



**THE  
WATCHLIST  
2025**



**THE WATCHLIST 2025:**

**THE WORLD AT A CROSSROADS**



**Finalto**

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# INTRODUCTION

## 2025: Tipping Point?

The world enters 2025 at a crossroads. This is always the case, but in an increasingly fragmented and polarised world, the outcomes appear more binary than ever. War or peace; bulls or bears; more populism or a technocratic revolution? In many ways the debates about our future have not moved on much in the last 12 months, since our last Watchlist. Central banks have begun cutting rates, the world economy has held up surprisingly well, Europe faces the same challenges of an ageing population and rising deficits as it did at the start of the year.

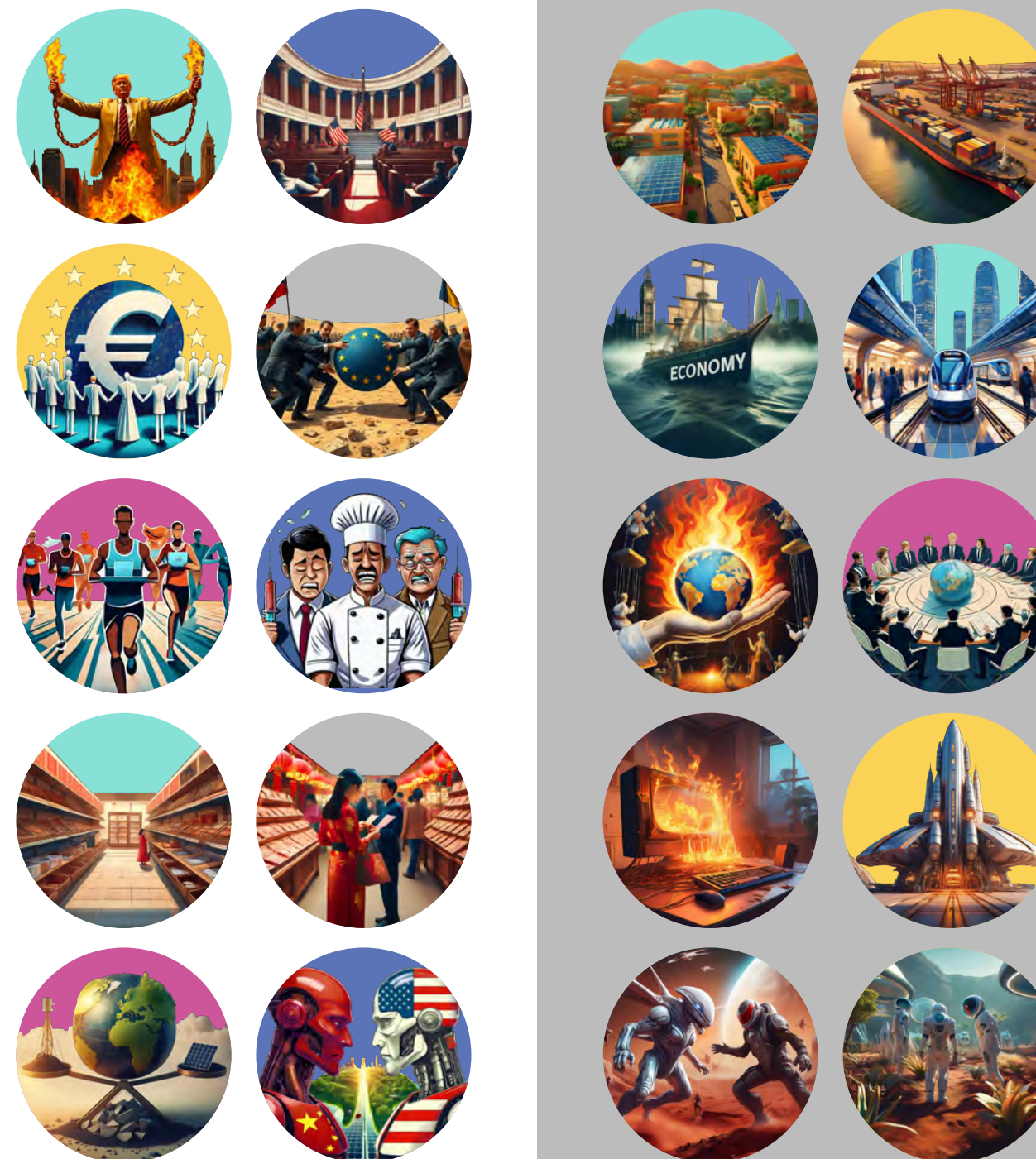
So what's changed? The Middle East has seen violence escalate. Europe has been rattled by France's political chaos; only to be outdone swiftly by Germany. The UK has a bold and radical left-wing government. The US has just elected possibly the most consequential president in a generation.

As we look ahead to the coming 12 months we can consider the choices that will be made that will determine where the world goes. Will Trump go full MAGA or will he be curtailed by prickly senators and courts? Will the UK's new government deliver growth as it promises? Will the right sweep to power in France? Will we get more war, or less?

Beyond politics, changes are happening in our day-to-day lives that are far from mundane. AI has started to revolutionise the way people do business. New drugs promise to have not just far-reaching health benefits but also consequential economic effects. And the final frontier is opening up – the space race is on, but what will this look like?

In our Watchlist we seek not to advise anyone, nor prejudge decisions, nor predict outcomes; but instead to present differing views, at times contradictory, on what is at stake and what course events could plausibly take over the coming year.

We hope you find it intriguing and thought-provoking as always.





# CHAPTER 1

## What Way America?

Where America leads, the rest of the world follows. Or so it has always seemed. But Donald Trump's second term poses a unique set of questions: how far can he really push his America First agenda? What impact will tariffs have on allies in Europe and on foes in China? What does it mean for global security if Trump distances the US from NATO? What happens to the climate agenda if Trump again pulls the US out of the Paris agreements? And what does it all mean for US growth, financial stability and investors?

Here we lay out two possible scenarios for the year ahead

### Trump Max: Prometheus Unbound

Trump the fire-bringer unleashes humanity's potential. Republican dominance of Congress means Trump's agenda will get pushed through unfiltered. And unlike during his first term, his cabinet picks can all be relied upon as Trump loyalists.

First up, Trump will impose swingeing new tariffs on all goods coming into the United States. This will amplify existing tensions and stoke a fresh round of trade wars and, as a derivative of this, currency wars. Nation states will be in a competitive race to the bottom to secure favourable trade terms using their currencies as the only tool at their disposal. This is likely to raise the cost of business everywhere and stoke a one-time inflation impulse. Second, Trump will lower corporate taxes and extend personal income tax cuts, fuelling inflationary pressures and pushing up corporate earnings for US companies. Third, deregulation will boost animal spirits and growth in a range of sectors, from financials and energy to the nascent crypto industry. Fourth, loose fiscal policy will combine with higher deficits to deliver an inflationary impulse. The Department of Government Efficiency achieves its aims, slashing spending and allowing the Treasury more room. In short it will be a boom like we've never seen before.

In time he might even get the Constitution altered to serve a third term – who's going to say no?



### Trump Lite: Trump Bound

Trump's agenda may come unstuck – recalcitrant Republican lawmakers may not be as pliable and willing to go along with the new president's agenda. Mid-terms are under two years away – Trump has about six months to get anything done before Republicans start to look over their shoulder.

Tariffs are targeted and limited. Tax cuts are tempered by the reality of deficits and a desire among large swathes of the Republican party to get spending back under control and reduce the deficit. With the GOP in control of all the House, Senate and White House, they have a unique chance to pare back spending; the DOGE can help. And if Trump's first term is anything to go by, personality clashes among his top team will mean colleagues leave within months and getting things done could be harder than it looks at first.

Moreover, the risk is that even if Trump gets everything his own way, running the economy a bit too hot whilst limiting the potential supply of labour will create an inflation surge that undermines everything else he is trying to do. Far from securing peace in the Middle East and Ukraine, leading the US into a more isolationist position allows other actors to fill the power vacuum, stoking further instability.

# CHAPTER 2

## Europe, more or less

“Europe faces a choice between exit, paralysis, or integration. Exit has been tried. Paralysis is becoming untenable. Integration is our only hope left.” - Mario Draghi

One argument says Europe is paralysed by populism and incompetence; fragmentation and more nationalism is inevitable. The other argument goes something like this: Europe has always lurched from crisis to crisis and the answer every time has been ‘more Europe’. And as we go to press, France’s Marine Le Pen, the frontrunner to become the next president, is threatened with jail time and an election ban; whilst steps are being taken to ban the AfD in Germany. They tried this with Trump – will Europe react the same way?



### More Europe

Fragmentation leads to dreadfully slow decision making, institutional stagnation, moribund economic growth and ultimately some crisis of confidence about Europe’s place in the new world order. The inevitable creep of more Europe is the result. The crisis allows it to move forward. It has always happened this way, why would it be ‘different this time’? And in 2025 it will be driven by likely votes in Germany and France and the spending decisions they take.

Centralised fiscal intervention by the EU as the natural endpoint in the grand European project. For many, the euro will either fail or result in complete fiscal union; there is no third option. The pandemic broke new ground and opened the door to states agreeing to joint debt instruments in times of crisis; and are we not already in a form of slow crisis? Draghi explicitly made the case: “We are already in crisis mode and to ignore this is to slide into a situation you don’t want to have.” Better to risk sticking your head in the lion’s jaws than let the rats eat you slowly.

It’s not just the economics and a technocratic plan to ‘Make Europe Great Again’. One European school of thought is to get the economics aligned and the politics will follow. Or, instead, do you need political consensus to make big economic decisions? As ever, it’s a six of one and half a dozen of the other.

Much will depend on what happens at a national level as Germany and possibly France have another go at elections.



### Less Europe

Or do we get less Europe? As we discussed in our 2024 Watchlist, there is a fight for the soul of Europe and it seems to be heading towards more nationalism and fragmentation at the centre.

France is heading towards an inevitable rerun of last summer’s elections and this time the ‘Republican Front’ may not hold back the right wing Rassemblement National (RN). It’s not implausible that RN will win, which would create a powerful populist government at the heart of Europe. RN won the election in 2024, and it was stolen from them – sound familiar?

Germany’s own political crisis this year has made it plain just how hard it is to govern when prices are higher, energy policy has failed and money is being found for funding immigration and foreign wars at the expense of the native population. The two largest economies and the emotional bedrock of ‘Europeanism’ have weak governments.

Elections in 2025 will be pivotal and populists will gain more ground. Although AfD will not get near government, RN might and it will signal the winds of change for the old order. Faced with hard-right pressure Europe’s institutions will not be able to address the social and economic challenges in the bloc. Under this pressure from within the institutions will start to crack.



# CHAPTER 3

## Ozempic: Big Deal or the Thin End of the Wedge?

Are 'miracle' weight loss drugs like Ozempic the productivity booster of policymakers' and business owners' dreams? Or is the road to serfdom paved with good intentions?

### The Upside:

A sick workforce is not a productive workforce. The data clearly shows that chronic illness is a massive drain on productivity. And that obesity contributes significantly to chronic illness.

Goldman Sachs calculates that poor health has knocked off 10% from US GDP due to lost work due to illness, disability, early death and from the need to offer informal caregiving. They also estimate that poor health has "subtracted 2 to 3 percentage points from the overall labour force participation rate over the last 30 years".

How big a role does obesity play? Goldman's number crunching continues (emphasis our own): "obesity-related disease and illness shave about 3% from per capita output – via both missed work days and lost productivity – or more than 1% from total output when the more-than-40% share of the US population that suffers from obesity is factored in".

Does that sound like a very American problem? More than a quarter of adults in England are obese (with 37.9% more defined as overweight) In Europe, obesity is the main risk factor for disability, "causing 7% of total years lived with disability".

In many developing economies, obesity rates are even higher – with more than a billion people with obesity around the world.

For now, cutting edge anti-obesity drugs are limited to more affluent markets. However, Semaglutide will eventually be manufactured in the form of much cheaper generics.

That means a fitter, healthier workforce. But our Ozempic utopia is not all work and no play. More people would have access to a range of leisure activities they currently can't conveniently access. That's something to celebrate. Besides, with an Ozempic Baby Boom on the horizon, we'll need to be fit and strong to keep up with Generation GLP-1.



### The Downside:

Could there be anything more enervating to a consumer economy than sapping our Animal Spirits? If anecdotes are to be believed, Ozempic makes you want to drink less. It curbs compulsive gambling. It pretty much reduces compulsive behaviour in general. Impulse buying that Dr Who can opener you saw on TikTok at 3am? No more, not once Ozempic works its magic on your synapses. Will the whole world start to suffer from depressed consumer demand like China?

Maybe. Anecdotes are rarely a reliable guide. But Ozempic's more mundane effects are enough to send a shiver down the spine of Big Carbohydrate. Ozempic threatens to lay waste to snack manufacturers, liquor companies (heavy drinkers account for two thirds of alcohol sales), fast food outlets and restaurants. The backbone of modern life, basically.

Paradoxically, gyms are under threat too. After all, the standard commercial model is to sell gym contracts to a large proportion of members who never work out. And why sign up for a health club you don't go to when the pill will do the work for you?

Ozempic doesn't merely hit the consumer economy where it hurts, it's a frontal assault against coastal elite pastimes. Brunch, cocktail hour, spinning class ... even if Ozempic remains a lifestyle supplement for the affluent, those are the consumers with the leisure time and money that many sectors of the economy depend on.

Although another kind of danger lies precisely in 'democratising' access to Ozempic. In practice, forced jobs to those out of work, as Britain's Health Secretary sort of suggested. In a post-Covid world, mandatory 'jobs for productivity' is no longer unimaginable.

We'll be more physically fit for purpose, maybe. But as we move to AI-powered robot assistants and upload our social life to the cloud, will we even notice?

# CHAPTER 4

## China: Going Japanese?

Will China go the way of Japan, or will Beijing find the right levers to reignite the country's - and the world's - growth?

Authorities in Beijing have been seeking a way out of the post-Covid malaise through stimulus efforts but the country is in a predicament that will require more far-reaching structural reforms.



BUST



RECOVERY

### Japan 2.0:

Might China end up in the Japan Trap? Japanification – the process of lower inflation, low policy rates and low growth coupled with a long-term demographic challenge of a declining working-age population. Japan's economy is a shadow of the post-war miracle; its 'lost decade' turned into three lost decades.

The parallels between China today and Japan in the 1980s are impossible to ignore: Demographic problems, trade tensions, underconsumption, high debt levels, a property bubble bursting and authorities willing to administer sticking plaster solutions that only make the problem worse. China will not be able to escape a multi-decade fight against declining growth, deflation, demographic decline and deleveraging. The process is only just beginning. China in 2024 is about where Japan was 30 years ago, and the path looks familiar.

China's main problem has been one of too much savings and not enough consumption. This cannot be fixed now by stoking demand. The real estate bubble mopped up excess savings (China's gross national savings between 2000 and 2024 were 45%, vs 18% in the US and 28% in Japan), and property development became the main engine of growth, but its bursting has left a legacy of falling asset prices, debt and economic scarring. Household income is just 61% of national GDP – not enough to drive consumption growth at a meaningful level. Meanwhile, Trump's tariffs are going to materially damage China's economy, whilst the ensuing tit-for-tat trade wars are going to diminish the rest of the world's demand for China's potential supply. China is now in the middle-income trap where it cannot sustain productivity growth, and the result will be a deflationary spiral that eats into global growth.



### China 2.0:

True, China is facing a Japan-like challenge; but it's wrong to see them as essentially the same. Japan was relatively rich in the 1980s and early 1990s; China is relatively poor and has a lot of catching up to do that will stimulate demand and growth, so long as the authorities pull the right levers and sort out the mess of debt. It may face a demographic challenge with an ageing population, but there is an as yet untapped rural workforce to train. China's labour force will remain resilient, its huge financial reserves can be brought to bear, and Beijing has the luxury of being able to use them. The banks are in better shape than Japan's were in 1990; a Plaza Accord style currency deal – which contributed to Japan's problems – is not going to happen. Reforms to the Hukou system – a household registration bureaucracy that makes it difficult for people from the countryside to obtain social benefits in cities – could unleash more productivity growth, whilst China is rapidly closing the gap with OECD countries on R&D spending, which should drive further productivity growth.



# CHAPTER 5

## Green Technology: Transition to What?

Green Energy is our inevitable future. But geopolitics, economies of scale and a wildcard in the White House make the precise nature of our green future murkier than we may like.

### Hot Planet, Cold War: Weaponised green technology?

We're at the tipping point. If global temperatures increase by more than 1.5 degree Celsius, the world will be changed forever, with devastating consequences. Nations have come together to solemnly swear to the Paris Agreement, committing to keep temperatures within a reasonable range and preserve a habitable environment on our shared planet.

It's an impressive showing of unity and resolve, if arguably too little and much too late. So you'd be forgiven for not noticing that the global responses to climate change are also antagonistic, not just cooperative. The urgent need for a coordinated climate response is a cause of transnational cooperation but it's also a source of tension, especially as move drift into a multipolar world.

That seems absurd on the face of it. It's global warming after – the effects are systemic and not locally contained.

But nor are climate change's effects uniformly distributed. Notably, Africa is especially affected by climate changing, while having one of the lowest rates of CO2 output.

Residents of poorer countries, not unreasonably, question why they should bear the burden of the transition to clean energy when they didn't get an opportunity to reap the rewards of cheap hydrocarbons.

Europe and the US have offered to invest in helping developing nations transition to green energy. However, these initiatives have frequently been met with suspicion by locals wary of 'green imperialism' and threats to jobs in coal and other polluting industries.

Our dystopian scenario can take two forms: the liberal internationalist and the Trumpian isolationist. The former, developed nations load up poor countries with debt to fund their 'green transitions', but without adequate support. The result: energy insecurity, job losses, political blowback, fiscal crises and a populist blowback. Meanwhile, America, China and the rest pour cash into wastefully incompatible and redundant energy tech.



### Productive competition

It would be a mistake, though, to think of the climate transition as just a question of elites versus the people. After all, domestic access to green power technology (or the decision to stick with hydrocarbons) is an energy security question – i.e. the quintessential geopolitical priority – and a matter of technological and manufacturing superiority.

Like the Space Race during the Cold War, could geopolitics produce innovation that enhances our lives?

Green technology is a major site of innovation. In China clean energy has become the principal growth factor for the whole economy.

Not too long ago, the United States may have been happy to outsource the production of advanced solar and other green tech to China. But now the US and China are engaged in a trade war, and many people suggest the world economy has become more zero sum.

Trump's rhetoric may have been especially heated, but in practice, the Biden administration took significant measures to boost US green manufacturing and protect American industry from Chinese competition.

Under President Trump, we can expect even stronger measures against China. The new administration's attitude to green energy is more uncertain.

And maybe that's fine. 2025 could be the year that green energy comes of age. Abundant power for all – from modular nuclear dotted safely around the UK landscape to cheap, efficient Chinese solar panels and cut price electric SUVs available to all who want them. Competition on tech, some (sufficient?) coordination on policy, and a cleaner, cheaper, freer world for the rest of us.



# CHAPTER 6

## South Africa on the Brink

Appropriately for this year's Watchlist theme, South Africa is at a crossroads. Not such a coincidence when you realise South Africa is always at a crossroads. Today, it stands on the brink of renewed success and of disaster. A contradiction? The country specialises in them.

### The GNU (and improved) South Africa

South Africa's Government of National Unity is held together with duct tape and string, but they have a common enemy – Jacob Zuma's uMkhonto weSizwe party, which ate the ANC's lunch in Zuma's home province – and a sense of urgency, of time running out. That may be enough. Not for the first time in South Africa's modern history, probably not for the last, it's now or never.

The coalition is months old, but sentiment is already stronger. A Financial Times headline: 'Signs of stability from South Africa's unity government boost business confidence'. Three decades since the inception of democracy, and you'd hope for more than stability – but it's (another) new start.

In other words, our positive scenario is not meteoric success, as it might once have been, but steady rebuilding after a lost decade. Not bad, when you consider where things were going.

South African equities saw their best quarter in ten years, the South African Reserve Bank is modestly optimistic about growth and inflation. Consumers are consuming again.

Beyond vibes, questions of structural reform. Most urgently, fixing transport and power infrastructure, and the State Owned Enterprises that manage it. There is no South African economy without electricity, rail, road and functioning ports.

The country is, ostensibly, serious about securing infrastructure funding. The president has made reforming SOEs a priority. The coalition government might be broad enough to demand technocratic efficiency and reduce corruption.

Crucially, the electricity crisis has been partially resolved by bypassing Eskom. Energy market liberalisation combined with the drastically reduced cost of renewable technology means households can move to solar, private contractors are providing renewables at scales – and some private sector players are producing their own power.

To optimists, South Africa's future is always bright. With more than 100 days without load shedding, the present is finally bright as well.

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### The False Dawn

President Cyril Ramaphosa promised a 'new dawn' for South Africa after the state capture years. That was 2018. We're now in his second term, and dawn is breaking once again. The feeling of déjà vu persists: the GNU, a deliberate throwback to Nelson Mandela's unity government, is an unsatisfying compromise to stave off populist excess. Already there are tensions, driven by policy differences, local government conflict, and personality clashes.

South Africa's ports, once globally competitive, are now among the worst in the world. The country still depends on coal when the world is moving to renewables (with carbon border taxes to boot). In the economic capital, the taps run dry in even the leafiest suburbs.

None of these problems is intractable, and the government is committed to fixing them. But the contradictions are piling up. South Africa needs to tighten its fiscal belt. It also needs massive investment in crumbling infrastructure. The country faces high unemployment, strong unions, and widespread working poverty. Home solar has finally helped overcome the crippling electricity crisis, threatening to plunge municipalities into crisis.

A function of the ruling ANC has been to manage the contradictions, shepherding in – for better or worse – a broadly neoliberal economy and a large welfare state. Partners to labour, friends to big business and the party of liberation. Hence the throwback to the GNU. A political roll of the dice by a president under pressure from all sides.

Resolving the contradictions needed 30 years of growth. Instead, the country is not just recovering from stagnation, but the deliberate dismantling of national infrastructure and institutions of governance. The state capture years have broken South Africa, and it's not clear even the most ingenious political machinations can fix it.

Perhaps the country can continue treading water. Or perhaps a confluence of moderate setbacks – getting kicked out of AGOA, a rapidly depreciating rand in the new Trump trade global order, coal-dependent communities rising up while carbon-heavy manufacturing falters – will push the rainbow nation into the abyss.

# CHAPTER 7

## Will Securonomics Succeed?

Labour promised growth, but the Budget didn't seem to deliver it. Or at least yet. We could be waiting a while. The question is really whether investment piles up to produce productivity gains.

### Worse to come

Let's take the pessimists' view: The government is going to borrow a lot more and spend a lot more; but growth will be worse. It's hard to see the Budget as anything other than



disaster for economic growth. Even the Office for Budget Responsibility says it does absolutely zero for growth and, in fact, through higher employment and consumption taxes we will get lower growth as consumers will have less to spend. Moreover, the fiscal measures will imply higher inflation and prevent the Bank of England from cutting rates as quickly as they might. This leads us into a stagflation situation. Add on top of this a net-zero-at-all-costs dogma which will raise energy costs and make businesses less competitive.

The Resolution Foundation has assessed the outlook for growth and the budget changes and calculates the disposable income of average household, adjusted for inflation, will rise by 0.5% in next 5 years. The Institute for Fiscal Studies is similarly unimpressed at the way the Budget will drive real income growth. To avoid real terms cuts to departmental

spending, more tax hikes will be required later on. The big change to the debt rule means lots borrowing yet only £15.7bn of headroom in the final year of the forecast – creating a strong chance they will need to raise taxes again. No battle plan survives contact with the enemy, which in this case is reality.

The OBR predicts a bit of boost to growth but then big headwinds. And this feeble growth looks even less impressive when you look at the extra borrowing. The larger state will “crowd out” business activity and business investment, the OBR says, pushing living standards down by about 1% in the last year of its five-year forecast.

And the Budget will raise the cost of living. The OBR notes: “Budget policies push up CPI inflation by around ½ a percentage point at their peak meaning it is projected to rise to 2.6 per cent in 2025, and then gradually fall back to target.” Low growth, higher inflation, higher interest rates, higher borrowing costs and more debt...hardly the sunlit uplands.



### Growth, Stupid

Can we instead be more positive? The government's Budget was criticised by many business leaders, but let's have a reality check: the government is investing a lot more money. This will be a positive in time, as long as it's well marshalled spending. True, borrowing is going to rise a lot, but this could be more stimulative than many believe, particularly as the additional spending is front-loaded. Moreover, economic headwinds from Europe could turn into tailwinds if there is peace in Ukraine and energy prices come down off the back of Trump's White House agenda. Inflation is falling and the Bank of England will continue to cut interest rates. Moreover, the UK could be spared expensive tariffs – we already buy more from the US than we sell to it, which means it's not in the Trump firing line. A trade deal was on the table during Trump's first term and he's a noted Anglophile. Maybe, just maybe, it won't be so bad after all.





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# CHAPTER 8

## War or Peace

Will China invade Taiwan? Will there be a resolution in Ukraine? Will there be an Israel-Iran all out war? Will there be other conflicts we haven't yet thought of?

These are all questions to which we simply do not know the answers. War is never predictable. In our 2024 Watchlist we detailed how the world was shifting from a state of (relative) peace to one where war is increasingly present. It's what one UK minister referred to as the shift from a post-war era to a pre-war one.

### War:

WW3 has already begun, we're just not calling it that yet. The conflict between Ukraine and Russia will grind on, and we can expect broadening of conflict in the Middle East. China has stepped up military drills and seems close to invading Taiwan. Proxy wars will spread.

Whilst president-elect Trump has vowed to end the Ukraine war, what chance does this have if Kyiv still has backing from Europe? And what would a peace deal actually look like? It could embolden Putin. Meanwhile Trump is even more pro-Israeli, which could embolden the Netanyahu government to widen the conflict. Maximum pressure on Iran will lead to fragmentation among Arab states and widen the war.

### Peace:

the fragmentation will pause – Ukraine will find a way to strike a peace deal with Russia, arm-twisted by the Pentagon, and Iran's regime will be toppled by Israel, ushering in a new era of peace in the Middle East.

Donald Trump has vowed to end the war in Ukraine "within a day" of returning the White House. Ukraine's sovereign bonds rallied after his election, an unlikely Trump trade that reflects a belief he will push hard for a peace deal. Even European allies are braced for a peace-for-land deal that will end the conflict. Trump selected as his Secretary of State the noted China hawk Marco Rubio, who voted against \$95bn aid package for Ukraine, Taiwan and Israel in April, and said in September that the war in Ukraine is going to end with a negotiated settlement.

In the Middle East, we will see the impact of the new administration in Washington will be felt instantly. Whilst Biden sought to appease Iran and impose regime change on Israel, Trump will do the exact opposite, supporting the Netanyahu government and imposing 'maximum pressure' on Iran. This will lead to a deal at the least to bring peace and a new settlement in the region.

In East Asia, Trump's offensive posturing should curtail any ambitions in Beijing to take Taiwan, at least for the time being.

# CHAPTER 9

## Ai Trough of Disillusionment or the Real Deal?

If 2024 was the year any one thing, it was the year of AI. More specifically, it was another stunning year for Nvidia, the bellwether and pin-up of the AI industry. Nvidia surged in 2023 but went stratospheric in 2024. So what is going to happen in 2025?



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#### Ka-boom:

AI is overhyped. It's textbook Gartner Hype Cycle - we are just about to enter the classic 'trough of disillusionment'. Stringent AI regulations are coming into force, especially the EU AI Act in February 2025, which will do a lot to tame some of the free-wheeling spirit that has allowed innovation to flourish. Before the trough happens the 'peak of inflated expectations' is achieved and shares in Nvidia, as the industry bellwether, go full Cisco, rising sharply into a melt-up phase and then collapsing.

Customers have massively overordered chips and will be forced to scale back as the hoped-for returns on investment fail to materialise and big tech customers slash capex budgets. There will be a broad retreat from AI among enterprises fixated on AI ROI. Most firms that are embarking on building their own architectures will fail. The problem will be compounded by a computational shortfall that has not been foreseen by many people jumping on the bandwagon - AI language models are hitting a ceiling, even as GPUs are increasing. And even if there are enough GPUs, power and cooling demands will limit AI improvements. 2025 will see the fizz come out of the AI bubble, but this might be for the best in the long run as humans start to reassert control over the machines.

#### Boom:

AI technology will develop at an exponential rate, driving rapid and disruptive changes in a wide range of industries including technology, finance, health and defence. Investment will continue to pour into the space driving further market capitalisation growth for the big chipmakers, led still by Nvidia, but broadening out to encompass more technology companies as they adapt to the new AI reality. Donald Trump, who said he would "repeal Joe Biden's dangerous Executive Order that hinders AI Innovation", will drive a deregulation-inspired boom like we have never seen. Growth and change will come from surprising places - new businesses built on AI platforms will emerge and displace incumbents in a number of sectors, whilst the largest corporations continue to augment their AI abilities and deliver stunning productivity growth. A boom in the crypto AI market will support even more rapid growth. Nvidia earnings, and shares, keep going up. Terrifyingly, deregulation of AI in the US leads to some scary scenarios and the odds of it wiping out humanity go from 5% to 10%. Which incidentally could lead us to the alternative scenario in a different way...



# CHAPTER 10

## Space Race: Space Odyssey or Spaceballs?

We're all moving to Mars, apparently. Is the new space race humanity's great chance of long-term survival or are we moving to feudalism beyond the stars?

### Space Dystopia

'Who owns the moon?' In 2020 China became the second nation to plant its flag on the lunar surface. The space race never really ended; it just became less politicised after the fall of the Berlin Wall.

For those with an eye to interplanetary colonisation, Mars is an even bigger prize. Elon Musk has it all worked out. His Starlink service contracts state that the company sees "Mars as a free planet and that no Earth-based government has authority or sovereignty over Martian activities". Dispute "will be disputes will be settled through self-governing principles, established in good faith, at the time of Martian settlement."

We've seen that movie before. What happens when the settlement next door, founded on self-governing principles of its own, want to 'borrow' their solar system or literally eat their lunch? Will the new colony tax its sovereign citizens and raise an army? Or will conscription suffice? Or will President for Life Donald Trump have to dispatch an emergency squad of Space Marines?

It may all be hypothetical. SpaceX is lowering the cost of space flight. But cheaper than NASA doesn't mean stronger than China, the new world leader in green technology, electric vehicles and, plausibly soon, passenger aircraft?

China's ambitions for space are lofty enough to keep European policymakers on edge. India, Japan, and Russia also have serious space ambitions. Iran has the ambition, if not quite the resources. But it's a start.

It's a race, but not necessarily a winner takes all contest. For 2025, the US will drive forwards as Musk's SpaceX will be thrown more contracts and more cash to bolster his efforts. This might be at the cost of competition, but NASA did its most earth-defying stuff when it was the only game in town.



### Space Utopia

Somewhere in the US Midwest, a team of engineers are building the technologies and strategies we'll need to survive in extreme conditions. The Resilient ExtraTerrestrial Habitats institute (RETHi) aims to "design and operate resilient deep space habitats that can adapt, absorb and rapidly recover from expected and unexpected disruptions." Their research programme includes "anticipating and adapting to possible threats" and "developing autonomous robots that can operate independently and collaborate with humans".

Extreme conditions, like unendurable ambient temperatures, mega volcanoes, vast continents unfit for agriculture? I'm referring, of course, to phenomena we'll experience on planet earth, if we don't get climate change under control. In outer space there's also UV radiation, meteors and other hazards to contend with, not even accounting for Martians with photon torpedoes.

RETHi's mandate, along with similar teams around the world, is of course to develop resilience for space exploration. But we could do with a whole lot more resilience on the planet's surface. Let's not discount the benefits of the space race to a warming planet. Sure, NASA didn't really invent Teflon, but they did give us the sensors used in smartphone cameras.

Elon Musk says that "becoming multiplanetary is critical to ensuring the long-term survival of humanity and all life as we know it". Perhaps. But maybe humanity's irrepressible spirit of adventure will bring utopia down to earth?

Space Race participation trophies? Mario Draghi has already conceded that it might just be cheaper and more practical for Europe to innovate using Chinese green technology. Whoever gets to Mars and beyond first will, in the process, invent unimaginable tools for human flourishing.

"Anything we can actually do, we can afford," Keynes said. He also assumed we'd use convert more of our technology into leisure time. Maybe - with AI, robotics, climate-proof farming, and SPF 700 - in the long run, we are all brunching on Venus.



# THE WATCHLIST 2025



## THE WATCHLIST 2025:



## THE WORLD AT A CROSSROADS

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