***Current tariff negotiations** have continued to fuel market uncertainty. Furthermore, **volatility** has clearly risen across the full **asset class** spectrum. As a result, we are expecting sharper movements over the next few weeks and do not intend to increase our allocations to risk assets at this stage. Our allocations shall remain cautious, and our **base case scenario** continues to focus on a moderate slowdown for **global economic growth,** with no risk of **inflation** spiralling out of control.*

David TAIEB, *Chief Investment Officer - Listed Assets*

SUMMARY

Growth

For the IMF, **the increase in U.S. tariffs** has introduced a new era of slower **global economic growth**. The institution has lowered its 2025 forecasts from 3.3% to 2.8%. **The United States is among the first countries to be impacted,** with growth down from 2.7% to 1.8% this year. Forecasts for **the Eurozone** have been revised from +0.9% to +0.8%.

Inflation

Disinflation is back, with **global prices up** only 2.5% year-over-year, a 4-year low. **In Europe,** inflation readings have remained stable at 2.2%, slightly higher than expected. **In France, consumer prices have stabilised** at +0.8% over 12 months for the 3rd month in a row.

Monetary policy

In its early June meeting, **the ECB cut its rates by 25 basis points**, bringing the deposit rate to 2%. **This was the eighth cut in the current easing cycle**, before a pause this summer. In the U.S., the Fed has opted for patience and **kept its key rate** within a range of 4.25% to 4.50%.

JUNE 2025

Sienna
INVESTMENT MANAGERS

NEWSLETTER #29

SUSTAINABLE

Green taxonomy to include mining activities

IGOR IGNATIEFF,
Climate Analyst,
Listed Assets

The European Platform on Sustainable Finance recently recommended a partial integration of mining activities within **the green taxonomy**. A step forward that has been welcomed by **transition players,** as **lithium**, **cobalt** and **copper** are critical for low-carbon technologies including **batteries**, **wind farms** and **power grids.**

However, the move remains limited ; **only three metals** are concerned, and the mining process must be able to prove that the end-use is “green”, while meeting s**trict carbon intensity criteria.**

While this prudent approach is seen as legitimate by **NGOs such as WWF**, several financial players bemoan overly **restrictive criteria** that are ill-suited to the reality in the field. T**he lack of granularity** on supply and the complex traceability of metals across the value chain raise tangible issues regarding **their alignment with the taxonomy.**

SUSTAINABLE (continued)

Green taxonomy to include mining activities

Finally, s**ocial and circular criteria** are deemed to be insufficiently developed, despite the fact that factors relating to water, local communities and recycling are key to the acceptability of mining projects.

At Sienna IM, we are monitoring these regulatory changes very closely. The gradual introduction of mining activities into the green taxonomy has confirmed that sectors viewed historically as unsustainable can play a critical role in fostering **the energy transition**, unlocking **new prospects for investors.**

Our **Sienna Actions Transition Climat fund**, which is already exposed to several players operating within these industries, will continue **to target companies aligned with these low-carbon trajectories**, while embedding **social and environmental** factors at all stages of the value chain.

TREND

De-escalation in the U.S. trade policy

Donald Trump announced a **full-fledged trade agreement** with **the United Kingdom** aimed at lowering **tariffs** on British exports and removing tariffs on **steel** and **aluminium**. In return, the United Kingdom has committed **to cancelling its tariffs** on American **ethanol** and adopting measures that will facilitate the entry of **U.S industrial products** into the UK market. While some observers consider this deal is limited, it remains perceived as **a major step forward in establishing bilateral trade relations.**

Meanwhile, **the U.S.** and **China** have announced a **large drop in their tit-for-tat tariffs for 90 days,** a welcome pause in the escalation of the trade war. U.S. tariffs on Chinese imported goods have been lowered from 145% to 30%, while China has reduced its own barriers from 125% to 10%. T**his truce gives both parties time** to negotiate a more permanent agreement, though no clear targets or deadlines have been set so far. Despite t**he immediate enthusiasm shown by investors**, **several areas** of uncertainty persist: the truce is temporary, tariffs are high, and no global agreement has been signed. The 2018 experience - which had failed after a similar truce - **calls for caution.**

Despite signs of progress, **the American trade policy** has generated uncertainties throughout the world that are likely to weigh on economic activity. According to the latest economic data, **business and household confidence** has fallen sharply and this trend should gather momentum **over the next few months.**

TREND (continued)

De-escalation in the U.S. trade policy

The equity market rally that followed the April sell-off was fast and powerful. In just a little over a month, markets retraced more than 90% of their losses. Since April 8th, the U.S. equity market **has rebounded** by over 20%. **The S&P500 and EuroStoxx 50 indices are not very far** from their peak on February 19th. Historically, 14 months are needed on average to recover a bear market of around 20%.

The recent and sharp equity market rebound suggests that investors have barely factored in the risk **of a slowdown in global economic growth**. Valuations are back to where they were before early April. Nevertheless, **current average tariffs**, estimated at 15% in the U.S., still account for a substantial tax rise - equivalent to almost 1.5% of the American GDP.

The major headway made in the trade negotiations, t**he constructive earnings reported by companies in Q1 2025**, and the prospect of a ceasefire in Ukraine are prompting investors to reposition **their portfolios on risk assets**. However, despite these signs of progress on the trade front, **worries persist.**

JUNE 2025

Sienna INVESTMENT MANAGERS

NEWSLETTER #29

CONVICTIONS

Every month, our Allocation Committee brings together our entire investment team to determine our asset allocation strategies, which are then implemented in the daily management of our funds.

EQUITIES

EUROZONE

The current environment calls for caution over the next few weeks. We have chosen to take our profits on our over-exposure to Eurozone equities (initiated in April) and have returned to a neutral view on European equities.

UNITED STATES

Following the sharp market rebound, valuations are now back to levels observed before additional tariffs were announced. Our view on U.S. Equities remains neutral but we are still overweight on technology stocks.

EMERGING COUNTRIES

We have kept our exposure to Chinese and Indian equities and remain neutral on Brazilian assets.

FIXED INCOME

SOVEREIGN BONDS

Higher volatility across equity markets has supported bond performances. We took advantage of this trend to take profits while lowering the modified duration within the bond envelopes of our funds. We have kept our positions in Euro High-Yield bonds, in financial subordinated bonds, and in emerging bonds.

CREDIT

We believe that European long-term yields are more likely to ease than their U.S. counterparts. We expect European High-Yield and Investment Grade bonds to yield 5-7% and 3-5% respectively.

Change in view versus previous month.

+ = − Investment team's asset class views.

CONVICTIONS (continued)

EURO/USD

Today, the priority given to the dollar in reserve currencies is up against several threats, including the U.S. fiscal deficit, the challenges related to growth and inflation, and capital flows. Our view is neutral on the Euro relative to the US dollar.

COMMODITIES

After gold hit record highs last month, we lowered our exposure to gold mining companies. Regarding oil, as Brent prices continue to fall, we have lowered our target and now expect a barrel at $60 at end 2025.

Change in view versus previous month.

+ = − Investment team's asset class views.

Sienna
INVESTMENT MANAGERS

SIENNA GESTION - Member of the SIENNA INVESTMENT MANAGERS group - French *société anonyme* governed by an executive board and a supervisory board with a capital of € 9,824,748 - RCS : 320 921 828 Paris – AMF Registration Number : GP 97020 on March 13th, 1997– EU VAT number : FR 47 320 921 828 - APE code : 6430Z - Headquarters : 21 boulevard Haussmann 75009 Paris France.

WRITTEN ON JUNE 10, 2025

Follow our research **Our latest news** **Contact us**