management, Lead Portfolio Manager
Stonehage Fleming Investment Management Limited

6 St James's Square
London
SW1Y 4JU

T +44 20 7087 0000
Email gerrit.smit@stonehagefleming.com
www.stonehagefleming.com/gbi

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