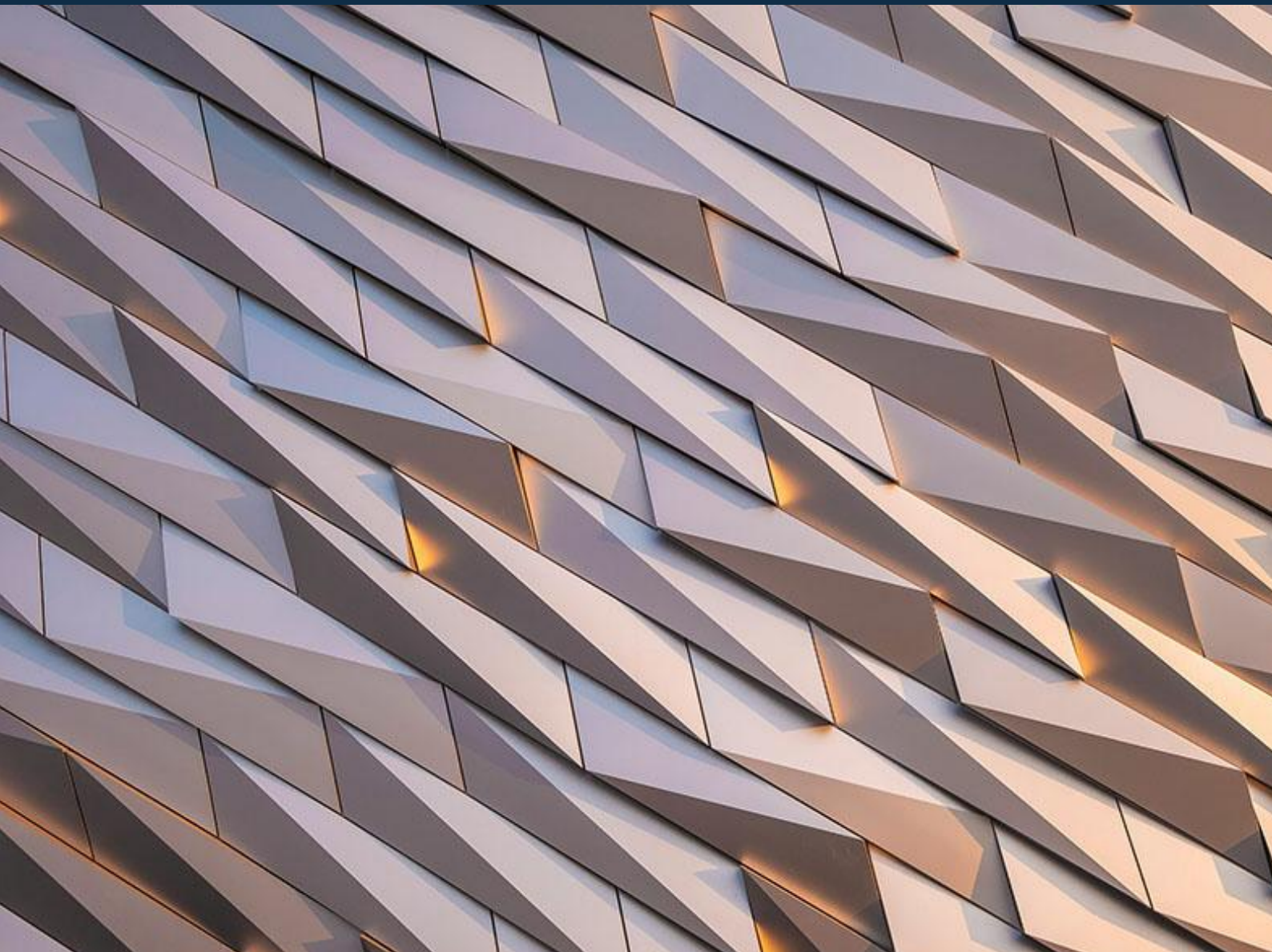


EVLI

Atlas Monthly Equity Navigator

H1 & JULY 2025



A Wild Ride in the First Half, but July Brings a Rally

The first half of 2025 was a rollercoaster! Early on, fears of a global recession due to the U.S. administration's trade war sent global equities into a tailspin, with some markets correcting by as much as 20% by mid-April. But then, President Trump backed off on tariffs and re-opened negotiations. This "Trump put" sent equity markets soaring. However, for investors in the euro, the rebound wasn't quite as impressive as it was for their U.S. counterparts. A weakening dollar meant that while the recovery was strong, it didn't feel as explosive. It's a trend worth watching, as dollar depreciation cycles often last for years.

The real headline story of the first half was Europe's comeback, ignited by Germany's fiscal reforms. European markets were the clear leaders, finishing the first half with gains of over 9% by the end of June. While U.S. equities were up 6% in the same period, that translated to a loss of 6.6% for euro investors. German equities, in particular, were on fire, surging 20% while global equities, in euro terms, were still down 3% for the first six months of the year.

After a lackluster June, equity markets took off again in July. New trade deals with Japan and the EU eased uncertainty, and the positive momentum continued. The U.S. market bounced back, gaining 5% in euro terms, while European markets rose a more modest 1%. The earnings season was another shot in the arm for investors, with better-than-expected results, especially in the U.S., pushing optimism even higher. Now, many market sentiment indicators are starting to flash warnings of complacency and "overbought" levels as we head into the notoriously tough months of August and September.

1. A Bumpy Ride Ahead, but Don't Be Afraid to "Buy the Dip"

While a global economic slowdown could be a risk for equities, there's a strong case for taking advantage of any market dips.

- **A Slowdown, Not a Recession:** After manufacturers front-loaded their orders to beat the new tariffs, we'll likely see a pullback later this year. Plus, U.S. consumer spending was already showing signs of weakness in the first half of 2025, so a slowdown is already underway.
- **The Market Isn't the Whole Economy:** Don't forget, the stock market and the real economy aren't always a perfect match! Goldman Sachs points out that only 17% of U.S. industries are directly impacted by tariffs. Meanwhile, the AI theme continues to shine bright, with companies adopting the technology faster than expected and driving impressive growth.

2. Germany Is Leading Europe's Big Comeback

Europe is looking more and more like a comeback kid, and it's all thanks to Germany!

- **"Make Europe Grow Again" (MEGA):** Europe's economic outlook is getting a serious boost, with key policy changes setting the stage for a strong recovery in 2026. Germany's new budget and "growth booster" program are expected to turbocharge GDP growth across the entire Euro area.
- **A United Front:** Europe's economy is also getting a lift from a push for deeper integration and increased defense spending. And the recent bullish EU-US trade deal is a huge win, slashing market uncertainty even if the direct economic impact is small. All of this makes for a very rosy picture for European equities.

3. Time for a Reality Check After the Hot Rally?

After such a strong run this spring and summer, it's wise to be a little cautious.

- **A Potential Pause:** Be on the lookout for a potential market pause in August and September. Some speculative indicators are flashing red, suggesting a bit of complacency and that markets might be "overbought." Any bad news could lead to a correction.
- **Ready to "Buy the Dip":** But don't let that scare you too much! The current economic slowdown is likely temporary, and a full-blown global recession is not expected. While corporate earnings might be weak, they probably won't be negative. The classic volatility of August and September could be the perfect time to snap up some of those interesting equity themes you've been watching!

Global Equity Performance

The first half of 2025 was full of surprises. Europe, which many investors had written off, stole the show with an incredible performance. President Trump's trade policies seemed to backfire, hurting both U.S. stocks and the dollar.

- **Top of the Podium:** In euro terms, European markets led the pack with a fantastic 10.5% return. Emerging markets (6.7%) and Nordic markets (2.1%) also beat the broad world index (1.1%). Meanwhile, Japan (0%) and the U.S. (-1.6%) lagged behind.
- **July's Reversal:** July was a different story entirely. U.S. equities roared back to life, gaining 5.3% and narrowing the gap for the year. This comeback was fueled by a stellar earnings season and new trade deals with Europe and Japan. European markets, in contrast, were the laggards of the month, only rising 1.4%..

United States

- July performance was led by the technology sector and the dollar. "Magnificent 7" (9.9% in euros) among other AI-related stocks led the pack thanks to a surprisingly strong earnings season.

Europe

- In Europe, banks clearly outperformed other sectors due to robust earnings in the sector. Defence stocks took a breather with about flat returns.

Emerging Markets

- Emerging markets (4.6% overall) outperformed the world index in July led by China (7.9%). Brazil (-4.1%) was a clear underperformer.

Themes & Styles

- **Europe's Comeback: Germany, Banks, Defence, Value, Small-Caps**

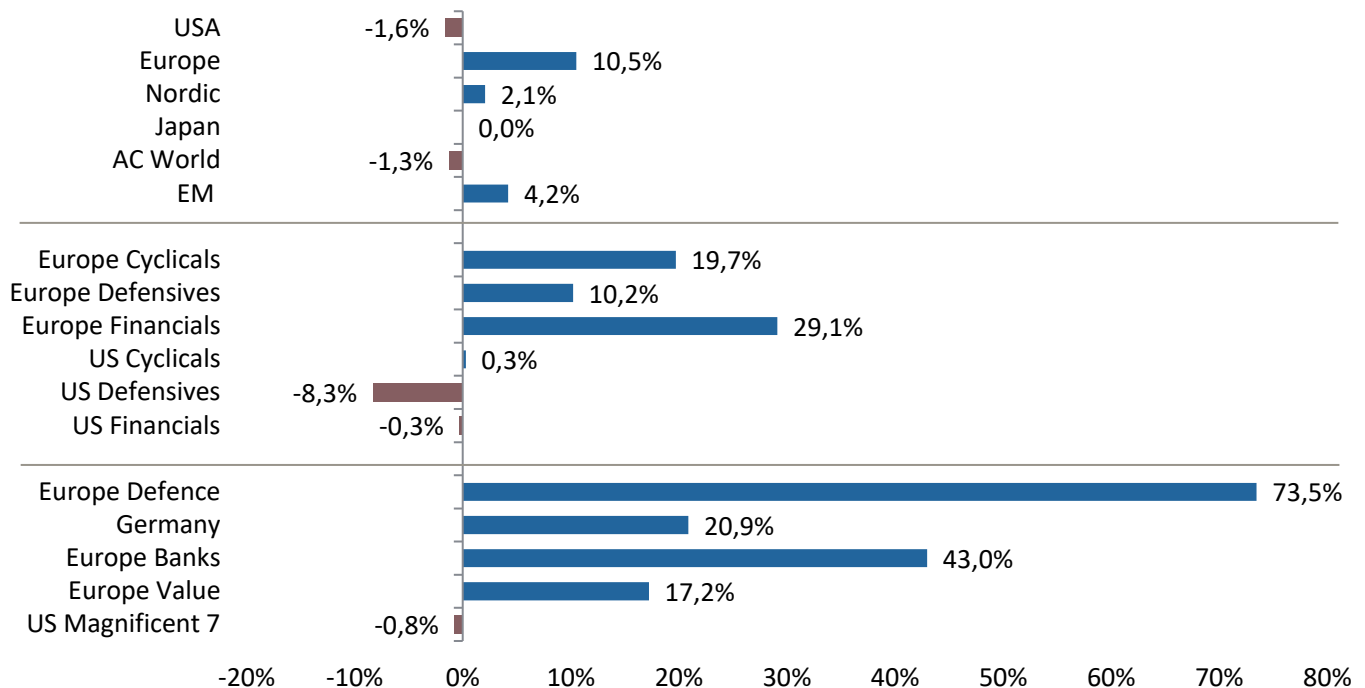
While defensive stocks might be a smart move in the short term, given that the market is "overbought" and August and September can be nervous months, it's also a good idea to keep an eye on the European recovery. Any market dips could be a great chance to add to positions related to Germany's fiscal stimulus and "growth booster" program.

- You can get exposure to Germany through the DAX or MDAX indexes, or through a domestic thematic strategy if you're concerned about the effects of tariffs.
- Banks are still an interesting play as their profitability levels continue to recover, but the sector looks a bit overbought right now.
- Defence is a long-term, high-growth theme, so don't worry too much about current valuations.
- "Value" stocks should continue to outperform, as "growth" firms have a high exposure to exports.
- Small- and mid-cap stocks have been laggards for years and tend to do well when the economy starts to recover and interest rates are low.

- **Artificial Intelligence: Higher Adoption, Strong Investment Growth**

The AI revolution is still going strong, with AI-related companies posting impressive growth numbers thanks to robust demand for chips, cloud computing, software, and services. Companies are also adopting AI much faster than expected. While the benefits aren't showing up directly in earnings just yet, they will eventually become visible in growth, efficiency, and profitability data.

- Going forward, "AI adopters" will be an interesting theme to watch, alongside the "AI enablers" in the software sector.
- While the U.S. is still the leader in AI investments, Morgan Stanley's data suggests that European companies are actually ahead of their U.S. counterparts in terms of AI adoption, based on their share in market indexes.
- The infrastructure being built to support AI also presents opportunities. Data center planning is intense across Europe, and these investments could have a big positive impact on regional economic growth.

Atlas Equity Chart of the Month: Equity market returns, euro returns year-to-date 2025 (January-July)

Source: Evli Atlas Portfolio Technologies; Total returns in euros.

Buying the Dip in a Potentially Choppy Q3

While trade uncertainty hasn't completely vanished, recent trade deals and the possibility of President Trump pulling back if the market gets "bigly" volatile are easing some fears. The full impact of the trade war "hangover" is still hard to predict, and recent U.S. employment figures hint at a slowdown. This dip in growth could be temporary, but it might also be deeper than expected—even if we avoid a full-blown recession. The good news is that "safety guards" are in place, with fiscal stimulus from the U.S., Germany, and China, and potential monetary support from the Fed and ECB. So, it's a good time to consider buying into promising themes if the market takes a significant dip.

"American exceptionalism" is fading as its economy shifts to a lower gear, with growth pockets mainly in the AI sector. In contrast, parts of Europe are seeing a revival, and according to Deutsche Bank, Germany's GDP growth is set to surpass the U.S. in 2026. After a long period dominated by U.S. mega-caps and tech stocks, now is a smart time for global diversification. This doesn't just mean buying broad indexes; it's about finding consistent or accelerating growth stories in specific markets like Germany or themes like AI.

What is Atlas?

Atlas is an intelligent platform empowering investors to build and manage highly personalized equity portfolios. Leveraging data and AI, we craft strategies aligned with your precise investment style, objectives, and sustainability goals—from classic value to emerging themes like AI.

- **True Personalization:** Go beyond generic models. Our AI helps craft strategies that perfectly reflect your vision.
- **Unprecedented Flexibility:** Don't get locked in. Shift from value to growth, or adjust thematic tilts, as your outlook evolves.
- **Powered Customization:** If our expert-designed, ready-made portfolios don't fit, our Atlas team of seasoned portfolio managers with the help of our proprietary AI engine will build a unique strategy for you.

Invest intelligently. Adapt instantly. That's Atlas.

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