

Multi-asset solutions

# Four potential 'black swans' for 2025



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In 2024, a would-be assassin came within a hair's breadth of killing Donald Trump, dozens of people were killed by explosives planted in pagers and walkie-talkies, as Israel targeted Hezbollah members, and a spacecraft returned to Earth to be caught by giant 'chopsticks'.

What new 'black swans' could the world see in 2025? Marlborough's multi-asset investment team have carried out scenario analysis looking at extreme events that although unlikely are plausible. Here are four scenarios they have considered that would have significant implications for investors.

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## Scenario 01.

### Elon Musk becomes US president

Donald Trump is 78 years old. He lives on a diet that includes large quantities of McDonald's, KFC and Diet Coke, and has already survived two assassination attempts. It is not inconceivable that something could happen in his inauguration year that renders him unable to continue as US president.

Elon Musk already appears to many to have taken over the role of Trump's right-hand man, spending lengthy periods at Mar-a-Lago. Were Trump unable to continue as US president, could Musk take over?

Under the US constitution, the tech billionaire cannot become president because he was born in South Africa. However, given his public and political support, Musk could lobby Congress to pass an amendment to allow naturalised citizens to run for president.

Were he successful, Musk's leadership style, prioritising innovation and disruption, could energise sectors like technology, renewable energy and space exploration. On the flip side, more traditional sectors could be negatively affected.

More generally, markets could experience volatility due to his unpredictable decision-making and controversial views. However, his more business-focused approach would be likely to improve the outlook for global trade.

## Scenario 02.

### A breakthrough in cancer vaccines



Medical advances during the pandemic, and the increasing use of artificial intelligence, are encouraging new optimism about a breakthrough in vaccines that can stimulate the body's immune system to fight cancer.

mRNA vaccines are designed to help the immune system identify and attack foreign bodies such as cancer cells.

A melanoma vaccine named mRNA-4157 has performed successfully in trials and could be approved for use in the US in 2025. In the UK, thousands of NHS patients in England are to be fast-tracked into trials of a personalised cancer treatment using mRNA technology.

German biotech firm BioNTech is also seeking to develop 'off the shelf' vaccines that target common tumour markers.

Any breakthrough would be likely to be positive for biotech and pharmaceutical stocks, with the wider healthcare sector also benefiting. Longer term, increased life expectancy would have a significant impact on everything from pensions to life insurance, all of which would need to be considered by investors.

## Scenario 03.

### Russia threatens the West with a nuclear weapon in space



Russia is developing a nuclear weapon that could be launched into space, US National Security Advisor Jake Sullivan warned in April. The weapon is believed to be designed to detonate in orbit to knock out satellites en masse. This would destroy military satellites but also civilian ones, disrupting everything from power grids and emergency services to navigation and banking.

The relative weakness of Russia's conventional military forces has been highlighted by their inability to achieve a decisive victory in Ukraine, and the Kremlin has already made nuclear threats.

Once launched into space a nuclear weapon could remain in orbit for weeks, months or possibly even years, with Vladimir Putin using it to blackmail Western powers to cease their military backing for Ukraine, enabling Russian forces to overrun the country.

The Outer Space Treaty of 1967 bans the stationing of nuclear weapons in space. However, Putin could see breaching the treaty as a small price to pay for achieving his objectives in Ukraine, and Russia recently vetoed a new UN Security Council resolution designed to prevent a nuclear arms race in space.

Were Putin to even acknowledge the existence of such a weapon, telecoms companies, banks, power suppliers and a host of other companies reliant on satellites would be likely to be negatively affected. Defence companies would be likely to be beneficiaries.

## Scenario 04.

### The return of Trussonomics



Labour's popularity has plunged dramatically since the party's landslide victory, with millions of people signing a petition calling for a new General Election – although Prime Minister Keir Starmer very quickly ruled this out.

However, if Labour's popularity continues to plummet – with further large-scale mass protests and direct action such as farmers halting food production and blocking ports – the government could not ignore this indefinitely.

Starmer could feel he has no option but to call another election to reassert his authority. If Reform supporters voted tactically and backed the Conservatives, then the Tories could win. Riding a tide of right-wing 'popular Conservatism', a newly re-elected Liz Truss could successfully challenge Kemi Badenoch for the leadership and make a triumphant return to Downing Street.

In office, she would be likely to quickly align herself with Donald Trump and to earn his approval for Trussonomics 2.0, featuring tax cuts and deregulation very similar to the policies of his own administration.

With Trump exempting the UK from tariffs imposed on the European Union, British trade with the US could boom. In this environment, bond markets should be reassured, and UK equities could finally enjoy a long-awaited resurgence.

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