Quintet unveils 2025 midyear investment outlook

Luxembourg-headquartered private bank highlights core dynamics that will drive the global economy, financial markets and key asset classes in the second half of 2025 and beyond.

In an increasingly fragmented and multipolar world, the economic outlook remains in a state of flux. Mounting trade barriers, geopolitical uncertainty and eroding confidence represent especially key risks to global growth.

At the same time, while inflationary pressure has resurfaced in some economies – and higher tariffs could intensify such pressure – worldwide inflation is expected to ease. Unless a full-blown trade war erupts, the global economy is likely to avoid recession this year.

Meanwhile, interest rate cycles are diverging. The European Central Bank and Bank of England are expected to stay on a rate-cutting path. The Bank of Japan has signaled its readiness to raise rates, while the US Federal Reserve continues to walk a tightrope – balancing the risk of reigniting inflation against the danger of stifling economic growth.

Those are the views of Daniele Antonucci, Chief Investment Officer at Quintet Private Bank, which today unveiled its midyear outlook for the global economy, financial markets and key asset classes.

“The stagflationary trend that defined the first half of the year – slower growth and higher prices – has not fully faded,” said Antonucci, noting that US policy is shifting from global tariffs to domestic deregulation and tax cuts. “A key question is whether the stimulus generated by tax cuts and increased spending will offset market concerns about the size and trajectory of US government debt.”

Across the Atlantic, eurozone governments, led by Germany, are ramping up investment, particularly in defense. “We expect continued investment in infrastructure, sustainability and broader stimulus,” he said. “This is why we are currently overweight European equities and investment-grade bonds.

“We continue to believe the US dollar is overvalued and likely to weaken, partly due to reduced foreign appetite for dollar-denominated assets,” said Antonucci, adding that Quintet has increased its gold exposure as the precious metal should benefit from a weaker dollar.

To further reduce its US dollar exposure, Quintet has sold some US equities and reallocated to emerging markets and low-volatility developed-market equities. He explained: “Emerging markets offer compelling valuations and strong diversification benefits, while low-volatility equities have historically outperformed in downturns – helping cushion portfolios against rising uncertainty, particularly as the current 90-day tariff truce nears its end.” Quintet has also trimmed exposure to broad US equities and Treasuries, reflecting the growing burden of America’s fiscal and trade deficits – a structural vulnerability with global implications.

“One of our most significant recent moves has been increasing exposure to Japanese equities, which offer attractive valuations and strong diversification potential,” said Antonucci. After years of deflation, inflation is finally gaining traction in Japan – prompting the Bank of Japan to stand apart as the only major central bank currently raising interest rates. “This policy divergence supports the yen, which we view as undervalued. A stronger yen could enhance euro-based returns, while moderate appreciation should not impact Japan’s export competitiveness.”

Turning to fixed income, Antonucci said that the Luxembourg-headquartered private bank has recently moved from underweight to neutral on high-yield bonds. Quintet continues to underweight US investment-grade bonds as fiscal concerns could negatively impact Treasuries.

Highlighting the particular importance of portfolio diversification at a time of sustained uncertainty and volatility, Antonucci emphasized that Quintet continues to balance growth assets with defensive ones – pairing equities with short-dated European sovereign bonds, and high-yield credit with high-quality European corporate debt.

A lasting US-China trade deal or European fiscal stimulus could lift risk assets, which is why Quintet remains moderately equity overweight. But with policy uncertainty and markets reacting to headlines, he said, flexibility is essential.

“In investing, waiting for perfect clarity means missing opportunities,” Antonucci concluded. “You never reach final conclusions – only points of action. That is why we stay alert and ready to act. In today’s market, it is preparation, not reaction, that drives performance.”