Global Strategy 1Q 2025

Overall, the financial markets are entering the new year with confidence. The stock markets are at or near all-time highs and risk premiums on EUR corporate bonds are low. A solid economy in the USA and falling interest rates are decisive factors and we do not expect this to change for the time being. We therefore expect performance to remain positive. However, risks and the potential for volatility remain. A new administration under Donald Trump is taking office in the US, viable governments need to be formed in France and Germany and global trouble spots are still waiting to be resolved.

Investment Strategy 1Q 2025:

Govt. bond yields	Mar 2025
Germany (10Y)	2.10
USA (10J)	4.10

Currencies	Mar. 2025
EURUSD	1.03
EURCHF	0.91

Equity Performances		Mar. 2025
Global	↗	0%/ +5%
Europa	↗	0%/ +5%
USA	↗	0%/ +5%

Source: Erste Group Research

Prices as of
16.12.2024, 22:00

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19.12.2024, 14:15

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Note:
Our estimates are in absolute and not in relative terms. Bond yields and equity market returns in local currencies. Past performance is not a reliable indicator of future performance.

Economy

Key leading indicators in the eurozone weakened in the 4th quarter, so we expect growth momentum to slow. Despite the current poor sentiment, we are forecasting a slight increase in growth for 2025. This is partly because the real income situation of households should continue to improve thanks to falling inflation. Secondly, because the global interest rate reduction cycle should increase the propensity to invest. Starting from a solid level, we expect the US economy to cool down in 2025 as a whole, as we anticipate dampening effects from Trump's economic policy plans from 2Q25, above all the tariff regime. However, 1Q25 could still surprise on the upside due to front-loaded consumption and inventory build-up.

Bonds

For the eurozone, we expect a volatile sideways movement in the medium term with a tendency for yields to fall slightly, which should be supported by two ECB interest rate cuts of 0.25% each in 1Q25. Due to falling refinancing costs, we are sticking to our recommendation for BB-rated EUR corporate bonds with a focus on defensive sectors (such as telecoms, utilities). We see the best risk/return ratio there. In the context of a cooling economy in 2025, we expect the US Federal Reserve to cut key interest rates three times by 25 basis points each in 2025. This also suggests a slight decline in yields.

Currencies

The dollar could still gain somewhat in the first quarter. However, we expect a countermovement in the further course of the year. We think that the Swiss franc will strengthen somewhat in the coming months, but expect a volatile sideways market in the longer term. The ongoing geopolitical uncertainties and the Fed's interest rate cut cycle favor a rising gold price. We expect the gold price to rise to USD 2,780 in the first quarter.

Equities

Global earnings growth will be stronger in 2025 than in 2024. The consensus expectation is for earnings growth of +8.3% (y/y) and we consider this growth to be realistic based on the outlook for major global companies. We see further upside potential due to the reasonable valuation of global equities and the positive earnings outlook. We expect the global equity market index to rise in a range between 0% and +5% in 1Q25.

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Investment Strategy 1Q 2025

Yields			Estimates			
		current	1Q25	2Q25	3Q25	4Q25
10y. Govt. bonds	**Germany**	2.25	**2.10**	2.00	2.00	2.00
	Austria	2.65	**2.50**	2.35	2.30	2.30
	US	4.40	**4.10**	4.00	4.00	4.00
	CEE					
	Czech Republic	3.87	**3.81**	3.69	3.59	3.52
	Hungary	6.33	**6.35**	6.15	6.03	5.96
	Poland	5.32	**5.30**	5.20	5.00	4.90
	Romania	6.63	**6.93**	6.78	6.65	6.56

Source: Erste Group Research estimates

Currencies			Estimates			
		current	1Q25	2Q25	3Q25	4Q25
Global	**EURUSD**	1.05	**1.03**	1.05	1.05	1.07
	EURCHF	0.94	**0.91**	0.90	0.90	0.91
	Gold (USD)	2,648	**2,780**	2,860	2,930	2,980
CEE	**CZK**	25.31	**25.15**	25.05	24.95	24.85
	HUF	401.19	**408.00**	410.00	410.00	410.00
	PLN	4.31	**4.25**	4.30	4.30	4.25
	RON	4.97	**4.98**	5.03	5.05	5.08

Source: Erste Group Research estimates

Equities		Estimate			
		1Q 2025	min	max	FX
Global		↗	**0%**	**+5%**	USD
Regions	**Europe**	↗	**0%**	**+5%**	EUR
	USA	↗	**0%**	**+5%**	USD
	CEE	↗	**0%**	**+5%**	EUR
	Emerging Markets				
	Brazil	↗	0%	+5%	BRL
	India	↗	0%	+5%	INR
	China	↗	0%	+5%	USD
Sectors	Technology	↗	0%	+5%	USD
	Health Care	↗	0%	+5%	USD
	Financials	↗	0%	+5%	USD
	Telecom	↗	0%	+5%	USD
	Utilities	↗	0%	+5%	USD
	Industrials	↗	0%	+5%	USD
	Consumer Staples	↗	0%	+5%	USD
	Consumer Discretionary	↗	0%	+5%	USD
	Energy	↘	-5%	0%	USD
	Basic Materials	↘	-5%	0%	USD

Source: Erste Group Research estimates

Eurozone Economic Outlook

Leading indicators weaken further in 4Q

In 3Q24, growth momentum increased surprisingly significantly to 0.4% q/q, from 0.2% q/q previously. Nevertheless, Germany disappointed with continued stagnation in economic output. In contrast, Spain (+0.8% q/q) and France (+0.4% q/q) were the main pillars of growth. Germany continues to suffer from the ongoing weakness of the global industrial economy. At the component level, private and public consumption continued to grow. Encouragingly, investments also made a positive contribution to the growth for the first time in some time. In contrast, foreign trade had a considerable negative impact on the growth, due to a sharp decline in exports.

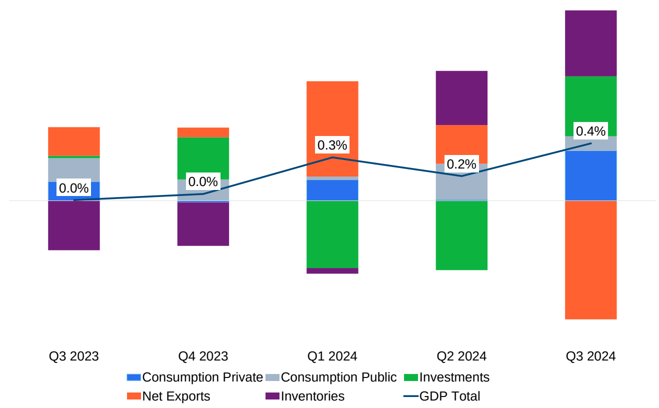
1.0% GDP growth expected in 2025

Unfortunately, important leading indicators weakened further in the fourth quarter, and we therefore expect growth momentum to slow to around 0.1-0.2% q/q, especially now that sentiment in the service provider sector has also weakened noticeably. Despite the current poor sentiment, we forecast a slight increase in growth momentum for 2025. This is partly because the real income situation of households should continue to improve, thanks to falling inflation, which should reduce the propensity to save somewhat. Moreover, the global interest rate reduction cycle should increase the propensity to invest in the major economic areas. Global industrial production should be able to benefit from this. We are therefore forecasting GDP growth of 1.0% in 2025, which should stabilize at this level in 2026. We expect Trump's new presidency to have a negative impact on the EU's foreign trade in the coming years.

Inflation should decline further in 2025

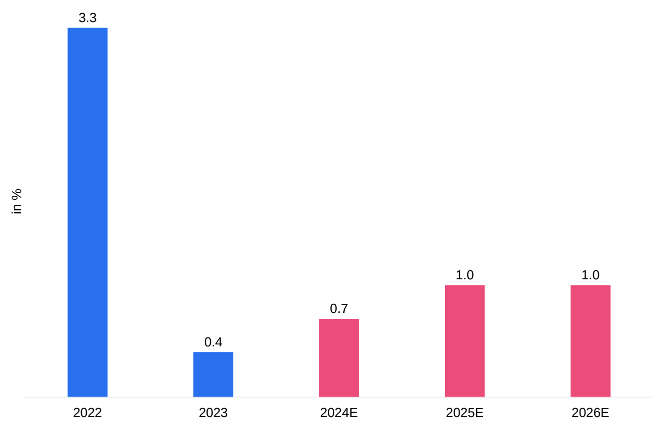
Inflation should fall further, from 2.4% to 1.9% in 2025. Inflation for service providers, which was still at 3.9% in November, will remain the focus of the financial markets for the time being.

Strong growth in 3Q 2024
EZ GDP growth by component



Source: Eurostat, Erste Group Research

Slow recovery expected in 2025
EZ GDP growth 2022 – 2026E



Source: Eurostat, Erste Group Research

US Economic Outlook

Declining growth in 2025 amid falling inflation

Weakening of the US economy in 2025 expected

Economic growth in the US was a positive surprise in the second quarter of the year and was revised upwards. The US gross domestic product rose by an annualized rate of 2.8% in the third quarter, following 3.0% in the second quarter. Private consumption was and is the engine of US economic growth and rose by 3.5%, which was above initial expectations. Increased government spending also contributed noticeably to the higher growth rate, with a volume above that of the two previous quarters, with the increase in defense spending being particularly significant.

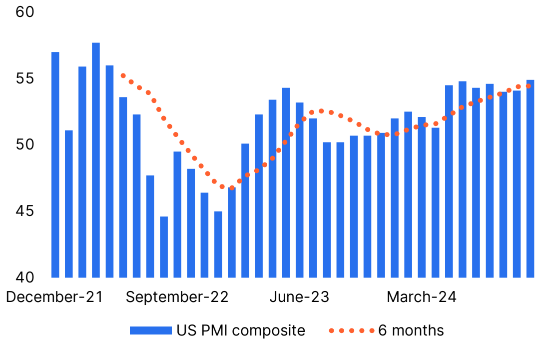
Consumer and purchasing manager show positive expectations

Consumer confidence has been on an upward trend since the summer, not least due to a healthy labor market, and the purchasing managers' survey for November showed a strong result. The latter consisted of weaker data for services – albeit at a high level consistent with current economic performance – and rising figures for the manufacturing sector. The Atlanta Fed's real-time GDP estimate suggests that the level will remain unchanged for the fourth quarter. However, we expect the US economy to cool down for the full year 2025, as we expect Trump's economic policy plans, especially the tariff regime, to have a dampening effect from Q2 2025 onwards. However, Q1 2025 could still surprise on the upside with consumption and inventory build-up being brought forward.

It takes longer than expected for the Fed to reach the inflation target

On an aggregate basis, headline inflation rose in the fourth quarter. After an inflation rate of 2.6% in October, it was indexed at 2.7% in November. Core inflation for October remained stubbornly high at 3.3%. We expect to see a cooling of the US economy in the coming year, which should have a dampening effect on inflation, as should falling energy and housing costs. Higher US tariffs should push up prices. Overall, however, we expect to see a lower rate of inflation next year than this year.

Purchasing managers have positive outlook
Purchasing manager index aggregate



Source: S&P Global, Erste Group Research

Healthy job market stabilizes
Unemployment rate, in %

Source: Bureau of Labor Statistics, Erste Group Research

CEE Economic Outlook

GDP growth in most CEE countries surprised to the downside, prompting us to revise our 2024 and 2025 GDP forecasts downward. Hungary and Romania are expected to grow below 1% in 2024. In contrast, Serbia and Croatia experienced solid growth dynamics in the third quarter and are projected to outperform not only in 2024 but also in 2025. Despite some downward revisions, all CEE countries are forecasted to accelerate their GDP growth to above 2% in 2025.

Households' purchasing power recovered in 2024, and we expect spending to continue growing as inflation moderates further. Private consumption will thus positively contribute to 2025 growth. The slight acceleration in economic development is expected to come from higher investment activity next year, driven by the restart of projects financed from the new budgeting period (MFF 2021-2027).

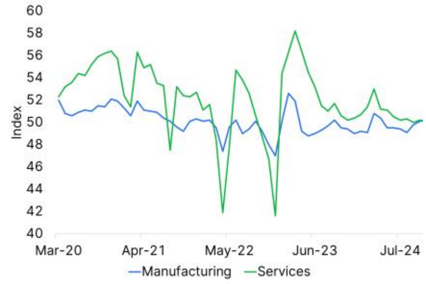
The external environment, including changes in the US political landscape and the weakness of the German economy, poses considerable downside risks to the current 2025 growth forecasts. Although the negative impact of tariffs is somewhat anticipated in our growth projections, it should have limited impact in the first year, with more significant potential impacts only in 2026. Fiscal consolidation is another growth-negative factor affecting the region's economic prospects, with Czechia, Romania, and Slovakia likely delivering the most sizeable fiscal consolidation.

According to leading indicators, there are limited signs that industry could pick up more vigorously in the near future. Expectations for production size in the coming months are rather subdued, primarily due to weak demand, which has been increasingly limiting production. All in all, domestic demand will remain the main pillar of the growth in CEE next year.

Emerging Markets Economic Outlook

China

China PMI manufacturing vs. services



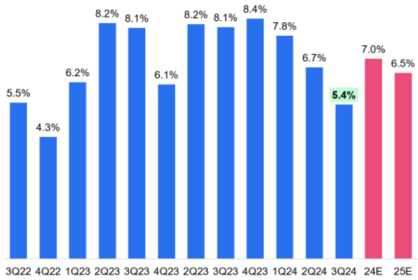
Source: Market data provider, Erste Group Research

The leading indicators suggest that China's economic momentum will remain stable in the 4th quarter. Due to the deliberate curbing of the real estate sector, China's growth momentum remains subdued. At the end of the 3rd quarter, however, the Chinese central bank decided to ease monetary policy extensively in order to stimulate the economy. In addition to the real estate market, some of the measures are also aimed at stimulating the Chinese stock market. The central bank may want to boost consumer sentiment by stimulating the capital markets (rising real estate prices and share prices), thereby strengthening consumption and thus growth in general.

However, the desired effects have not yet been reflected in the economic data. In addition, China is under particular pressure in the trade dispute with the US, as Donald Trump has announced particularly high trade tariffs against China. Against this backdrop, China's political leadership announced further measures to support the domestic economy in December, according to media reports. The government is planning a higher deficit and a further reduction in interest rates to stimulate the economy. The IMF expects China's growth momentum to fall further to +4.5% in 2025 from +4.8% in 2024.

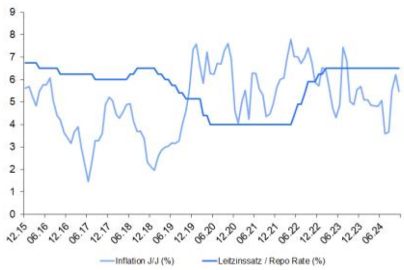
India

India: GDP-Growth y/y



Source: Central Statistical Org. India, IMF estimates

India: Inflation & Central Bank Target Rate



Source: Central Statistical Org. India, RBI

India's economy continues to grow very strongly. In 3Q24, GDP growth reached +5.4% y/y, after +6.7% y/y in the previous quarter. The long-term economic outlook remains clearly positive and the GDP forecast of +7% y/y for 2024 and +6.5% y/y next year is one of the highest in the world. The high growth reflects the strength of domestic demand and the rising proportion of the working-age population.

There was a further improvement in the growth trend in the manufacturing sector in November. The Purchasing Managers' Index (PMI) stood at 57.4 points, up from 56.5 points in October. There was strong international demand on a broad basis. As a result, the sub-index for export orders reached a four-month high. At the same time, however, the pace of production growth slowed due to increasing strong price pressure for a number of intermediate goods (including chemicals, cotton and rubber). Economic activity in the services sector remains at a high level. The Services EMI reached 60.8 points in November after 58.4 points in October. Employment in the sector grew faster than at any time since the survey began in 2005.

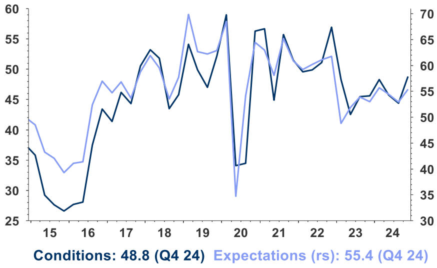
The Reserve Bank of India (RBI) left the key interest rate unchanged at 6.5% for the eleventh time in a row in November. At +5.5% y/y, inflation fell slightly again in November following the rise in October (6.2%). This means that inflation is back within the RBI's target of 4% (+/- 2%). The RBI's inflation forecast for 24/25 was recently raised from +4.5% to +4.8%. On the currency market, the Indian rupee was stable by international standards in Q4. During the quarter, the currency depreciated by only -1.0% against the USD. The yield on 10-year Indian government bonds remained at 6.7% in the fourth quarter.

Brazil

According to the IMF, Brazil's GDP will grow by around +2.2% in 2025. GDP growth will therefore slow compared to 2024, for which a GDP growth rate of +3.0% is forecast. Growth in private consumption will weaken from +4.5% (y/y) to +2.5% (y/y). Growth in industrial production will also be lower next year than this year. The consensus estimate for industrial production is +2.8% (Y/Y) for this year and +1.9% (y/y) for 2025. However, the assessment of purchasing managers in industry has improved slightly in recent months. This applies to both the assessment of the current situation and the assessment of future developments.

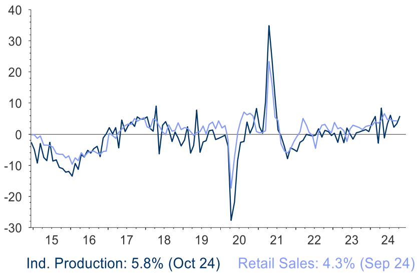
The development of the fiscal deficit continues to be a problem for Brazil. The fiscal deficit will amount to a high 7.7% of GDP this year and will remain at this level next year. At the same time, the current account balance will also be negative. It should amount to around -2.3% of GDP in 2024 and 2025. Due to this negative situation, the Brazilian real also depreciated significantly against the USD in the fourth quarter (4Q: -9%). The central bank subsequently continued the cycle of interest rate hikes that began in September with a further two rate hikes in the 4Q. Brazil's key interest rate thus stood at 12.25% most recently. The yield on 10-year government bonds rose from 12.4% to 13.4% over the course of the 4Q.

Brazil: Sentiment-Indices Industry



Sources: Datastream, Erste Group Research

Brazil: Industrial-Production and Retail-Sales y/y



Sources: Datastream, Erste Group Research

Eurozone

	Yield Forecast 1Q 2025
ECB Deposit Facility	2.50%
German Bond	2.1% (10Y)

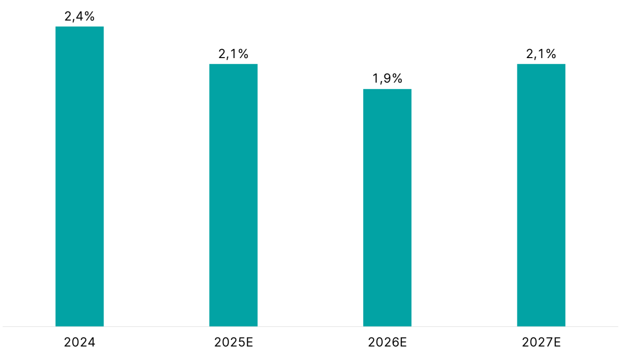
ECB opens the door to further interest rate cuts

Underlying inflation should settle at the target of 2%

As had been widely expected, the ECB Governing Council decided in December to cut the deposit rate by a further 25 basis points (bp) to 3.0%. The decisive factors were the inflation outlook, the dynamics of underlying inflation and the transmission of monetary policy. According to the ECB, the disinflationary process is well underway. However, the ECB acknowledges that wages and prices in some sectors are only adjusting to the previous inflation shock with a significant delay. In December, the ECB economists lowered their inflation forecast for 2025 slightly to 2.1%. The forecast for 2026 remains unchanged at 1.9%. The forecast for the core rate of inflation remained unchanged at 2.3% for 2025 and fell to 1.9% for 2026. Most indicators suggest that underlying inflation should settle at the ECB's medium-term target of 2%. The sentence stating that monetary policy will be kept sufficiently restrictive for as long as necessary has been removed from the press release, confirming expectations of further rate cuts in 2025. In our view, the ECB Governing Council will cut key interest rates by 25 bp at both the January and March meetings in Q1 2025. Despite the increased risks to the outlook, we expect the economy to gradually recover over the course of the year. In this environment, we are forecasting a temporary end to interest rate cuts with a deposit rate of 2% in September.

German government bond yields were very volatile in Q4 2024, but ultimately remained almost unchanged. The planned introduction of tariffs by US President Trump could dampen the propensity to invest and spend, and thus also economic output, in the eurozone. In addition, there were downside risks to yields, such as political uncertainties in the eurozone and the excessive deficit proceedings against France and Italy, among others, which led to a movement into German government bonds in the investor community. We expect a volatile sideways movement in the medium term, with a tendency for yields to fall slightly, which should be supported by two ECB interest rate cuts of 0.25% each by Q1 2025.

ECB expects inflation target to be reached in 2025
ECB inflation forecast, in %



Source: ECB, Erste Group Research

Yields expected to move sideways
Yield of German 10-year government bond, in %

Source: Market data provider, Erste Group Research

USA
Federal Funds Rate
US Treasuries

Yield Forecast 1Q 2025
4.25 – 4.50%
4.1% (10y)

Federal Funds Rate to be lowered further

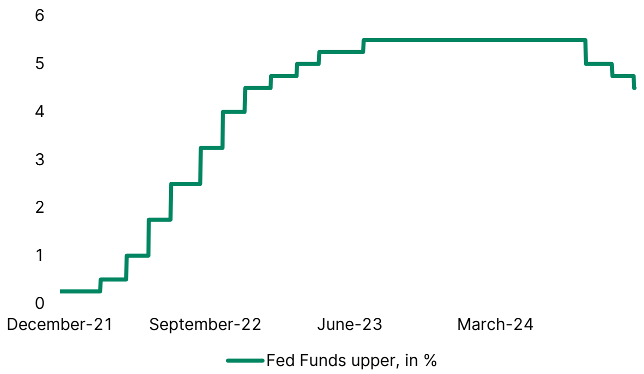
On December 17 and 18, the FOMC (Federal Open Market Committee), the US Federal Reserve's interest rate-setting body, met. At the meeting, the upper limit of the Federal Funds Target Rate, the key interest rate of the US Federal Reserve, was lowered by 25 basis points (0.25%). The effective federal funds target thus falls to 4.33%. The FOMC considered the risks of achieving the dual mandate, consisting of the inflation target and the goal of full employment, to be essentially balanced. The US economy, sentiment and labor market are currently positive. US GDP rose at an annualized rate of 2.8% in the third quarter. Real-time estimates such as those of the Atlanta Fed, as well as surveys of purchasing managers, indicate a similarly strong economy for the fourth quarter. Based on a healthy labor market, the sustained increase in real disposable incomes and sufficient new job creation, consumer confidence remains positive. The headline inflation rate was reported at 2.7% on an aggregated basis for November, rising for the second month in a row. Core inflation for November remained stubbornly high for the third straight month at 3.3%. Since we expect the cost of housing, a major driver of inflation, to continue to fall in the first half of 2025 and the still restrictive monetary policy will not remain entirely without effect on inflation rates, we expect the US Federal Reserve to cut its key interest rate by 25 basis points each quarter in 2025, starting from 2Q25, in the context of a cooling economy.

Solid economy and sentiment indications in the US

Quarterly rate cuts throughout 2025 expected

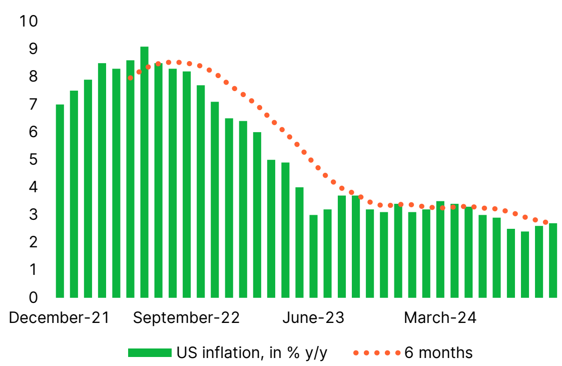
A few days after the US election result, yields began to consolidate, only to enter a fairly volatile phase since the end of November. In our view, the tariff and inflation expectations that had been rapidly and markedly priced in were exaggerated. We expect a noticeable cooling of the US economy and inflation rates in the coming year and largely stable long-term inflation expectations overall. Together with further key interest rate cuts by the Fed, this suggests a slight decline in yields.

Fed to cut key rates further
Federal funds upper end, in %



Source: Federal Reserve Bank, Erste Group Research

Downtrend of inflation slows
US consumer price inflation, in % y/y



Source: Market data provider, Erste Group Research

CEE Government Bonds

	Yield Forecast 1Q 2025
Czech Republic	3.81% (10J)
Hungary	6.35% (10J)
Poland	5.30% (10J)
Romania	6.93% (10J)

The central banks in CEE have recently paused their easing cycle and are expected to restart monetary easing in 2025. In Czechia, we anticipate interest rates to be cut by only 75 basis points in 2025, as the central bank's board aims to maintain a margin over the neutral rate and requires not just forecasted but also reported inflation to be very close to the target. The Hungarian central bank faces the most challenging situation. While weak economic growth and inflation within the tolerance band suggest room for more rate cuts, a EURHUF well above 400 necessitates a cautious approach. Consequently, we expect a very cautious approach to lowering rates, with the key rate reduced only to 5.5% from the current 6.5%.

Poland's central bank recently surprised markets with hawkish comments, indicating a delay in the first hike, which had been expected in 2Q25. Monetary easing in Romania will heavily depend on the design of fiscal consolidation, and we expect rates to be cut by only 75 basis points in 2025. The Serbian central bank is expected to deliver a 100 basis point rate cut by 3Q25, normalizing its monetary policy at the fastest pace among CEE central banks.

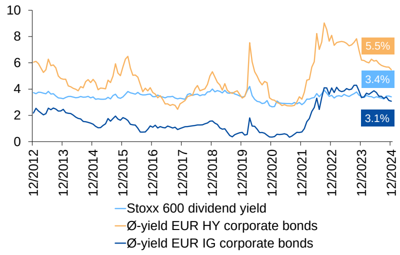
Volatility in CEE bond markets remained high in 4Q24 due to significant currency movements and the repricing of future interest rate developments. While bonds in many CEE markets managed to recover their losses from the beginning of 4Q24, the Romanian bond market was the only one where 10-year yields showed a clear upward trend throughout 4Q24. The unclear political situation following a series of presidential and parliamentary elections has been perceived by investors as a drag to much-needed fiscal consolidation.

In line with our expectations, Croatia was upgraded by S&P and Fitch to an 'A-' rating, with S&P maintaining a 'positive' outlook. Moody's upgraded Croatia by two notches in November. In early October, Serbia achieved a significant milestone as S&P raised its credit rating to 'BBB-' with a stable outlook, allowing the country to join the investment-grade rankings. Fitch upgraded Hungary's outlook to stable, while S&P changed Slovenia's outlook to positive. Conversely, Romania's rating could come under pressure again due to the challenging political environment affecting fiscal consolidation efforts. In December, Moody's downgraded Slovakia's rating to A3, aligning it with Slovenia and Croatia.

EUR-Corporate Bonds
Investment Grade
High Yield

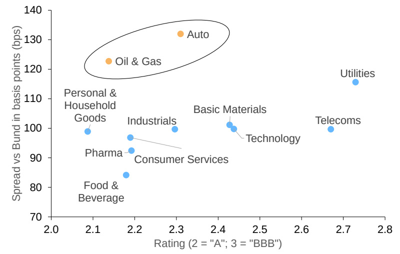
Credit metrics of HY issuers improve, further tailwind expected from ECB interest rate cuts

Corporate bond yields remain high by historical standards
Corporate bond- vs. dividend yields*



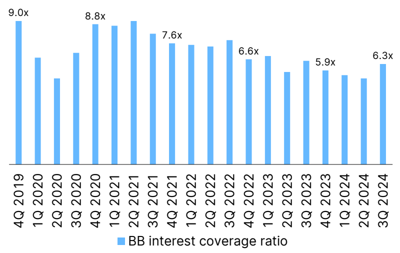
Source: Markit, Erste Group Research
As of 18 December, 2024
* Ø dividend yield of the STOXX 600 index in %
Ø residual term to maturity (IG): ca. 5 years
Ø residual term to maturity (HY): ca. 4 years

IG segment: Oil & Gas, Auto bonds with the best risk/return ratio
IG corporates: Spreads vs. Ø-ratings



Source: Markit, Erste Group Research
As of 18 December, 2024

Ø-BB-interest coverage ratio improved in 3Q
EBITDA/interest expense, 4Q19-3Q24



Source: Market data provider, Erste Group Research
As of 18 December, 2024

IG & HY corporate bonds performed significantly better than German government bonds (-0.1%) so far in the 4Q with total returns of +1.2% and +1.9%, respectively. Weak economic indicators only temporarily dampened investors' appetite for risk. Risk premiums declined. In the IG segment, bonds from defensive sectors (pharmaceuticals, telecoms, utilities) performed slightly better than those from cyclical sectors, in line with the economic situation. Investors have so far ignored the political uncertainty in France as well as the uncertainty surrounding future US trade policy. Vague announcements of further stimulus measures in China appear to have had a positive impact on the EUR corporate bond markets recently.

In the IG segment, oil & gas bonds underperformed in 4Q, but in a sector comparison they have achieved the highest total return since the beginning of the year (+4.8%). From a risk/return perspective, the sector remains the most attractive within the IG bond segment (see center chart). Despite the normalization of energy prices that has already taken place, the consensus expects a stable, low debt repayment period in the sector in 2025.

Measured against their good average rating, IG bonds from the automotive sector also offer attractive risk premiums. At around +3.9%, auto bonds record the weakest performance and the lowest spread tightening of the IG segment in 2024 due to the challenges in the sector. However, their spreads tightened at an above-average rate in the 4Q.

The relatively high spreads in the oil & gas and automotive sectors (see center chart) are partly due to their use of investment grade-rated, subordinated bonds ('hybrid bonds').

The tightening of risk premiums in the 4Q is in line with the solid development of issuers' credit ratios. Despite the still relatively high refinancing costs and the weak economy, interest coverage ratios improved in the 3Q in both the IG and HY segments (see lower chart). The debt repayment period has been stable in the IG segment since the beginning of the year. For HY issuers, it even fell slightly compared to the previous quarter and the previous year. The default rate of speculative-grade rated corporate bond issuers fell over the course of 2024.

In the HY segment, the telecoms sector saw the strongest improvement in the debt repayment period in 3Q. The sector is relatively immune to a trade conflict with the US. The consensus for European telecoms assumes a decline in debt repayment period in 2025. Moody's expects EBITDA growth for the European telecoms sector and believes that significant free cash flow increases are possible thanks to lower investments.

We are sticking to our recommendation for BB-rated bonds with a focus on defensive sectors (such as telecoms, utilities), also due to the expected ECB interest rate cuts and falling refinancing costs. We see the best risk/return ratio there.

Currencies

US-Dollar

Forecast 1Q 2025
1.03

Economy and yield difference favor the US dollar

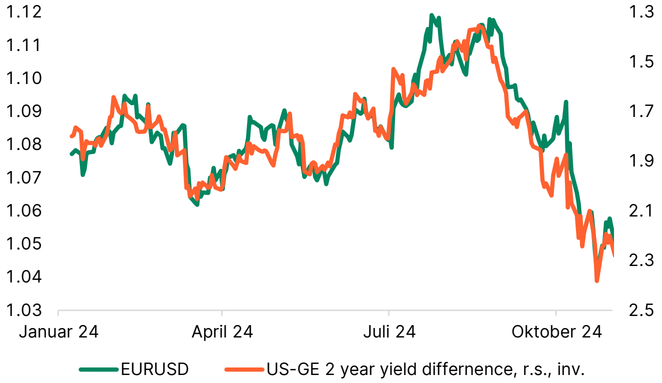
During the third quarter, the dollar weakened and EURUSD temporarily reached levels last seen in the summer of 2023. This was mainly due to US data showing a noticeable cooling of the US labor market. However, the latest US labor market data showed a stabilization at a still attractive level, while US inflation remained above the Fed's target, both as an aggregate and in the core measure. US gross domestic product rose at an annualized rate of 2.8% in the third quarter, following 3.0% in the second quarter. Private consumption is the engine of US economic growth and rose by 3.5%. Consumer confidence has been on an upward trend since the summer and the survey of purchasing managers shows a strong result towards the end of the year. The Atlanta Fed's real-time GDP estimate suggests a similar level for the fourth quarter.

Rising yield advantage favors the US dollar

This led to lower expectations of US interest rate cuts, which manifested itself in a rising USD interest rate advantage and thus in a stronger USD. US President Trump's planned introduction of tariffs could dampen the propensity to invest and spend in the eurozone, and thus also economic performance. In addition, downside risks to yields such as political uncertainties in the eurozone and excessive deficit proceedings against France and Italy, among others, have led to a shift in German government bonds of all maturities in the investor community.

We expect the ECB to cut interest rates two times by 0.25% in the first quarter, which we believe will be faster and more significant than the Fed's moves. In the medium term, we expect a volatile sideways market.

US Dollar reflects yield difference of short maturities
EURUSD



Source: Market data provider, Erste Group Research

Forecast 1Q 2025
0.91

Swiss Franc

Swiss key interest rate close to zero

SNB is working against deflationary trends

On December 12, 2024, the Swiss National Bank (SNB) lowered its key interest rate by half a percentage point from 1.0% to 0.5%. The first interest rate decision by Martin Schlegel as Chairman of the Swiss National Bank had been eagerly awaited. Market expectations were mixed in the run-up to the decision as to whether the interest rate cut should be 25 or 50 basis points (bp). The strength of the franc, the momentum of global monetary easing, political and geopolitical uncertainties, as well as the noticeable weakening of inflation, justify the 50 bp interest rate cut. The main arguments for the interest rate cut are the slowdown in price increases in Switzerland to a level that is not too far from deflationary tendencies, as well as the strength of the currency. The Swiss National Bank is also prepared to continue to be active in the foreign exchange market if necessary.

SNB ready to act on foreign exchange market

Inflation fell to 0.7% in November, well below the SNB's 1.0% estimate for 2024 as a whole. Both goods and services contributed to this decline. The SNB expects inflation to fall to 0.3% next year, ceteris paribus, and thus to approach the lower limit of the SNB's target range of 0–2%. The downside risks to inflation remain higher than the upside risks, and the strength of the franc, which is putting pressure on import costs, could further intensify this dynamic. Industrial activity has been rather weak for some time now, as Switzerland's main trading partners, particularly the EU, are struggling with economic and political problems, and the new US president's announced trade policy is causing uncertainty. For this year, the SNB expects 1.0% growth and for 2025 between 1.0% and 1.5%. The currency recently approached its all-time high against the euro, despite four interest rate cuts in 2024. In the wake of global monetary easing, we expect the SNB to cut interest rates further in 2025 to support the economy and inflation and to counteract a further appreciation of the currency as much as possible. We think that the franc will strengthen somewhat in the coming months, but expect a volatile sideways market in the longer term. The CHF can react quickly and appreciate in phases of political, geopolitical or capital market turbulence.

Major trade partners, in particular the EU, face problems

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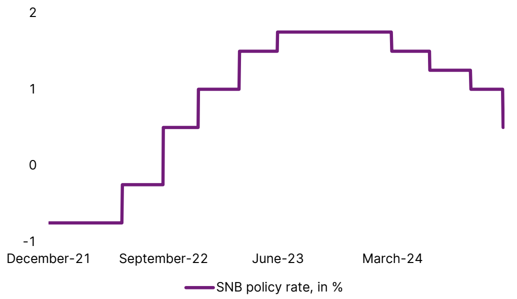
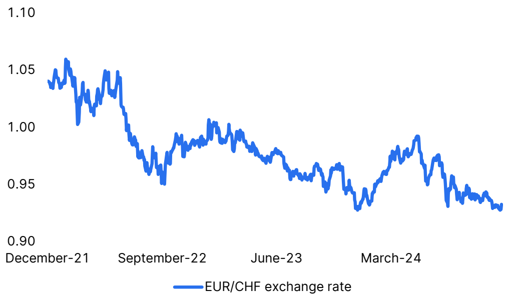
SNB lowers main interest rate to 0.5%
SNB main interest rate, in %



Source: Bundesamt für Statistik der Schweiz, Erste Group Research

CHF testing 0.93 multiple times – SNB active
EURCHF



Source: Market data provider, Erste Group Research

Gold

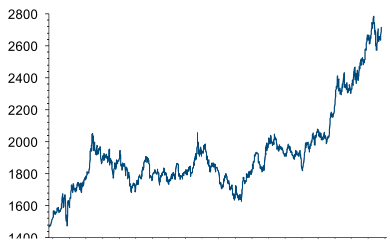
Forecast 1Q 2025
USD 2,780

The gold price rose by +3% in USD terms to USD 2,718 in the fourth quarter, reaching a new all-time high at the end of October. Since the beginning of the year, the performance in USD is +32%. In EUR, the gold price rose +9.7% in the 4th quarter. This results in a price increase of +38.5% since the beginning of the year.

Total global gold demand rose by +5% (y/y) to 1,313 tons in the 3Q. The value of gold demand increased by +35% (y/y) in 3Q. Demand exceeded the USD 100 bn level for the first time ever in 3Q. Demand for gold bars and coins fell by -9% (y/y). Gold ETFs saw strong net inflows in 3Q, after 9 quarters of outflows. Overall, investment demand for gold (bars, coins, ETFs) rose by +132% (y/y) to 364t in 3Q.

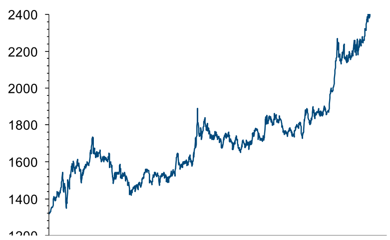
Global central banks have been continuous buyers of gold for almost 15 years. In the 3rd quarter, they again bought 186.2 tons of gold. This was a decline of -49% (y/y) compared to the same quarter last year. Overall, central banks bought 14% of the total gold supply in 3Q. According to a survey by the World Gold Council, demand for gold from central banks will continue.

Gold in USD



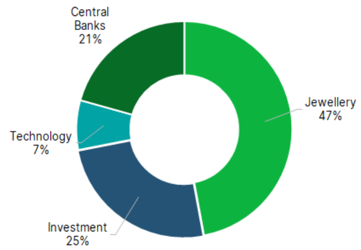
Source: Datastream, Erste Group Research

Gold in EUR



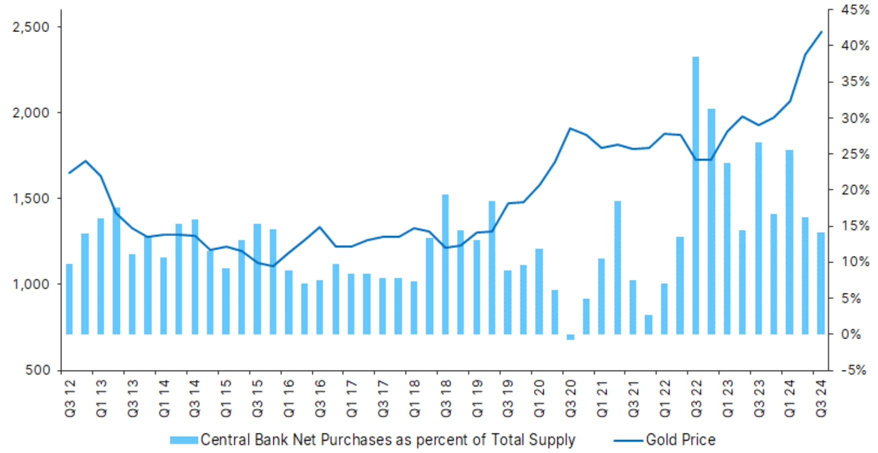
Source: Datastream, Erste Group Research

Demand Segments Global (%)
Previous 4Q sum



Source: World Gould Council, Erste Group Research

Gold net purchases by central banks
% of total supply



Source: World Gould Council, Erste Group Research

Geopolitical uncertainties remain high, particularly with regard to the wars in Ukraine and the Middle East. This is an important factor contributing to the rise in the gold price. The Fed's cycle of interest rate cuts that began in September should continue. As a result, gold is becoming increasingly attractive relative to fixed-interest investments.

Outlook: Demand for gold remains robust. The ongoing geopolitical uncertainties and the Fed's rate-cutting cycle are favoring a rising gold price. We expect the gold price to rise to USD 2,780 in the first quarter of 2025.

Equities

Forecast 1Q 2025
0% to +5

Global

Sales and net profit growth (y/y, %)

USD	Sales 24e	Sales 25e	Net Profit 24e	Net Profit 25e
North America	4.9%	4.9%	7.5%	12.6%
Europe	1.6%	-0.9%	-1.9%	1.1%
Asia	0.1%	1.9%	14.8%	4.3%

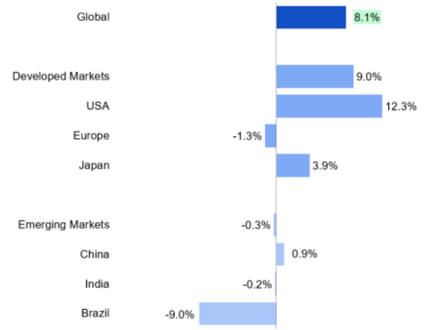
Source: Erste Group Research Index, FactSet.

The upward trend of the global stock market index accelerated in the 4th quarter. It gained +8.1% in EUR terms. The performance since the beginning of the year amounts to +25.4% in EUR. The first US stock index rose by +12.3% in EUR terms in the 4th quarter, while the European stock market fell by -1.3% in EUR terms. The Japanese equity market strengthened by +3.8% in EUR terms. The Emerging Market Index was down -0.3% in EUR terms in the 4th quarter.

The reporting season for the 3Q was particularly positive in the USA. 75% of companies reported earnings above consensus estimates. The earnings growth of US companies was +4% (y/y) in the 3Q. Profit growth will increase significantly in the coming quarters.

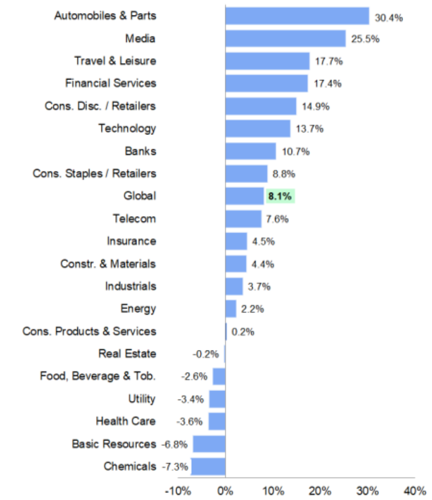
In Europe, the share of positive earnings surprises was 56% in the 3Q and earnings growth was +8% (y/y). However, earnings growth rates will decline for European companies over the next two quarters. The US reporting season for the 4Q starts on 13.01. with the results of UnitedHealth Group, followed by the big banks from 15.01. The European reporting season starts on 24.01. with the results of LVMH.

Global Regions Perf. 4Q 2024
Erste Global 1000 Index, EUR



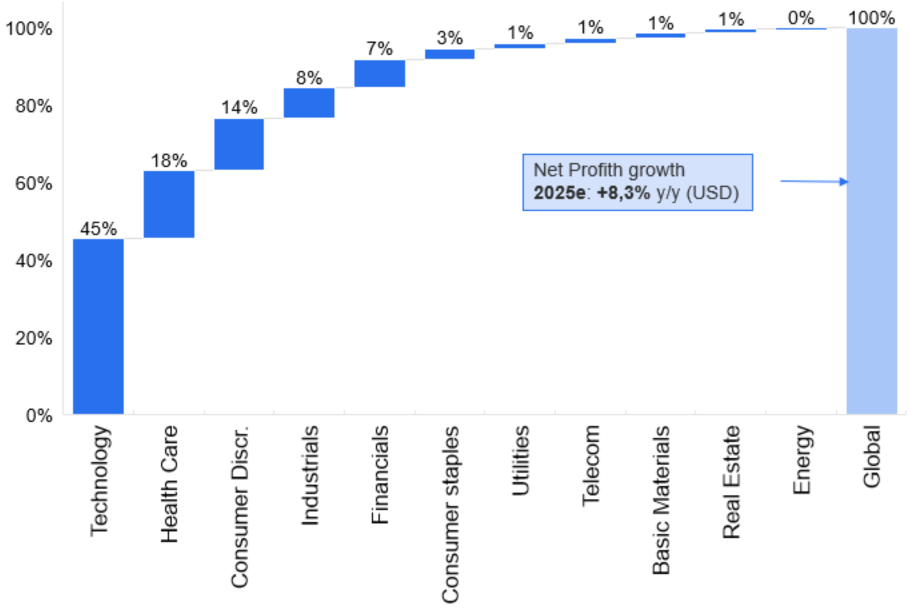
Source: Erste Group Research Index, FactSet

Global Sector Perf. 4Q 2024
Erste Global 1000 Index, EUR



Source: Erste Group Research Index, FactSet

Global Sectors: Contributions to net profit growth 2025
Erste Group Research Global 1000 Index (USD)



Source: FactSet, Erste Group Research

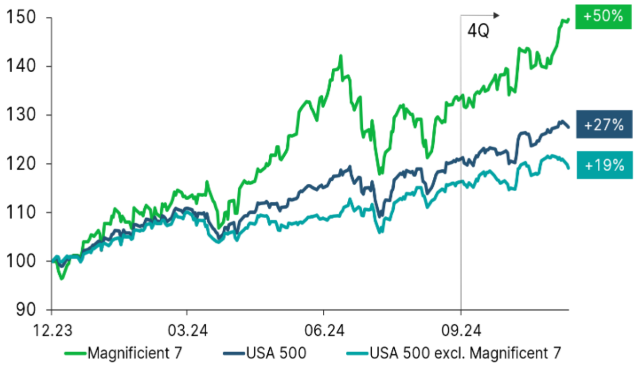
This year, the global stock market index is forecast to grow by +3.2% (y/y) with earnings growth of +6.1% (y/y). For next year, a similarly high sales growth (2025e: +3.0% y/y) and higher earnings growth is expected. The consensus estimate for 2025 is earnings growth of +8.3% (y/y).

The technology sector, the largest global sector by market capitalization, will make the largest contribution to the forecast earnings growth in 2025. The healthcare, consumer discretionary and industrial sectors will also contribute significantly to earnings growth next year.

The earnings performance of the "Magnificent 7" group, which mainly consists of the largest US technology stocks, is particularly relevant for the earnings growth of the entire technology sector and also for the US equity market. The prospects for these companies are above average.

Earnings growth of +22% (y/y) is forecast for the "Magnificent 7" companies next year. The good fundamental development of the "Magnificent 7" was also reflected in a very good share performance this year (YTD: +50%) and these shares made a very high contribution to the performance of the S&P 500 this year (YTD: 27%). Without these stocks, the performance of the S&P 500 would only have been +19%.

"Magnificent 7" versus USA 500 Index
Rebased to 100, USD



Source: Erste Group Research, FactSet

"Magnificent 7": Growth and valuation
USD

	Net Profit (y/y, %)			P/E Ratio		
Magnificent 7	**23**	**24e**	**25e**	**23**	**24e**	**25e**
Apple	0%	7%	7%	31x	37x	33x
NVIDIA	252%	129%	48%	48x	47x	33x
Microsoft	13%	15%	14%	36x	36x	32x
Amazon.Com	222%	46%	12%	52x	45x	37x
Alphabet	15%	18%	21%	24x	24x	21x
Meta Platforms	55%	33%	14%	24x	28x	25x
Tesla	-23%	-21%	37%	80x	170x	126x
USA 500 Index	**2.0%**	**8.0%**	**13.2%**	**28x**	**26x**	**23x**
Average Mag. 7	**76%**	**32%**	**22%**	**42x**	**55x**	**44x**
Premium to Index				*50%*	*112%*	*91%*
Avg. Mag. 7 ex. Tesla	**93%**	**41%**	**19%**	**36x**	**36x**	**30x**
Premium to Index				*28%*	*39%*	*31%*

Source: Erste Group Research, FactSet

The average valuation of the "Magnificent 7" stocks according to the P/E ratio 2025e - excluding Tesla - is 30.0x. The valuation is therefore 31% higher than that of the S&P 500. In view of the strong earnings growth of these companies and the above-average return on equity, the current valuation seems appropriate.

The valuation of the global equity market index according to the P/E ratio 2024e is currently 20.8x and 19.1x for 2025. The P/E ratio 2024e is currently above the long-term average due to the expectation of above-average earnings growth. It appears appropriate in view of the good growth prospects. The forecast dividend yield for the coming year is 1.9% (vs. 2024e: 1.8%).

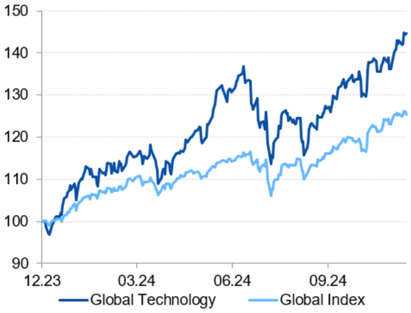
Outlook
Global earnings growth will be stronger in 2025 than in 2024. The consensus expectation is for earnings growth of +8.3% (y/y) and we consider this growth to be realistic based on the guidance of major global companies. Due to the reasonable valuation of global equities and the positive earnings outlook, we see further upside potential for share prices. We expect the global equity market index to rise by between 0% and +5% in 1Q25.

Global Sectors - Positive Outlook

Technology

Estimate 1Q	↗	0% bis +5%
World Index Weight		30.7%
2024 Perf. EUR		+44.5%
P/E 24e		31.8x
Net Profit y/y 24e		+24.8%
Top 3 Companies (Market Cap.)		
Apple		
NVIDIA		
Microsoft		

EGR Global Sector
EUR, rebased since 1 year



Source: Erste Research Index, FactSet.

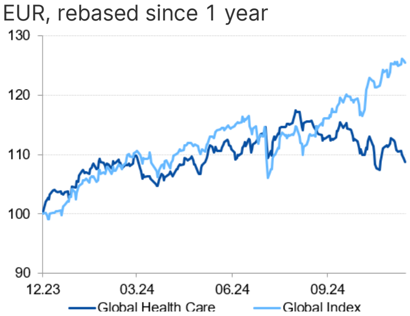
The global technology index rose by +13.6% in EUR terms in the 4th quarter. The performance since the beginning of the year amounts to +44.5% in EUR. The technology hardware index strengthened by +11.7% in EUR terms in Q4 and the software index was up +15.1% in EUR terms. Sales growth in the sector will amount to +10.5% (y/y) in 2024. The profit growth expected for this year is +24.8% (y/y). The outlook for 2025 is also clearly positive. Technology companies should then increase sales by +12.1% (y/y) and profits by +18.6% (y/y). The group of the "Magnificent 7" stocks, which represent the most important US technology companies, should achieve very high earnings growth of +22% (y/y) in the coming year.

The entire sector continues to benefit from the further development of artificial intelligence. Hardware companies such as NVIDIA are constantly launching new products ("Blackwell system") on the market that can train large language models even faster and are more energy-efficient at the same time. The technology hardware sector has an expected profit growth rate of +23.2% (y/y) in 2025. For the global software sector, the forecast profit growth rate in 2025e is +14.5%. The entire global technology sector makes the largest contribution to global earnings growth this year and in 2025 (2025e: 45% of global earnings growth). The forecast growth rates for sales and profits are significantly higher than those of the global equity market. Companies' operating margins and return on equity are also higher. This also results in a higher valuation of the sector. The P/E ratio for 2024e is 31.8x and that for 2025 is 26.8x. We consider this higher valuation of the sector to be justified given realistic earnings growth in 2025 and beyond. For the 1Q, we forecast a rise in the technology index in a range between 0% and +5%.

Health Care

Estimate 1Q	↗	0% bis +5%
World Index Weight		9.2%
2024 Perf. EUR		+8.7%
P/E 24e		21.3x
Net Profit y/y 24e		+6.7%
Top 3 Companies (Market Cap.)		
Eli Lilly		
UnitedHealth Group		
Novo Nordisk		

EGR Global Sector
EUR, rebased since 1 year

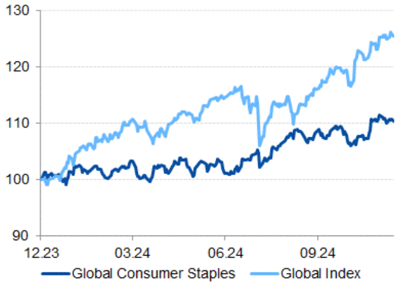


The healthcare sector index fell by -3.5% in EUR terms in the 4th quarter. The performance since the beginning of the year amounts to +8.7% in EUR. The performances of all individual segments of the sector were significantly lower than those of the world equity index in the 4th quarter. The sector index for healthcare providers (e.g. UnitedHealth Group, Cigna, HCA Healthcare etc.) fell -10.2% in 4Q. The sector index for pharmaceutical and biotech companies was down -4.1%. The medical technology manufacturers sector rose only slightly by +0.8%.

According to the consensus estimate, sales in the healthcare sector will rise by +8.3% (y/y) in 2024 and by +5.8% (y/y) next year. The profit growth forecast for 2024 is +6.7% (y/y) and, according to the consensus estimate, profits will grow faster in 2025 than this year at +16.7% (y/y). The pharmaceutical and biotech companies' segment is expected to see the highest earnings growth next year at +21.9% (y/y). The forecast earnings growth in 2025 is only +6.6% (y/y) for healthcare providers and +7.0% (y/y) for medical technology companies. The sector's P/E ratio 2025e is 18.7x, slightly below the P/E ratio 2025e of the global equity market (19.1x). We expect a performance in the range of 0% to +5% for the 1Q.

Estimate 1Q	↗ 0% bis +5%
World Index Weight	5.3%
2024 Perf. EUR	+10.3%
P/E 24e	19.8x
Net Profit y/y 24e	+0.2%
Top 3 Companies (Market Cap.)	
Walmart	
Coca Cola	
Nestle	

EGR Global Sector
EUR, rebased since 1 year



Source: Erste Research Index, FactSet.

Consumer Staples

The sector index rose by +1.8% in EUR terms in the 4th quarter. The performance since the beginning of the year is +10.3%. It is significantly below that of the global equity market. The performance of the individual segments of the index varied greatly. Only the tobacco segment (+8.5%) and the index of retail groups and restaurant chains in the non-cyclical consumer segment (Walmart, Starbucks, McDonald's) achieved positive performances in Q4. The decline in the indices for food producers and beverage manufacturers continued in the fourth quarter. The pronounced underperformance of food producers is due to the low expected earnings growth (2024e: +2.3% y/y and 2025e: +0.2% y/y). The weak and simultaneously declining sales growth as well as sharply rising food commodity prices for coffee and cocoa are weighing on earnings development.

The consensus estimate for sales growth in 2024 is +4.2% (y/y). For 2025, a sales increase of only +2.1% (y/y) is forecast. Profits will stagnate in 2024 (+0.2% y/y) and increase slightly next year (+4.1% y/y). The forecast growth rates for sales and earnings are significantly lower than for the global equity market. The sector's P/E ratio 2024e is 19.8x. The expected dividend yield 2024e is 2.8%. This is well above the global average of 1.8%. We therefore expect the sector index to rise at the lower end of the 0% to +5% range in 1Q.

Estimate 1Q	↗ 0% bis +5%
World Index Weight	17.4%
2024 Perf. EUR	+30.8%
P/E 24e	12.8x
Net Profit y/y 24e	+8.2%
Top 3 Companies (Market Cap.)	
Berkshire Hathaway	
JP Morgan	
Visa	

EGR Global Sector
EUR, rebased since 1 year

Source: Erste Research Index, FactSet.

Financials

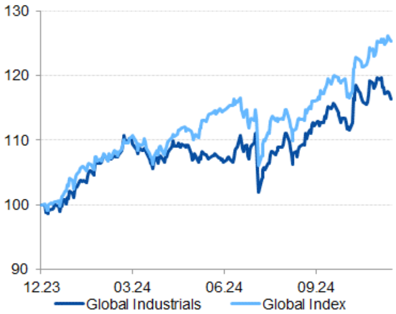
The global financials index gained +11.0% in EUR terms in the 4th quarter. Since the beginning of the year the performance amounts to a high +30.8% in EUR. All segments of the financial sector achieved growth in the 4Q. The sector index for investment banks posted the highest performance at +19%. The sector index for investment banks recorded the highest performance at +19%. US banks performed particularly well following the election of Donald Trump (+22%), as investors expect the new government will decrease some regulation in the financial sector.

The global financials sector is forecast to increase profits by +8.2% (y/y) in 2024. Profit growth in 2025 will be lower than this year. The consensus forecast for 2025 is profit growth of just +2.3% (y/y). The investment bank sectors (Goldman Sachs, Blackstone, etc.) and financial service providers (Visa, Mastercard, American Express, Morgan Stanley, etc.) are expected to see the largest profit increases (2025e: approx. +10% y/y). US bank profits, on the other hand, are only expected to rise by +1.8% in 2025. The consensus estimate for the profit development of European banks is a profit decline of -5.2% (y/y). For the banks in the global index, profits are expected to rise by +0.1% (y/y) and for insurance companies by +2.4% (y/y). Property and casualty insurers will achieve a profit increase of around +6.3% (y/y), while life insurers will see their profits fall by -4.2% (y/y).

The expected P/E ratio 2024e for the sector is 12.8x. It is below that of the global equity market of 20.8x due to the lower revenue and profit growth compared to the global market. The dividend yield for 2024 is high at 3.0%. We expect the global financials sector index to rise by between 0% and +5% in 1Q25.

Estimate 1Q	0% bis +5%
World Index Weight	9.8%
2024 Perf. EUR	+16.5%
P/E 24e	23.4x
Net Profit y/y 24e	+1.9%
Top 3 Companies (Market Cap.)	
Caterpillar	
General Electric	
Raytheon Technologies	

EGR Global Sector
EUR, rebased since 1 year



Source: Erste Research Index, FactSet.

Industrials

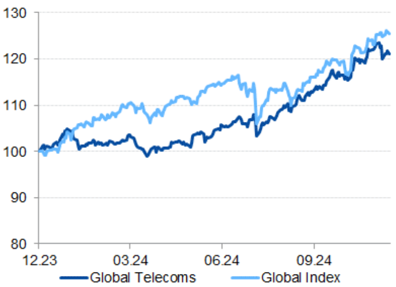
The global industrial sector index rose by +3.8% in EUR terms in the 4th quarter. The performance since the beginning of the year is +16.5%. The below-average performance in a global comparison reflects the weakness of industrial production in the USA and Europe. Most segments of the sector achieved slightly positive performances. Only the sector index for industrial transportation (e.g. Union Pacific, Uber, UPS, FedEx Corp.) was slightly weaker.

Global sales growth of +0.5% (y/y) is forecast for the industrial sector this year. A slight acceleration to +2.6% (y/y) is expected in the coming year. Profit growth should amount to +1.9% (y/y) in 2024 and rise to +7.5% (y/y) next year. In the US, the 2024 consensus estimate for the earnings growth of industrial companies is +2.0% (y/y) and a strong acceleration to +13.3% (y/y) is forecast for 2025. In Europe, growth is forecast to slow to +1.4% (y/y) in 2025 after an increase in profits of +2.9% (y/y) this year. In Europe, high energy costs and heavy regulation compared to the USA are the main obstacles to more dynamic growth in the sector.

The valuation of the sector according to the P/E ratio 2024e is 23.4x. The P/E ratio is higher than for global equities. Due to the positive earnings trend in the US and the high weighting of US industrial stocks in the global index of 54%, we expect the global sector index to rise by between 0% and +5% in the first quarter.

Estimate 1Q	0% bis +5%
World Index Weight	2.7%
2024 Perf. EUR	+21.1%
P/E 24e	18.5x
Net Profit y/y 24e	+11.9%
Top 3 Companies (Market Cap.)	
T-Mobile US	
Comcast	
Verizon	

EGR Global Sector
EUR, rebased since 1 year



Source: Erste Research Index, FactSet.

Telecoms

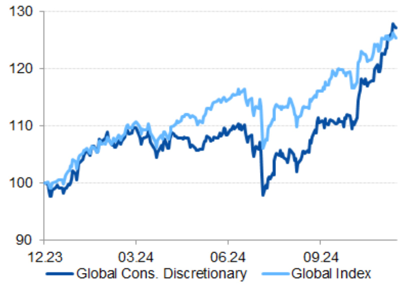
The global telecom sector index rose by +7.6% in EUR terms in the 4th quarter. The year-to-date performance in EUR is +21.1%. The index of telecom equipment companies (Xiaomi, Ericsson, Motorola, Nokia etc.) rose particularly strongly. It rose by +20.1% in EUR in the 4th quarter, or +58.3% since the beginning of the year. The index of telecommunications service providers strengthened by +6.3% in EUR terms in the 4th quarter.

Sales growth in the global sector is only +1.0% (y/y) this year. In the coming year, sales should increase by +1.6% (y/y). Profit growth is forecast at +11.9% (y/y) in 2024 and +3.5% (y/y) in 2025. The sector's revenue and profit growth will be generated almost exclusively by telecom suppliers. Their revenue growth is +7.5% (y/y) in 2024 and +9.8% (y/y) in 2025. The forecast profit growth of telecom supply companies is around +21.7% (y/y) in 2024 and +9.4% (y/y) next year. Telecom service providers will increase profits by approx. +11.1% (y/y) in 2024 and by only +2.9% (y/y) next year.

The expected growth rates for revenue and earnings for the entire sector in 2025 are significantly lower than for the global equity market index. Only the telecom supply companies are growing strongly. The sector's P/E ratio for 2024e is 18.5x. It is slightly below the average for global equities. The expected dividend yield 2024e is higher at 2.7%. We expect the sector index to perform positively by between 0% and +5% in the first quarter.

Estimate 1Q	↗	0% bis +5%
World Index Weight		14.6%
2024 Perf. EUR		+27.2%
P/E 24e		27.3x
Net Profit y/y 24e		+1.0%
Top 3 Companies (Market Cap.)		
Amazon.com		
Tesla		
Costco		

EGR Global Sector
EUR, rebased since 1 year



Source: Erste Group Research, FactSet

Consumer Discretionary

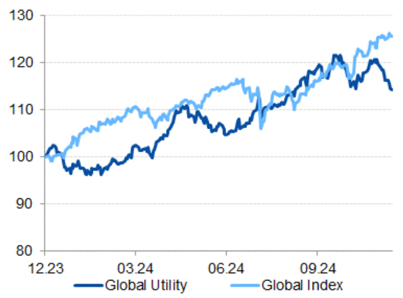
The sector index for cyclical consumption rose by +15.1% in EUR terms in the 4th quarter. The performance since the beginning of the year is 27.1%. This is slightly above the performance of the global equity market index. The performance of the individual segments of this sector varied greatly. The sector index for automobiles rose by +30.4% in the 4th quarter. The media sector strengthened by +25.4% in EUR terms. In contrast, the index for Household Goods & Housebuilding fell by -11.9%. The consensus estimate for sales growth in 2024 is +2.6% (y/y). The forecast for 2025 is sales growth of +2.5% (y/y). The sector's expected earnings growth is only around +1% (y/y) in 2024 and +9.6% (y/y) in the coming year.

In the coming year, the consumer services segment (Mercado Libre, Compass Group, Ross Stores, Ebay) will achieve the strongest revenue growth (2025e: +10% y/y) and profit growth (+13.9% y/y). The automotive sector will see stagnating sales (+/- 0% y/y) and a decline in profits of -13.1% (y/y) in 2024. The forecast for 2025 is a slight increase in revenue (+1.9%) and a slightly positive profit trend (2025e: +2.6% y/y). Tesla and BYD will make the largest contribution to the sector's profit growth in 2025.

The valuation of this sector as a whole is 27.3x based on the P/E ratio in 2024e. The P/E ratio is significantly higher than that of the global equity market. The dividend yield in 2025 is 1.1%. This is significantly lower than the global equity market's yield of 1.9%. The sector should benefit from the prospect of stronger earnings growth in 2025 than this year. The forecast earnings growth rates are also above the global average. We expect the sector index to perform in the range of 0% to +5% in the first quarter.

Estimate 1Q	↗	0% bis +5%
World Index Weight		2.0%
2024 Perf. EUR		+14.3%
P/E 24e		15.1x
Net Profit y/y 24e		+10.2%
Top 3 Companies (Market Cap.)		
NextEra Energy		
Southern Co		
Duke Energy		

EGR Global Sector
EUR, rebased since 1 year



Source: Erste Group Research, FactSet

Utilities

The sector index fell by -3.5% in EUR terms in the 4th quarter. The sub-index for electricity producers fell by -4.4% in EUR terms. The shares of the small segment of alternative energy producers (e.g. EDP Renovaveis, Adani Green Energy, Orsted) showed a strong negative trend. The performance of the sector as a whole was significantly lower than the global equity market index, not only in Q4 but also in 2024 as a whole (YTD: +14.3%).

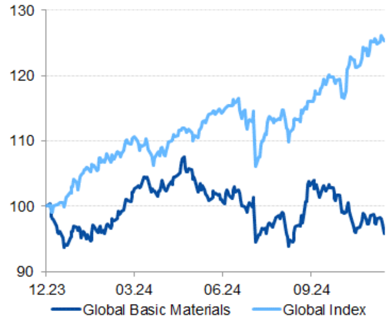
In the medium and long term, the sector will benefit from rising demand for electricity, particularly in the US, due to numerous planned AI data centers. As a result, the sales and earnings forecasts for the US sector are also significantly higher than the global comparison. US utilities are expected to increase sales by +5.4% (y/y) and profits by +9.6% (y/y) in the coming year.

Globally, the forecast for the sector is a revenue increase of only +0.3% in the coming year. The expected profit growth for 25e is +4.4%. This is well below the global average of +8.3% (y/y). We expect this sector to achieve only a slightly positive performance in the range of 0% to +5% in 1Q.

Global Sectors - Negative Outlook

Estimate 1Q	↘ -5% bis 0%
World Index Weight	2.4%
2024 Perf. EUR	-4.2%
P/E 24e	17.0x
Net Profit y/y 24e	-8.4%
Top 3 Companies (Market Cap.)	
Linde	
BHP Group	
Rio Tinto	

EGR Global Sector
EUR, rebased since 1 year



Source: Erste Group Research, FactSet

Basic Materials

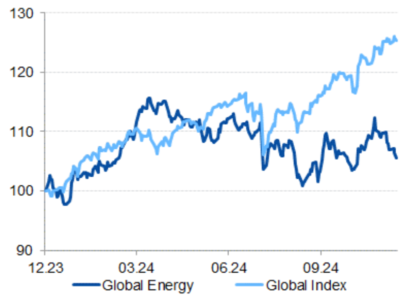
The global basic materials sector index fell by -7.1% in EUR terms in the 4th quarter. The performance since the beginning of the year is -4.2% (EUR). Only the precious metals and industrial materials segments achieved gains. The overall basic resources index is the only sector with a negative performance in 2024.

Companies in the commodities sector are confronted with a situation of slightly declining sales. The consensus forecast for 2024 is a -0.5% decline in revenues and a -2.2% (y/y) weakening of revenues is forecast for next year. Profits will fall by -8.4% (y/y) in 2024. A slight increase in profits of +3.6% (y/y) is expected again in 2025. Industrial materials manufacturers (International Paper, Avery Dennison, UPM- Kymmene) will see a strong increase in profits (2025e: +49.7%), as will precious metal miners (2025e: +32.4%).

The P/E ratio 2024e of the commodity index is 17x. It is below the P/E ratio of the global equity market. The expected dividend yield in 2025 is 2.8%. The current valuation does not appear attractive given the below-average growth prospects in a global comparison. We expect the global basic resources index to fall by between -5% and 0% in the first quarter of 2025.

Estimate 1Q	↘ -5% bis 0%
World Index Weight	4.4%
2024 Perf. EUR	+5.7%
P/E 24e	11.2x
Net Profit y/y 24e	-16.3%
Top 3 Companies (Market Cap.)	
Exxon Mobil	
Chevron	
Shell	

EGR Global Sector
EUR, rebased since 1 year



Source: Erste Research Index, FactSet.

Energy

The global energy sector index rose by +2.2% in EUR terms in the fourth quarter. The large difference in the performance of the overall index between the USA (+8%) and Europe (-3.5%) was remarkable. In the global energy index, the producers of crude oil, natural gas and coal rose in the 4th quarter (in EUR: +2.6%). By contrast, the index of producers of alternative energies (First Solar, Vestas Wind Systems, Enphase) fell by -14.3% in EUR terms.

The global energy sector will show no growth in 2025. Sales will even fall by -1.8% (Y/Y). The consensus estimate for earnings growth is only a slight increase of +0.4% (y/y). Earnings growth will be positive for US energy companies next year (2025e: +5.3% y/y), but negative for European companies (2025e: -6.3% y/y). This means that European companies will achieve three consecutive years of profit declines in 2025. The valuation of the sector according to the P/E ratio 2025e is 11.2x.

The P/E ratio is significantly below the global average. The dividend yield is above average. It amounts to 4.4% in 2025e. We expect the stagnation in the sector to continue in the medium term. The energy sector index should achieve a negative performance in the range of -5% to 0% in the first quarter of 2025.

Europe

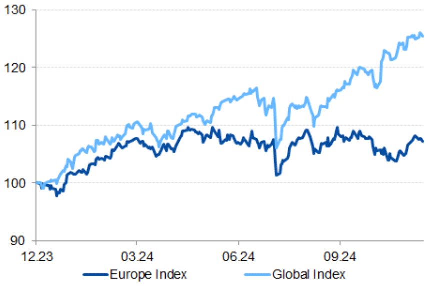
Forecast 1Q 2025
0% to +5%

Revenue and net profit growth
EUR, y/y

EUR	Sales 24e	Sales 25e	Net Profit 24e	Net Profit 25e
France	-0.7%	4.0%	-11.2%	6.2%
Germany	-0.4%	1.5%	-9.2%	2.7%
Switzerland	7.3%	3.7%	7.8%	11.3%
UK	2.0%	1.5%	-1.1%	2.8%
Netherlands	1.6%	2.8%	5.9%	10.2%
Europe	**1.3%**	**2.3%**	**-2.2%**	**4.3%**

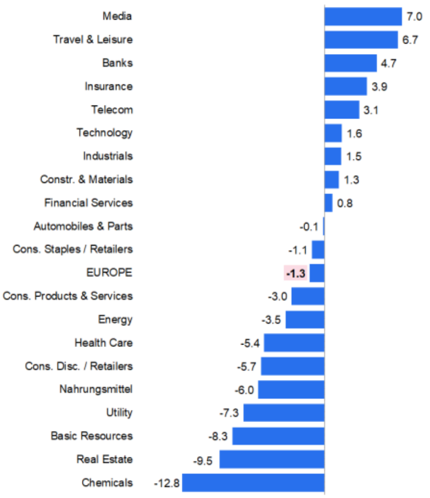
Source: Erste Group Research Index, FactSet.

Europe 250 Index vs. Global Index
Rebased to 100, EUR



Source: Erste Group Research Index, FactSet.

Europe Sector Perf. 4Q24
Erste Europe 250 Index, EUR

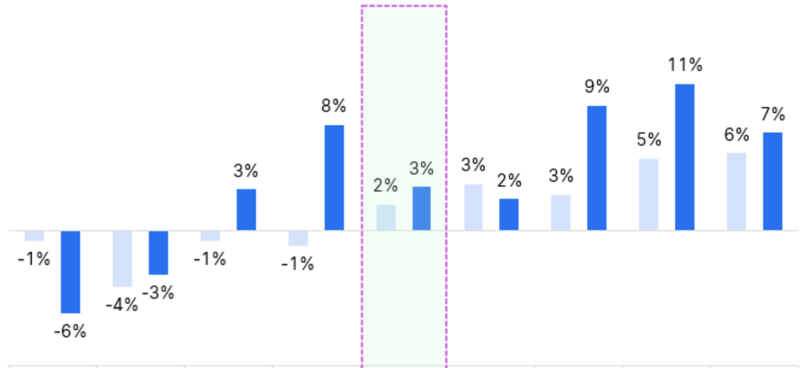


Source: Erste Group Research Index, FactSet.

In the 4Q the European index continued its sideways trend since March and fell slightly in EUR terms (-1.3%) during the quarter. For the full year 2024 the index increase amounts to +7.1%. During the course of the year there was a strong performance divergence between the equities in the index. 38% of stocks posted a negative performance since the beginning of 2024 and the majority of the positive YTD performance of the index came from three individual stocks with a high weighting: SAP (+73%), Deutsche Telekom (+37%) and Schneider Electric (+35%). These three companies benefited from a strong presence in the US and the low risk of new tariffs under President Trump in 2025 due to their business models.

The 3Q reporting season in Europe was in line with market expectations with a net profit increase of +8% y/y and a slight decline in revenues of -1% (y/y). The increase in net profits come from strong results in the financial sector. In this sector 3Q24 profits increased by +24.3% (y/y). Excluding this sector, profits would only have remained constant year-on-year. For 4Q24, profits are expected to rise again by +3.2% (y/y).

Europe: Revenue and earnings forecasts 4Q23 to 4Q25e
EUR, y/y, %



	4Q23	1Q24	2Q24	3Q24	4Q24e	1Q25e	2Q25e	3Q25e	4Q25e
Revenue	-1%	-4%	-1%	-1%	2%	3%	3%	5%	6%
Earnings	-6%	-3%	3%	8%	3%	2%	9%	11%	7%

Source: FactSet, Erste Group Research.

Profit growth of +4.3% (y/y) is expected in Europe for 2025 as a whole. However, the median earnings growth of the 250 companies in the index is significantly higher at +9.3% (y/y). The valuation of the index remains low by historical standards. The P/E ratio 25e stands at 14.8x and is therefore below the long-term average of 15.8x.

Outlook:
The profits of European companies should rise again slightly in the coming year and gain positive momentum, particularly in the second half of the year. In addition, the European equity market currently has a below average valuation in historical and global comparison. We therefore forecast the European index to rise slightly in the first quarter with a gain in the range of 0% to +5%.

USA

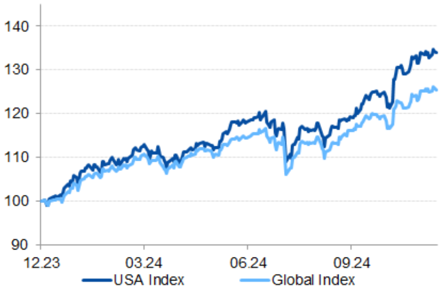
Forecast 1Q 2025
0% to +5%

USA Index

USD	2024e	2025e
Sales	+5.0%	+5.2%
EBIT	+7.1%	+13.3%
Net Profit adj.	+8.0%	+13.3%
PE	26.1x	23.0x
Div. Yield	1.2%	1.2%

Source: Erste Group Research Index, FactSet.

USA 500 Index vs. Global Index
Rebased to 100, EUR

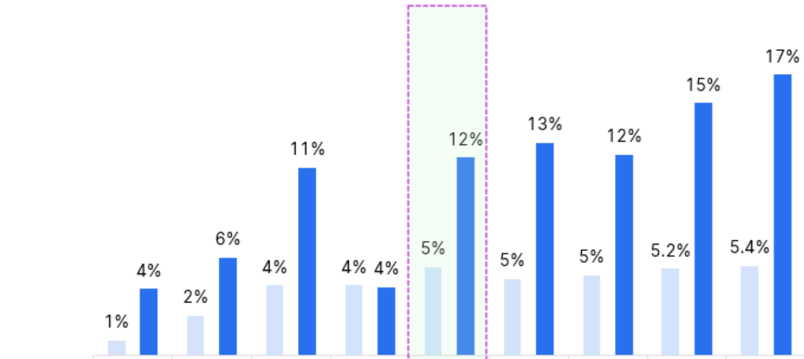


Source: Erste Group Research Index, FactSet.

The US stock market index rose by +12.3% in EUR terms in the fourth quarter. The leading US index recently reached a new all-time high. The sector indices for consumer discretionary, financials and technology posted the biggest gains. By contrast, the sector indices for commodities and healthcare fell.

The ISM index for US manufacturing improved in the fourth quarter and stood at 48.4 points in November. While this index level still indicates a contraction in the entire manufacturing sector, the component of new orders - at 50.4 points in November - is above the neutral level of 50 points. At 52.1 points, the latest ISM index for the services sector also shows continued expansion in this important segment of the US economy.

USA 500 Index: Expected revenues and net profits
Consensus forecasts per quarter



	4Q23	1Q24	2Q24	3Q24	4Q24e	1Q25e	2Q25e	3Q25e	4Q25e
Revenue	1%	2%	4%	4%	5%	5%	5%	5.2%	5.4%
Earnings	4%	6%	11%	4%	12%	12.8%	12.1%	15.2%	16.9%

Source: FactSet, Erste Group Research

In the 3Q reporting period, 75% of companies reported earnings above consensus expectations. Profit growth amounted to +4% (y/y). Sales growth was also +4% (y/y) in the 3Q. Corporate earnings growth is expected to rise to +12% (y/y) in 4Q. The earnings outlook for the coming quarters is also above average positive. The consensus forecast is for earnings growth of +12.8% (y/y) in 1Q and +12.1% (y/y) in 2Q.

The earnings growth of the companies in the USA 500 Index will be +8.0% (y/y) this year and sales growth +5.0% (y/y). According to the consensus estimate, sales growth in 2025 will be similar to this year at +5.2% (y/y). The forecast for earnings growth in the coming year is particularly positive, with above-average growth of +13.3% (y/y). The dividend yield forecast for 2025 is 1.2%. In view of the very good growth prospects, the valuation of the stock market is appropriate with a P/E ratio 2025e of 23.0x.

Outlook: Due to the prospect of above-average earnings growth in the coming year, the leading US indices should achieve further gains. The US equity market is also benefiting from the Fed's interest rate reduction cycle and the relative attractiveness of equities versus US government bonds. We forecast the US index to rise by between 0% and +5% in the first quarter 2025.

CEE

Forecast 1Q 2025
0% to +5%

CEE coverage index

EUR	2024e	2025e
Sales	12.5%	2.2%
EBIT	-5.8%	2.2%
Net Profit adj.	-5.8%	3.8%
PE	9.5x	9.1x
Div. Yield	4.4%	4.5%

Source: Erste Group Research Estimates.

The beginning of 2024 was originally characterized by hopes of a recovery in corporate earnings in Europe, supported by the Fed and ECB then starting their expected cycle of interest rate cuts. However, the bottoming out and subsequent recovery of corporate earnings did not materialize to the extent expected. As a result, growth expectations have been pushed back by another year. The US market has already priced in a significant amount of growth expectations in the wake of the election result. To the extent that the valuation of the US market rises, but at the same time a growth recovery in Europe solidifies, there could be a reallocation of market liquidity in favor of Europe, from which the Central and Eastern Europe region should also benefit.

After a majority of companies listed in the CEE region had also expected 2024 to be a year of bottoming out and recovery, around 40% of companies then reported results in 2024 that were below their own original expectations. Nevertheless, the momentum of corporate earnings on a 12-month view has stabilized to such an extent that the region can now also provide a positive and further improving outlook. Upward pressure on costs has flattened, although companies' operating costs remain at a high level. Particularly in the case of higher real wages, rising savings rates prevent higher disposable incomes from supporting operating corporate margins through consumption. At least the vast majority of CEE companies have left their investment budgets unchanged and are therefore not calling future growth into question.

While the general sentiment on the stock markets seems to remain robust, a variety of sources of global and local uncertainty cannot be ignored. Survey-based sentiment indicators such as PMI or ESI have not shown any real improvement to date.

Valuations on CEE stock markets continue to show tangible discounts to historical averages. We do not expect favorable valuations to be an argument per se at this point in time, but they do offer room for maneuver as soon as even early signs of growth recovery encourage investment in European and CEE markets.

Deflationary trends have also lost momentum in the region, but do not call into question a continuation of the regional central banks' cycle of interest rate cuts in 2025. This should continue to provide support for regional equity markets in the coming year.

In the region, the focus is still more on defensive stocks. In a pan-European comparison, however, there are repeated attempts to position oneself for a recovery in cyclicals, even if the current fundamentals do not necessarily support this. However, such early positioning should also make sense in CEE as a result. Otherwise, we continue to see potential in banks, including in Poland. We would also add selected industrials. We are currently overweighting the Czech market and Hungary. Poland should have moderate upside potential. In Romania, it remains to be seen how the current political uncertainty will be addressed in the context of a twin deficit. Turkey remains more speculative, although this is already less so than before.

Real Estate Europe

Forecast 1Q 2025
0% to +5%

The sentiment towards real estate is improving, however, recovery takes its time as transaction numbers indicate. The Stoxx 600 Real Estate index still shows a slightly negative YTD performance. This is partly because of the outstanding performance in the last months of the previous year.

German transaction volumes reached EUR 22.2bn in 1-3Q24, increasing by 9% y/y. The investment volume of EUR 7.7bn in 3Q24, however, came in some 6% below the figure for 2Q24 and clearly below the average figures of the last five and ten years, amounting to EUR 14.6bn and

EUR 16.2bn, respectively. Prime yields remained stable, except for a slight increase of 0.1%p in the logistics segment. With yields for 10Y government bonds falling by some 0.9%p compared to the previous year's figure, spreads to prime office yields now amount to roughly 3%p, while prime shopping malls show a spread of almost 4%p. Spreads for logistics and new residential are currently some 2.5%p and 1.4%p, respectively. Residential accounted for 24% of the transaction volume and was therefore in first place, followed by retail (21%) and logistics (20%). The office market can still be described as difficult but nevertheless contributed some 19% to the total investment volume. According to CBRE, investors focus less on core products but rather shift their interest more to value-added and opportunistic approaches. Furthermore, the real estate market seems to continue to stabilize, with interest rates coming down, price expectations of potential buyers and sellers converging and improving liquidity of market participants.

In Austria, the transaction volumes in 1-3Q24 amounted to EUR 1.8bn, a decline of 16% compared to the first nine months of the previous year. In 3Q24 alone, the investment volume came in at EUR 640mn, representing a decrease of 37% to 2Q24, which, however, benefitted from various bigger deals. Out of 22 transactions in 3Q24, two office and mixed-use deals reached the EUR 100mn mark and lifted the office segment to a market share of 35%, ahead of residential (25%), which ranked no. 2. Prime yields remained stable at 5.25% for office, 5.15% for logistics, 4.70% for high street retail and 4.60% for residential, according to CBRE.

The real estate sector in the CEE region (including Baltics) continues to recover which is reflected in an increase of investment activity. In 1-3Q24, the investment volume rose by 13% compared to the corresponding figure of the previous year, driven by substantial increasing numbers in Romania (+168%) and Poland (+60%). Commercial real estate including office, retail and logistics accounted for 82% of the volumes signed, leaving some 10% for the residential sector and around 7% for hotel. While the prime yields remained almost unchanged compared to the previous quarter, the general trend is clearly heading downward following the decline of long-term interest rates. In 3Q24, Romania recorded a compression of yields in the range of 0.25%p across all key sectors including office, retail and logistics, driven by rising demand, in particular for prime assets. For the 4Q24, experts are optimistic, total investment volume could come in above expectations, maybe reaching EUR 9.3bn in FY24 which would translate into an increase of 36% compared to the previous year, again mainly driven by strong numbers coming in for Poland and Romania.

China

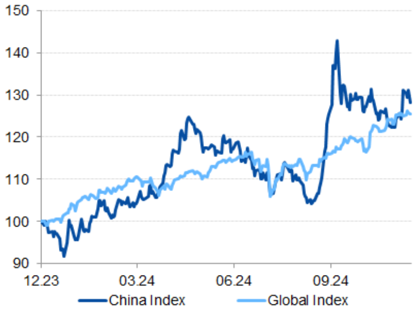
Forecast 1Q 2025
0% to +5%

EGR China Index

USD	2024e	2025e
Sales	+1.8%	+5.1%
EBIT	+6.5%	+4.9%
Net Profit adj.	+9.2%	+2.9%
PE	8.8x	8.6x
Div. Yield	3.7%	3.8%

Source: Erste Group Research Indices, FactSet

China Index vs Global Index
Rebased to 100, EUR



Source: Erste Group Research Indices, FactSet

The Erste China Index rose by +0.8% in EUR terms in 4Q24. The index thus consolidated after the strong rise at the end of 3Q. At the end of September, there was a surprise cut in the key interest rate, a reduction in the minimum reserve for banks and CNY 800 billion (EUR 103 billion) in new credit lines from the central bank for share buybacks by companies. These measures by the central bank were a reaction to the persistently weak economic data. Since then, equity investors have been waiting for concrete fiscal policy measures to boost economic growth in the coming year, which is low by Chinese standards. So far, however, there have only been general declarations of intent from politicians in Beijing that it is important for the state to promote private consumption through measures.

The leading economic indicators were slightly positive in Q4. The purchasing managers' index (PMI) for industry rose to 51.5 points in November after 50.3 points in October. The index thus signals a return to economic expansion. The new orders component was particularly positive. This showed the strongest increase for three years. The increasingly important EMI for the services sector also stood at 51.5 points. Forecasts for Chinese corporate profits in the coming year deteriorated slightly in Q4. Accordingly, profits should rise by only +2.9% in 2025. At 8.6x, the P/E ratio is at a historically low level. We expect this low valuation, the improving leading indicators and the likely fiscal policy measures to have a positive impact on the price of Chinese equities. We forecast a positive performance in the range of 0% to +5% for the 1Q.

India

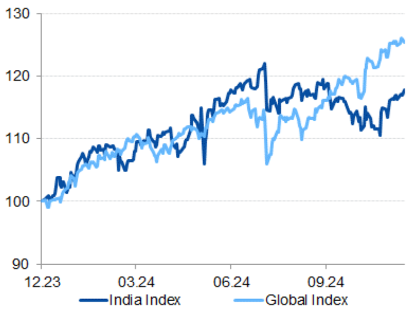
Forecast 1Q 2025
0% to +5%

EGR India Index

USD	2024e	2025e
Sales	+2.7%	+6.6%
EBIT	+8.2%	+12.9%
Net Profit adj.	+7.1%	+12.6%
PE	23.9x	21.2x
Div. Yield	1.4%	1.5%

Source: Erste Group Research Indices, FactSet.

India Index vs. Global Index
Rebased to 100, EUR



Source: Erste Group Research Indices, FactSet

The Indian stock market showed a sideways trend in Q4 and fell by a mere -0.4% in EUR terms. For the full year 2024, there was an increase of +18% in EUR terms. The best 4Q performances were achieved by the shares of technology companies Wipro and Tech Mahindra with +20% each. The shares of Infosys (+12%) and ICICI Bank (+11%), which we recommend buying via ADRs, also outperformed.

Expected revenue growth for 2024 is +2.7% y/y in USD terms. Profits should rise by +7.1% y/y this year. This is higher growth than the global equity market. The largest percentage profit increases are expected for Tata Steel, JSW Steel, Adani Enterprises and Bharti Airtel. Only five of the 58 companies are forecast to see a decline in profits in 2024.

The valuation of the stock market according to the P/E ratio 2025e has risen to 21.2x due to the upward movement of the index this year. The P/E ratio is slightly above the long-term average. In our view, the high profitability of the companies and the above-average earnings growth justify the valuation level, which is slightly above the global equity market (P/E Global Index: 19.1x). We expect Indian equities to rise between 0% and +5% in 1Q24.

Brazil

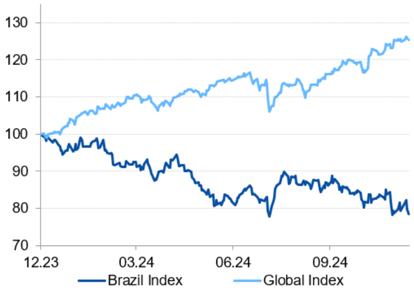
Forecast 1Q 2025
0% to +5%

EGR Brazil Index

USD	2024e	2025e
Sales	+2.9%	-7.0%
EBIT	-1.0%	-4.4%
Net Profit adj.	-7.1%	+1.1%
PE	7.2x	7.1x
Div. Yield	8.7%	7.3%

Source: FactSet, Erste Group Research

Brazil Index vs. Global Index
Rebased to 100, EUR



Source: Erste Group Research Indices, FactSet

The Brazilian benchmark index fell by -9.0% in EUR terms in the fourth quarter. Bank stocks suffered the sharpest price falls in the fourth quarter. The performance since the beginning of the year is -21.6% in EUR terms. The Brazilian stock market was therefore one of the weakest global markets in 2024.

The main reasons for the negative performance are the below-average sales and earnings development of companies in a global comparison. According to the consensus estimate, sales will rise by +2.9% in 2024, but profits are expected to fall by -7.1% (y/y) this year. Company turnover should fall by -7.3% (y/y) in 2025. However, a slight increase in profits of +1.1% (y/y) is forecast for the coming year.

The valuation of the equity market is very low due to the below-average growth prospects in a global comparison. The expected P/E ratio for 2025 is 7.2x. The dividend yield expected for the coming year is 7.1%. This is very high compared to the global equity market index.

Due to the prospect of very slight earnings growth next year and the very low valuation of the stock market, we expect a moderate increase in the Brazilian benchmark index in the first quarter. Our forecast performance should be at the lower end of the range between 0% and +5%.

Tables & Appendix

Economic indicators

		GDP (%yoy)		Inflation (%yoy)		Un-employ. (%)		CA Balance (%GDP)		Fiscal Balance (%GDP)		Gross Debt (%GDP)	
		24e	25e	24e	25e	24e	25e	24e	25e	24e	25e	24e	25e
Europe	**Eurozone**	0.7	**1.0**	2.4	1.9	6.5	6.4	2.6	2.4	-3.1	-3.1	88.1	88.4
	Germany	-0.2	**0.4**	2.4	2.0	3.4	3.2	6.6	6.4	-2.0	-1.7	62.7	62.1
	France	1.1	**1.0**	2.3	1.6	7.4	7.2	0.1	-0.1	-6.0	-5.9	112.3	115.3
	Spain	2.9	**2.1**	2.8	1.9	11.6	11.2	3.4	3.2	-3.0	-2.8	102.3	100.7
	Italy	0.8	**0.7**	1.3	2.1	7.0	7.2	1.1	1.4	-4.0	-3.8	136.9	138.7
	Austria	-0.7	**0.6**	2.9	1.9	5.3	5.2	2.8	2.9	-3.9	-4.1	79.7	81.6
	UK	1.1	**1.5**	2.6	2.1	4.3	4.1	-2.8	-2.8	-4.3	-3.7	101.8	103.8
	Switzerland	1.3	**1.3**	1.3	1.0	2.4	0.0	8.2	7.6	0.6	0.3	31.9	30.8
Eastern Europe	**Poland**	2.8	**3.3**	3.7	4.1	5.1	5.0	-0.3	-1.0	-5.9	-5.8	54.0	58.0
	Turkey	3.0	**2.7**	60.9	33.0	9.3	9.9	-2.2	-2.1	-5.2	-3.6	25.2	26.0
	Czechia	1.0	**2.3**	2.5	2.5	2.7	3.2	1.3	0.9	-2.9	-2.4	43.5	44.3
	Romania	0.8	**2.8**	5.6	4.4	5.3	5.3	-8.1	-7.8	-7.9	-7.0	52.4	54.2
	Hungary	0.5	**2.0**	3.6	3.9	4.5	4.3	2.3	1.8	-4.7	-4.4	73.4	73.3
	Slovakia	2.0	**2.0**	2.8	4.6	5.5	5.5	-0.6	-0.2	-6.0	-4.5	58.3	58.9
Americas	**USA**	2.5	**1.7**	2.8	2.1	4.1	4.4	-3.3	-3.1	-7.6	-7.3	121.0	124.1
	Canada	1.3	**2.4**	2.4	1.9	6.2	6.2	-1.0	-1.3	-2.0	-1.0	106.1	103.2
	Brazil	3.0	**2.2**	4.3	3.6	7.2	7.2	-1.7	-1.8	-6.9	-7.3	87.6	92.0
	Chile	2.5	**2.4**	3.9	4.2	8.5	8.0	-2.3	-2.7	-2.3	-1.4	41.0	41.6
	Mexico	1.5	**1.3**	4.7	3.8	3.0	3.3	-0.7	-0.9	-5.9	-3.5	57.7	57.9
	Colombia	1.6	**2.5**	6.7	4.5	10.2	10.0	-2.5	-2.6	-4.4	-3.8	55.8	56.1
Asia	**China**	4.8	**4.5**	0.4	1.7	5.1	5.1	1.4	1.6	-7.4	-7.6	90.1	93.8
	Japan	0.3	**1.1**	2.2	2.0	2.5	2.5	3.8	3.6	-6.1	-3.0	251.2	248.7
	India	7.0	**6.5**	4.4	4.1	na	na	-1.1	-1.3	-7.8	-7.6	83.1	82.6
	Indonesia	5.0	**5.1**	2.5	2.5	5.2	5.1	-1.0	-1.2	-2.7	-2.5	40.5	40.7
	South Korea	2.5	**2.2**	2.5	2.0	2.9	3.0	3.9	3.6	-0.5	-0.1	52.9	54.3
	Thailand	2.8	**3.0**	0.5	1.2	1.1	1.0	1.8	2.0	-2.4	-3.9	65.0	66.1
	Australia	1.2	**2.1**	3.3	3.3	4.2	4.4	-0.9	-1.1	-1.7	-2.0	49.3	49.6
	South Africa	1.1	**1.5**	4.7	4.5	33.7	33.9	-1.6	-1.9	-6.2	-6.3	75.0	77.4
	World	3.2	**3.2**										

Source: IMF, EU Commission, Erste Group Research estimates

Forecasts[1]

GDP	2023	2024	2025	2026
Eurozone	0.4	0.7	1.0	1.0
US	2.9	2.5	1.7	1.5

Inflation	2023	2024	2025	2026
Eurozone	5.5	2.4	1.9	2.0
US	4.1	2.8	2.1	2.2

Currency	current	Mar.25	Jun.25	Sep.25	Dec.25
EURUSD	1.05	1.03	1.05	1.05	1.07
EURCHF	0.94	0.91	0.9	0.9	0.91

Interest rates	current	Mar.25	Jun.25	Sep.25	Dec.25
ECB MRR	3.15	2.65	2.40	2.15	2.15
ECB Deposit Rate	3.00	2.50	2.25	2.00	2.00
3M Euribor	2.84	2.46	2.22	1.98	1.99
Germany Govt. 10Y	2.29	2.10	2.00	2.00	2.00
Swap 10Y	2.30	2.30	2.30	2.30	2.30

Interest rates	current	Mar.25	Jun.25	Sep.25	Dec.25
Fed Funds Target Rate*	4.33	4.38	4.13	3.88	3.63
3M SOFR	4.34	4.33	4.08	3.83	3.58
US Govt. 10Y	4.53	4.10	4.00	4.00	4.00
EURUSD	1.04	1.03	1.05	1.05	1.07

*Mid of target range

Interest rates	current	Mar.25	Jun.25	Sep.25	Dec.25
Austria 10Y	2.70	2.50	2.35	2.30	2.30
Spread AT - DE	0.41	0.40	0.35	0.30	0.30

Source: Market data provider, Erste Group Research

[1] By regulations we are obliged to issue the following statement: Forecasts are no reliable indicators for future performance

Equities

Erste Global 1000 Index

	Erste Global 1000 Index		No. of Comp.	Mkt. Cap. EUR bn	Weight (%) World	Performance (%) EUR 1M	3M	12M	YTD	Growth (%, y/y) Sales 24e	Sales 25e	Net Profit Adj 24e	Net Profit Adj 25e	P/E 24e	P/E 25e	DY 24e
	World	**USD**	**1,147**	**82,613**	**100**	**2.5**	**10.6**	**25.6**	**25.4**	**3.2**	**3.0**	**6.0**	**8.3**	**20.3**	**18.7**	**1.8**
Developed Markets	**North America**	**USD**	**565**	**56,183**	**68.0**	**2.2**	**14.1**	**33.2**	**33.2**	**4.9**	**4.9**	**7.5**	**12.6**	**25.5**	**22.7**	**1.2**
	Canada	USD	48	2,080	2.5	-0.4	7.8	20.1	16.8	3.2	-0.1	-0.3	1.8	16.5	16.2	2.9
	USA	USD	517	54,103	65.5	2.3	14.4	33.7	33.9	5.0	5.2	8.0	13.3	26.1	23.0	1.2
	Europe	**EUR**	**246**	**11,904**	**14.4**	**3.1**	**0.3**	**7.5**	**7.1**	**1.3**	**2.3**	**-2.2**	**4.3**	**15.3**	**14.7**	**3.3**
	Finland	EUR	6	106	0.1	-0.8	-4.3	-8.1	-9.4	-10.0	3.4	-22.4	11.8	17.0	15.2	4.6
	Germany	EUR	34	1,764	2.1	7.1	6.9	14.3	14.6	-0.3	1.5	-9.2	2.7	14.5	14.1	3.1
	Ireland	EUR	9	292	0.4	-1.3	5.8	27.7	26.6	8.3	9.6	6.8	15.8	24.3	21.0	0.7
	Netherlands	EUR	20	1,045	1.3	4.8	-1.0	10.0	12.3	1.6	2.8	5.9	10.2	21.4	19.4	2.2
	Norway	EUR	5	138	0.2	2.3	-0.1	-13.7	-15.5	-0.9	-5.6	7.6	-10.6	8.3	9.3	9.1
	Sweden	EUR	19	562	0.7	2.7	-0.7	4.1	2.9	-0.8	2.1	-12.7	-0.6	14.9	15.0	3.9
	Switzerland	EUR	28	1,636	2.0	-0.2	-2.4	4.7	3.4	7.3	3.7	7.8	11.3	18.7	16.8	3.1
	United Kingdom	EUR	41	1,954	2.4	3.0	2.9	14.8	13.7	2.0	1.4	-1.1	2.8	12.0	11.7	3.9
	Asia/Pacific	**USD**	**163**	**7,104**	**8.6**	**3.3**	**5.9**	**17.7**	**15.9**	**0.1**	**1.9**	**14.8**	**4.3**	**15.8**	**15.1**	**2.4**
	Japan	USD	96	3,608	4.4	3.4	4.5	14.8	14.0	-3.0	-0.3	4.9	1.8	15.6	15.3	2.1
	Singapore	USD	6	239	0.3	2.5	10.4	33.3	27.5	4.9	0.5	2.8	-2.0	10.8	11.0	5.1
	Australia	USD	23	1,121	1.4	0.8	5.1	9.9	7.3	1.1	-6.5	-3.0	-9.9	17.5	19.4	3.7
	South Korea	USD	21	736	0.9	2.7	-7.8	-14.0	-17.4	4.0	2.7	90.2	12.5	10.3	9.1	2.0
	Taiwan	USD	17	1,400	1.7	5.5	18.9	67.7	66.6	11.6	21.0	31.4	21.6	23.1	19.0	1.8
Emerging Markets	**Emerging Asia/Pacific**	**USD**	**139**	**6,465**	**7.8**	**3.0**	**9.8**	**20.3**	**20.6**	**2.0**	**5.3**	**8.5**	**4.9**	**12.1**	**11.6**	**2.8**
	China (incl. HK)	USD	61	3,550	4.3	1.9	19.9	24.2	24.5	1.8	5.1	9.2	2.9	8.8	8.6	3.7
	India	USD	58	2,438	3.0	5.3	0.4	17.7	18.2	2.7	6.6	7.1	12.6	23.9	21.2	1.4
	Indonesia	USD	7	236	0.3	-0.7	-9.5	6.3	4.4	0.2	4.0	-1.1	6.1	17.1	16.1	3.4
	Thailand	USD	7	141	0.2	-0.5	4.1	9.0	10.7	2.4	-0.8	7.9	3.8	16.4	15.8	3.5
	Emerging Europe	**USD**	**1**	**13**	**-**	**-1.4**	**-18.8**	**-19.9**	**-23.5**	**48.6**	**-5.7**	**-54.3**	**25.6**	**5.2**	**4.2**	**8.9**
	Emerging Americas	**USD**	**26**	**755**	**0.9**	**-1.6**	**-6.8**	**-16.8**	**-18.1**	**5.1**	**-4.4**	**-3.7**	**3.0**	**9.9**	**9.6**	**5.8**
	Brazil	USD	15	393	0.5	-5.1	-9.7	-19.3	-21.6	2.9	-7.0	-7.1	1.1	7.2	7.1	8.6
	Mexico	USD	9	241	0.3	4.6	-1.4	-20.3	-21.4	6.5	-2.6	4.2	6.1	12.2	11.5	3.9
	Global Sectors															
Erste Sectors	**Basic Materials**	USD	64	2,018	2.4	-0.5	-1.0	-2.6	-4.2	-0.5	-2.2	-8.4	3.6	16.5	16.0	2.9
	Consumer Discretionary	USD	155	12,029	14.6	7.6	20.4	26.1	27.2	2.6	2.5	1.0	9.6	24.9	22.8	1.1
	Consumer Staples	USD	85	4,391	5.3	2.3	1.5	11.2	10.3	4.2	2.1	0.2	4.1	19.4	18.7	2.8
	Energy	USD	64	3,630	4.4	-1.7	4.0	6.2	5.7	-1.2	-1.8	-16.3	0.3	11.2	11.2	4.6
	Financials	USD	205	14,333	17.4	1.8	13.8	31.6	30.8	3.2	2.5	8.2	2.3	13.0	12.8	2.9
	Health Care	USD	108	7,595	9.2	-2.5	-5.9	9.9	8.7	8.3	5.8	6.7	16.7	21.3	18.3	1.8
	Industrials	USD	182	8,111	9.8	-0.8	6.9	16.9	16.5	0.5	2.6	1.9	7.5	23.0	21.4	1.6
	Real Estate	USD	46	1,243	1.5	-0.4	0.4	9.9	10.0	4.8	3.6	1.2	7.3	26.1	24.3	3.3
	Technology	USD	146	25,376	30.7	4.6	17.3	44.1	44.5	10.5	12.1	24.8	18.6	30.7	25.9	0.6
	Telecom	USD	38	2,221	2.7	1.1	8.6	21.5	21.1	1.0	1.6	11.9	3.5	16.6	16.0	2.7
	Utility	USD	54	1,666	2.0	-1.5	-1.4	13.2	14.3	-0.5	0.3	10.2	4.4	15.4	14.7	3.6

Source: Erste Group Research, FactSet. Closing Prices as of: 13.12.2024.

Erste CEE Indices

Erste CEE Index		No. of Comp.	Mkt. Cap. EUR bn	Weight (%) Total	Performance (%) EUR 1M	3M	12M	YTD	Growth (%, y/y) Sales 24e	Sales 25e	Net Profit Adj. 24e	Net Profit Adj. 25e	P/E 24e	P/E 25e	DY 24e
CEE Austria	EUR	36	126	29.3	4.6	0.5	1.4	0.2	7.1	0.8	-4.5	2.4	8.8	8.6	5.5
CEE Czech Republic	EUR	8	40	9.3	4.4	8.4	4.1	2.9	0.7	-1.6	-9.2	-11.7	17.7	20.1	4.0
CEE Croatia	EUR	11	10	2.2	4.1	9.8	29.8	28.0	6.8	5.0	15.8	7.7	19.0	17.6	3.1
CEE Hungary	EUR	4	28	6.6	4.6	7.9	21.0	19.9	-4.5	-3.4	-2.1	-4.3	5.9	6.2	4.9
CEE Poland	EUR	78	172	40.0	4.1	0.2	-0.3	-0.6	26.6	3.3	-5.8	10.1	9.8	8.9	3.7
CEE Serbia	EUR	2	2	0.4	-2.9	-4.2	-2.4	-2.5	5.1	-1.0	-70.2	-12.9	15.5	17.8	1.6
CEE Slovenia	EUR	2	7	1.7	-	2.7	36.0	34.1	7.8	4.1	-5.2	2.7	8.7	8.4	7.0
CEE Turkey	EUR	6	20	4.6	2.4	-2.8	9.6	17.8	-18.4	10.0	-35.7	32.3	9.9	7.5	3.6

Source: Erste Group Research, FactSet. Closing Prices as of: 13.12.2024.

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