azimut

AZIMUT GLOBAL VIEW

17.02.25

Main Events

JAPAN CPI	EU PMI	GERMAN ELECTION	US PCE
Inflation in Japan may have reached 4% in January, prompting BoJ to take more rapid steps in tightening monetary policy	Will companies signal a significant improvement in sentiment, as reflected in European stock markets?	Polls suggest a possible hung parliament, potentially leading to prolonged negotiations to form a governing coalition	The Fed's preferred measure of inflation is expected to decline, contrary to all other readings of inflation which increased in January
21.02	21.02	23.02	28.02

Azimut Global Network

- Milan
- Abu Dhabi
- Austin
- Cairo
- Dubai
- Dublin
- Geneva
- Hong Kong
- Estoril
- Istanbul
- Lugano
- Luxembourg
- Mexico City
- Miami
- Monaco
- New York
- Santiago
- São Paulo
- Shanghai
- Singapore
- St Louis
- Sydney
- Taipei

DM Equity: Q4.2024 Earnings Season Monitor

- **Overall, the reporting season was strong, with Japanese companies delivering the largest beats versus expectations, with EPS rising 21% year-over-year.**
- **U.S. companies continued to show steady growth in both EPS (+11%) and sales (+5%). Communication services and consumer discretionary sectors recorded the strongest growth in terms of EPS , followed by financials and healthcare.**
- **European companies generally exceeded expectations, with EPS rising 11% excluding energy. While guidance has improved, it remains weaker than in prior fiscal years.**

At the time of writing, more than two-thirds of developed market corporations have reported their Q4 results, generally exceeding expectations across the three key regions analyzed: the United States, Europe, and Japan.

The United States has once again demonstrated resilience and growth, posting an impressive 11% year-over-year EPS increase. This strong performance coincides with Europe's unexpected return to growth and Japan's robust earnings expansion of over 20%.

United States (S&P 500)
During the September–December quarter, U.S. companies reported a 5% increase in sales and an 11% rise in EPS. While 54% of companies beat sales estimates—solid but below the long-term average of 60%—sectoral performance varied. The materials, utilities, and industrials sectors recorded the lowest sales beat ratios, whereas energy, information technology, and consumer discretionary led with the highest.

On the earnings front, 76% of companies exceeded consensus EPS estimates, aligning with historical averages. Notably, communication services (88%) and financials (86%) posted the highest EPS beat ratios, underscoring broad-based sectoral strength.

However, U.S. stocks are not experiencing the usual stock price upside for earnings beats. Companies surpassing estimates are underperforming on the day, while those missing expectations are seeing reactions in line with historical norms. This suggests a relatively bearish market response, with persistently high expectations shaping post-earnings movements.

(continued)

S&P: Q4 2024 summary

	No. of cos reported / Total	% reported	% cos beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
S&P500	**351 / 499**	**70%**	**76%**	**17%**	**5%**	**11%**	**54%**	**27%**	**1%**	**5%**
Energy	12 / 22	55%	75%	17%	5%	-33%	67%	25%	4%	-3%
Materials	22 / 28	79%	68%	23%	5%	-11%	23%	59%	-1%	-3%
Industrials	65 / 78	83%	75%	22%	5%	-9%	38%	42%	0%	-3%
Discretionary	25 / 50	50%	76%	20%	5%	36%	68%	12%	1%	7%
Staples	23 / 38	61%	70%	17%	5%	1%	61%	26%	1%	1%
Healthcare	47 / 61	77%	79%	15%	5%	17%	74%	6%	1%	10%
Financials	70 / 73	96%	86%	13%	5%	17%	57%	28%	2%	9%
IT	38 / 68	56%	79%	13%	5%	8%	66%	11%	1%	7%
Com. Services	16 / 19	84%	88%	13%	5%	30%	50%	19%	1%	8%
Utilities	14 / 31	45%	50%	29%	5%	2%	15%	85%	-10%	-3%
Real Estate	19 / 31	61%	53%	21%	5%	12%	63%	16%	3%	12%
Ex-Financials & Real Estate	**262 / 395**	**66%**	**75%**	**18%**	**5%**	**9%**	**53%**	**28%**	**1%**	**4%**
Ex-Energy	**339 / 477**	**71%**	**76%**	**17%**	**5%**	**14%**	**54%**	**27%**	**1%**	**6%**
Cyclicals	**150 / 224**	**67%**	**75%**	**19%**	**5%**	**8%**	**48%**	**31%**	**1%**	**3%**
Defensives	**100 / 149**	**67%**	**74%**	**17%**	**5%**	**19%**	**60%**	**23%**	**1%**	**7%**

Source: JP Morgan

Big Tech

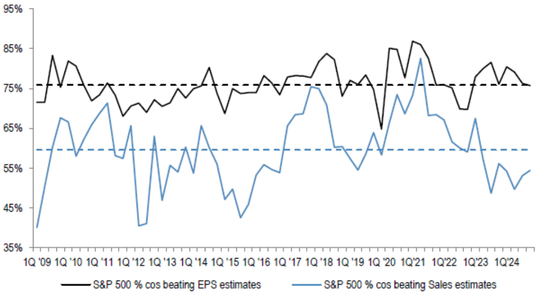
With the exception of Nvidia, which is set to report on February 26, all major tech companies have released their Q4 earnings. Below is a summary of the latest results from these key players.

Microsoft's fiscal Q2 results exceeded expectations despite FX headwinds, but investor focus remains on Azure. Weaker non-AI trends pushed Azure growth to the lower end of guidance, and management did not reiterate prior expectations for an acceleration in the second half of FY25, citing execution challenges in scaling non-AI workloads. Meanwhile, Azure AI Services remained a bright spot, growing 157% year-over-year and contributing 13 percentage points to overall Azure growth. AI monetization continues to expand, with Copilot outperforming and total AI revenue now exceeding a $13 billion run rate.

Meta's core business remains strong, with AI driving higher engagement and monetization. Q4 revenue growth accelerated to 21% year-over-year in constant currency, and management expects continued strong growth into 2025.Amazon's Q4 results showed a significant beat in e-commerce-related profits, while AWS-related capex exceeded expectations. The strong returns from its last major capex cycle suggest that the current investment cycle could follow a similar trajectory.

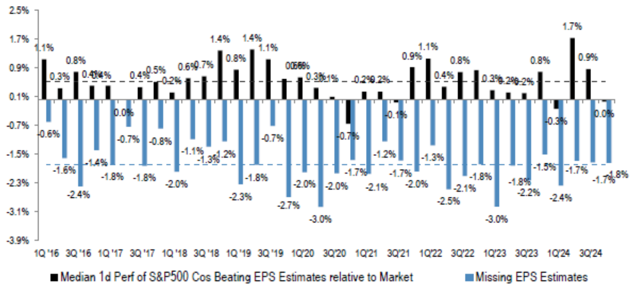
Alphabet's Q4 results were largely in line with Q3 trends. Search revenue grew steadily at 13% year-over-year in constant currency, while operating expenses increased 4% year-over-year. However, Google Cloud's growth slowed notably, decelerating by five percentage points quarter-over-quarter to 30% year-over-year. Capex also came in higher than expected, rising $1.2 billion quarter-over-quarter to $14.3 billion, despite previous guidance indicating a similar level to Q3. For FY25, capex is projected at approximately $75 billion, with $16–18 billion planned for Q1, signaling a significant step-up in investment.

S&P: % of companies beating quarterly EPS/SALES



Source: JP Morgan

S&P: price reaction to beats and misses



Source: JP Morgan

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STOXX 600: Q4 2024 summary

	No. of cos reported / Total	% reported	% cos beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
Stoxx600	**179 / 421**	**43%**	**58%**	**42%**	**4%**	**2%**	**71%**	**13%**	**1%**	**1%**
Energy	8 / 19	42%	50%	50%	-5%	-29%	50%	38%	2%	-11%
Materials	14 / 36	39%	23%	77%	-63%	-18%	43%	36%	0%	3%
Industrials	42 / 89	47%	49%	51%	2%	8%	83%	12%	3%	4%
Discretionary	11 / 40	28%	63%	38%	14%	26%	89%	11%	2%	2%
Staples	12 / 33	36%	57%	43%	0%	2%	50%	8%	2%	3%
Healthcare	15 / 41	37%	77%	23%	5%	20%	73%	0%	3%	12%
Financials	47 / 76	62%	73%	27%	12%	7%	80%	9%	4%	11%
IT	13 / 23	57%	83%	17%	4%	3%	69%	0%	3%	7%
Com. Services	10 / 27	37%	13%	88%	-11%	-	60%	10%	3%	-5%
Utilities	3 / 21	14%	33%	67%	8%	-12%	33%	67%	-1%	-11%
Real Estate	4 / 16	25%	100%	0%	5%	13%	50%	25%	0%	9%
Ex-Financials & Real Estate	**128 / 329**	**39%**	**51%**	**49%**	**0%**	**-1%**	**68%**	**14%**	**2%**	**-1%**
Ex-Energy	**171 / 402**	**43%**	**58%**	**42%**	**6%**	**11%**	**72%**	**12%**	**3%**	**6%**
Cyclicals	**80 / 188**	**43%**	**51%**	**49%**	**0%**	**6%**	**74%**	**14%**	**2%**	**4%**
Defensives	**40 / 122**	**33%**	**52%**	**48%**	**4%**	**25%**	**60%**	**10%**	**2%**	**6%**

Source: JP Morgan

Apple's December quarter results were broadly in line with expectations, as stronger Services and Mac revenue offset weaker iPhone sales. However, China revenue fell short, with management attributing about half of the decline to iPhone channel inventory reductions.

Europe (STOXX 600)

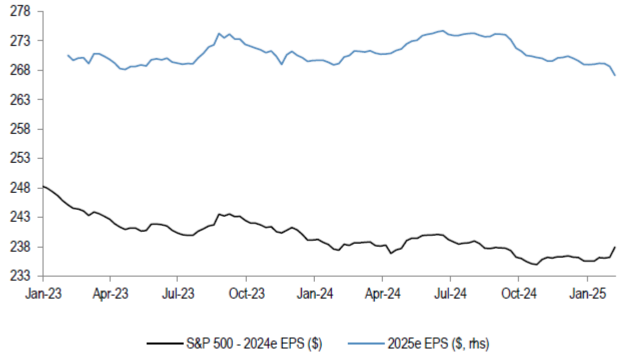
Despite a low-growth environment, European companies generally exceeded expectations in Q4.

The outlook for PMIs in the region remains uncertain; however, some positive signs have emerged, particularly from the sequential improvement in both consumer and industrial demand from China. Additionally, Trump's relatively lenient stance on tariffs toward Europe has so far provided support for regional equities.

For Q4, the STOXX 600 reported 1% revenue growth, outperforming consensus expectations of flat sales. However, sector performance varied, with notable misses in energy and utilities, while industrials and financials outperformed. Overall income increased by 2%, with a 4% positive EPS surprise. At the sector level, banks and consumer discretionary were standout performers, delivering strong earnings breadth and results ahead of consensus expectations.

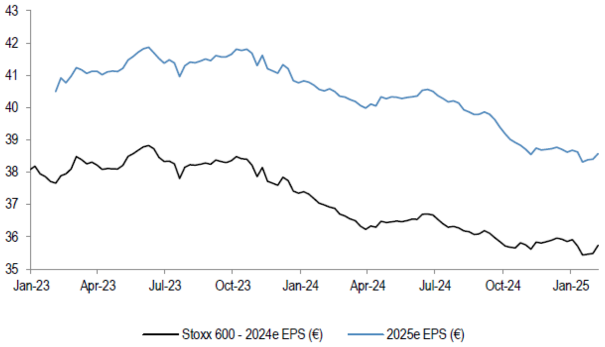
Looking ahead, aggregate European earnings expectations appear to have found a bottom and are beginning to re-rate. One key factor supporting this shift is the weakening of the euro against the U.S. dollar. Current fiscal year forecasts indicate 8% growth for 2024 compared to 2023, with an acceleration to 11% growth expected in 2025.

S&P: 2024 and 2025 EPS estimates evolution



Source: JP Morgan

STOXX 600: 2024 and 2025 EPS estimates evolution



Source: JP Morgan

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Topix: Q3 '25 summary (September - December 2024 quarter)

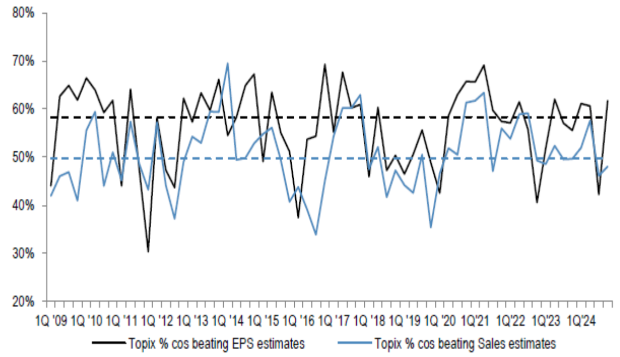
	No. of cos reported / Total	% reported	% cos beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
Topix	**1369 / 2108**	**65%**	**62%**	**38%**	**12%**	**21%**	**48%**	**40%**	**0%**	**4%**
Energy	12 / 19	63%	100%	0%	-	31%	80%	20%	-6%	-1%
Materials	140 / 195	72%	53%	47%	-5%	25%	41%	44%	-5%	-2%
Industrials	370 / 568	65%	65%	35%	13%	18%	45%	44%	0%	4%
Discretionary	229 / 404	57%	71%	29%	9%	13%	50%	38%	3%	4%
Staples	110 / 182	60%	39%	61%	-	-7%	46%	43%	1%	6%
Healthcare	75 / 102	74%	55%	45%	8%	11%	68%	22%	3%	8%
Financials	109 / 147	74%	61%	39%	31%	43%	56%	35%	3%	10%
IT	210 / 302	70%	69%	31%	11%	33%	44%	43%	1%	5%
Com. Services	59 / 112	53%	44%	56%	-	13%	49%	33%	0%	2%
Utilities	22 / 24	92%	57%	43%	2%	6%	36%	57%	-1%	1%
Real Estate	33 / 53	62%	80%	20%	31%	43%	59%	27%	3%	10%
Ex-Financials & Real Estate	**1227 / 1908**	**64%**	**61%**	**39%**	**9%**	**17%**	**47%**	**40%**	**0%**	**3%**
Ex-Energy	**1357 / 2089**	**65%**	**62%**	**38%**	**12%**	**21%**	**48%**	**40%**	**0%**	**4%**
Cyclicals	**949 / 1469**	**65%**	**66%**	**34%**	**10%**	**20%**	**46%**	**42%**	**0%**	**3%**
Defensives	**266 / 420**	**63%**	**47%**	**53%**	**5%**	**8%**	**53%**	**35%**	**1%**	**5%**

Source: JP Morgan

Japan (Topix)
Japanese companies exceeded sales expectations by 4% and delivered a staggering 12% beat on EPS, with earnings growing 21% in the quarter. On the revenue side, financials and healthcare outperformed consensus by double-digit and high single-digit margins, respectively. In terms of EPS growth, financials were the standout, alongside industrials.

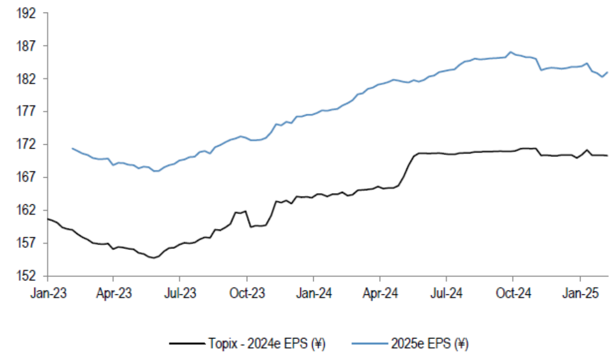
Looking ahead, Japan's current and next fiscal years are projected to deliver strong, high single-digit EPS growth, driven by a 12-month cycle of upward revisions—signaling sustained growth momentum.

Topix: % of companies beating quarterly EPS/SALES



Source: JP Morgan

TOPIX: 2024 and 2025 EPS estimates



Source: JP Morgan

Transcript Analysis, Capital return and Guidance
Earnings call transcripts for Q4 2024 reflect mixed corporate sentiment. Companies remain highly confident in shareholder returns, with dividends (99%) and share buybacks (83%) receiving overwhelmingly positive sentiment. Optimism around artificial intelligence (97%) continues to grow, reinforcing expectations of sustained innovation and technological progress. Margins (60% positive) and capital expenditures (45% positive) further indicate corporate confidence in profitability and investment.

However, concerns persist regarding layoffs (82% negative), the broader economy (53% negative), and foreign exchange (FX) volatility (48% negative). Additionally, China remains a key area of uncertainty, with 49% negative sentiment, highlighting ongoing macroeconomic and geopolitical risks.

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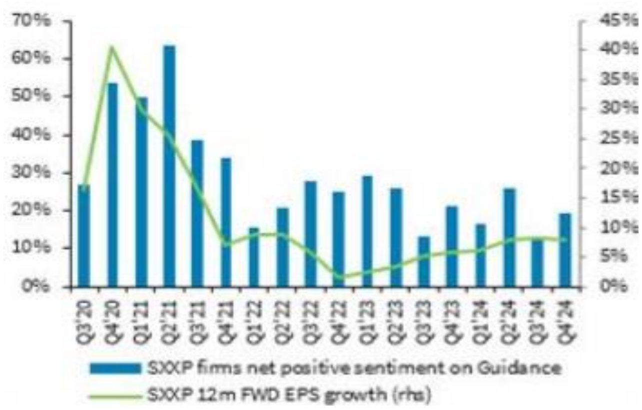
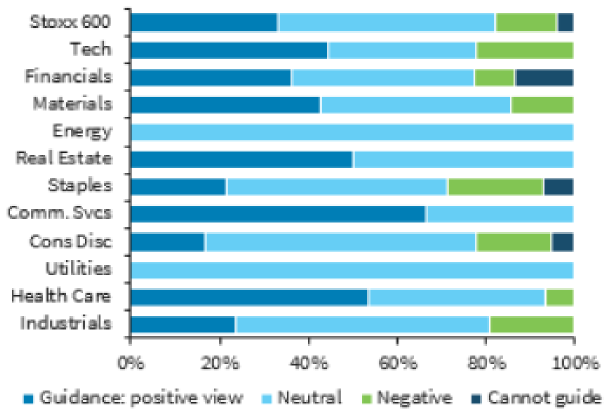
Despite the recent outperformance of European markets, guidance sentiment remains mixed. Telecom, healthcare, technology, financials, and materials exhibit stronger outlooks, while discretionary, industrials, and staples lag. Portfolio Management teams are adjusting year-end expectations with varied strategies—financials and materials reflect more positive guidance, whereas discretionary and industrials face greater uncertainty. While guidance commentary has improved throughout the season, it remains weaker than in prior fiscal years, reflecting a cautious stance amid macroeconomic headwinds.

Guidance



Source: Bloomberg, Barclays Research, Alphasense



Source: Bloomberg, Barclays Research, Alphasense

Asset Allocation View

	−	=	+
Equity			
Developed Markets		Upgrade	
Emerging Markets	■		
Fixed Income			
Developed Markets Sovereign		■	
Developed Markets Corporate			■
Emerging Markets		■	
Commodities		■	
Currencies		*Commentary below*	

− UNDER   = NEUTRAL   + OVER

Equity

Developed Markets

UNDER   OVER
NEUTRAL

We have **upgraded** our recommendation on Developed Market Equities back to **Neutral**. The market has largely interpreted the reciprocal tariffs, set to take effect in April, as another instance of Trump's negotiation tactics rather than a genuine threat. Additionally, the prospect of a resolution to the conflict in Ukraine, along with a better-than-expected earnings season, provides further support for the markets. However, valuations remain demanding, particularly in the U.S., and competition from interest rates persists. While rates have edged down slightly from their January peaks, they remain at elevated levels.

US	=	**Europe**	=	**Japan**	−

Emerging Markets

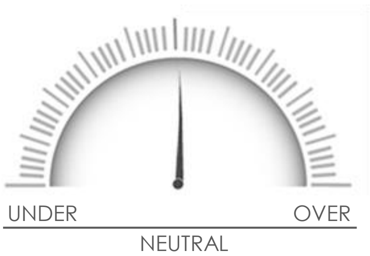
UNDER   OVER
NEUTRAL

We have maintained our **Slightly Underweight** recommendation on Emerging Market Equities. The tariffs proposed by Trump are expected to have a greater impact on emerging economies than on developed ones. Additionally, following last month’s rally, China’s market may consolidate, as stock indexes are currently in overbought territory. However, we still see significant room for recovery in the Chinese market over the medium to long term. This outlook is further supported by the recent meeting between Xi Jinping and several entrepreneurs, including Jack Ma, which may signal a shift in the government's stance toward the private sector.

Asia ex-Japan	+	**EEMEA**	−	**LATAM**	=

Fixed Income

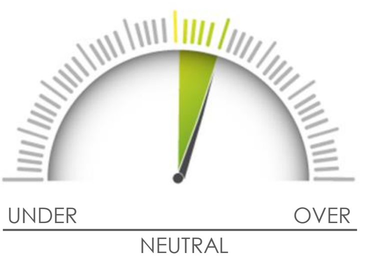
Developed Markets Sovereign



We have maintained our **Neutral** recommendation on Developed Markets Sovereign Bonds. Data from the United States indicates that growth remains robust, the labor market is strong, and inflation remains sticky. In this context, the Federal Reserve may further delay its next interest rate cut. In Japan, the central bank could signal a faster pace of rate hikes, given that inflation may have reached 4% last month. As for the ECB, there appears to be limited room for rate cuts beyond those already priced in by the market. Given this backdrop, we favor the short and medium ends of the yield curves while remaining cautious, particularly on the long end of the U.S. curve.

EU Core	=	EU Periphery	=	US Treasury	=	Japanese JGB	=

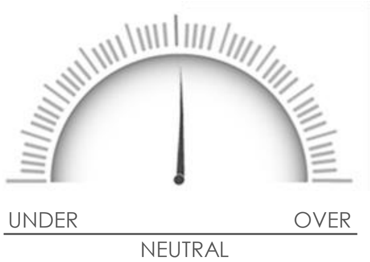
Developed Markets Corporate



We have kept our **Slightly Overweight** recommendation on Developed Markets Corporates. Trump's threats on tariffs should not have an impact on corporate bond spreads for the moment. Therefore, the search for yield in the fixed income market will continue to favor the asset class. Within corporates, we maintain a preference for investment-grade bonds over high-yield bonds that are hovering around all-time lows.

IG Europe	+	IG US	+	HY Europe	−	HY US	−

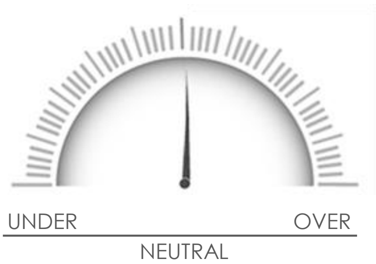
Emerging Markets



We have kept our **Neutral** recommendation for Emerging Market Bonds. The potential risks posed by tariff impositions from the Trump administration are mitigated by the relatively higher spreads that emerging market bonds currently offer compared to similarly rated corporate bonds in developed markets.

Local Currency	=	Hard Currency IG	=	Hard Currency HY	=

Commodities



We maintained our **Neutral** recommendation on Commodities. We remain more positive on precious metals, which are in a bullish phase and could benefit from the uncertainties ingenerated by Trump's unpredictable behavior, in the event of non-application of tariffs resulting in a weaker dollar, and/or fears of further fiscal slippage.

Precious	+	Energy	=	Industrial	=	Agricultural	=

Currencies

The Committee kept the **Neutral** stance on the US Dollar. Uncertainties related to the imposition of tariffs by the United States persist and is likely to create unusual volatility on the dollar exchange rate. Nonetheless, the dollar currently trades in line with the level suggested by the rate differential, and barring any unexpected decisions on tariffs may continue to remain around current levels.

The view on the Euro remains **Neutral** as well, which also trades in line with fundamentals. Weighing on the euro are the uncertainties surrounding the upcoming German elections and whether or not the reciprocal tariffs announced by Trump will be effectively applied. Counterbalancing this, the prospect of a resolution to the war in Ukraine should have a positive impact on the common currency.

The view on the **Chinese Renminbi** remains **Neutral**. The resilience shown by the Chinese market in recent weeks, along with technological advances on artificial intelligence, could encourage a resurgence of interest in the country, offsetting the lack of concrete news on fiscal stimulus.

The outlook for other **emerging market currencies** remains **Neutral**.

Euro		USD		CNY		Other EM	
	=		=		=		=