

Market Commentary on the FY2024 Results Season:

US Exceptionalism Facing Chinese Ingenuity?

With the **European economy having stagnated in the fourth quarter of 2024** and its two largest economies, Germany and France, going through a severe manufacturing downturn and political turbulence,ⁱ there was a **divergence of economic fortunes** not only **with the US economy**, but also in **monetary and, especially tariff policy**, after the new Trump administration came to power.ⁱⁱ While investors and analysts still remain puzzled about the bizarre pivot of US economic and foreign policy making, a **massive tech sell-off started after Chinese DeepSeek** developed a much cheaper AI model – being open and accessible to developers - than its large US-based rivals.ⁱⁱⁱ Also, and perhaps even more counterintuitive, is the **biggest rotation from US into European defensive and growth stocks** having occurred in almost a decade.^{iv} As one US banking CEO put it, ‘it’s a complicated world, be prepared for the unexpected’ (David Solomon, Goldman Sachs).^v

With corporate executives preoccupied with **adjusting their supply chains to potential threats of US tariff policy**, two interesting debates in the larger geostrategic battle between the US and China have evolved: 1) uncertainties coming from the latest tariff announcements, repatriation of illegal immigrants and public sector reforms in the US that could not only make **senior management more cautious about future investments but also threaten a slowdown of the US economy** and ultimately undermine the claim for American ‘economic exceptionalism’;^{vi} and 2) DeepSeek’s recent breakthrough indicates that US technology companies might still be pushing the frontiers and **Chinese companies are not only close to their heels but also even outpace US pioneers through their engineering efficiency** – whether in shipbuilding, solar panels, batteries, drones, electric vehicles or industrial robotics – and, more importantly, achieve **large scale effects leading to massive cost reductions** and margin compression elsewhere.^{vii}

Against this backdrop, and with **European companies increasingly claiming to ‘focus on what we can control’** (Wael Sawan, CEO of Shell),^{viii} investor enquiries during the current FY2024 reporting season have essentially crystallised around the following themes: i) with **no significant market rebound expected in 2025**, companies started to apply a familiar pattern of previous years by providing a **better outlook for the second half of the year** (AkzoNobel); ii) while the order pattern is still changing (Trelleborg) and often seen as being ‘lumpy’ (ASML), large order volatility has broadly been offset through **growth in short-cycle orders** (ABB);^{ix} iii) the latter was partly a result of **frontrunning orders during Q4’2024 in anticipation of new Trump tariffs** (Intel, Maersk), as a result of which analysts frequently asked about sequential comparison with Q1’2025; iv) while the Chinese market is expected to bottom out in 2025 (AkzoNobel), other **emerging markets have ‘re-emerged as bright spots’** (Jane Fraser, CEO of Citigroup);^x and v) **capital allocation policies with a particular focus on M&A** is back on investor radar screens (Morgan Stanley, Goldman Sachs).^{xi}

With this in mind, we start our FY2024 market commentary with a short outline of the **ongoing valuation debate of US and European companies**, before looking specifically at **export control**,

currency shifts and emerging markets in the current economic environment. Some of the relevant themes will be illustrated in a **special case study on the pharma and biotech industry**, as major players had not only to get to terms with price cuts from the IRA and a vaccine-hostile US government, but also Chinese authorities became increasingly assertive against Western companies. In this newly evolving world order, **global e-commerce competition** has grown in importance, and we feature this theme separately before looking into **corporate corruption and money laundering** as another governance topic of growing investor concern.

US VS EUROPEAN VALUATION DEBATE

While there has been extensive research about the stronger agility and innovation power of US vs European companies,^{xii} with some interesting detrimental arguments of lower life expectancy, higher maternal mortality rates and even a growing plutocracy in the US,^{xiii} the implications for European stock exchange listings faced with lower liquidity have gained more attention as professional portfolio managers increasingly consider liquidity as a utility function, particularly when faced with long-lasting crowded trades or momentum-driven investment at high scale.^{xiv} In the past, we had extensively written about the size of US stock exchanges and their trading regime offering a more attractive environment for clearing and settlement, as the limited liquidity of listed European companies, particularly at smaller stock exchanges, has become a major headache for institutional investors, with their performance undermined when facing redemptions of insufficiently liquid holdings.

While there are clearly huge advantages for companies listed in the US,^{xv} the other part of the current investor debate relates to the US stock market reaching bubble territory, especially the high concentration of the S&P 500 around a handful of large technology companies, which puts the comparison into a different light.^{xvi} Interestingly, some research of the previous bubble in 1999 shows that companies with a mind-boggling P/E of 50x started to lag behind the market by 12 percentage points over the subsequent two years (excluding the technology bubble unwind until 2003), which may explain some of the recent tech sell-off.^{xvii} In turn, the limited growth outlook in European traditional industries has led to a renaissance of value stock investment, particularly during the most recent period of prolonged higher inflation, which may explain part of the recovery of European stock indices in January and February.^{xviii}

EXPORT CONTROL

At a time when the outcome of the 2024 US presidential elections had just been announced, DHL published its latest Global Connectedness Tracker in partnership with the NYU Stern School of Business, highlighting the resilience of international trade flows despite geopolitical tensions and uncertainty, with regionalisation not overtaking globalisation and countries that are not close allies of the US nor of China (UAE, India, Vietnam, Brazil and Mexico) growing their share of world trade from 42 per cent in 2016 to 47 per cent in 2024.^{xix} This was largely confirmed by Maersk - one of the bellwethers of international trade - when emphasising that 'resilient supply chains are more important to customers than ever' and that the incoming US administration is 'good for consumption' (Vincent Clerc, CEO of Maersk), as evidenced by large volumes at their TransPacific route and the 'supply/demand imbalance (being) not as bad as a year ago'.^{xx}

Given the selected tariff policy for strategic industries of the previous Biden administration and the excessive emphasis of the incoming Trump team on trade tariffs, the library of contentious literature on this topic has grown exponentially, with some pointing to US tariffs being a tax on consumption and subsidy to production at the same time, while others perceive this as more a tax on exports, which would not help to improve the US trade balance.^{xxi} During the ongoing FY2024 reporting season, when companies were asked about the first impact of new tariffs, they either pointed to being 'well positioned in all three parts of the world' (Peter Nilsson, CEO of Trelleborg),^{xxii} with strong growth in Asia, Latin America and the Middle East offsetting pressure in Europe and North America (Halliburton, Baker Hughes),^{xxiii} while others confirmed the need to adapt to this 'new world of tariffs' (Patrick Pouyanne, CEO of TotalEnergies) with a stronger focus on lean and efficient manufacturing and cost leadership (TSMC, NVIDIA).^{xxiv}

CURRENCY SHIFTS

Apart from the new coercive power of trade tariffs, the strength of the US dollar has equally gained new investor attention, with analysts frequently asking companies about their hedging policies and the impact of the US dollar on their results during the current FY2024 reporting season.^{xxv} It remains open to what extent the new US administration can use the US-dollar to further weaponise its own geopolitical ambitions, whether through repeated threats of 'Bretton Woods realignments', or forcing countries receiving military protection from the US (Japan, NATO members and Saudi Arabia) to buy more US-dollar debt, or even to threaten retributions against countries that might try to reduce their dependence on the US-dollar by launching their own joint currency (Brazil, Russia, India, China and South Africa).^{xxvi} Furthermore, it has become clear that some of these attempts might undermine the institutional framework that is its bedrock as the main global reserve currency but also, ironically, could lead to further turbulence in global capital flows and exchange rates, which would encourage a renewed flight into dollar assets.^{xxvii}

As the debate about a new Plaza Accord to weaken the US currency has continued,^{xxviii} investors are bracing themselves for a wrong-headed trade and macro-economic policy – with its signature policies of tariffs and tax cuts – leading to a weakening confidence in US institutions and growth prospects.^{xxix} By mid-January 2025, the US-dollar reached a two-year high against other major currencies, with the euro approaching parity with the dollar for the first time in more than two years, highlighting the transatlantic divergence on monetary policy.^{xxx} For emerging markets, the liquidity drain in Asia due to higher interest rates in the US could result not only in large depreciation of Asian currencies falling in tandem with the Chinese renminbi, but also other dollar pegs in Argentina, Egypt and Turkey being at risk of explosive devaluations, with currencies of commodity exporters getting under particular pressure.^{xxxi}

EMERGING MARKETS

With emerging market currencies having faced a massive sell-off following the US presidential elections and the strong US-dollar and threat of Trump tariffs leading to a decline of 10 per cent of the MSCI's emerging markets index between early October and end December 2024, this asset class has raised a renewed investor concern as two-thirds of the countries in the MSCI index – notably China, India, Brazil, South Korea and South Africa – had widely underperformed over that period.^{xxxii} Interestingly, these latest developments had been preceded by an extensive debate

about the virtues of investing in emerging markets, with its corporate earnings growing faster than in developed markets – against the backdrop of a rising US deficit and slow growth in China – and investments into green technologies, AI and other infrastructure supporting growth in countries like South Korea and Taiwan (semiconductors), Malaysia and the Philippines (electronics), India for its sheer size of the market and Mexico for its proximity to the US.^{xxxiii}

While it is still too early to fully estimate the impact of the ‘Trump trade’ on emerging markets, there are various interpretations and forecasts of future scenarios, which are relevant to be highlighted here: i) one view is that the market hasn’t fully priced in the risk from a fallout of US-China trade tensions yet, with an interesting observation that China is currently exporting its strongest disinflationary impulse for over three decades;^{xxxiv} ii) with first signs of a weakening US dollar in February 2025, others argue that the ‘Trump war’ has started to misfire evidenced, among others, in stronger Latin American currencies in January;^{xxxv} iii) another interpretation is that countries will respond to Trump tariffs not necessarily by retaliating but simply by moving away from the US and engaging with other trading partners;^{xxxvi} and iv) perhaps not surprisingly, there will also be winners amid the trade war, notably in Asia which includes countries like Vietnam, Malaysia, Singapore and increasingly India.^{xxxvii}

CASE STUDY: PHARMA & BIOTECH

We have followed the global pharma and biotech industry over the last few months in great detail, with initial focus on the growing investor interest in new obesity drugs given the scope of the disease and costs involved for the US health system,^{xxxviii} which quickly unravelled into a broader discussion on i) what other conditions weight-loss drugs could treat, apart from those closely linked to obesity such as chronic kidney disease and diabetes;^{xxxix} ii) to what extent photo-centric social media links with eating disorder pathology;^{xl} and iii) the need for improvement of clinical diagnoses and the access to treatment for millions of people.^{xli} At the same time, while investors started to lose interest in the obesity trade in January 2025, given lower sales for Eli Lilly for two consecutive quarters and a disappointing trial by Novo Nordisk,^{xlii} the pharma and biotech industry became a fascinating whirlpool of new geopolitical tension, trade sanctions, anti-corruption campaigns in China and the new Trump administration take on Big Pharma.^{xliii}

Headwinds for the industry in 2025 were neatly summarised by the CEO of AstraZeneca, Pascal Soriot, as being the impact of the IRA, China and price cuts in Europe.^{xliv} AstraZeneca itself became a target for the ongoing anti-corruption investigations in China, with several salespeople being arrested and, as a result, the company appointing compliance officers in every region in China (more than 200 in total).^{xlv} By early February, AstraZeneca was informed by Chinese customs authorities that \$900,000 of import taxes had not been paid and that this implied a possible fine of up to five times.^{xlvi} Given that other Western pharma companies also complained about the anti-corruption campaign in China, with a particular impact on their premium products (Johnson & Johnson), it is perhaps no surprise that most expect headwinds there in 2025.^{xlvii}

The other major discussion point focused on the impact of the IRA price cuts from the Biden administration in 2025, with the CEO of Pfizer, Albert Bourla, saying that ‘forced price setting and penalties need to change’.^{xlviii} While the more benign view from senior executives was that this

would improve the 'affordability of medicine in the US' (Pascal Soriot, CEO of AstraZeneca) and that there is a 'focus on unmet medical needs' (Vasant Narasimhan, CEO of Novartis), there was clearly a huge lobbying effort and litigation process to repeal the IRA.^{xlix} In terms of the current Medicare redesign (Part D plan included in the IRA), various pharma companies were prepared to estimate the impact on their 2025 results, ranging from \$400mn for Merck & Co. and \$600mn for AbbVie to \$1bn for Pfizer.^l In turn, AstraZeneca expects a 60-70bps margin decline from IRA headwinds in the US in 2025.^{li}

With all the optimism we had heard from various pharma and biotech companies over the last few months, whether this relates to opportunities in molecular biologics to become 'game as well as life changing' (Emma Walmsley, CEO of GSK) or the promise for more 'individualisation of care' with a higher level of safety and tolerability (Robert Michael, CEO of AbbVie),^{lii} the industry is not immune to external economic and geopolitical shocks as the last few weeks have shown.

GLOBAL E-COMMERCE COMPETITION

While the rise of global e-commerce is considered by many analysts and investors as another big megatrend, driving online shopping, out-of-home delivery and customer convenience supported by growing automation in logistics, it has also become a battlefield of recent geopolitical developments, notably with Chinese companies using 'connector' countries such as Mexico (for the US) or Hungary (for the EU) to enter Western markets through the back door.^{liii} Given that the owner of Chinese e-commerce giant Temu, PDD Holding, is listed in New York, while fast-fashion group Shein opted for a London IPO instead of New York given the recent crackdown on imported goods under \$800 in the US,^{liv} both companies have been on investors' radar screen for some time and often for different reasons. PDD reported a profit warning in August 2024, facing rising competition in China (Alibaba) and abroad (Amazon), while facing growing quality complaints, with Temu merchants protesting heavy fines and penalties as punishment for customer returns.^{lv}

Equally in Europe, where the online market has been flooded with cheap products from Asian retailers, raising safety fears for toys, cosmetics, electrical appliances and clothes, new legislation has been prepared to scrap the EUR150 value threshold for exemptions from customs duties, although it remains unclear how to justify handling fees under WTO rules.^{lvi} This was preceded by an EU Commission investigation of the sale of illegal goods by Shein and Temu in June and July 2024, when 80 per cent of toys tested to be toxic or posed health hazards for children, leading to calls for more compliance with EU safety and consumer regulation as well as investigations into the way these e-commerce players bypass controls by directly selling to customers.^{lvii} In turn, Shein has been accused of difficult labour conditions, pressuring factory bosses to source cheaper materials and using cotton from China's Xinjiang province,^{lviii} which complicated the IPO application in New York and eventually led to a move to London.^{lix}

CORPORATE CORRUPTION & MONEY LAUNDERING

One of the most stunning legal changes of the new US administration has been the executive order to halt the enforcement of the US anti-corruption law (1977 Foreign Corrupt Practices Act) that bars US citizen from bribing foreign government officials to win business.^{lx} There is an irony in this as the previous Biden administration had made a concerted effort for the last few months of

being in office to address money laundering in the US, including the placement of the new beneficial ownership registry online (in an attempt to shine more light on anonymous shell companies), more transparency requirements for US residential real estate and all SEC-registered funds having to conduct anti-money laundering checks on their clients.^{lxi} While US businesses were not innocent of bribery before,^{lxii} the Trump U-turn in anti-corruption legislation opens the door for very different business practices, with direct implications for other constituencies, such as Switzerland, which were often brought into compliance by US law enforcement in the past.^{lxiii} It remains to be seen now, how lenient these Courts might become without the explicit US pressure.

The other irony in the current geopolitical warfare is that China is in a relentless anti-corruption and discipline crusade since Xi Jinping's third term as President started in 2023, having replaced, among others, the ministers of defence, agriculture, foreign affairs and, just a few days ago, the minister of technology, Jin Zhuanglong.^{lxiv} In 2024, China's anti-graft watchdog reportedly disciplined 889,000 officials, which was up by 46 per cent from the year before, and shows the fine balancing act Western companies have to walk when registering and doing business in this unpredictable and arbitrary environment, which we had described for the pharma industry above. Another statistic from recent investigative journalism in China revealed that senior management of more than 80 companies listed on the Shanghai and Shenzhen stock exchanges were detained by local authorities in 2024, a practice described in China as 'long-range fishing' to improve deteriorating local budgets by paying fines to win release from detention.^{lxv}

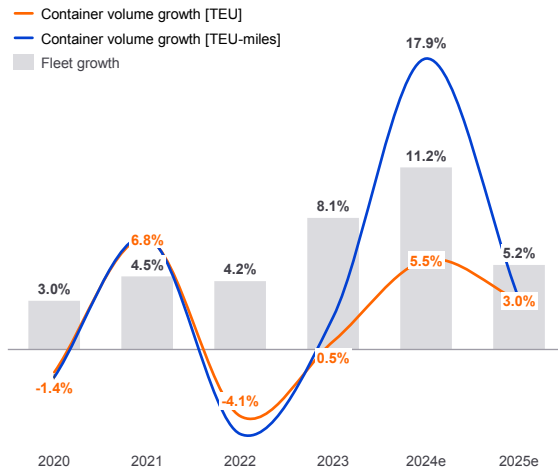
We could extend this list for European companies, with French defence company Thales as well as Austrian Signa being currently in the limelight,^{lxvi} but the broader question is whether companies can continue to pretend 'zero cases' of corruption on their ESG presentation slides and to what extent investors will look more closely into detail despite the change of the US anti-corruption law in early February 2025.

Peter and Irina Kirkow
3 March 2025

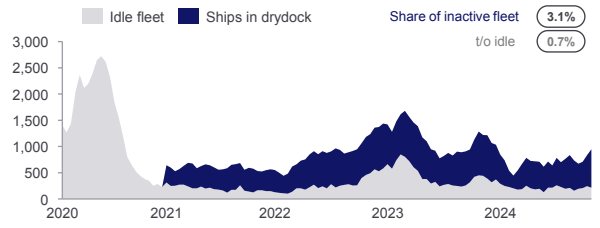
APPENDIX

Container volumes on a TEU-mile basis have grown exceptionally while inactive fleet remains low and charter rates on elevated levels

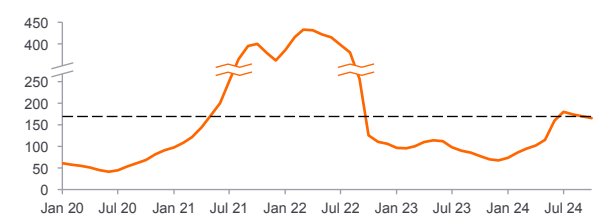
SUPPLY & DEMAND



INACTIVE FLEET [in TEU m]



CLARKSON'S CONTAINERSHIP TIMECHARTER INDEX



13 14 Nov 2024 Investor Presentation - 9M 2024 Source: Accenture Cargo, Alphaliner, Clarksons, CTS, Drewry



Key drivers of Eaton's long term growth outlook

Megatrends	Key Markets							
	Commercial & Institutional	Data Center	Industrial	Residential Buildings	Utility	Aerospace	e-Mobility	Legacy Vehicle
FY2024 Organic Growth	↗	↑	↘	↘	↗	↑	↘	↘
⚡ Electrification	●	●	●	●	●	●	●	●
🌍 Energy Transition	●	●	●	●	●	●	●	●
💻 Digitalization	●	●	●	●	●	●	●	●
🏛️ Infrastructure Spending	●	●	●	●	●	●	●	●
🏭 Reindustrialization	●	●	●	●	●	●	●	●
🌱 Green Regulations	●	●	●	●	●	●	●	●

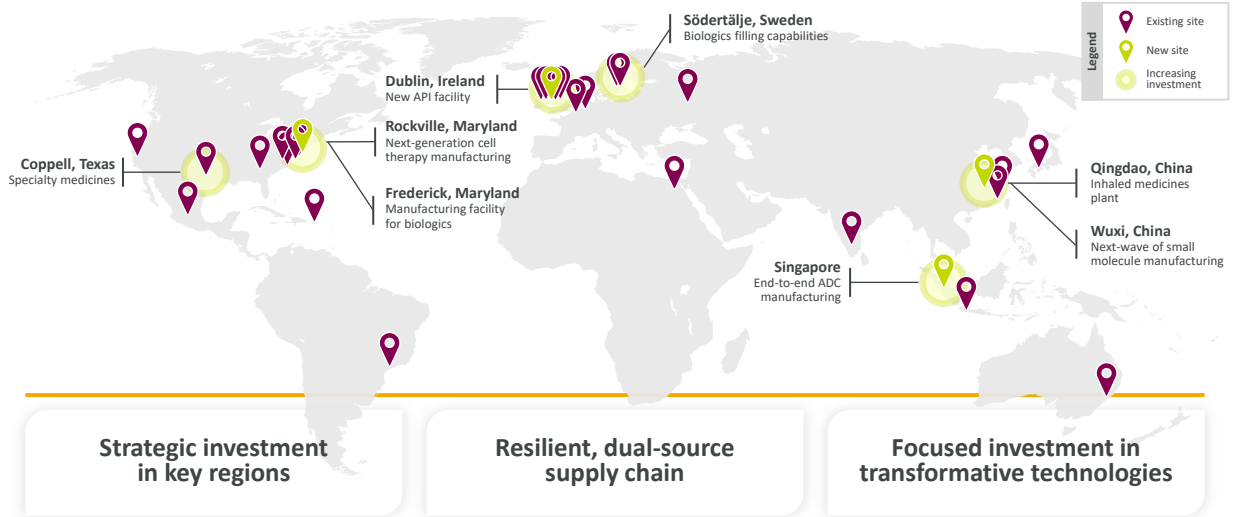


↘ Declining ↘ Slight Growth ↘ Modest Growth ↗ Solid Growth ↑ Strong/Double Digit Growth

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Diverse global manufacturing footprint

CapEx investment to support sustained long-term growth



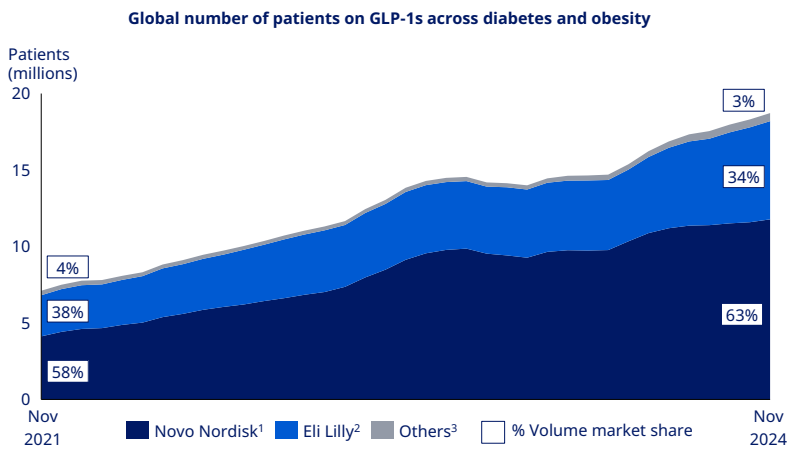
13
Appendix: [Glossary](#)



6 Investor presentation Full year 2024

Novo Nordisk®

Novo Nordisk has almost tripled its global GLP-1 patient reach in 3 years



Novo Nordisk GLP-1 patient reach

- Ongoing scaling efforts has supported almost a tripling of GLP-1 patient reach from ~4m to ~12m over the past 3 years
- Novo Nordisk is the global market leader with a GLP-1 volume market share of 63%

Scaling of capacity

- Several large investment announcements since 2021, totalling more than 130 bDKK
- In December 2024, the Catalent transaction was completed, expanding the Novo Nordisk global fill-finish footprint from 11 to 14 sites

¹Includes liraglutide and semaglutide ²Includes dulaglutide and tirzepatide ³Includes e.g. exenatide
Source: Based on information licensed from IQVIA: IQVIA MIDAS® monthly volume sales data for the period 01.11.2021 to 01.11.2024 (R3M) reflecting estimates of real-world activity. All rights reserved.

ENDNOTES

ⁱ The stagnation of the European economy was largely driven by Germany's GDP declining by 0.2 per cent over the last three months of 2024 and France by 0.1 per cent compared with Italy being flat and the only exception among the larger economies being Spain growing by 0.8 per cent, see: Sam Fleming, *'Eurozone economy unexpectedly flatlines in fourth quarter'*, [Financial Times](#), 30 January 2025. This had put increasing pressure on the ECB to lower its benchmark interest rate by a quarter point to 2.75 per cent in late January, while the US Federal Reserve reduced its rate to a range of 4.25 to 4.5 per cent just before Christmas but pointed to fewer cuts in 2025 than previously forecast, largely due to ongoing high inflation, see: Colby Smith and Harriet Clarfelt, *'Federal Reserve cuts rates but 'hawkish' forecast hits stocks and sends dollar jumping'*, [Financial Times](#), 19 December 2024. For an interesting view on higher inflation in the US, potentially forcing the Federal Reserve to increase rates from September 2025 onwards, see: Thanos Pappasavvas, *'The market is wrong about US rates under Trump in 2025'*, [Financial Times](#), 22 January 2025.

ⁱⁱ While Donald Trump had already threatened China, Canada, Mexico and Europe with severe tariffs during his election campaign, he was most aggressive to his neighbouring countries first and more cautious with China, where he had applied only a 10 per cent tariff so far. However, this escalated in late February when he added an additional 10 per cent levy on Chinese imports from 4 March, in line with the starting date for tariffs on Canada and Mexico, see: Steff Chavez, James Politi and Demetri Sevastopulo, *'US to raise tariffs on China and push ahead with Canada and Mexico levies'*, [Financial Times](#), 28 February 2025. Equally, in Europe, where he threatened a 25 per cent tariff on imports of cars, drugs and chips into the US but, at the time of writing, this has not been implemented yet, see: Myles McCormick, *'Donald Trump considers 25% tariff on imported cars'*, [Financial Times](#), 19 February 2025. A few days later, the US President added that 'this will be on cars and all other things', as quoted in: James Politi, Kana Inagaki and Barbara Moens, *'Donald Trump threatens to impose 25% tariffs on EU goods'*, [Financial Times](#), 27 February 2025.

ⁱⁱⁱ This wake-up call for the very expensive training of new AI models in the US was widely perceived as the 'aha-moment' with the potential to transform costs and removing bottlenecks in AI development, with the main breakthrough of DeepSeek's R1 model coming from its use of 'reinforcement learning' to further reduce human involvement in producing responses to prompts, see: Melissa Heikkilä, *'DeepSeek's 'aha-moment' creates new way to build powerful AI with less money'*, [Financial Times](#), 29 January 2025. Interestingly, the CEO of NVIDIA, Jensen Huang, paid great respect to DeepSeek's R1 model, claiming that this has 'ignited AI enthusiasm' though, at the same time, outlining what the cost benefits of their latest Blackwell product is, including a 25 times higher throughput and being 'designed with reasoning models in mind' (NVIDIA Q4'FY25 analyst call on 26 February 2025).

^{iv} The Stoxx Europe 600 index had risen by 6.6 per cent and the FTSE 100 index was up by 6.2 per cent in January, whereas the S&P 500 index in the US gained only 3.2 per cent over that period. However, given many years of underperformance of European stocks against their US counterparts, the huge valuation gap – estimated as being the widest since the late 1980s – still applies and there are fears that not only new US tariffs on European products but also the sharp rise in energy and food prices in recent weeks might quickly undermine this short-term recovery, see: Mari Novik, *'European stocks on track to outpace global rivals in January'*, [Financial Times](#), 31 January 2025.

^v In his opening remarks at the Goldman Sachs Q4'2024 analyst call on 15 January 2025, David Solomon outlined the uncertainty about immigration, tariffs, tax policy, energy and cyber risk. Other CEOs of major US banks were even more outspoken, highlighting stagflation as being the 'greatest vulnerability', and remaining concerned about high unemployment and inflation (James Dimon, CEO of JPMorgan Chase at the Q4'2024 analyst call on 15 January 2025).

^{vi} Mohamed El-Erian, *'The mounting risks to US exceptionalism'*, [Financial Times](#), 14 February 2025. In this context, one interesting discussion in the face of deteriorating public finances in the US is whether credit rating agencies will have the guts to stand up to President Trump and call out the growing US credit risk without fear or favour, see: Moritz Kraemer, *'Will the credit rating agencies stand up to Donald Trump?'*, [Financial Times](#), 31 January 2025. With the US House of Representatives having passed a budget resolution that relies on trillions of US dollars in tax and spending cuts, it remains to be seen what implications this has for the growing US budget deficit, see: Alex Rogers, *'US House passes budget resolution to cut taxes and spending by trillions'*, [Financial Times](#), 26 February 2025.

^{vii} Yanmei Xei, *'China's superpower of scaling will spur DeepSeek's competitive threat'*, [Financial Times](#), 25 February 2025. For an interesting view on Western prejudices about Chinese innovation in the context of DeepSeek's latest AI model, see: John Thornhill, *'With DeepSeek, China innovates and the US imitates'*, [Financial Times](#), 31 January 2025.

For US technology companies continuing to bet on big, expensive large language models, including the latest GPT-4.5 from OpenAI, Anthropic's Claude 3.7 Sonnet and Grok 3 of Elon Musk's xAI, see: Cristina Criddle, 'OpenAI reveals GPT-4.5 amid flurry of new AI model releases', *Financial Times*, 28 February 2025. For the fast deployment of the R1 model in China, ranging from hospitals to local governments and national industry champions, see: Eleanor Olcott and Wenjie Ding, 'DeepSeek spreads across China with Beijing's backing', *Financial Times*, 27 February 2025.

^{viii} Shell Q4'2024 analyst call on 30 January 2025. This claim was repeatedly made by other European CEOs, among others, Ericsson, Trelleborg and AkzoNobel, during the FY2024 results season.

^{ix} However, US and Asian companies had often a somewhat different experience, pointing to order patterns changing towards long-cycle businesses (Todd Leombruno, CFO of Parker Hannifin, at the Q2'FY25 analyst call on 30 January 2025) and not necessarily observing frontrunning of orders during Q4'2024 due to new Trump tariffs starting in 2025 (AMD, TSMC).

^x Citigroup argued that this positive sentiment is one major reason that they plan to IPO their Mexican business in 2025 (as elaborated at the Q4'2024 analyst call on 15 January 2025).

^{xi} The CEO of Morgan Stanley, Ted Pick, observed that 'CEO confidence is improving' and that the M&A pipeline is 'healthy and diversified in 2025' (Morgan Stanley Q4'2024 analyst call on 16 January 2025). Similarly, the CEO of Goldman Sachs, when judging about his clients' sentiment, felt that there is an 'increasing appetite for dealmaking' (Goldman Sachs Q4'2024 analyst call on 15 January 2025), which was confirmed by various industrial companies, notably in the US (Parker Hannifin, Baker Hughes, Eaton, Pfizer, Merck & Co.). In turn, European companies either defined their M&A budget within a smaller bracket (Sanofi) or focused their strategy on 'challenging existing paradigms' like IT spend, travel, mature projects and supply chains (Shell).

^{xii} For some relevant recent literature, see: Clemens Fuest et al., *EU Innovation Policy. How to Escape the Middle Technology Trap*, European Policy Analysis Report, 2024; Yan Coatanlem and Oliver Cost, *Cost of Failure and Competitiveness in Disruptive Innovation*, University of Bocconi, September 2024; Chris Bradley et al., *The Next Big Arenas of Competition*, McKinsey Global Institute, October 2024 and *Artificial Intelligence Index Report 2024*, Stanford University Human-Centered Artificial Intelligence.

^{xiii} Martin Wolf, 'What makes the US truly exceptional', *Financial Times*, 4 December 2024.

^{xiv} For a more detailed analysis of this new phenomenon of sharp liquidity shocks, see: Vincent Mortier, 'Liquidity risks in markets are not intractable', *Financial Times*, 18 December 2024.

^{xv} The CEO of TotalEnergies, Patrick Pouyanne, reported that they are not seeking a primary listing in New York but are aiming for 'continuous trading in Paris and New York' and will file the necessary legal documents to the New York Stock Exchange by the end of 2025 (TotalEnergies Q4'2024 analyst call on 5 February 2025).

^{xvi} For some relevant articles, see: Howard Marks, 'Is the US stock market in bubble territory?', *Financial Times*, 8 January 2025; Ruchir Sharma, 'The mother of all bubbles', *Financial Times*, 2 December 2024; John Hussman, 'New eras, same bubbles: the forgotten lessons of history', *Financial Times*, 11 December 2024; and Stephanie Stacey and Mari Novik, 'How big is the stock market's America bubble?', *Financial Times*, 3 March 2025.

^{xvii} Adam Parker, 'The valuation warning for Costco and other higher-rated stocks', *Financial Times*, 20 November 2024.

^{xviii} Rob Arnott, 'Value investing is due for a big comeback', *Financial Times*, 14 August 2024. Arguably, the attempted rapprochement of the new US administration with Russia has even further spurred the recovery of listed European companies in February, implying hopes for lower energy costs, access to cheaper Russian raw materials and even lower transport and logistics costs if Russian territory has not to be circumvented, although much is still speculation and more sentiment than fact driven.

^{xix} Steven A. Altman and Caroline R. Bastian, *DHL Global Connectedness Tracker*, DHL Group in partnership with NYU Stern School of Business, November 2024

^{xx} Maersk Q4'2024 analyst call on 6 February 2025.

^{xxi} For the former, see: Michael Pettis, 'Tariffs are a misunderstood tool', *Financial Times*, 10 December 2024, and for the latter, see: Martin Wolf, 'Why Trump's trade war will cause chaos', *Financial Times*, 20 November 2024 as well as Alan Beattie, 'Trump's tariff obsession is worse than before', *Financial Times*, 7 November 2024. For poorly designed tariffs potentially destroying US factory jobs, using the US steel industry as an example, see: Brian Albrecht, 'Some tariffs are worse than others', *Financial Times*, 26 November 2024.

^{xxii} Trelleborg Q4'2024 analyst call on 29 January 2025.

^{xxiii} Halliburton Q4'2024 analyst call on 22 January 2025.

^{xxiv} TotalEnergies Q4'2024 analyst call on 5 February 2025 and TSMC Q4'2024 analyst call on 16 January 2025. For

TSMC's proactive effort to minimise the threat of new Trump tariffs, see: Kathrin Hille, *'Taiwan and TSMC rush to head off Donald Trump's tariff threat'*, [Financial Times](#), 11 February 2025. When asked about the impact of new Trump tariffs on its business, US-based Eaton replied that they will 'compensate this through commercial activity' and that they have a 'play book' based on previous experience with the Trump administration (Paulo Ruiz, COO of Eaton, at the Q4'2024 analyst call on 31 January 2025). The CFO of NVIDIA, Colette Kress, was extremely cautious when asked about the impact of the Trump tariffs on their business, claiming that 'tariffs at this point (are) a little bit of an unknown' (NVIDIA Q4'FY25 analyst call on 26 February 2025).

^{xxv} When asked about their US-dollar exposure, the CFO of Roche, Alan Hippe, responded that 70% of their debt is in US-dollar, which is 'very strong' and 'doesn't really help' (Roche FY2024 analyst call on 30 January 2025). Equally, US companies operating abroad reported FX headwinds and turned their attention to more local-for-local production, reducing lead times and strengthening supply chains (Jennifer Parmentier, CEO of Parker Hannifin, at the Q2'FY25 analyst call on 30 January 2025).

^{xxvi} For a more extensive discussion of some recent attempts by the new US administration, see: Gillian Tett, *'Dollar dominance means tariffs are not the only game in town'*, [Financial Times](#), 11 January 2025. In this context, an interesting insight into how Russian President Putin's attempt to rally his Brics partners behind an alternative currency to the US-dollar has failed so far, see: Charles Clover and Daria Mosolova, *'Vladimir Putin's alternative to 'weaponised' dollar fails to excite Brics partners'*, [Financial Times](#), 24 October 2024.

^{xxvii} For some very powerful arguments in this debate, see: Eswar Prasad, *'The ironies of Trump's tantrums about the dollar'*, [Financial Times](#), 24 December 2024.

^{xxviii} This is in reference to the 1985 Plaza Accord, which aimed to weaken the US currency but did not stop the US government of running chronic deficits, see: Alan Beattie, *'The alarming contradictions awaiting Donald Trump's dollar'*, [Financial Times](#), 16 January 2025.

^{xxix} For the adoption of the new US budget resolution in late February 2025, see: Alex Rogers, *'US House passes budget resolution to cut taxes and spending by trillions'*, [Financial Times](#), 26 February 2025.

^{xxx} While it goes beyond the scope of this market commentary to look at the impact of the current US monetary policy on various currency baskets, especially in emerging markets, a good first overview was provided by: Ian Smith, Olaf Storbeck and Arjun Neil Alim, *'Dollar hits two-year high after robust US data puts brake on rate cut bets'*, [Financial Times](#), 13 January 2025.

^{xxxi} For a more extensive elaboration of the impact on emerging markets currencies, see: Robin Brooks, *'Big changes are coming for the dollar and emerging markets'*, [Financial Times](#), 12 November 2024. For China's efforts to support a weakening renminbi, see: Arjun Neil Alim, Cheng Leng and Joseph Cotterill, *'China steps up defence of renminbi against Wall Street bets'*, [Financial Times](#), 9 January 2025.

^{xxxii} For more details of the divergence to developed market peers in 2024, see: Harriet Clarfelt and Joseph Cotterill, *'Emerging market stocks slide on Trump tariff threats and strong dollar'*, [Financial Times](#), 15 January 2025, and for the recent performance of the JPMorgan index of emerging market currencies, see: Harriet Clarfelt, *'Dollar's surge sparks biggest fall in emerging market currencies in 2 years'*, [Financial Times](#), 12 December 2024.

^{xxxiii} For some of these arguments, see: Ruchir Sharma, *'The world should take notice – the rest are rising again'*, [Financial Times](#), 26 August 2024. The author undermined some of his own arguments, however, when looking in a separate article more specifically into Latin America, with a particular focus on populist economic policies in Mexico, Brazil, Colombia, Chile and Peru, see: Ruchir Sharma, *'The pink tide is drowning Latin America'*, [Financial Times](#), 21 October 2024.

^{xxxiv} For an extensive explanation of some of these arguments, see: Manik Narain, *'Pain is coming for emerging markets from a Trump trade war'*, [Financial Times](#), 14 January 2025.

^{xxxv} For more detail in that, see: Harriet Clarfelt, Joseph Cotterill and Ian Smith, *'Trump trades' start to misfire as dollar weakens'*, [Financial Times](#), 11 February 2025.

^{xxxvi} For some first data points and observations on this, see: Ruchir Sharma, *'The world is moving on to trade without the US'*, [Financial Times](#), 26 January 2025.

^{xxxvii} For a representative outline of that, see: Trinh Nguyen, *'The emerging winners in Asia amid the trade wars'*, [Financial Times](#), 19 February 2025.

^{xxxviii} For an estimated \$35bn cost for providing prescription drugs to about 54mn over-65s in the US covered through Medicare over the next nine years, which compares with a total budget of \$120bn for Medicare in 2024, see: Oliver Barbnes, *'Obesity drugs could cost US health insurance system \$35bn, study finds'*, [Financial Times](#), 9 October 2024. In this context, the CEO of Novo Nordisk, Lars Fruergaard Jorgensen, mentioned that more than 80 per cent of patients

in the US pay \$25 out of pocket for their Wegovy drug and the rest is covered by Medicare. Overall, costs of their product mix in the US are covered by 50% commercial, 30% Medicare, 10% Medicaid and 10% other (Novo Nordisk FY2024 analyst call on 5 February 2025).

^{xxxix} For weight-loss drugs also reducing the risk of Alzheimer though, at the same time, increasing the risk of arthritic, kidney and pancreatic disorders, see: Clive Cookson and Michael Peel, *'Weight-loss drugs reduce risk of Alzheimer's, large study shows'*, Financial Times, 21 January 2025. For a more comprehensive investigation, including the treatment of addictions to nicotine, inhalants and alcohol as well as breathing disorder, higher inflammation (cardiovascular), Alzheimer and Parkinson, among others, see: Ion Johnston and Michael Peel, *'What other conditions could weight-loss drugs treat?'* Financial Times, 12 December 2024. The CEO of Novo Nordisk, Lars Fruergaard Jorgensen, summarised the current situation with the industry still being at the 'early stage of understanding obesity' and that there are 'benefits on co-mobility' (Novo Nordisk FY2024 analyst call on 5 February 2025).

^{xi} With Novo Nordisk and Eli Lilly being in head-on-head competition for new weight-loss drugs, both companies openly discussed the easy access consumers find on the internet, with the head of R&D at Novo Nordisk, Marcus Schindler, calling for the need of insurance (Novo Nordisk Q3'2024 analyst call on 7 November 2024). In this respect, the other hotly debated theme by these two companies back in autumn 2024 was that of 'compounding', raising concerns about product quality and the FDA looking into the issue for 'health safety reasons' (Lucas Montarce, CFO of Eli Lilly, at the Q3'2024 analyst call on 30 October 2024). For a broader discussion of the access to obesity drugs at the internet, see: Hannah Murphy, *'How weight loss drugs took over Instagram'*, Financial Times, 13 November 2024.

^{xii} For a good insight, see: Michael Peel, *'Obesity experts call for overhaul of diagnoses and warn on use of BMI as tool'*, Financial Times, 15 January 2025.

^{xiii} For a more detailed discussion, see: Hannah Kuchler and Oliver Barnes, *'Investors lose their appetite for the obesity trade'*, Financial Times, 23 January 2025.

^{xiiii} For an early discussion of the intentions of the new US health secretary, Robert F Kennedy, notably to revert outgoing Democratic President Joe Biden's decree to allow obesity drugs to be paid by Medicare and Medicaid to treat weight loss on its own, see: Oliver Barnes, *'Inside Robert Kennedy's fractious battle to fix America's health'*, Financial Times, 28 November 2024. When asked about their relationship to the new health secretary, pharma and biotech companies remained extremely cautious so far, simply saying that 'we agreed on collaboration' (Albert Bourla, CEO of Pfizer, at the Q4'2024 analyst call on 4 February 2025). Equally, with the new uncertainty surrounding the FDA, their focus is perceived to be on 'dosing and scheduling' (Dean Y. Li, head of R&D at Merck & Co., at the Q4'2024 analyst call on 4 February 2025).

^{xlv} AstraZeneca Q4'2024 analyst call on 6 February 2025.

^{xlv} AstraZeneca Q3'2024 analyst call on 12 November 2024. Interestingly, the company had announced only a few months earlier that China had become an important part of AstraZeneca's global R&D network, leveraging local innovations and partnerships (Pascal Soriot, CEO of AstraZeneca, at the 2024 Investor Day on 21 May 2024). For the arrest of three salespeople of AstraZeneca in China in autumn 2024, see: Eleanor Olcott, Wang Xueqiao and Ian Johnston, *'AstraZeneca shares fall as China probe intensifies'*, Financial Times, 6 November 2024.

^{xlvi} Pascal Soriot, CEO of AstraZeneca, at the Q4'2024 analyst call on 6 February 2025.

^{xlvii} While Johnson & Johnson had less than five per cent of global sales in China in 2024, the CEO, Joaquin Duato, pointed to a 'myriad of issues in Asia Pacific' during the Q3'2024 reporting season, including a strike in South Korea and a weak economic environment in Japan (Q3'2024 analyst call on 15 October 2024). Equally for Novartis, where the CEO, Vasant Narasimhan, pointed not only to more economic pressure in China but also the clean-up of corruption in the healthcare system (Novartis Q3'2024 analyst call on 29 October 2024).

^{xlviii} Pfizer Q3'2024 analyst call on 29 October 2024.

^{xlix} As variously discussed at the AstraZeneca Q3'2024 analyst call on 12 November 2024, the Novartis Q3'2024 analyst call on 29 October 2024 and the Meet Novartis Management Investor Event on 21 November 2024.

ⁱ These estimates were provided by the CFO of Merck & Co., Caroline Litchfield, at the Q4'2024 analyst call on 4 February 2025, the CFO of AbbVie, Scott Reents, at the Q4'2024 analyst call on 31 January 2025 and the CFO of Pfizer, Dave Denton, at the Q4'2024 analyst call on 4 February 2025.

ⁱⁱ Aradhana Sarin, CFO of AstraZeneca, at the Q4'2024 analyst call on 6 February 2025.

ⁱⁱⁱ As variously discussed at the GSK FY2024 analyst call on 5 February 2025 and the AbbVie Q4'2024 analyst call on 31 January 2025.

ⁱⁱⁱⁱ For an extensive investigation into this new form of economic nationalism, see: James Kynge, Jude Webber and Christine Murray, *'China's new back doors into western markets'*, Financial Times, 5 September 2024. Given the fact

that the EU and US started to close lucrative tax loopholes for Chinese e-commerce merchants, it is perhaps no surprise that some of the big Chinese players started to enter partnerships with Russian online marketplaces such as Ozon Global and Wildberries, see: William Langley, *'Chinese ecommerce merchants set up shop in Russia's online marketplaces'*, Financial Times, 16 December 2024.

^{liv} Given that more than 30 per cent of shipments to the US under the de minimis exemption were from Shein and Temu, it is perhaps no surprise that the US Customs and Border Protection agency targeted Chinese e-commerce players, with the average value of these orders being reportedly about \$50, see: Laura Onita, Zijing Wu and James Fontanella-Khan, *'Shein IPO plans hit by Trump's low-cost parcels crackdown'*, Financial Times, 14 February 2025. For a massive increase in airfreight from Asia to the US given the strong growth for cheap online goods from Chinese e-commerce groups, see: Chan Ho-him, Oliver Telling and Philip Georgiades, *'Air freight groups and airlines rush to increase flights out of China'*, Financial Times, 18 November 2024.

^{lv} About hundreds of Temu merchants reportedly descending on its Guangzhou offices to protest, with police having to intervene in July 2024, see: Ryan McMorrow, *'Chinese retailer PDD takes \$55bn share hit after warning of 'inevitable' profit decline'*, Financial Times, 27 August 2024.

^{lvi} For details on the current debate in the EU commission, see: Paola Tamma and Andy Bounds, *'EU to crack down on Asian online retailers'*, Financial Times, 4 December 2024.

^{lvii} For greater details on these investigations, see: Alice Hancock and Paola Tamma, *'EU to pursue Temu for alleged sale of illegal products'*, Financial Times, 31 October 2024.

^{lviii} For an interesting investigation into Shein's workplace practices in the southern Guangzhou region, including head-on-head competition with Temu and the flooding of Instagram and Facebook with adverts, see: Eleanor Olcott and Tina Hu, *'How China's 'Shein village' grabbed the fast fashion supply chain'*, Financial Times, 18 September 2024.

^{lix} Given that the London market has been starved with IPOs in recent years, it is perhaps no surprise that a massive lobbying effort in favour of a Shein listing in London started, see: John Gapper, *'London should take a chance on Shein's fast-fashion IPO'*, Financial Times, 28 November 2024.

^{lx} Steff Chavez and Stefania Palma, *'Donald Trump to halt enforcement of law banning bribery of foreign officials'*, Financial Times, 11 February 2025.

^{lxi} Casey Michel, *'In America, there is finally good news on the anti-money laundering front'*, Financial Times, 28 February 2024.

^{lxii} For recent cases of McKinsey in South Africa, see: Rob Rose, *'McKinsey's \$122mn bribery settlement in South Africa sparks outrage'*, Financial Times, 10 December 2024; for US bribery allegations of Indian Tycoon, Gautam Adani, in the solar industry, see: Leslie Hook, Rachel Millard and John Reed, *'The solar saga behind US bribery allegations against Gautam Adani'*, Financial Times, 3 December 2024; and for the US art market being lucrative for Russian oligarchs to avoid sanctions, see: Deborah Lehr, *'The US art market is a sanctions black hole'*, Financial Times, 29 February 2024.

^{lxiii} Swiss trading companies were frequently investigated by US judges in recent years, with Trafigura currently under trial in Switzerland for alleged bribery in Angola, see: Sam Jones and Leslie Hook, *'Swiss prosecutors accuse Trafigura of paying €5mn in bribes to Angolan official'*, Financial Times, 20 November 2024. Equally, former private bankers of the daughter of former Uzbek President, Gulnara Karimova, at Lombard Odier were charged with complicity in money laundering, see: Sam Jones, *'Swiss prosecutor charges Lombard Odier with money laundering'*, Financial Times, 29 November 2024.

^{lxiv} For some of the relevant details, see: Ryan McMorrow and Demetri Sevastopulo, *'China's tech minister removed from office'*, Financial Times, 28 February 2025.

^{lxv} For an extensive discussion of this practice in China, see: Cheng Leng and Ryan McMorrow, *'Beijing seeks to curb 'shakedown' detentions of Chinese executives'*, Financial Times, 29 December 2024.

^{lxvi} For details on the bribery investigation of Thales in the UK, see: Suzi Ring and Sylvia Pfeifer, *'UK fraud agency opens bribery investigation of Thales'*, Financial Times, 22 November 2024; and for Italian prosecutors having issued a warrant for the arrest of Austrian property tycoon, Rene Benko, see: Amy Kazmin, *'Italian prosecutors issue arrest warrant for Signa's Rene Benko'*, Financial Times, 4 December 2024.