



Market Commentary July 2025

MARKET COMMENTARY

July 2025

SNAPSHOT

- The global equity rally continued, with Emerging Markets leading the way.
- Global bonds rose as yields declined.
- The US dollar continued to weaken against major currencies.

All percentages below are monthly returns for June 2025

EQUITIES



BOND MARKETS

BONDS

Rate cut optimism remains

	UK GILTS	1.5%
	US TREASURIES	1.3%
	GLOBAL CORPORATE BONDS	0.4%
	GLOBAL HIGH YIELD BONDS	0.4%



*Values represent bond index returns

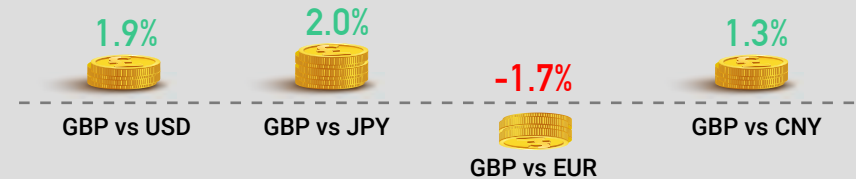
CURRENCIES

CURRENCIES

Sterling only weak against the euro



Pound vs Other Currencies



KEY INDICATORS



GOLD – XAU/USD

0.1%



OIL – BRENT CRUDE

5.8%



COMMODITIES

2.8%



INFLATION – UK CPI (YOY)

3.4%



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GLOBAL MARKETS

Global markets continued their recovery despite global geopolitics, strife in the middle east, and the lack of trade deals prior to the approaching tariff deadlines.



US MARKETS

Hit new all-time highs

The NASDAQ and S&P hit new all-time highs towards month end, as tech stocks, Nvidia in particular, boosted indices. The risk of further uncertainty and ongoing tariff concerns were brushed aside. The improved sentiment was in part boosted by the weaker US dollar, which acts as a tailwind for US multinationals, boosting the translation of foreign revenues into dollars and potentially offsetting the impact of new tariffs. This dynamic favours companies with service-based international revenue streams, such as Microsoft, over hardware-dependent manufacturers like Apple. As a result, growth and tech stocks outperformed, while value stocks and consumer staples continued to lag.

5.0%

US 500



UK MARKETS

Propelled by M&A activity

UK small and mid-cap stocks continue to lead the way. The small cap index ex-investment trusts returned 4.77%, while the FTSE 250 ex-investment trusts gained 3.21%, leading the FTSE 100 by a material margin. M&A activity, with companies being bid for at large premiums, e.g. Spectris, underlined the attractive valuations of the UK market and helped boost sentiment, even as macro data and government borrowing deteriorated.

0.3%

UK All Share



EUROPEAN MARKETS

Suffered from a challenging period

European equities had a tough month, with the MSCI Europe ex UK seeing a modest decline in sterling terms, and a slightly larger drop in local currency terms. The region's more industrial, less tech/growth focused market appeared to reflect the risk of ongoing tariff tensions, with a US/EU trade deal appearing more unlikely before the 9th July deadline. The currency's gains against the US dollar poses a dual headwind: it undermines European export competitiveness in the US and reduces the value of dollar-denominated profits when converted back to euros.

-1.3%

Euro 600 Index ex UK



JAPAN MARKETS

Inflation continued to move downward

As the 'risk-off' trade faded, the yen softened. That supported Japanese stocks in yen terms, but undermined returns when converted back to sterling. Japanese inflation has continued to ease slowly, to 3.5% in May, having peaked at 4% in January. A sharp decline in education costs helped, while double digit increases in electricity, and a large increase in rice prices, will continue to weigh on growth, potentially making inflation more persistent. Nonetheless, the trend is an improvement and reduces the risk of further interest rate increases.

1.8%

Japan Index



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THE WORLD AT A GLANCE

	2020	2021	2022	2023	2024
UK CASH	0.2%	0.0%	1.4%	4.7%	5.2%
US DOLLAR INDEX	-6.7%	6.4%	8.2%	-2.1%	7.1%
UK GILTS	8.3%	-5.2%	-23.8%	3.7%	-3.3%
US TREASURIES	8.0%	-2.3%	-12.5%	4.1%	0.6%
GLOBAL CORPORATE BONDS	7.1%	-1.9%	-6.8%	4.0%	2.8%
GLOBAL HIGH YIELD BONDS	3.8%	2.0%	-2.3%	8.2%	11.0%
US 500	16.3%	26.9%	-19.4%	24.2%	23.3%
UK ALL SHARE INDEX	-12.5%	14.5%	-3.2%	3.8%	5.6%
EURO 600 INDEX EX UK	1.0%	22.5%	-15.0%	14.9%	4.5%
JAPAN INDEX	4.8%	10.4%	-5.1%	25.1%	17.7%
ASIA EX JAPAN	22.4%	-3.1%	-15.4%	6.4%	16.2%
EMERGING MARKETS	15.8%	-4.6%	-22.4%	7.0%	5.1%
COMMODITIES	-26.1%	41.6%	41.9%	-9.7%	11.2%
GOLD	20.9%	-4.3%	-0.7%	12.8%	26.6%
HEDGE FUNDS	5.8%	3.0%	-4.4%	2.7%	5.3%

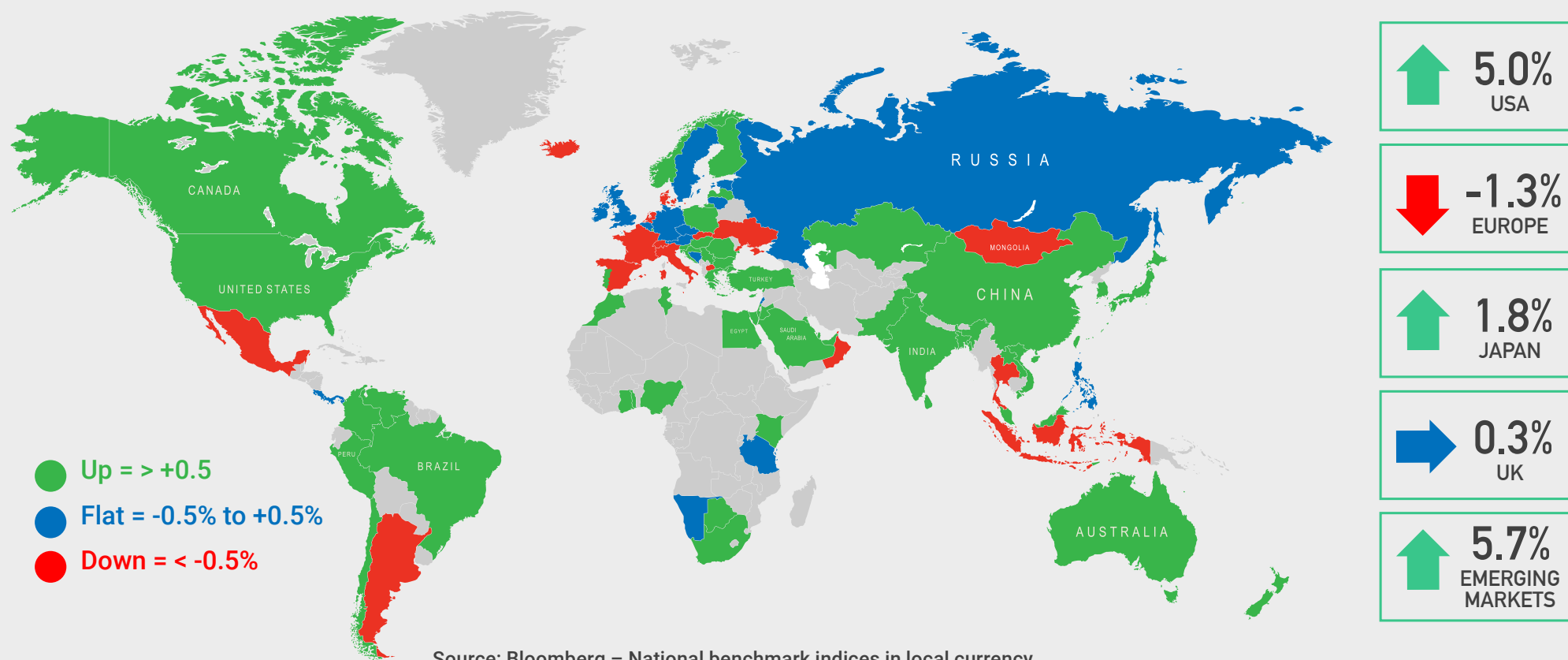
June 2025	Year to date
0.3	2.2
-2.5	-10.7
1.5	2.5
1.3	3.8
0.4	-2.0
0.4	-2.5
5.0	5.5
0.3	6.8
-1.3	7.6
1.8	2.4
5.2	10.7
5.7	13.7
2.8	-6.8
0.1	24.4
0.9	1.8

Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS

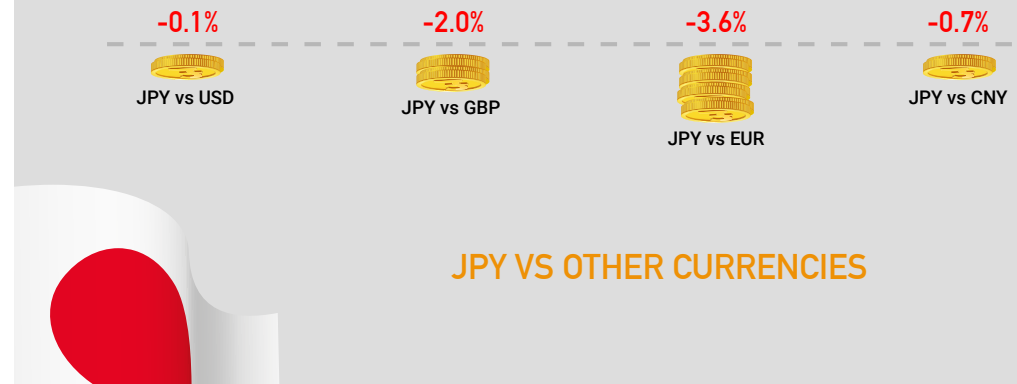
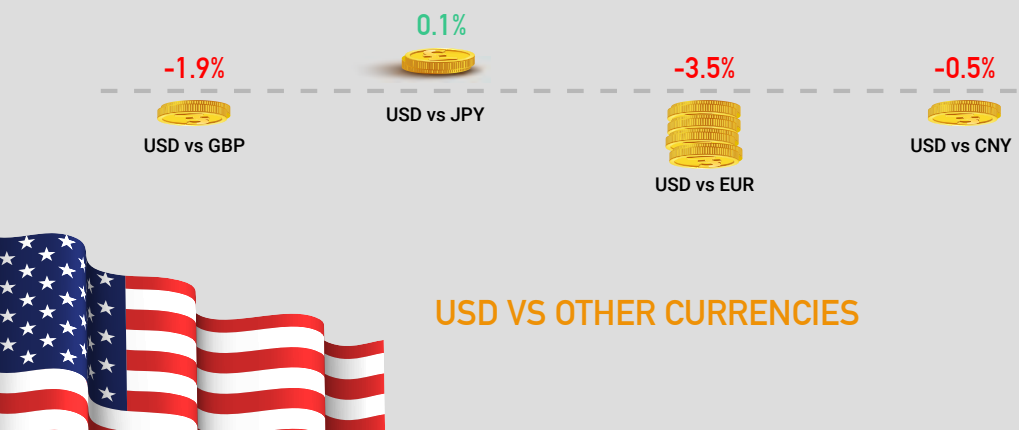
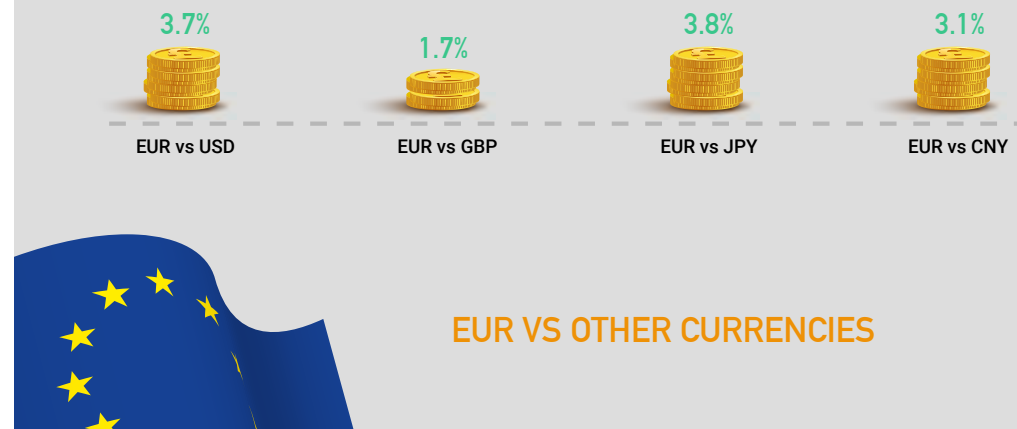
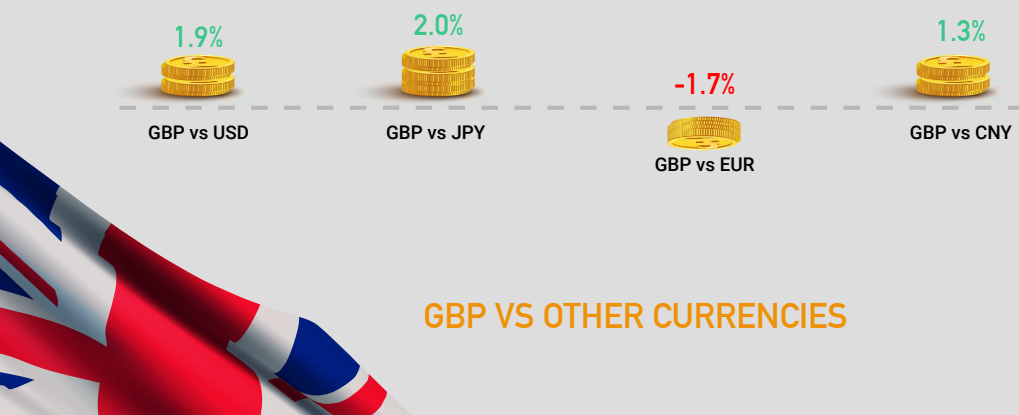


Key Points

- Equities gained, with the US markets leading developed market peers. Growth stocks outpaced value, with Nvidia pulling the US tech sector to double-digit dollar gains. By contrast, Consumer Staples, which were sought in the market fall, sold off in the rally, falling -1.91%.
- US equities notched fresh all-time highs. At mid-month, the Fed Chair Jerome Powell said that inflation had come down notably, while underlying GDP of 2.5% was solid. However, the risk to longer-term inflation expectations from tariffs meant the Fed kept rates unchanged.
- European equities lagged despite a 0.25% reduction to the ECB's main Deposit Facility Rate, from 2.25% to 2%, and news that NATO members agreed to increase defence spending to 3.5% of GDP from the current 2% goal.
- UK equities gained, with mid and small caps outperforming. Inflation eased to 3.4% and Q1 GDP grew the fastest of the G7 nations, boosted by a surge in exports to the US.

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CURRENCIES



Key Points

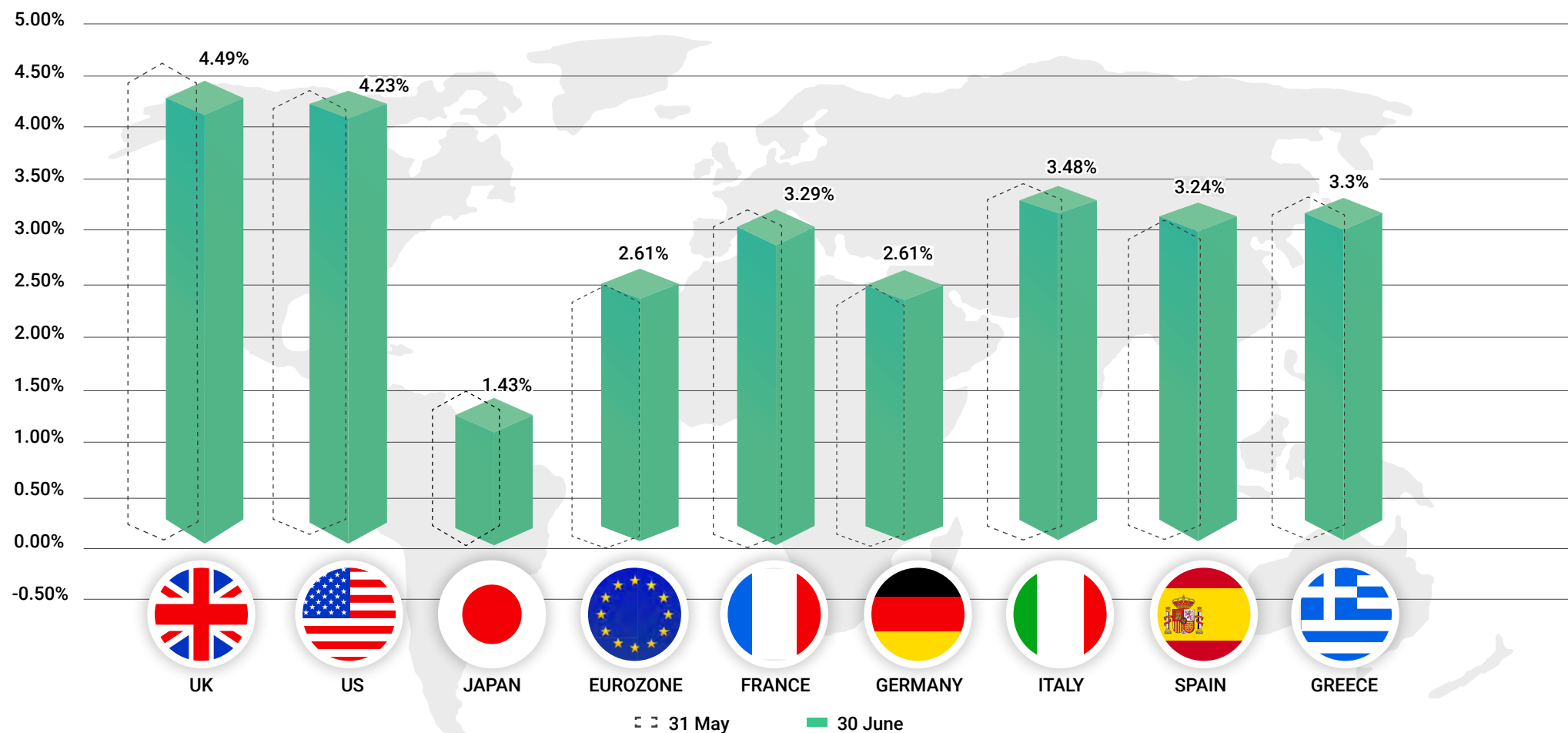
- The US dollar's decline continued. The fall risks importing additional inflation into the US but is good for US corporate earnings. The US dollar trade weighted index is 12% below its January peak, its weakest start to the year since 1973.
- The yen eased as Japanese inflation softened, and it's safe-haven demand reversed. The yen even lagged the US dollar over the month, meaning it was the weakest of the major currencies.

- With UK inflation being persistently higher than peers, the BoE's scope to cut rates is limited. Forward inflation expectations have been softening but rising food inflation could impede any decline in inflation and rates, impacting the pound.
- The euro strengthened, reflecting a combination of US tariffs weakening the US dollar and a more aggressive ECB policy (on the back of 1.9% inflation). A more supportive major central bank, as well as higher NATO spending targets, could help to boost the economy.

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GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- US Treasury returns improved. Several months of rising rates meant US real (inflation-adjusted) yields are beginning to attract buyers, despite the increase in supply and fewer international buyers expected in the years ahead.
- UK gilts performed better after lagging European peers for much of the year. The small decline in inflation proved supportive. The Bank of England held rates steady, while three of the nine voting members would have preferred a consecutive reduction.
- Eurozone government bonds lagged, softening from mid-month. Much of the weakness

followed the commitment to substantially increase spending on defence, with 3% extra per year committed to defence and related infrastructure.

- Credit markets again led performance, in comparable hedged currency terms, as the positive sentiment in equities spilled into corporate bonds.
- High Yield continued its recovery from the April lows, with economic sentiment improving from lower levels despite the risks that lie ahead. While US fiscal stimulus may raise borrowing levels, it should also support demand.

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GLOSSARY OF TERMS

BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People's Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy “loose” or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency
The ‘Fed’	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks
GBP	British Pound – sometimes referred to as ‘sterling’
GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries

Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
Hawkish	The approach in which central banks are likely to keep monetary policy “tight” or restrictive
JPY	Japanese Yen – currency of Japan
Macro	or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole
PMI	Purchasing Managers’ Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
YoY	Year over year

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Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK.