

Global macro – Who benefits in a Trump 2.0 world?

Research & Insights

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The inauguration of Donald Trump as 47th President of the United States – Trump 2.0 – was followed by rapid-fire executive orders setting a new policy agenda for the US domestically, and as a global geopolitical actor. Who benefits in the new Trump 2.0 world, and where do we see the investment opportunities? Ausbil's global investment team offer their thoughts on the new world order that is shaping in 2025.

10 minute read

Key points

- President Trump is shifting policy domestically and globally in what is set to become a new world order across many pillars of the global economy, including trade.
- Trump 2.0 has heralded a raft of geopolitical and economic changes that brings both risk and opportunity.
- Ausbil believes Global economic growth is set to improve in 2025, in an environment of global monetary easing. This bodes well for earnings growth, and a return of cyclical demand in developed markets.
- We think the risks are mostly geopolitical. Wars and trade wars are our principal concern, with trade wars having the potential to soften global growth.
- We see opportunities across global small caps and global essential infrastructure coming from Trump 2.0, and with the tailwind of major stimulus undertaken in the Biden era.



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Q: In a nutshell, what is your outlook for the global economy?

JC: If you want a short outlook for where I think the economy is headed, it makes sense to touch on five key points.

1. Trump 2.0

JC: The inauguration of Donald Trump as the 47th President of the United States has seen some radical departures from the previous administration. Trump's proposed election policies were strongly pro-growth and pro-business and the cut in income and corporate taxes will be stimulative. These measures will contribute to ongoing fiscal deficits, add to existing high US government debt levels, limit the expected (pre-election) quantum of reductions in the Federal funds rate, and will place a 4% plus floor under long bond yields.

Tariffs will result in upward pressures on supply chains, with input prices keeping US inflation somewhat elevated, and slowing the pace of global trade growth. In particular, China tariffs will impact those companies highly leveraged to China demand, or that manufacture in China. While tariffs appear problematic at first, the most recent presidential executive order entitled The "*Fair and Reciprocal Plan*" on Trade suggests that inter-country tariff wars are not just about the levels, but also about opening the door to political negotiation on fair trade principles that will be beneficial for both parties. The announcement refers to the "*art of the international deal*", an homage to Trump's 1987 memoir, *The Art of the Deal* signalling a dealmaking approach to evening out US perceived unfairness in trade relations. Ausbil's view on tariffs under Trump is that the US is expected to benefit at the marginal cost of higher inflation. Moreover, the impact of tariffs will be significant for the net exporters running trade surpluses to the US, such as China, Mexico, Canada, European Union, Japan, South Korea and India. However, tariffs will be less problematic for net importers running trade deficits with the US, The Netherlands, Saudi Arabia and the United Kingdom. Overall, the risk of unknowns remains high, but we think that the risks of a US drive to equilibrate trade relations and reciprocity through tariffs and negotiation are in favour of strong US growth, and positive global growth, with some relatively minor drag from trade friction.

2. Despite rapid change, the global growth outlook remains positive

JC: Global macro settings are expected to remain within their 'back to normal' levels in 2025 and 2026, supported by a shallower global easing cycle. We are forecasting a sustainable step-up in global growth to 3.5% for 2025, elevated but stable inflation relative to central bank target levels and limited real rate cuts. The recalibration of restrictive policy settings appears to have run its course, closing in a new higher neutral level relative to recent history. The US Federal Reserve has pivoted and paused rates in the target range of 4.25-4.5% as "inflation remains somewhat elevated." The structural themes of decarbonisation and accelerating de-globalisation will continue under Trump 2.0, and will underpin activity. Taken together, global GDP is continuing on a positive upward trajectory towards its trend rate, as illustrated in Table 1, and as a consequence our forecasts have remained unchanged since November 2024. Underlying resilient private demand, business investment, employment growth, and easier financial conditions will sustain the expansion of the global business cycle. We remain vigilant with respect to unpredictable geopolitical events, including the risk of underestimating the impact from Trump's tariff policies.

About Ausbil Investment Management

Ausbil is a leading Australian based investment manager. Established in April 1997, Ausbil's core business is the management of Australian and global equities for major superannuation funds, institutional investors, master trust and retail clients. Ausbil is owned by its employees and New York Life Investment Management a wholly-owned subsidiary of New York Life Insurance Company. As at 28 February 2025, Ausbil manage over \$19.5 billion in funds under management.

Real GDP % year average	Long run average 2010 to 2019	Ausbil 2025 (f) %
United States	2.3	2.2 to 2.5
Japan	1.2	1.2
Eurozone	1.4	1.6
China	7.7	4.6
India	7.0	7.0
Australia	2.6	2.5
Global GDP	3.7	3.5

Source: Ausbil, FactSet as of January 2025.

We are forecasting a resilient US, and a modest recovery for Europe. The US growth outlook sustained in the mid-2% range will be driven by Trump's pro-growth and pro-business policies. This forecast builds on a resounding year average real GDP growth outcome of 2.8% for 2024, following 2.9% in 2023 and 2.5% in 2022. Growth is driven by a resilient labour market remaining at full employment levels, underlying strength in the consumer from real wages growth, a positive wealth effect and private capex investment. The US is experiencing a sustained productivity uplift, where the pace has stepped up to 2.0% from a low pre-pandemic 5-year average of 1.4%.

Europe experienced shallow growth conditions that felt more like a recession, especially for Germany. We are forecasting a gradual recovery in growth, assisted by European Central Bank rate cuts. Year average real GDP growth was a subdued 0.9% in 2024, following 0.4% in 2023 and 3.4% in the post-pandemic rebound of 2022.

The Asia-Pacific growth engine will continue outpacing the rest of the world. China's ongoing piecemeal expansionary fiscal and easier monetary stances are stimulus measures aimed at stabilising local government debt levels and the property sector. Remarkably, year average real GDP achieved 5% in 2024, matching the government's official target following 5.2% in 2023, and after the pandemic drag of 3% in 2022. Chinese President Xi, Premier Li and Central Bank Governor Pan have reiterated the government's commitment to domestic stimulus. Collectively, these should sustain growth in the mid-4% plus range and will enable a forcible domestic final demand response to the imposition of Trump 2.0 China import tariffs. Encouragingly, the World Bank revised higher their 2025 growth outlook for China from 4.1% to 4.5%. The IMF upgraded by 0.1ppts to 4.6% in 2025 and by 0.4ppts to 4.5% in 2026.

3. Inflation is under control but will remain elevated

JC: We are forecasting elevated but stable inflation relative to central bank target levels in the US and globally. Core inflation dynamics continue to see persistent sticky services inflation (ex-housing), moderating housing inflation at a much slower rate, and upside risk from goods inflation from potential supply and tariff driven input price shocks.

4. You can stop worrying about recession

JC: In our view, lingering market fears of a US recession are unfounded and the risk is mitigated by the fact that central banks have significant room to cut nominal rates if recessionary signals eventuate.

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5. 2025 will be a good macro environment for equities, with some risks.

JC: In summary, Ausbil's house view is that the global economy is on a positive upward trajectory in 2025, with lower inflation and real rate cuts.

We remain vigilant on unpredictable geopolitical events that may materially impact our view. War in the Middle East remains a risk to the price of oil and supply chains. The war in Russia and Ukraine carries some existential nuclear risks. These risks are unpredictable but at this stage we do not expect material market disruption.

That said, underlying resilient private demand, business investment, employment growth, and multiple rate cuts are expected to sustain the expansion of the global business cycle.

Ausbil Global Small Caps (GSC)

Q: What does Trump 2.0 mean for global small caps in terms of opportunities?

GSC: Before Trump 2.0, we had isolated several key themes that were driving our portfolio construction. These thematics remain intact and in some cases, we expect them to be accelerated under Trump 2.0. This includes the electrification of things, AI and data centre demand, and investment in grid upgrade and expansion. These growth drivers have benefited from significant fiscal stimulus in the CHIPS Act and the Inflation Reduction Act. Trump 2.0 is expected to add deregulation, tax cuts and a general pro-business approach to governing that we expect to be incrementally stimulative for the US economy, especially in sectors like energy, industrials focused on US manufacturing, information technology firms in the data centre and AI complex, and companies leveraged to electrification and grid upgrade.

As an example, Celestica, which we hold in our portfolio, is a market leader in data centre networking equipment, headquartered in Canada, is expected to benefit from ongoing investment in US data centres, AI and networking efficiencies. President Trump's recent announcement of the Stargate AI project, a US\$500bn joint venture between OpenAI, Oracle and Softbank, highlights the robust investment environment in technology.

Q: What are the risks you are avoiding?

GSC: The clear and present risk we are monitoring is that of tariffs, and the potential impact on the US and world economy. Tariffs and potentially strong growth in the US could lead to inflation accelerating again which may require the US Federal Reserve to end their interest rate cutting cycle and potentially consider tightening interest rates.

However, many of the small cap companies in the US undertake a lot of their manufacturing domestically therefore they are heavily insulated from the effects of tariffs, unlike their foreign competitors. Ultimately this could give a boost to US small-cap companies.

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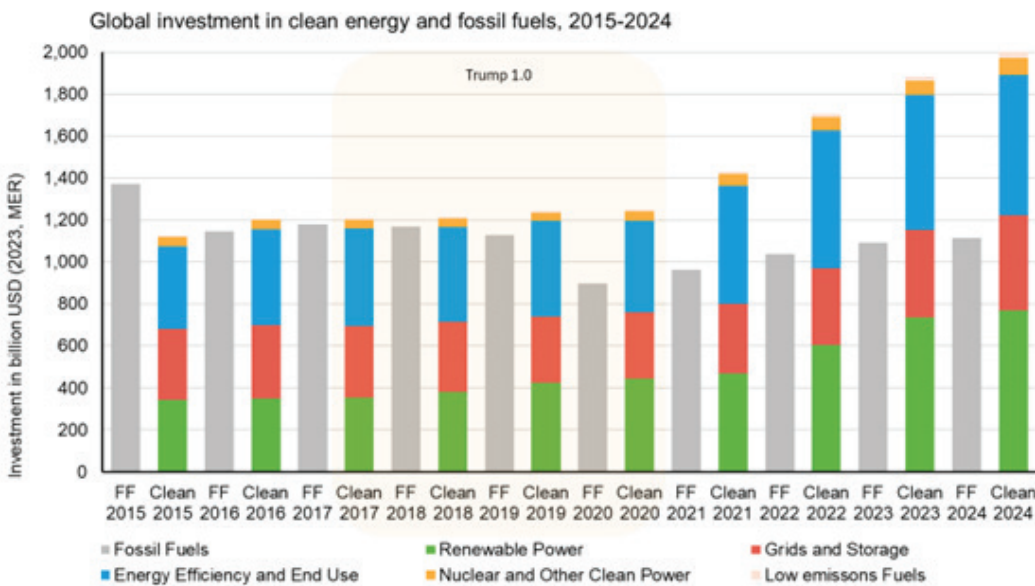
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Ausbil Global Essential Infrastructure (GEI)

Q: What does Trump 2.0 mean for essential infrastructure?

GEI: Trump 2.0 comes amid the multi-year infrastructure stimulus undertaken by the Biden government, and which we believe is unlikely to cease under Trump. From an infrastructure perspective, it helps to look at Trump 1.0 for some help in extracting fact from rhetoric. Under Trump 1.0, in contradistinction to the fearmongering on renewables and fossil fuels, coal was retired more under Trump than any other prior administration, and renewables grew, albeit modestly (Chart 1). In fact, fossil fuel investment actually increased again under Biden, though against a rapid increase in clean energy investment.



Source: IEA, 2024.

While Trump failed to win a consecutive second term, his subsequent second term offers him four years to achieve his goals. In energy, Trump is looking back at fossil fuels in the form of LNG as a base load power to stimulate onshoring for the coming four years, releasing volume that is readily available. However, the latent time delays for other power sources like gas turbines, hydro and nuclear, suggest that Trump will necessarily need to be supportive of wind and solar renewables that can be readily expanded during his term to achieve Trump 2.0 American growth targets.

Trump's energy goals and his policy for onshoring, protecting and expanding US manufacturing is a major driver of pipeline infrastructure for the liquification and export of natural gas as LNG. Both pipelines and rail are expected to benefit from better growth, more energy shipping, onshoring and 'made in America' protectionist policies.

Across all infrastructure sectors, Trump deregulation is expected to spark more M&A, and just as Australia liberalised the market and precipitated significant M&A activity, we believe the US should follow, subject to state and anti-trust considerations. Artificial intelligence and data storage will also add to energy demand. These are areas that are benefiting under Trump policy with the announcement of Stargate, and his close relationships with a range of technology leaders. In infrastructure, we are agnostic as to which AI models may become dominant (like DeepSeek, Gronk, Gemini, Chat GPT, etcetera) as infrastructure will benefit from the overall rise in energy demand. In general, we expect that improved macro-economic conditions and reshoring will benefit all infrastructure sectors.

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Q: What are the risks you are avoiding?

GEI: The markets ran hard in calendar 2024, and while Ausbil is calling calendar 2025 a period of 'risk-on' given the positive economic conditions, we still acknowledge that there is a real risk around valuations. We think that improving growth, and pro-business policies will help reduce this risk. Tariffs are likely to cause some distortions, but for contracted infrastructure assets, the risks are relatively low. There are also potential currency risks. The US budget deficit will expand with lower taxes and potential interruptions from tariffs, however, the potential is for onshoring and resurging US manufacturing to offset this with greater productivity. Finally, the nature of Trump foreign policy is such that hard dealmaking could precipitate more geopolitical volatility, though looking back at Trump 1.0, where no major geopolitical disasters occurred, it is hoped Trump 2.0 will be similar.

Q: How have you been positioning for the macro-economic outlook?

GEI: As we progress through 2025, we believe Essential Infrastructure stocks remain positioned for continued growth despite increased market volatility. President Trump's administration is expected to introduce fiscal stimulus and deregulation measures, which could benefit US infrastructure investments such as rail, energy and utilities. The AI sector's rapid development is set to drive structural increases in electricity demand, further supporting North American utilities and energy infrastructure companies. LNG exports continue to play a key role in global energy markets, including Cheniere's Corpus Christi expansion nearing completion, in which we have a holding.

In Europe, uncertainty remains elevated due to political instability and macroeconomic concerns. However, select infrastructure assets continue to offer attractive opportunities.

While infrastructure stocks have faced headwinds from interest rates, the fundamental case remains strong. We see valuations as reasonable and continue to focus on high-quality, well-positioned companies. Our long-term investment thesis remains intact, with a robust pipeline of opportunities in energy, transport, and across the utility space.

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