



Market Commentary

August 2025

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SNAPSHOT

- Equities were positive overall, supported by trade agreements and corporate earnings.
- Global bonds fell as yields increased.
- The US dollar strengthened against major currencies.

All percentages below are monthly returns for July 2025

EQUITIES



BOND MARKETS

BONDS

Rising yields moved prices lower

	UK GILTS	-0.3%
	US TREASURIES	-0.4%
	GLOBAL CORPORATE BONDS	3.1%
	GLOBAL HIGH YIELD BONDS	4.1%



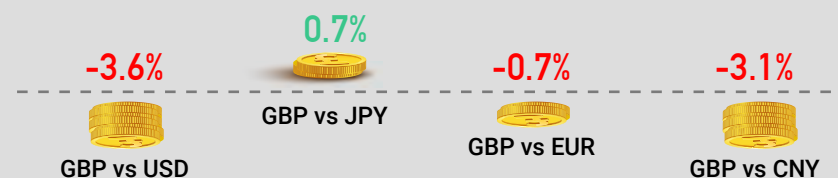
*Values represent bond index returns

CURRENCIES

CURRENCIES

Sterling weakened broadly

Pound vs Other Currencies



KEY INDICATORS



GOLD – XAU/USD

-0.1%



OIL – BRENT CRUDE

7.3%



COMMODITIES

7.3%



INFLATION – UK CPI (YOY)

3.6%



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GLOBAL MARKETS

Global markets advanced in July due to numerous trade agreements, upgraded growth forecasts, and strong corporate earnings. Technology led gains, while growth stocks outpaced value.



US MARKETS

Rose on trade agreements and technology shares

US equities rose, with the S&P 500 and Nasdaq reaching record highs. Gains were driven by trade agreements with the EU, Japan, and others, in addition to the passage of the 'One Big Beautiful Bill'. Shares in Microsoft, Meta, and Alphabet surged on better-than-expected results and rising demand for artificial intelligence. In contrast, Tesla shares declined following weaker financial performance. US GDP rebounded in the second quarter, recovering from a first-quarter contraction, the first in three years. The Federal Reserve left interest rates unchanged, citing a cooling labour market and persistent inflation, although two governors dissented.

2.2%

US 500



UK MARKETS

Gained despite weak economic data

Despite UK economic data remaining weak, UK equities rose, with large caps outperforming mid and small caps. Retail sales missed expectations, and the composite PMI fell to 51.0. Inflation rose to 3.6 percent, with services inflation at 4.7%. Unemployment increased slightly, and wage growth slowed. GDP fell by 0.1 percent in May after a 0.3 percent decline in April, driven by weaker production and construction. However, three-month GDP growth remained positive at 0.5 percent. The International Monetary Fund raised its 2025 UK growth forecast to 1.2 percent, citing signs of an ongoing economic recovery.

3.9%

UK All Share



EUROPEAN MARKETS

Gained modestly despite mixed economic results

European equities rose after a trade agreement with the US. With the economy performing well, the ECB held interest rates at 2%, as ECB President Lagarde emphasised keeping inflation on target. Eurozone business activity grew in July, with the Composite PMI at 51.0. German business confidence improved, while French sentiment fell. Retail sales dropped 0.7% in May, with German retail sales particularly weak, showing increasing signs of weakening consumer demand. German industrial output rose 1.2% in May, but exports declined. Italy's output fell 0.7%, nearly reversing April's increase amid manufacturing struggles.

0.3%

Euro 600 Index ex UK



JAPAN MARKETS

Gained on US trade deal announcement

Japan's stock markets reached record highs, driven by auto manufacturers, after a Japan-US trade deal led to tariffs of 15% and Japanese investment pledges of 550 billion USD. Despite losing the upper house majority, Prime Minister Ishiba denied plans to resign. Tokyo's core CPI rose 2.9% year-on-year, above the BoJ's 2% target but still below forecasts. Despite raising its inflation outlook for the current fiscal year, the Bank kept its policy rate at 0.5% for a fourth time, citing uncertainties from US trade policies (in spite of the recent agreement).

3.2%

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%

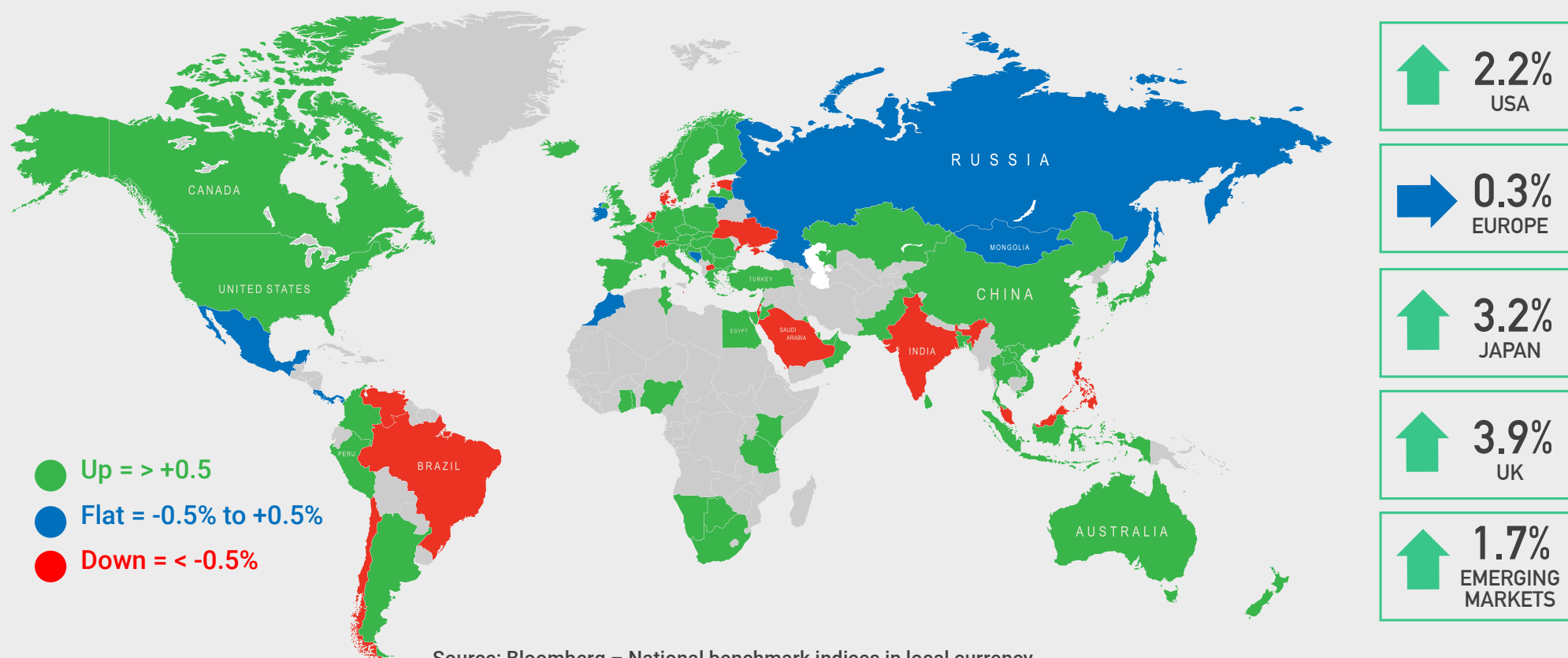
July 2025	Year to date
0.4	2.6
3.2	-7.9
-0.3	2.2
-0.4	3.4
3.1	1.0
4.1	1.5
2.2	7.8
3.9	11.0
0.3	7.9
3.2	5.7
4.0	15.1
1.7	15.6
7.3	0.0
-0.1	24.3
0.6	2.6

Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS

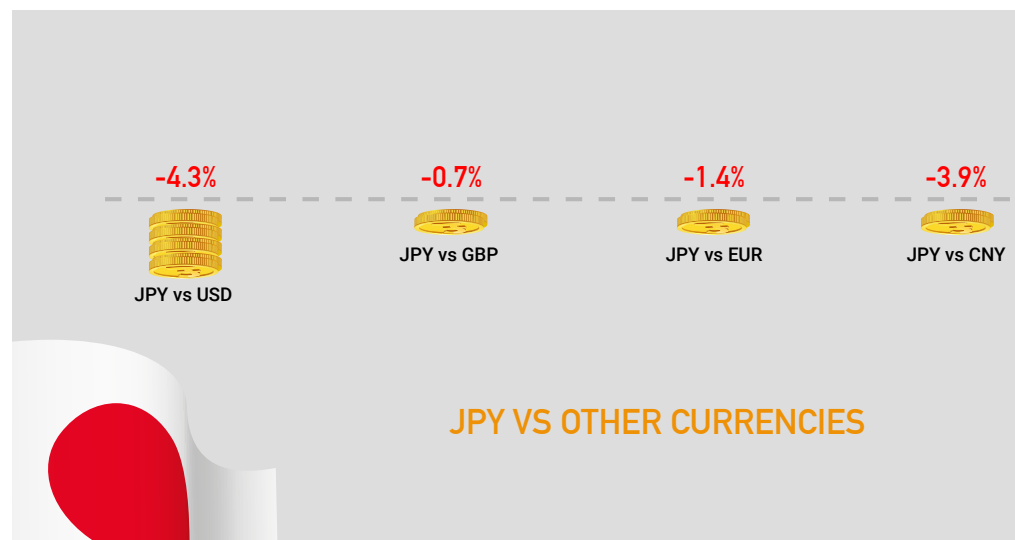
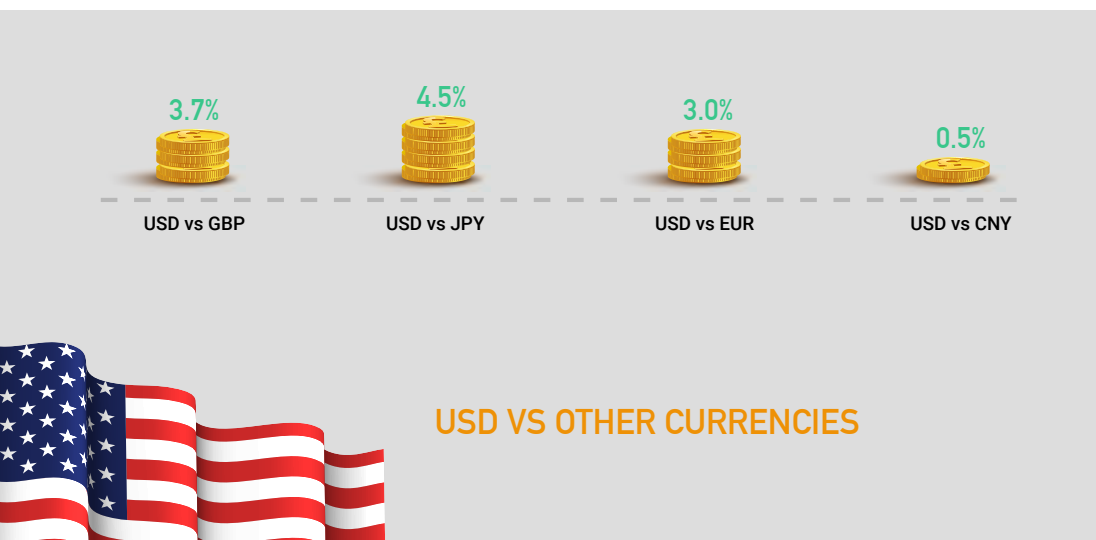
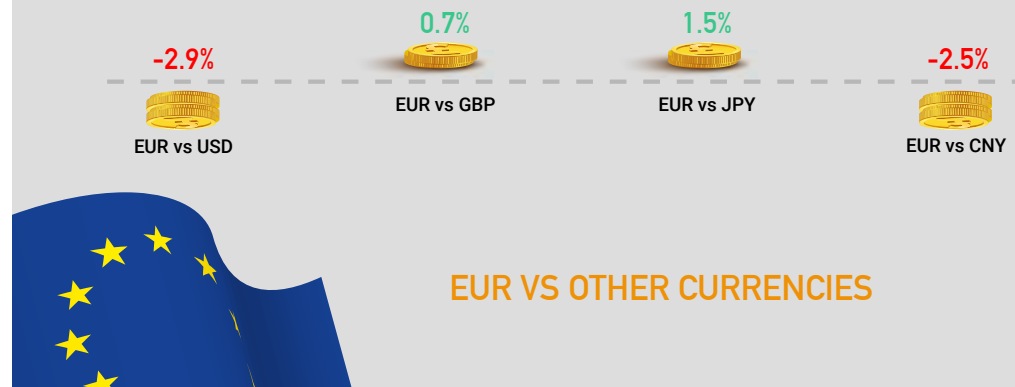
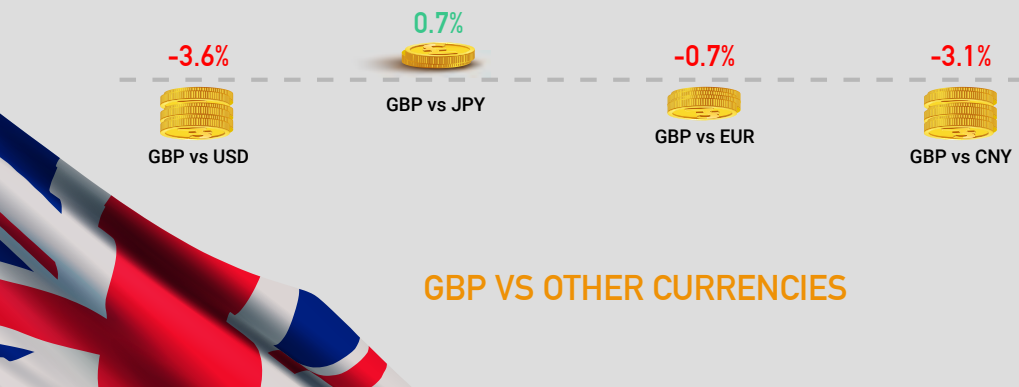


Key Points

- Developed equities gained in July, led by the technology sector. Growth stocks outperformed value stocks, which were held back by weakness in the energy sector. Emerging markets showed resilience, with strength in China supporting overall performance, despite negative returns from India.
- US equities advanced for the third consecutive month in July, with growth stocks outperforming value. Small caps outperformed large caps. Gains were driven by optimism around tariffs, favourable trade agreements, and signs of improving economic growth.
- European equities rose after a US trade deal. The ECB held rates firm, with inflation at target. Business activity grew, German output rebounded, but exports and Italian production declined. Retail sales fell, signalling weak consumer demand.
- UK equities rose in July, led by large caps. Economic data remained weak, with falling GDP, slower wage growth, and rising inflation. However, three-month growth stayed positive, and the International Monetary Fund raised its 2025 UK growth forecast.

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CURRENCIES



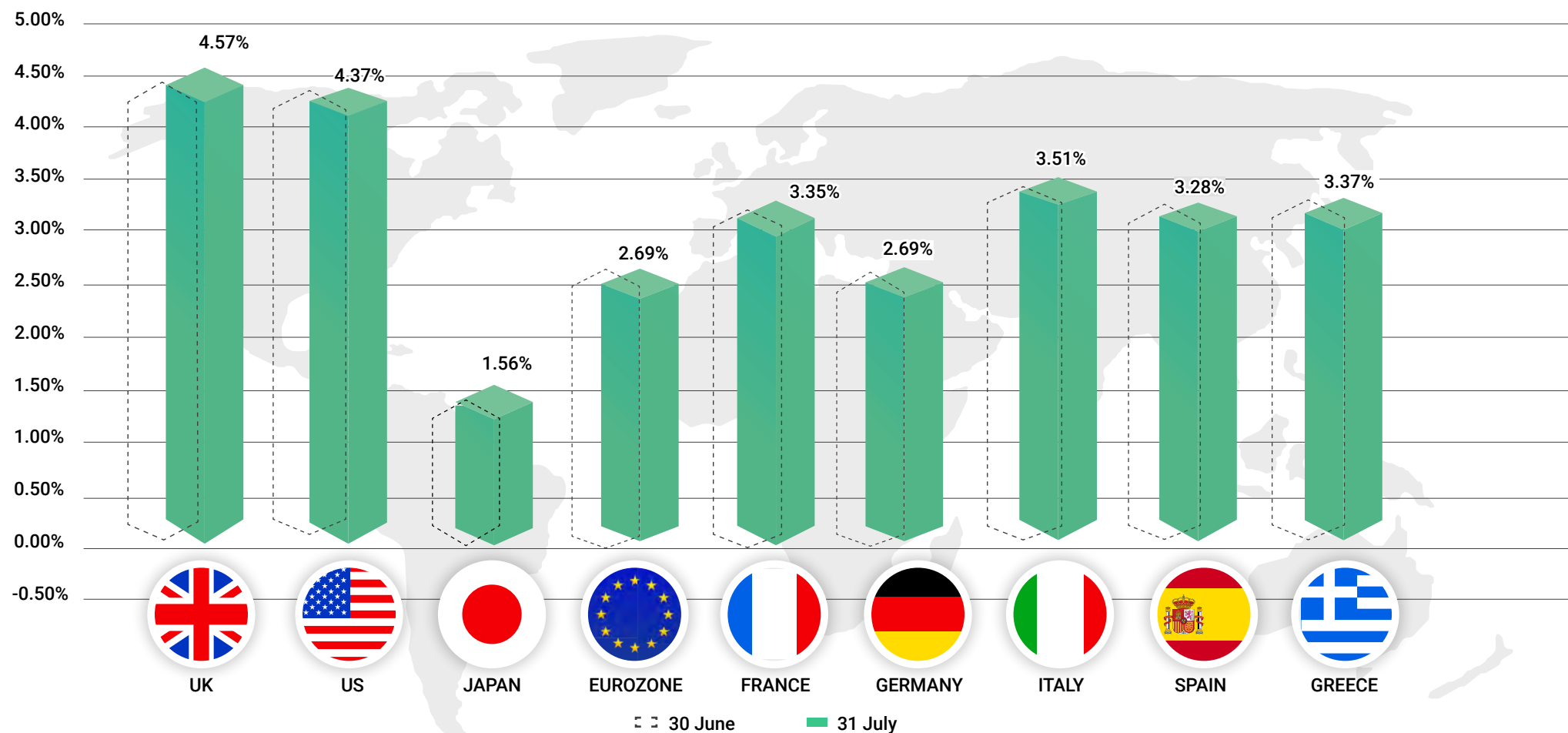
Key Points

- The US dollar strengthened in July, due to better-than-expected economic data, particularly strong Q2 GDP growth, and positive jobs figures, easing recession fears. Additionally, progress on US-EU and other trade deals reduced uncertainty, boosting investor confidence in the dollar.
- The yen weakened against major currencies, as the Bank of Japan held its rate at 0.5%, maintaining its ultra-loose policy. Widening interest rate differentials, with central banks like the US Federal Reserve, continue to pressure the currency.
- Sterling weakened due to poor UK retail data, slowing private sector activity, and political uncertainty. The Bank of England's dovish stance and expectations of rate cuts contrasted with stronger US and European outlooks, adding further downward pressure on the currency.
- The euro strengthened against most major currencies, supported by the ECB pausing rate cuts and improved Eurozone data. However, it weakened against the dollar, as the US Federal Reserve also held rates steady.

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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

- Longer-dated US treasuries declined amid strong economic data, inflation concerns, and a steepening yield curve. Shorter-term yields also rose as markets reassessed the likelihood of a September rate cut after the Federal Reserve held rates steady.
- UK gilts declined as persistent inflation and fiscal concerns pressured yields, despite the Bank of England holding rates. June's 3.6% inflation reading signalled limited scope for cuts, heightening market unease over government borrowing and fiscal stability.
- Euro government bonds posted modest declines, due to increased supply from government deficits and the ECB's quantitative tightening. Concerns over fiscal health in some countries, and the decision

to keep rates on hold, was also a factor.

- High-yield and investment-grade corporate credit markets delivered modest returns, driven by attractive yields, resilient corporate fundamentals, and expectations for continued, albeit cautious, central bank rate cuts. Strong investor demand and moderating inflation are providing a supportive backdrop.
- Emerging market debt performed well, as the attractive yields on offer, combined with strong economic fundamentals, healthier balance sheets, and lower inflation, made them appealing to investors.

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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.