INVESTMENT STRATEGY

Equity Focus 2025 – Solving for X

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BNP PARIBAS WEALTH MANAGEMENT

The bank for a changing world

To know your future, you must know your past

A (not so) fresh start

- **Back to square one? –** As we approach a new year investors may be forgiven to assume that the clock resets, and we start anew. While it is true that performance is typically measured in yearly increments, it is also important to recognize that context matters. The rise in the S&P 500 in 2024 has been one of the largest since 1928. In fact, we´re observing one of the few periods with the S&P 500 being up >20% for two straight years in a row.
- **Profit growth vs multiple expansion -** The rally of the last ~ 13 months was supported by a solid growth in corporate earnings. Nevertheless, around half of global equity returns in 2024 are based on an expansion of valuation multiples. We think that this can be explained, at least in parts, by a growing optimism regarding lower inflation and a continuation of the rate cutting cycle. With valuations reaching fair to expensive levels in many markets, profit growth is likely to become the main driver of returns in 2025
- **Moderating returns –** A (very) strong run itself is – based on past observations – no good reason to turn bearish. Bulls may take comfort from the fact that bull markets tend to last for almost 6 years. Additionally, the year following back-to-back 20%+ gains (8 occasions since 1950) has produced an average return of 12.3%. At the same time, the third year is often the weakest of a bull market, albeit it´s still positive on average.

Main recommendations

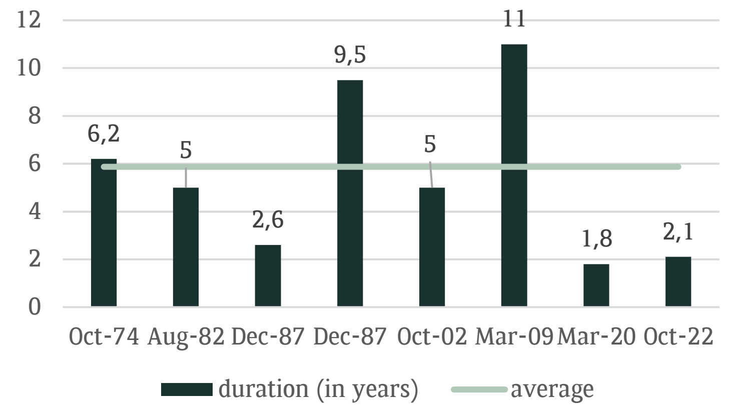
Riding the improving small cap business cycle – As we expect business sentiment and thus capex investments of SMIDs to improve in the US, we see increasing value in companies catering SMIDs as those should benefit from rising revenue potentials

Diversify away from US Mega Caps though as valuations look stretched. This limits the potential for further multiple expansion. We continue to find value in US SMIDs, certain European equities – especially growth compounders, high US exposure and certain value sectors – as well as in some Emerging Markets

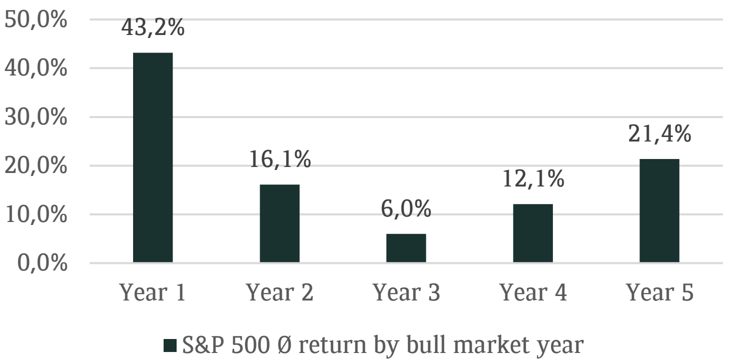
Hasta la vista – Downgrading Mexico to underweight: The Mexican economic activity is likely to face a negative shock on the back of heightened tariff uncertainty and potential trade frictions. This adds to certain headwinds from the judicial reform and an unclear financing strategy of the energy reform. We also believe the impact on inflation will be to the upside, preventing Banxico from adopting a more aggressive cutting cycle.

The key risks are that the market starts to reprice growth fears with central banks being perceived as "behind the curve". Increasing policy uncertainty around tariffs could weight on sentiment, too.

THE AVERAGE SPX BULL MARKET LASTS ~ 6 YEARS



THE 3RD YEAR AS INTERMEDIATE LULL



Source: BNP Paribas, Bloomberg, Data since 1950

Around the globe – our key convictions at a glance

WE STICK TO OUR GENERAL PREFERENCE FOR VALUE AND SMIDS

		USA	Europe	Japan	Emerging Markets
overall view		positive	neutral	positive	positive
What we (especially) like		Cyclicals SMIDs Banks Energy Infrastructure	UK Periphery > Core Real Estate High US revenue exposure Banks with strong US / capitalmarket business	SMIDs domestically oriented exposure Financials	Asia
What we don´t (really) like		Growth mega caps, particularly within consumer discretionaries	German SMIDs Autos		Mexico
preferred themes & trades	Regional basis	Buybacks & Quality Dividend growth Equal weighted over capital weighted S&P Companies catering to US SMIDs	Software Repower Europe (incl Renewable Energies) FTSE 250	Governance Reform achievers	APAC Tech, particularly semi materials/equipment sectors Hang Seng Technology
	Global Basis	Precious and energy transition metal miners Financial Services Healthcare			

Focus on

It´s difficult to make predictions…

SOLVING FOR X

….especially about the future

Making predictions always involves dealing with uncertainties and unknowns. And yet, we usually try to provide clear, actionable views on the market to equip our readers with a sort of "user-manual" for their investment decisions. This time around though, it feels as if the claim made by Niels Bohr, a Nobel laureate in physics, has never been truer than today. The incoming US administration is the main driver of uncertainty. Each of the key areas of focus - tariffs, immigration and fiscal policy – is in its own right important enough to significantly impact markets. If each of them starts to be impacted in an unpredictable manner, being only one tweet on X away from turning 180 degrees, uncertainty reaches a climax in which risk management becomes key. It is also important to focus on (actual implemented) policies and less about politics and the related drama.

Did the Grinch steal the Santa Rally?

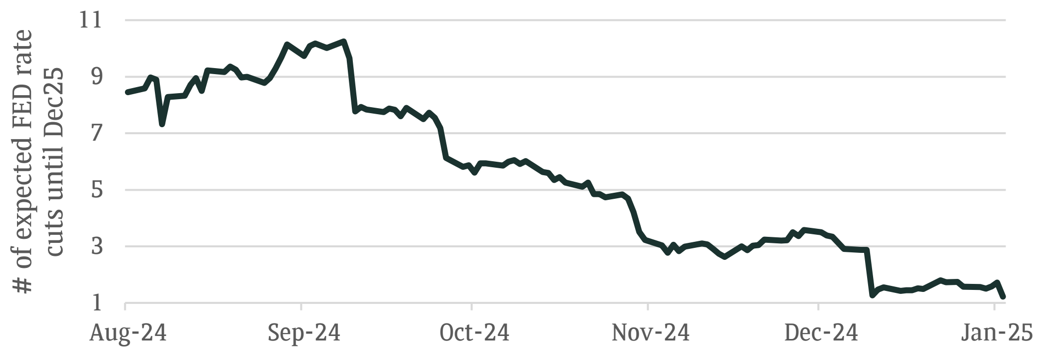
Some of the uncertainty is already visible in markets with the repricing of the Fed path after the December meeting and the strengthening of the dollar. In December, the Fed delivered probably one of the most hawkish cuts in its recent history. While lowering interest rates by 0.25%, it also halved its projection for easing next year and signaled sharply higher upside risks to inflation. This, in conjunction with an ongoing strength in the labor market, has turned rates expectations upside down. At the time of writing, the market is only pricing a 25% chance of 2 rate cuts (75% of one cut) while it was still expecting up to 10 last September.

Highway to the danger zone

While the jury is still out, the first verdict from the market seems to be that the Fed made a policy mistake by cutting rates too aggressively in the wake of the upcoming uncertainties around how the future policies will impact inflation. The recent sharp rise the US term premium pushed real and nominal bond yields in the US higher, bearing witness to this observation. While equities are typically able to digest gradual increases in bond yields, the picture changes if the move is either too big and / or is not accompanied by an improved outlook for growth. Unfortunately, we´re close to failing both conditions. The current 1-month move in real rates almost equals 2 standard deviations - which is where the danger zone begins – while the pricing of growth did not change materially.

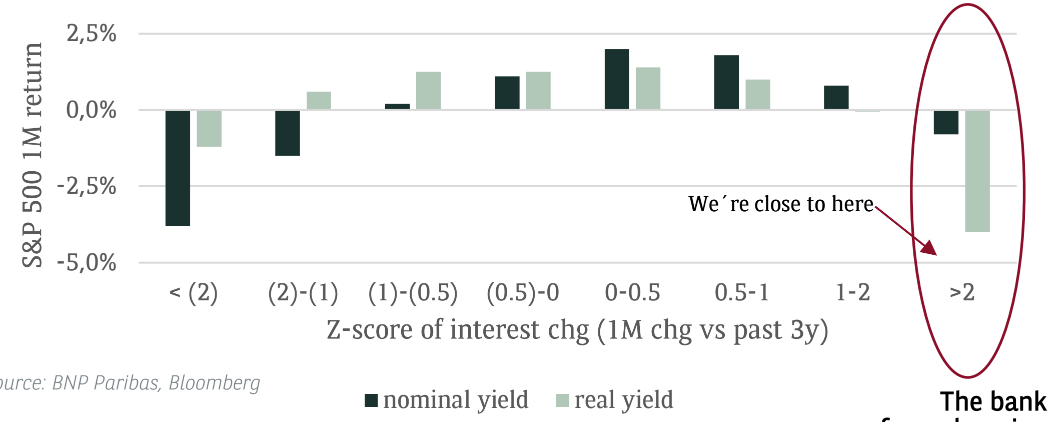
The political landscape will drive markets

THE MARKET IS NOW EXPECTING LESS THAN TWO RATES CUTS IN 2025



Source: BNP Paribas, Bloomberg

RISING (REAL) YIELDS CAN POSE A THREAT TO EQUITY PERFORMANCE



Source: BNP Paribas, Bloomberg

What we know, for now

NAVIGATING A LOW VISIBILITY ENVIRONMENT

The fundamental backdrop is still supporting the case for risky assets

The US economy comes into the year on solid footing, with healthy payrolls and strong consumption spending. Disinflation continues (slowly), and the inflation data for November were in line with forecasts, but softer for PCE inflation than the Fed had expected. And yet, Chair Powell's tone was very cautious, and the Fed's projections had inflation risks skewed to the upside. The Chair noted that the FOMC was only beginning to build in assumptions about policy changes from the new administration. This is where the trouble for investors is starting. Should we take Trump by his word? Obviously, broad based tariffs and immigration restrictions would hurt growth while pushing inflation higher. Our base case is still centered around the assumption that there will be tariffs, but neither as high as advertised during the presidential campaign nor will they be as broad as entertained.

Die another day

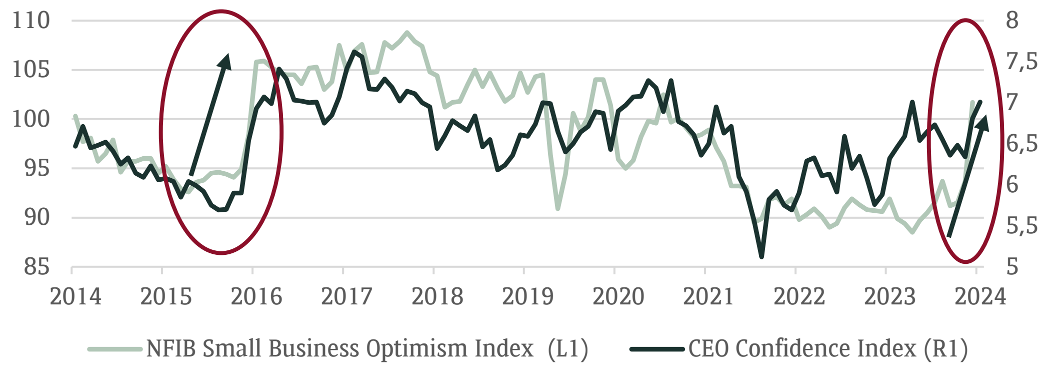
We would rather expect a more targeted approach, focused more on certain goods, especially from countries other than China (were we do expect the toughest stance). But even in that scenario, tariffs should be mostly a negotiating tactic. Thus, we think chances are high that they are most likely to be implemented gradually until the desired results (aka better / "fair" trade deals) are reached. Consequently, the potential devastating impacts of such policies are rather reserved for 2026. Until then, we have CEO business confidence rising and the NFIB survey on small business optimism showing the biggest jump on record. This is driven by the expected business friendly nature of a policy oriented towards "make America great again"

Don´t forget "Corporate America"

As we enter Q4 earnings season the focus should be on the outlooks. We do think that the market may be pleased by solid Q4 earnings growth (at least in the US) but will ultimately shift its focus on the outlook for 2025. It is, in this respect, worth noting that we saw above average guidance cuts for Q4´24 from S&P 500 companies which have been mainly driven by the IT sector. This could be a harbinger for AI related overinvestments and slowing (mega cap) tech growth which should limit upside for an already expensive S&P500. We continue to expect a narrowing earnings gap with the rest of the market, which – in conjunction with demanding valuations – should open the opportunity for a change in performance leadership.

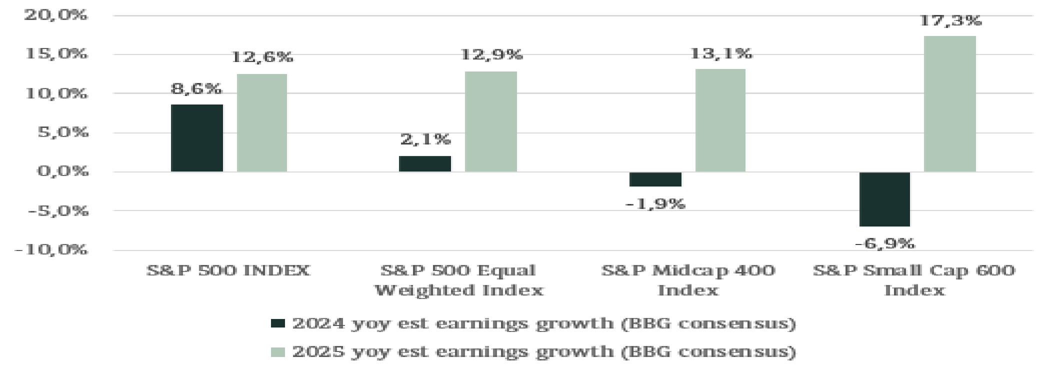
The political landscape will drive markets

OPTIMISM WITHIN CORPORATE AMERICA IS RISING – AS IT DID AT THE BEGINNING OF TRUMPS 1ST TERM



Source: BNP Paribas, Bloomberg

THE EARNINGS GROWTH GAP BETWEEN THE S&P500 AND THE REST OF THE MARKET IS CLOSING



Source: BNP Paribas, Bloomberg

2025 earnings – a reality check

HOW RELIABLE ARE ANALYSTS' EXPECTATIONS?

Valuations are looking stretched

The rally of the last ~ 13 months was supported by a solid growth in corporate earnings. Nevertheless, around half of global equity returns in 2024 are based on an expansion of valuation multiples. We think that this can be explained, at least in parts, by a growing optimism regarding lower inflation and a continuation of the rate cutting cycle. The move has pushed valuations well into expensive territory, especially for capital weighted large cap indices like the S&P 500. A rising level of macro volatility in conjunction with lofty valuations should put a solid cap on any further re-rating potential to the upside. We would rather expect the P/E ratio to compress slightly. This makes net supply (aka buybacks vs new listings) and, more importantly, profit growth the main drivers of upside for the S&P 500 in 2025.

Analysts tend to be (too) optimistic

At the time of writing, Bloomberg shows that the consensus is expecting an EPS of $271.92 for the S&P 500 in 2025. This would represent a healthy growth rate of 12% vs 2024. If being right, the result would be a potential upside of roughly that magnitude. But how realistic is that estimate? One way of looking at the problem could be to check how reliable estimates have been in the past. According to FactSet, analysts tend to be overly optimistic at the beginning of year. Looking at data going back until 1999, we find that analysts have – on average – overestimated the final EPS number by 6.3%-points. Correcting the EPS number by that amount would have a significant negative impact on the price potential for the S&P 500.

Correcting for "Black Swans"

It´s worth to notice that the 6.3% include 4 very extreme years that saw massive earnings compressions which have been caused by (hard to predict) external factors: 2001 (+36%), 2008 (+43%), 2009 (+28%) and 2020 (27%). If we exclude those extremes, the quality of the estimates is looking much higher. While still overestimating the final EPS growth, the margin of error falls to only 1.1%-points. Applying that number to the current estimate gives a more friendly outlook for the S&P500 which is also more in line with our own expectations of mid- to high single digit index potential in 2025.

Earnings will be the main source of upside for the S&P 500

S&P 500 2025-YEAR END PRICE TARGET MATRIX

	2025 yoy earnings grwoth		
TTM P/E Ratio	6%	9%	11%
22	5663	5824	5931
22,5	5792	5956	6065
23	5921	6089	6200
23,5	6050	6221	6335
24*	6178	6353	6470
24,5	6307	6486	6605
25	6436	6618	6739
25,5	6565	6750	6874
26	6693	6883	7009

*Current level

Source: BNP Paribas, Bloomberg

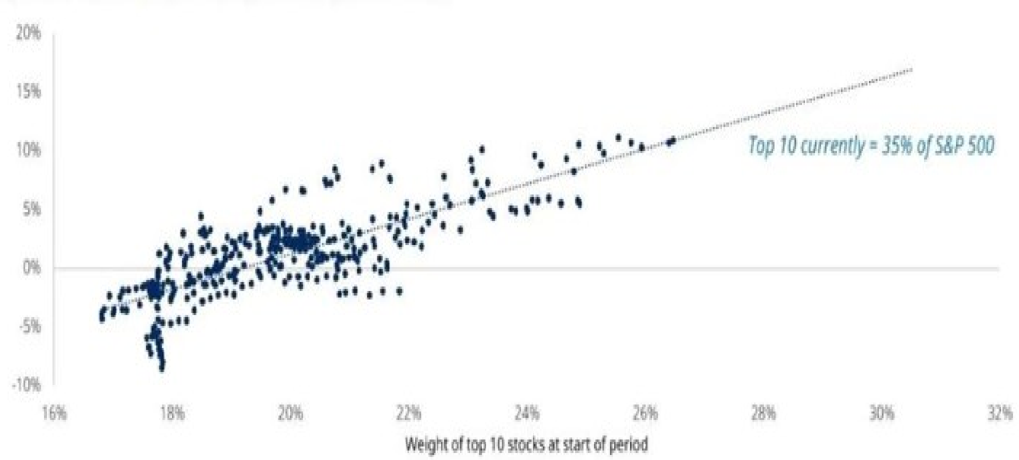
Bad breadth and what to do about it (i)

PUTTING RECENT CONCENTRATION IN PERSPECTIVE

THE MARKET WAS CARRIED BY AN UNUSUAL SMALL NUMBER OF COMPANIES

Source: BNP Paribas, Bloomberg

THE MORE CONCENTRATED THE S&P 500 HAS BEEN, THE MORE ATTRACTIVE IT WAS TO SWITCH INTO THE EQUAL WEIGHT INDEX

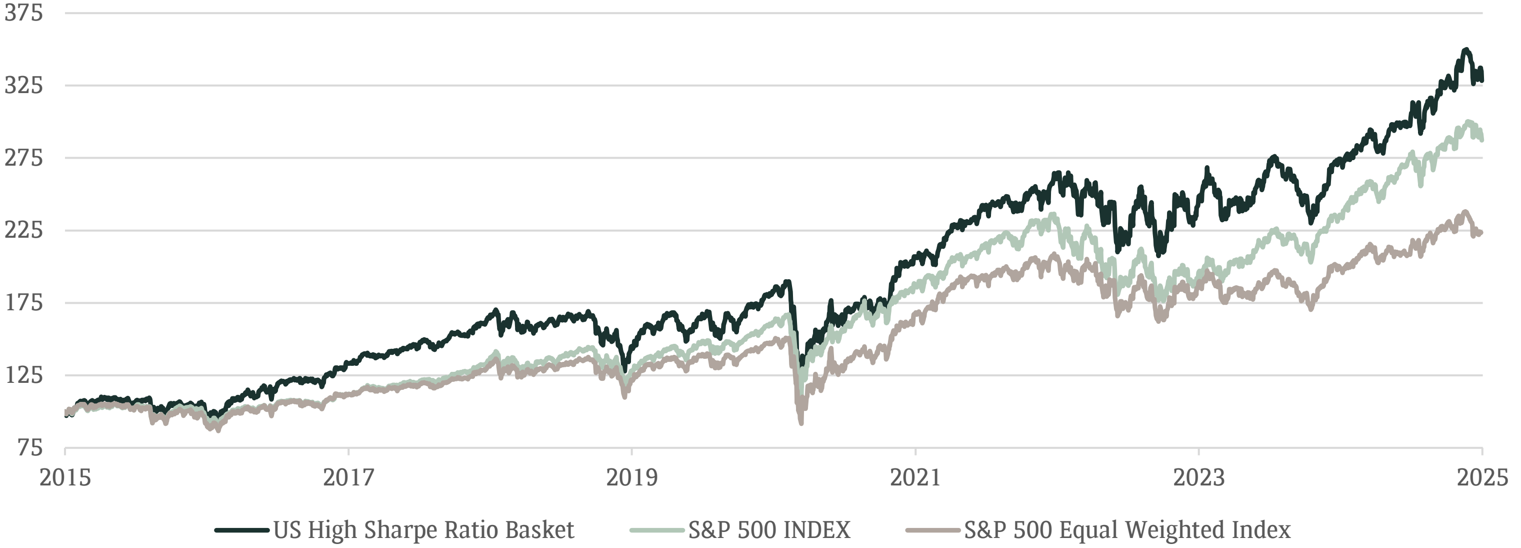


Past performance is not a guide to future performance and may not be repeated.
Data to 31 December 1989 to 31 January 2024. Constituent weights are available monthly since May 1996 and annually previously. For those earlier periods, we have linearly interpolated between the annual figures to generate a monthly series. Redoing the analysis but only using annual figures for the earlier periods does not impact our conclusions. Rolling 60-month returns have been analysed. Statistical note: the rolling 60-month analysis includes overlapping periods and serial correlation is present in the data. This biases the standard errors in regular statistical tests, which can result in a false positive result i.e. a conclusion of a relationship when there is none. We have applied a Newey-West adjustment to the standard errors to correct for this. The conclusion of statistical significance is robust to this adjustment.
Source: LSEG Datastream, S&P, and Schroders. Please see relevant disclaimers on slide 51

Bad breadth and what to do about it (ii)

INTRODUCING THE SHARPE RATIO AS SELECTION CRITERIA TO REDUCE CONCENTRATION RISK

FOCUSING ON STOCKS WITH THE HIGHEST SHARPE RATIOS CAN PROVIDE LONG TERM OUTPERFORMANCE WITHOUT THE SAME CONCENTRATION RISK AS THE S&P 500



Source: BNP Paribas, Bloomberg

- **Combining consensus price targets with option implied volatilities can be used to identify the S&P 500 constituents with the best prospective risk adjusted returns**
- **50 stocks, equal weight & sector neutral to avoid concentration risk**
- **rebalanced semi-annually**

US earnings season – a higher bar to clear

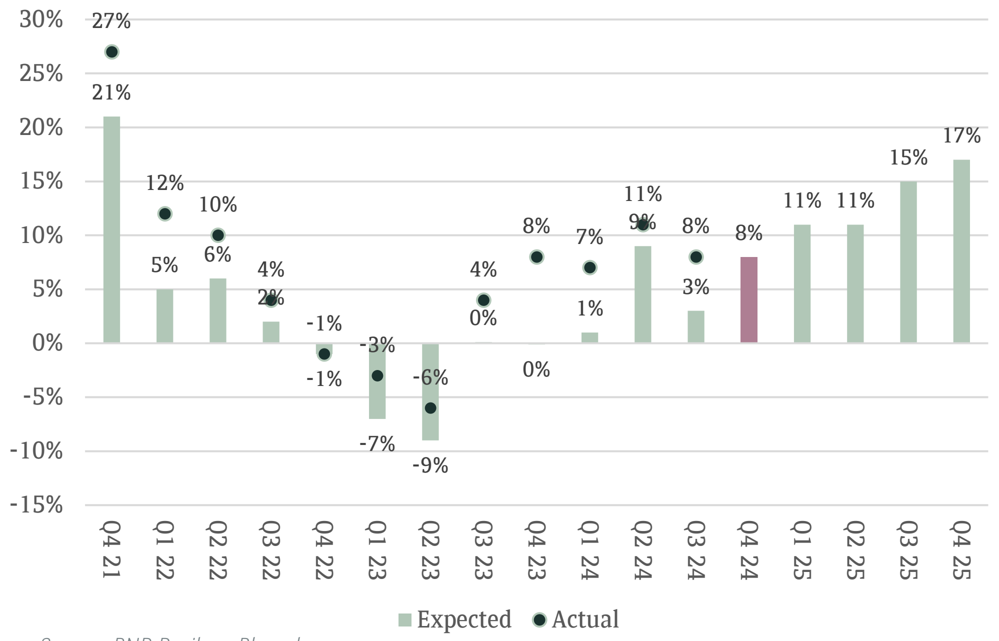
CONSENSUS EXPECTATIONS ARE HIGH RELATIVE TO RECENT QUARTERS, THUS EPS BEATS WILL LIKELY MODERATE

THE LAST WEEK OF JANUARY WILL BE THE BUSIEST WEEK FOR EARNINGS IN THE S&P 500

	Jan13 - Jan 17	Jan 20 - Jan 24	Jan 27 - Jan 31	Feb 3 - Feb 7	Feb 10 - Feb 14	Feb17 - Feb 21
S&P 500	***6%***	***9%***	***41%***	***14%***	***6%***	***5%***
Com. Services	0%	11%	81%	7%	0%	1%
Consumer Disc.	0%	1%	59%	7%	7%	4%
Cons Staples	0%	15%	14%	20%	10%	14%
Energy	4%	5%	58%	11%	8%	9%
Financials	33%	11%	23%	15%	5%	0%
Health Care	10%	17%	19%	40%	9%	3%
Industrials	1%	16%	43%	21%	6%	5%
Info Tech	0%	4%	48%	3%	4%	4%
Materials	0%	8%	27%	41%	12%	12%
Real Estate	0%	14%	8%	16%	29%	19%
Utilities	0%	13%	2%	19%	29%	14%

Source: BNP Paribas, Bloomberg

EARNINGS EXPECTATIONS ARE THE HIGHEST IN RECENT HISTORY, MAKING A HIGHER BAR TO CLEAR. ABSOLUTE GROWTH STAYS SOLID

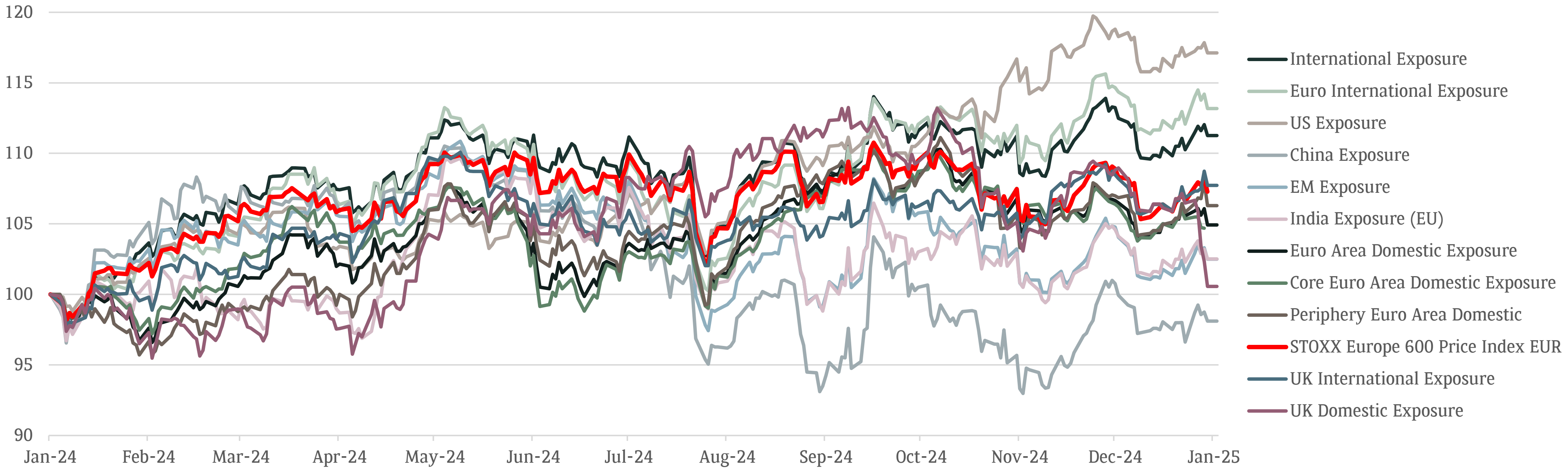


Source: BNP Paribas, Bloomberg

Europe – not all stocks are created equal

GEOGRAPHIC EXPOSURE WAS A KEY DISTINGUISHING ELEMENT FOR PERFORMANCE IN EUROPE

STOCKS WITH DOMESTIC EXPOSURE OR FOCUSED ON MOST OF THE EMERGING MARKETS SHOWED SOME UNDERPERFORMANCE IN EUROPE. STRONG TIES TO THE US HAVE BEEN THE KEY FOR OUTPERFORMANCE



Source: BNP Paribas, Bloomberg

Asian Equities view

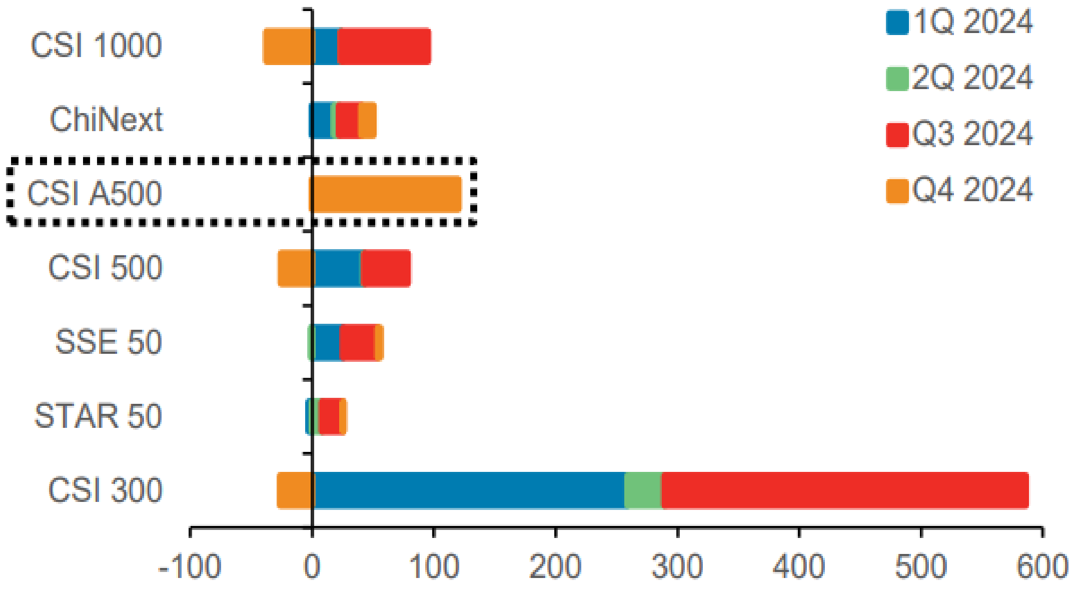
ASIA COUNTRY PREFERENCE

+	=	–
COUNTRY		
China Singapore South Korea Indonesia	Taiwan, Thailand Malaysia Philippines India	-

- **China –** Market could remain volatile in the short term amid concerns over geopolitical tensions under Trump 2.0. We remain positive in the medium term: (1) There is still room for more fiscal stimulus. The latest Politburo meeting and Central Economic Work Conference reassured the focus on economic growth and prioritized domestic consumption. (2) We prefer A-shares to offshore Chinese equities amid ongoing corporate governance reforms and the swap facility that improves market liquidity and encourages inflows.
- **India –** There was a correction in Q4 2024 due to slowing economic and corporate earnings momentum. That said, we still believe any pullbacks are buying opportunities. BJP's recent landslide victory in Maharashtra should give the government the greenlight to push forward with more capex spending to boost growth in the coming months.

Chinese policymakers are trying to revive sentiment in the domestic equity market with supportive measures

Year-to-date inflow into index-tracking ETFs (RMB bn)



Sources: WIND, BNP Paribas

Economic and equity momentum still strong; we stick to our pro-cyclical stance.

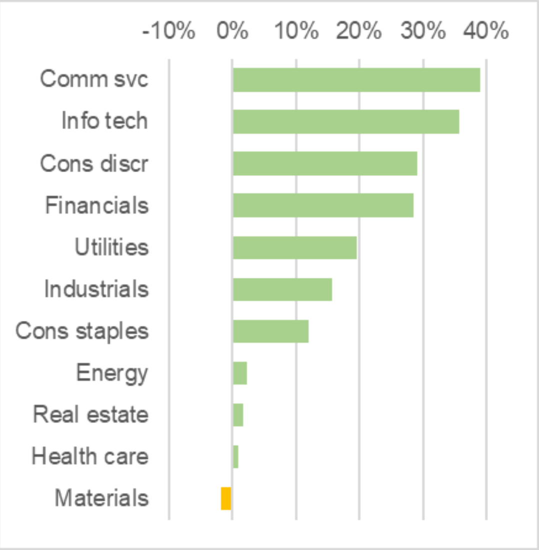
Sectors: 2024 review (no change this month)

LAST YEAR, TOP PERFORMERS WERE (MEGA-) TECH & FINANCIALS

In 2024, although the MAG-7 pursued their strong rallies, other sectors contributed to the good performance of the US S&P 500. Financials, Utilities, Industrials also did well. At contrary, the more defensive sectors and those sensitive to the global economy (and to China in particular) underperformed.

- **US (Mega) Tech sector has been leading the whole year. Other sectors have been contributing** (there was relatively less concentration compared with 2023), especially during H2.
- **Financials have been strong**, especially after Mr. Trump got re-elected, on expectations of deregulation as well as possibly lower taxes. Besides, the strong US economy and financial markets have been very supporting.
- **Utilities and Industrials did well, particularly those related to power demand/ electrification.** Demand growth is indeed sizeable due to AI/ data centres development. It is bound to continue.
- **At contrary, defensive sectors lagged**. At the end of 2024, Health care plunged due to uncertainties related to some key health care nominations in the new Trump administration.

US sector 2024 performance: Comm Svcs, Technology & Cons. Discr. on the podium; some other sectors also did well.

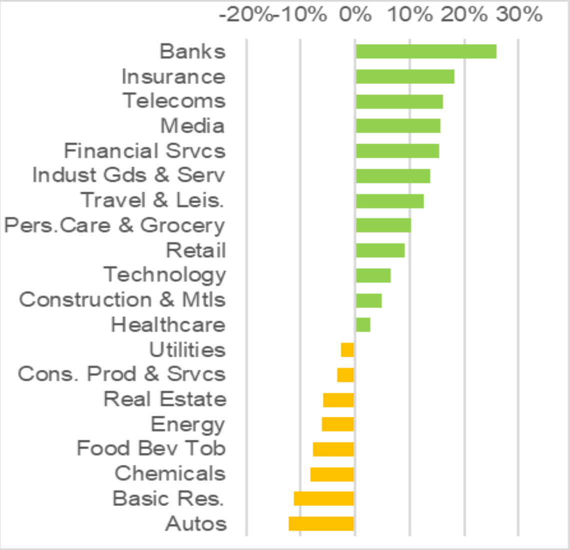


Source: S&P 500, 2024 performances.

Performances in Europe show similarities with the US in 2024. Financials, Media and Telecoms did particularly well. However, Europe underperformed the US as being much less exposed to AI. Besides, Europe is more sensitive to the Chinese economy that was a relative drag in 2024.

- **We still like European Banks and Financials in general. While still cheap,** their earnings growth and cash returns have been sizeable and will continue to be in 2025. The environment is still favourable for European Financials although they are facing more and more competition from their US counterparts.
- **Telecoms and Media also did well as their large databases should gain value in the context of AI.** The telecom capex spending peak (5G, fibre optics and other network upgrades) also seems to be behind us.
- On the other hand, some other cyclical sectors' performance has been subdued due to the relatively weak manufacturing activity globally. And consumption is still sluggish in Europe and in some of its key export markets
- Most defensive sectors underperformed as currently, there is a lack of positive catalysts for them.

European sector 2024 performance: Financials, Telecoms, Media and industrials lead while defensives and China sensitives underperformed.



Source: STOXX 600, 2024 Performances.

European Sectors in a nutshell (i)

Sector	Under-	Neutral	Over-	YTD	2024	Our view at a glance
STOXX Europe 600 Cons. Products and Services	X			0,97%	-3,20%	The sector would suffer from tariffs. Chinese consumption still needs to pick up. **Margin pressure coupled with lower growth could**
STOXX Europe 600 Energy	X			5,62%	-6,06%	The **oversupply** in the market should limit upside in oil and puts **pressure on margins**. **Political risks turn negative** on the sector due
STOXX Europe 600 Food, Bev and Tobacco	X			-0,40%	-7,66%	The **threat of tariffs** weights on sentiment in spirits and bev. **10% tariff could reduce spirits earnings by 5% and bev by 1%**.
STOXX Europe 600 Personal Care	X			-0,86%	10,18%	The sector still faces **headwinds from rising input costs while consumers are increasingly price sensitive**. While valuations are
STOXX Europe 600 Chemicals	X			-0,59%	-8,31%	US tariffs on China could lead to redirection of China exports to Europe, increasing margin pressures. **Prefer names with high US**
STOXX Europe 600 Utilities		X		-1,11%	-2,57%	**Sector suffered from RES concerns post US election. We feel this is overdone**. (Green) Power demand should continue to grow. A
STOXX Europe 600 Banks			X	1,52%	26,00%	Valuations stay attractive wheras 2024 results so far have been strong with many guidance upgrades. **Prefer names that are less rate**
STOXX Europe 600 Real Estate			X	-2,87%	-5,80%	Demographics coupled with low building activity should support **book value re-ratings** in residential. Logistics and data center enjoy
STOXX Europe 600 Technology		X		3,33%	6,62%	Tariff risks in the semi space, **while feeling the pinch from weak auto & cellphone demand**. **Prefer software names** which should
STOXX Europe 600 Autom. & Parts	X			0,38%	-12,17%	Automotives still weak due to rising competition weak China, high EV investment costs, excess inventories, and bad pricing. The looming

TRR = total Return, Data source: Bloomberg

European Sectors in a nutshell (ii)

Sector	Under-	Neutral	Over-	YTD TRR (%)	TTR Spread vs SXXP (in ppts)	Our view at a glance
STOXX Europe 600 Health Care			X	2,84%	2,87%	This sector should be a key **AI beneficiary: expect efficiency gains in a structually growing market** (e.g. demographics, obesity etc).
STOXX Europe 600 Financial Services			X	3,17%	15,38%	Declining rates, a US soft landing and improving capital markets activity offer support, especially to exchanges and private markets.
STOXX Europe 600 Insurance			X	0,29%	18,19%	The economic environment is very supportive for this sector. Excess capital is supporting **shareholder returns**. Valuations are in line
STOXX Europe 600 Telecommunications		X		0,69%	16,23%	A **solid EBITDA picture** (the sector beat consensus expectations again in Q3 after a good Q2), the industry's **falling capital intensity**
STOXX Europe 600 Media Price EUR		X		0,16%	15,58%	The sector still suffers from investors trying to make up their mind how AI will impact business models. Part of the sector is well
STOXX Europe 600 Industrial Goods & Services			X	2,00%	13,80%	Beneficiary of nearshoring as well as investments in data centers and renewable energy projects. **Focus on names which are well-**
STOXX Europe 600 Construction & Materials			X	0,14%	4,89%	**Investments in energy infrastructure/ energy efficient buildings** should help drive earnings. ROIC now closer to US peers while
STOXX Europe 600 Basic Resources		X		2,18%	-11,26%	The sector has the highest correlation to China in Europe due to the high revenue exposure (~ 36%). **We still prefer names exposed to**
STOXX Europe 600 Retail Price EUR		X		-2,67%	9,00%	The sector has now found some capital discipline allowing for cash distribution. However, there is a **lack of growth drivers**. Valuations
STOXX Europe 600 Travel & Leisure		X		-2,85%	12,63%	**Lower oil prices** should improve airlines and cruise lines margins. There is a **pick up in corporate travel** which should also support

TRR = total Return, Data source: Bloomberg

US Sectors in a nutshell

Sector	Under-weight	Neutral	Over-weight	YTD	2024	Our view at a glance
S&P 500 Consumer Discretionary Sector		X		-0,26%	29,13%	Lower energy prices should help airlines and consumers while corp travel is expected to recover further. **Extended and (potentially)**
S&P 500 Consumer Staples Sector	X			-1,12%	11,98%	**We have had a preference for retail names which have enjoyed a strong Christmas season and now represent a heavy weight in**
S&P 500 Energy Sector	X			2,51%	2,31%	Oversupply in the market should limit the upside in oil related and puts pressure on margins. We **prefer energy infrastructure names**
S&P 500 Financials Sector			X	0,31%	28,43%	A recovery in M&A activity should support big banks earnings while a **solid economy will keep defaults in the credit books in check**.
S&P 500 Health Care Sector			X	2,11%	0,90%	The sector benefits from **AI related efficiency gains** in a structually growing market (e.g. demographics, obesity etc). It is a defensive
S&P 500 Industrials Sector			X	0,83%	15,64%	Given 20+ years of US Industrial underinvestment, the stage is set for Industrials to return to MSD growth and significant margin
S&P 500 Information Technology Sector		X		0,51%	35,69%	**Trading at heavy premium** vs the market. Profit growth expectations are slowing, making it harder to justify the valuation premium.
S&P 500 Materials Sector			X	0,01%	-1,83%	While we remain cautious with chemicals, **we do like stocks with exposure to precious metals/ energy transition metals mining**.
S&P 500 Real Estate Sector		X		-1,35%	1,73%	We still see sluggish activity in residential RE as many owners are handcuffed by existing, low rates mortgages. New construction
S&P 500 Communication Services Sector		X		1,75%	38,89%	The sector is **dominated by 2 mega tech companies which are expensive**. The rest of the sector looks more reasonably priced. Be
S&P 500 Utilities Sector			X	0,42%	19,58%	We think that **risks to clean energy spending/ IRA are lower than currently anticipated**. Growth in power demand should remain

TRR = total Return, Data source: Bloomberg

Valuations - Indices

			Forward													Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	vs. ACWI	5yr Z-Score
MSCI ACWI	841		45,20		7,24	18,61		0,21		2,01		1,05		5,37		n.a.	n.a.
MSCI World	3708		187,93		6,82	19,73		0,19		1,90		0,90		5,07		1,06	
MSCI Emerging Markets	1077		87,99		9,66	12,23		1,65		3,06		13,24		8,17		0,74	
S&P 500	5882		262,31		8,74	22,42		0,14		1,37		0,57		4,46		1,20	
S&P 500 Equal Weighted	7101		400,94		13,00	17,71		0,03		2,08		0,13		5,65		0,94	
Russell 2000	2230		64,49		41,02	34,58		1,64		2,26		2,67		2,89		1,92	
NASDAQ 100	21012		774,49		9,95	27,13		7,23		0,79		23,82		3,69		1,83	
MSCI USA Growth	26947		446,11		12,11	32,08		11,24		0,40		32,09		1,66		2,30	
MSCI USA Value	14110		224,34		7,53	16,95		0,07		2,46		0,37		1,59		0,90	
STOXX Europe 600	508		37,16		6,06	13,62		1,91		3,81		13,38		7,31		0,83	
STOXX Europe Mid 200	535		44,51		2,95	11,97		1,50		4,21		12,08		8,32		0,72	
STOXX Europe Small 200	334		25,47		13,80	13,08		1,48		3,84		11,07		7,62		0,77	
DAX	19936		1405,33		11,21	14,13		1,61		3,48		10,88		7,05		0,84	
FTSE 100	8227		685,60		4,87	11,92		1,77		4,21		13,74		8,33		0,73	
CAC 40	7343		525,80		8,77	13,87		1,76		3,59		12,59		7,16		0,83	
FTSE MIB	34124		3579,27		4,68	9,45		1,28		5,78		12,82		10,49		0,57	
Nikkei 225	39895		1966,81		1,60	20,28		2,05		1,91		9,98		4,93		1,19	
Hang Seng	19623		2126,87		3,26	9,23		1,06		3,86		10,83		10,84		0,55	

Source: BNP Paribas, Bloomberg, Data as of 2nd January 2025
Z-Score: Defines the number of standard deviations a value is from the mean of a given distribution. Negative z-scores indicate the value lies below the mean. Positive z-scores indicate the value lies above the mean.

Valuations – EU Sectors

			Forward														Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	Upside to 12M Target Price*	vs. SXXP	5yr Z-Score
STOXX Europe	508		37,16		6,06	13,62		1,91		3,81		13,38		7,31		16%	1,00	
STOXXE 600 Consumer P&S	393		15,87		10,73	24,63		3,97		2,08		15,21		4,04		9%	1,84	
STOXXE 600 Energy	113		12,31		1,73	9,13		1,14		6,25		12,50		10,89		21%	0,66	
STOXXE 600 Food, Bev and Tobacco	180		12,54		3,71	14,30		2,38		4,06		15,62		6,97		19%	1,07	
STOXXE 600 Personal Care	165		10,45		5,76	15,77		2,92		3,48		17,49		6,32		11%	1,20	
STOXXE 600 Chemicals	1186		66,34		11,86	17,80		1,59		3,18		8,60		5,59		20%	1,25	
STOXXE 600 Utilities	388		32,24		-4,33	11,97		1,50		5,37		12,32		8,32		18%	0,87	
STOXXE 600 Banks	210		28,72		1,76	7,23		0,82		7,16		11,16		13,67		17%	0,52	
STOXXE 600 Real Estate	126		8,48		2,99	14,87		0,84		5,73		6,10		6,71		21%	1,01	
STOXXE 600 Technology	815		33,45		13,72	24,25		4,32		1,31		17,40		4,11		18%	1,84	
STOXXE 600 Autom. & Parts	547		77,54		10,20	6,99		0,64		5,33		8,14		14,18		17%	0,49	
STOXXE 600 Health Care	1095		67,10		12,48	16,31		3,45		2,83		17,69		6,13		22%	1,27	
STOXXE 600 Financial Services	828		53,19		-10,61	15,51		1,65		2,87		10,39		6,43		9%	1,10	
STOXXE 600 Insurance	411		36,33		15,84	11,27		2,02		6,39		18,64		8,85		12%	0,86	
STOXXE 600 Telcos	230		16,58		9,78	13,83		1,36		4,54		9,04		7,20		18%	0,98	
STOXXE 600 Media	470		25,18		3,04	18,61		4,61		2,48		20,53		5,36		9%	1,50	
STOXXE 600 Ind. Goods & Services	883		49,12		9,15	17,92		3,57		2,41		18,49		5,56		13%	1,38	
STOXXE 600 Constrn & Materials	699		47,23		11,77	14,73		2,18		3,15		14,93		6,76		17%	1,09	
STOXXE 600 Basic Resources	523		46,63		16,74	11,16		1,13		4,73		9,92		8,91		24%	0,79	
STOXXE 600 Retail	438		28,72		3,06	15,21		2,89		3,64		17,91		6,55		17%	1,17	
STOXXE 600 Travel & Leisure	271		22,79		10,59	11,80		2,91		2,76		24,56		8,41		17%	0,95	

* BBG Consensus, NOT an official target of BNP Paribas

Source: BNP Paribas, Bloomberg, Data as of 2nd January 2025
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Valuations – US Sectors

			Forward														Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	Potential Upside to 12M Target Price*	vs. S&P 500	5yr Z-Score
S&P 500	5882		262,31		8,74	22,42		0,14		1,37		0,57		4,46		13%	1,00	
S&P 500 Consumer Discretionary	1831		65,54		6,60	27,94		8,45		0,67		28,28		3,58		3%	1,61	
S&P 500 Consumer Staples	854		40,27		2,24	21,20		5,89		2,59		27,94		4,72		13%	1,20	
S&P 500 Energy	655		45,06		3,93	14,53		1,90		3,51		13,20		6,88		22%	0,73	
S&P 500 Financials	804		46,69		7,29	17,23		2,16		1,76		12,28		5,80		9%	0,86	
S&P 500 Health Care	1605		93,41		19,36	17,18		4,36		1,89		20,97		5,82		23%	0,95	
S&P 500 Industrials	1116		49,10		16,99	22,72		5,67		1,60		23,80		4,40		15%	1,26	
S&P 500 Information Technology	4610		152,75		2,41	30,18		10,98		0,65		32,49		3,31		15%	1,82	
S&P 500 Materials	530		26,68		16,36	19,86		2,57		2,05		12,40		5,04		23%	0,99	
S&P 500 Real Estate	256		7,03		8,07	36,39		0,00		3,54		0,01		2,75		16%	1,61	
S&P 500 Communication Services	342		17,55		14,11	19,47		4,21		0,93		20,56		5,14		12%	1,05	
S&P 500 Utilities	385		21,81		8,88	17,65		2,13		3,14		11,97		5,66		14%	0,88	

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Source: BNP Paribas, Bloomberg; Data as of 2nd January 2025
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