

Amid volatility, optimism surges for European markets: Natixis Investment Managers Strategists Survey

- **Seven in 10 strategists surveyed by Natixis IM think Europe will outperform the US in 2025.**
- **More than half (56%) agree that tariff policies are creating the right conditions for European growth to ignite.**
- **Strategists chose defence stocks (47%) as offering the greatest potential returns, given the positive narrative for European equities.**

London, 24 June 2025 – In the aftermath of US President Donald Trump's liberation day tariff policy, there has been a significant shift in sentiment towards Europe, with seven in 10 (71%) strategists across the Natixis Group and its affiliates saying that it will outperform the US in 2025.

The insights* of 34 market strategists, portfolio managers, research analysts and economists across Natixis Investment Managers affiliated group confirmed a bullishness for Europe, with over a third (38%) saying it will be the best performing market in H2 2025. That's a huge jump from the same question in the survey last year, where just 3% of strategists picked Europe as the best performing market.

Conditions are tilted in Europe's favour

While nearly nine in 10 (88%) of respondents agree that tariff threats are here to stay, more than half (56%) believe that tariff policies are creating the right conditions for European growth to ignite. When asked what they think would be the likelier headline at the end of the year, 74% of strategists selected 'other markets outperform', over 26% who chose 'US stocks outperform'. In addition to this, three quarters (74%) thought the Euro is likely to strengthen by the end of 2025.

Recent geopolitical tensions and ongoing trade uncertainty has also driven Europe to look inwards and subsequently boost investment in European defence and infrastructure, supporting sectors like banks and defence stocks. Given this shift, nearly two thirds (59%) of strategists surveyed believe that defence stocks will benefit from increased spending globally, with this sentiment running highest with European strategists (77%) compared to the US (48%).

Volatility and inflation still a concern

European optimism aside, strategists remain wary of several threats to the market outlook over the next six months. The number of factors strategists' class as headwinds – geopolitics (53%), employment (59%), consumer spending (79%) or a trade war (65%) – sharply outweigh those that are expected to be catalysts: central bank policy (62%) and corporate earnings (47%).

On the macroeconomic side, Natixis IM strategists continue to place more emphasis on politics than on economic policy, but they suggest that both sides will be impacted. Given the ongoing volatility, Treasury market turmoil emerged as the top risk, with 85% of strategists ranking it as a medium and high concern. Despite their traditional safe haven status, two thirds (62%) of European strategists said that US Treasury investments are no longer as safe as they once were, compared to just a quarter (24%) of US strategists saying the same.

Inflation was the second biggest risk on the minds of the strategists, with eight in 10 (79%) scoring it as medium and high. However, in terms of the specific impact of tariffs, three quarters (76%) of those surveyed think tariffs will only temporarily increase inflation, compared with a quarter (24%) who think that tariffs will drive persistent re-inflation.

Volatility means opportunities are diverging

Ongoing market instability continues to be a concern. Over seven in 10 of the strategists surveyed (71%) believe that volatility will remain elevated in equity markets, and 68% feel the same way for bonds. Despite this, 71% of Natixis IM strategists revealed that they are actively finding opportunity in equity market volatility and 74% said the same for bonds markets. However, some will be choosing to ride it out (29% in equity markets and 26% in bond markets).

Looking at the best investment opportunities over the next six months, the positive narrative for European equities is reflected in the fact that nearly half (47%) of Natixis IM strategists selected defence stocks as offering the greatest potential returns. Likewise, the tech sector remains most popular for potential returns in US equities for the rest of the year, with 35% seeing the potential for a reignition of the tech industry in their H2 outlook.

Mabrouk Chetouane, Head of Global Market Strategy, Natixis Investment Managers, comments,

“In a year that has seen volatility taken to new levels with geopolitical uncertainty and questions over trade, market strategists are once again seeing genuine opportunity beyond the US.”

“Over the second half of the year, strategists will be looking to determine whether European growth will be sustained or if macroeconomic uncertainties and volatility will continue to weigh on markets. As heightened volatility persists and tariff threats unravel, investors need to be mindful of where the opportunities are arising, particularly in fixed income, defence and in the tech sector”

Active management continues to add value in fixed income

Strategists are looking to bonds for the second half of 2025, with 44% highlighting that they can be used to generate both return and income, but over two thirds (68%) point to active management as being key to adding value to bond portfolios.

In terms of the US market, investment grade was highlighted as being more popular among European strategists (54%) than their US counterparts (24%), which chimes with the feeling among US strategists that credit defaults are likely to rise (48%), for Europeans, just 15% felt this way.

The most popular choice in European fixed income was core government bonds (29%) and investment grade credit (29%). This divergence shows a clear appetite in the US for European long maturity, while in Europe the focus is on shorter duration with 69% selecting this compared with 57% in the US. Likewise, the greatest negative impacts from a trade war in H2 were seen to be in long maturity, core government bonds in the US (41%) and developed market high yield/floating rate debt in Europe (35%).

Cash isn't always king

Over the past few years, higher interest rates have driven investors to turn to cash as a perceived safer alternative than equity and bond markets. However, Natixis IM strategists are quick to remind investors that cash isn't quite all it is cracked up to be – especially as tariff threats put the US dollar under increasing pressure.

When asked for the top risks of holding cash as an investment, two fifths (41%) of the strategists surveyed pointed to the depreciation of currency as the top concern, with 38% of them seeing more attractive returns elsewhere. With inflation risk potentially impacting real returns, a third (35%) of Natixis IM strategists felt that cash rates are not good enough to meet long term goals.

Impacts of AI won't all be positive

As Artificial Intelligence (AI) continues to pervade our everyday lives, Natixis IM strategists are considering its impact on the finance industry over the next 2-5 years. Many can see the benefits of AI, with 88% saying it will unlock new opportunities, 79% saying it will discover risks that were otherwise undetectable and 79% believing that it will accelerate day trading. Yet the majority are still wary, with 94% worried that AI will increase the potential for fraud and 71% believing that AI investment needs more time to pay off. In addition to this, nearly a quarter (21%) are worried that AI will take their job.

Another benefit of AI is that it may potentially increase ESG transparency, a sentiment felt by almost half (44%) of the strategists surveyed. When looking more broadly at sustainable investing over the next 2-5 years, four in

ten (41%) say that impact investing will continue to expand and over half (56%) believe that the real sustainable investing leaders will rise to the top.

The full survey report can be found here: <https://www.im.natixis.com/en-intl/insights/investor-sentiment/2025/strategist-outlook>

Notes to Editors

About the Natixis Strategist Outlook

*The 2025 Natixis Strategist Outlook is based on responses from 34 experts including 24 representatives from 11 affiliated asset managers, 7 representatives from Natixis Investment Managers Solutions, and 3 representatives from Natixis Corporate & Investment Banking.

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About the Natixis Center for Investor Insight

The Natixis Center for Investor Insight is a global research initiative focused on the critical issues shaping today’s investment landscape. The Center examines sentiment and behaviour, market outlooks and trends, and risk perceptions of institutional investors, financial professionals and individuals around the world. Our goal is to fuel a more substantive discussion of issues with a 360° view of markets and insightful analysis of investment trends.

About Natixis Investment Managers

Natixis Investment Managers’ multi-affiliate approach connects clients to the independent thinking and focused expertise of more than 15 active managers. Ranked among the world’s largest asset managers¹ with more than \$1.3 trillion assets under management² (€1.2 trillion), Natixis Investment Managers specializes in high-conviction active investment strategies, insurance and pension solutions, and private assets, and delivers a diverse offering across asset classes, styles, and vehicles. The firm partners with clients in order to understand their unique needs and provide insights and investment solutions tailored to their long-term goals.

Headquartered in Paris and Boston, Natixis Investment Managers is part of Groupe BPCE, the second-largest banking group in France through the Banque Populaire and Caisse d’Epargne retail networks. Natixis Investment Managers’ affiliated investment management firms include AEW; DNCA Investments;³ Dorval Asset Management; Flexstone Partners; Gateway Investment Advisers; Harris | Oakmark; Investors Mutual Limited; Loomis, Sayles & Company; Mirova; Naxicap Partners; Ossiam; Ostrum Asset Management; Seventure Partners; Thematics Asset Management; Vauban Infrastructure Partners; Vaughan Nelson Investment Management; Vega Investment Solutions and WCM Investment Management. Additionally, investment solutions are offered through Natixis Investment Managers Solutions and Natixis Advisors, LLC. Not all offerings are available in all jurisdictions. For additional information, please visit Natixis Investment Managers’ website at im.natixis.com | LinkedIn: [linkedin.com/company/natixis-investment-managers](https://www.linkedin.com/company/natixis-investment-managers).

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1 Survey respondents ranked by Investment & Pensions Europe/Top 500 Asset Managers 2024 ranked Natixis Investment Managers as the 19th largest asset manager in the world based on assets under management as of December 31, 2023.

2 Assets under management (AUM) of affiliated entities measured as of March 31, 2025, are \$1,361.4 billion (€1,260.2 billion). AUM, as reported, may include notional assets, assets serviced, gross assets, assets of minority-owned affiliated entities and other types of nonregulatory AUM managed or serviced by firms affiliated with Natixis Investment Managers.

3 A brand of DNCA Finance