globalmatters

momentum
global investment management

Global Matters | Viewpoint

Market review & outlook

July 2025

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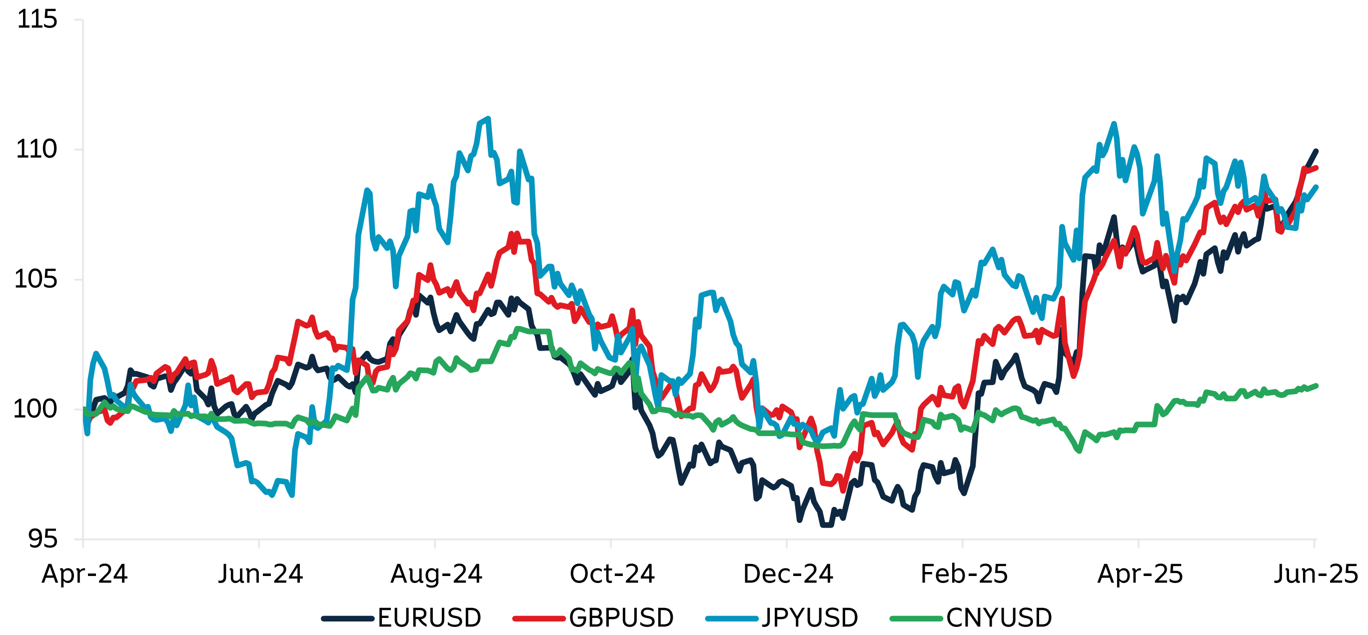
Global market review & outlook

A quarter which began with Trump's Liberation Day reciprocal tariffs announcement, delivering a seismic shock to global financial markets and one of the sharpest two-day falls on record on Wall Street, ended with the S&P 500 and Nasdaq indices at all-time highs. In between were threats to remove Powell as Chair of the Federal Reserve, increased concerns about debt sustainability in the US which pushed 30-Year Treasury bond yields to the highest in 18 years, deterioration in the Russia-Ukraine conflict, attacks on Iran by Israel and the US, and moves by non-US members of NATO to increase defence spending dramatically in the face of the greatest risks to global peace since WWII. But nothing seems to derail the global bull market in equities, with global equities up by 24% since the 8 April low, led by US megacap tech stocks, the Magnificent 7 index up 37%.

Arguably the most significant feature in financial markets, however, was in currencies. Amidst the intense uncertainty and unpredictability of policy making in the Trump administration, US exceptionalism was called into question, most clearly reflected in a sharp and persistent fall in the US dollar through the second quarter, building on the fall in Q1. On a trade weighted basis the dollar fell by 7.0% in Q2, and is down by 10.7% YTD, to its lowest level since early 2022. Among the major currencies, the euro was strongest, +9% in Q2, followed by sterling +6.3% and the yen +4.1%, making currency moves the biggest driver of returns in USD terms in Q2 and YTD.

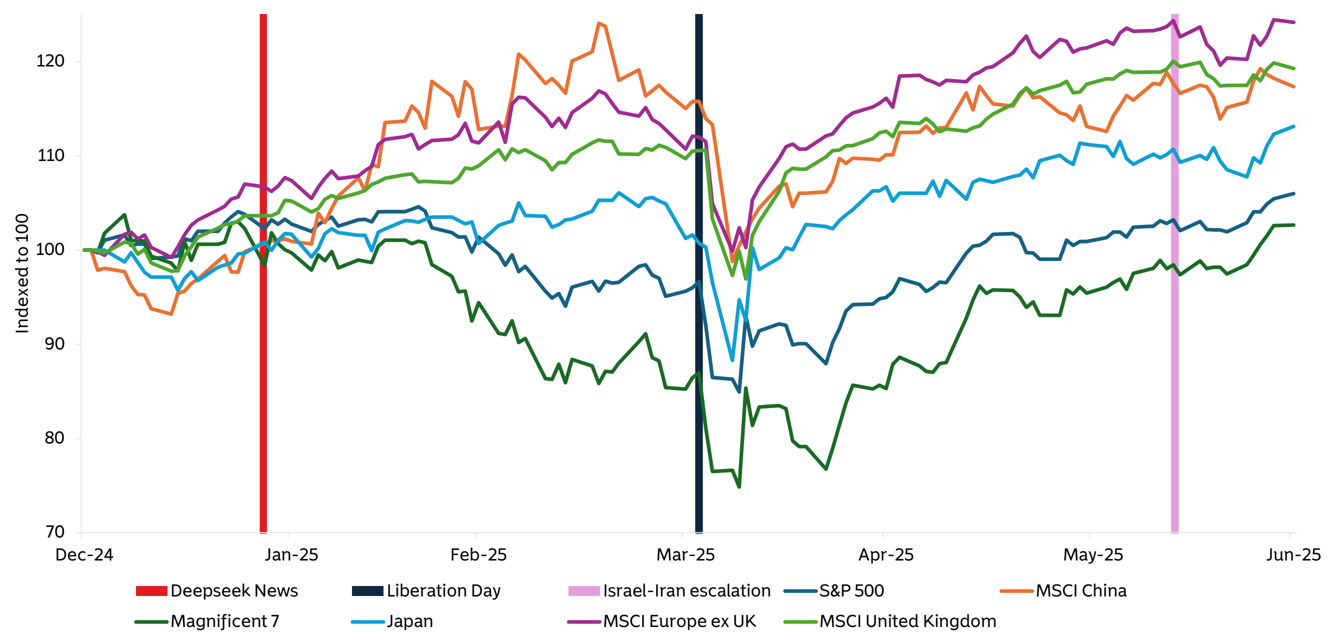
Major currencies vs. USD over 1 year



Source: Bloomberg Finance L.P., as at 30 June 2025.

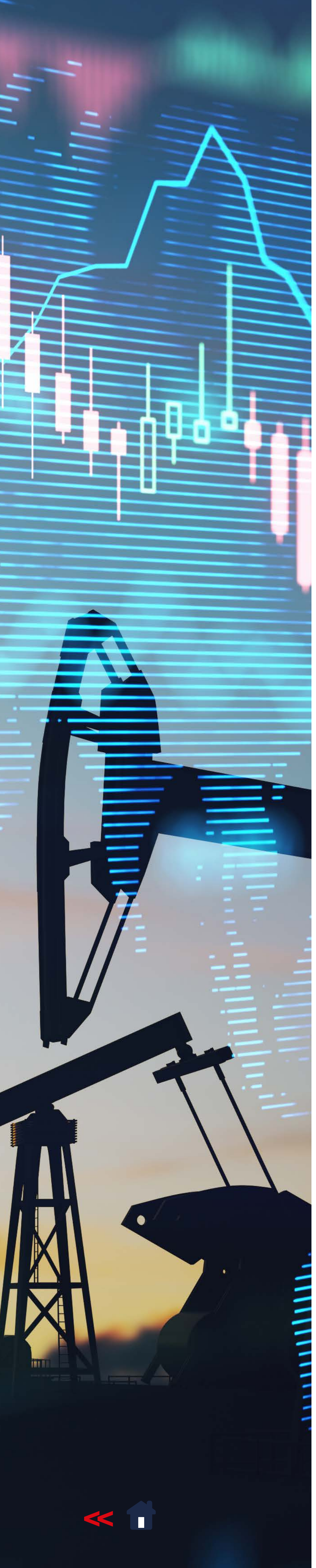
After its fall in the first quarter, the US equity market led the way in Q2, +10.8%, compared with returns in local currency terms of +3.2% in Europe ex-UK, +2.3% in the UK, and +7.5% in Japan, but the big falls in the dollar meant that returns in USD terms in Europe and Japan were ahead of the US, and the UK was only marginally behind. As a result, global equities in dollar terms produced a return of +11.5% in Q2, including a gain of 4.3% in June. Emerging markets participated fully in the rise, +12% in Q2, although China was a notable laggard, +2%, with its economy continuing to struggle and more exposed to US tariffs than most.

Equity returns YTD in USD terms



Source: Bloomberg Finance L.P., as at 30 June 2025.

Dollar weakness was a factor in the sharp rise in the gold price, up 5.7% in Q2, taking its rise year-to-date to 25.9%, making it the best performing asset class so far this year. Flows out of the dollar, geopolitical worries, concerns about debt sustainability, and substantial buying by central banks have underpinned an extraordinary bull market in gold, up by over 40% in the past year.



Key drivers of the strength in equity markets were:

1. De-escalation of tariff wars, with the US granting a 90 day pause for negotiations to conclude deals with individual countries, that pause to end on 9th July. As the deadline approaches deals are being done, most importantly with China, and with increasing probability the EU, the trading partners with the biggest surpluses with the US. Worst-case scenarios have been dismissed, and the threat of recession reduced significantly. Markets are now discounting an average tariff increase on most US goods imports of around 12%, made up mostly of the 10% universal tariff imposed on 5th April.

2. Similarly, in the face of a big rise in bond yields, Trump pushed back on his threats to dismiss Powell, a move which would have severely compromised the independence of the Fed.

3. Israel's extraordinary success in eliminating a meaningful military retaliation by Iran and its proxies largely removed the risk of escalation of the war across the Middle East. This was best reflected in the oil price, which initially surged higher on the Israel-Iran conflict, before losing all the gain as the outcome became clear (and subsequently confirmed with a truce between the 2 countries). With a sluggish global economy and increasing supplies from the OPEC+ group of oil producers, the oil price remains under pressure, helping to keep inflation subdued.

Brent Crude Oil Price

Source: Bloomberg Finance L.P., as at 30 June 2025.

4. Despite the intense uncertainty triggered by tariff wars, geopolitics, seemingly chaotic US policy-making and a re-writing of the post-war global order, the global economy and corporate earnings have been surprisingly resilient, helped in no small part by the extraordinary boom driven by AI. By quarter end, Nvidia, arguably the most prominent of AI beneficiaries, had recovered from a big sell-off as tariff threats intensified, to return to the largest company in the world by market cap, at $3.8tn, up by over 60% from its early April low. At that level, the company has a bigger capitalisation than any stock market outside the US other than Japan.

5. Towards the end of the quarter, as signs emerged of weakening in the key US consumer sector, expectations of accelerated rate cuts by the Fed began to be priced in to markets, despite the Fed itself remaining cautious on the pace of cuts. At its latest quarterly 'Dot Plot' of Fed governors' economic projections, the median projection for the Fed Funds rate by the end of 2025 was for 50bps of cuts, with a further 50bps in 2026.

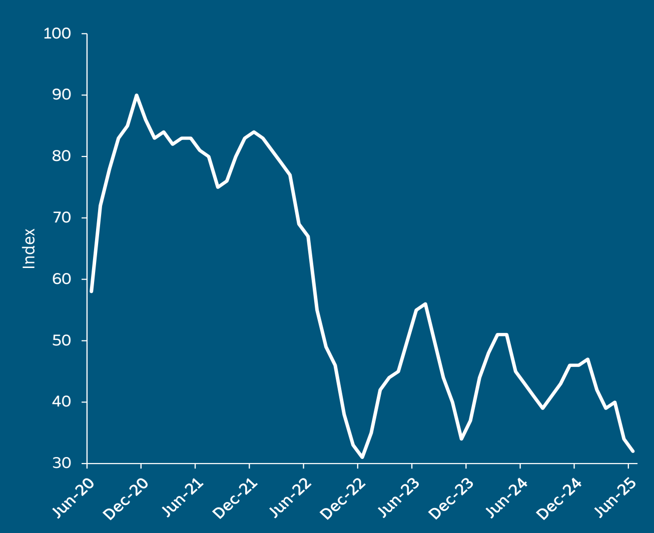
As with equities, on the surface bonds would seem to have had an uneventful quarter, US Treasuries returning +0.8% and global government bonds +4.1%, the latter mostly driven by currency moves. The yield on the 10Y US Treasury ended the quarter at 4.2%, exactly where it started. However, this masks some significant volatility. The 10Y yield peaked at 4.6% in May as fears of debt sustainability intensified, with Moody's downgrading its US sovereign credit rating to one notch below triple A, and Trump's tax-cutting 'One Big Beautiful Bill' working its way through Congress. Investors' attention was focussed on the size of the fiscal deficit, running at 6.3% of GDP, and the Federal debt pile of $36tn, around 120% of GDP, with successive administrations failing to rein in either, and the current one also showing no real appetite to do so. Interest payments on Federal debt now amount to over 13% of Federal spending, almost double the level of 8 years ago, and more than is spent on defence.

With the fiscal trajectory looking increasingly unsustainable, the yield curve steepened through the quarter as investors worried about the increasing supply of debt and the cost of funding it longer term, whereas the prospect of rate cuts improved later in the quarter as signs emerged of weakness in the household sector. The yield on 2Y Treasuries fell over the quarter by 16bps to 3.72%, whereas the 30Y yield rose by 20bps to 4.77% (having peaked at 5.1% in mid-May). The yield spread of 105bps between the two bonds compares with a negative spread of almost 100bps two years ago.

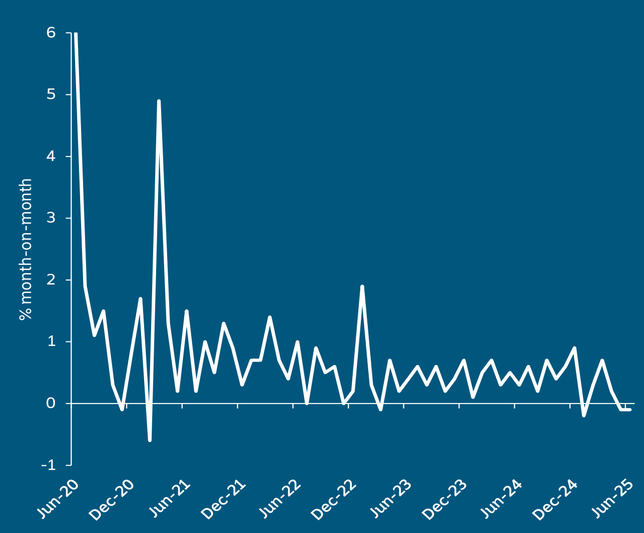
Valuations of longer dated government bonds have thus improved materially, with the real yield on 30Y Treasuries now around 2.5%, but duration risks and fiscal concerns are likely to keep yields at relatively high levels for the foreseeable future, a pattern which is likely to be replicated elsewhere as most other major economies are struggling under the weight of very high government debt. The one notable exception, Germany, is in a strong fiscal position but about to enter a new phase when it is relaxing its constitutional debt brake to ramp up defence and infrastructure expenditure on a multi-year basis (a key factor in making the German stock market one of the best performers so far this year, up 19%).

Although tariff fears have eased considerably, concerns remain about their impact on the economy. Activity levels have already been distorted, with purchases in the US pulled forward to offset the impact of tariffs, while exporters to the US similarly benefitted from a sales surge. This goes some way to explain the unexpectedly weak performance of the US economy in Q1 and stronger data from Europe and the UK. This effect will unwind in coming months, but the US consumer appears to be flagging. Growth in personal consumption expenditures have slowed in recent months and fell into negative territory in May, while the housing market is struggling under the weight of affordability and 30Y mortgage rates still very high at around 6.8%. The NAHB Housing index has been in steady decline this year and fell to a near three-year low in June. The big unknown is the extent and persistence of the damage to consumer and business confidence from tariffs, and resultant impact on the economy, an uncertainty which hangs over equity markets after their strong recovery from the Liberation Day sell-off.

US NAHB/Wells Fargo Housing Market Index



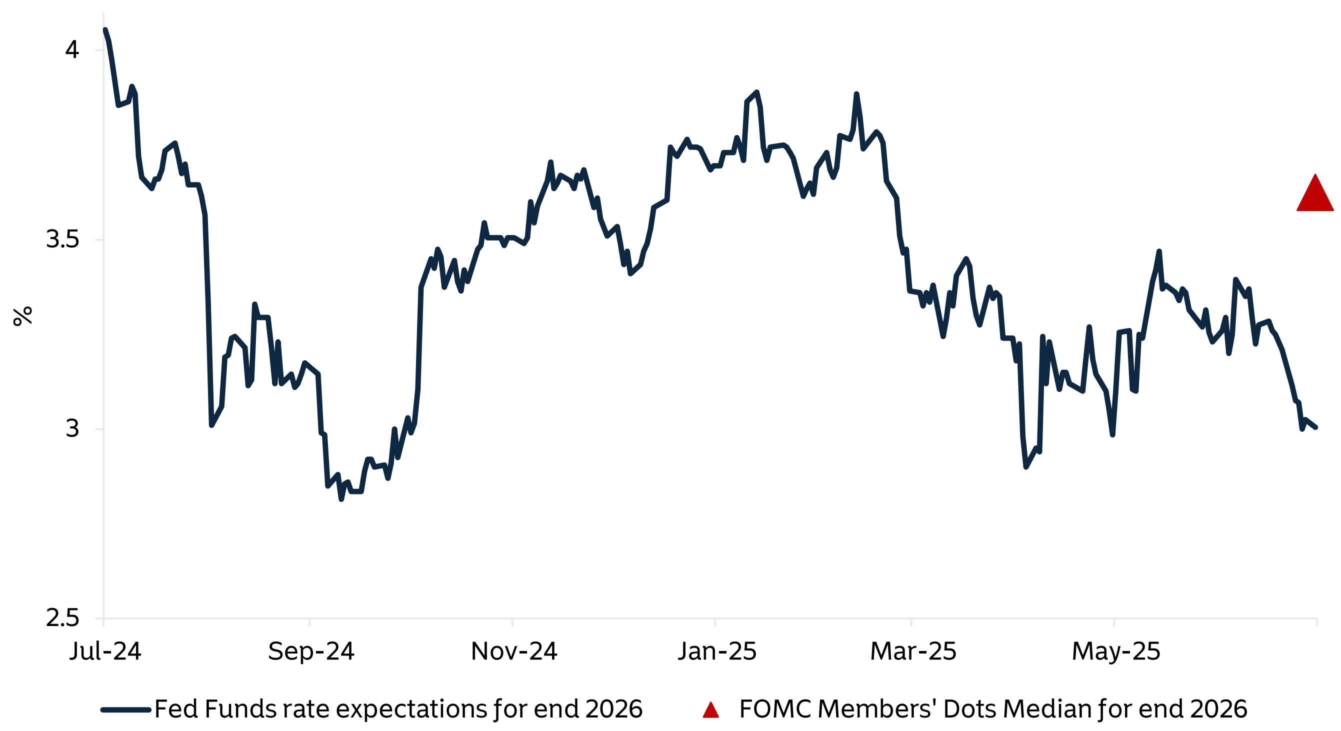
US Personal Consumption Expenditures



Source: Bloomberg Finance L.P., as at 30 June 2025.

In the face of this uncertainty the Fed has been cautious and kept rates on hold at its May meeting, signalling cuts ahead but at a slow pace. The recent softening in the consumer sector and labour market have led markets to price in a somewhat more aggressive pace of cuts, which would provide support for risk assets, potentially offsetting a more difficult environment for the corporate sector. Adding to this narrative has been the prospect that Trump will announce Fed chair Powell's successor well ahead of the end of his term in May 2026. That successor will undoubtedly be more dovish than Powell, who could become something of a lame duck.

US Interest Rate Expectations for end 2026
market expecting rates to fall further than Fed projections



Source: Bloomberg Finance L.P., as at 30 June 2025.

Uncertainty, combined with the strong run in markets, suggests some consolidation is due, and a degree of caution is called for shorter term. But the tariff issues are heading towards resolution, and the economic damage will become clearer in the months ahead. Companies will adapt and work around the challenges created by the levies, and, importantly, the corporate sector is in strong shape financially, as are households and banks. The prospect of further cuts in interest rates in the US and Europe, together with the rapidly evolving impact of AI on productivity, will help to underpin markets as the year progresses. We recognise the wide range of potential outcomes given current uncertainties, and firmly believe that diversification will be vital, but volatility will create opportunities to add to risk in our portfolios, albeit with patience in the short term.

"tariff issues are heading towards resolution, and the economic damage will become clearer in the months ahead, but companies will adapt and work around the challenges, importantly, the corporate sector is in strong shape financially, as are households and banks"

Market performance - Global as at 30 June 2025 (local currency terms)

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Developed Markets Equities						
United States	S&P 500 NR	USD	5.0%	10.8%	6.0%	14.7%
United Kingdom	MSCI UK NR	GBP	-0.5%	2.3%	8.9%	10.6%
Continental Europe	MSCI Europe ex UK NR	EUR	-1.1%	3.2%	9.5%	7.6%
Japan	Topix TR	JPY	2.0%	7.5%	3.8%*	4.1%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	5.7%	12.8%	14.1%	15.8%
Global	MSCI World NR	USD	4.3%	11.5%	9.5%	16.3%
Emerging Markets Equities						
Emerging Europe	MSCI EM Europe NR	USD	7.8%	16.5%	36.0%	23.9%
Emerging Asia	MSCI EM Asia NR	USD	6.3%	12.4%	13.9%	14.9%
Emerging Latin America	MSCI EM Latin America NR	USD	6.1%	15.2%	29.9%	13.4%
BRICs	MSCI BRIC NR	USD	3.8%	5.4%	14.0%	18.0%
China	MSCI China NR	USD	3.7%	2.0%	17.3%	33.8%
Global emerging markets	MSCI Emerging Markets NR	USD	6.0%	12.0%	15.3%	15.3%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	1.2%	0.8%	3.7%	5.2%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	1.0%	0.4%	4.6%	5.7%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	1.9%	1.8%	4.2%	6.9%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	1.8%	3.5%	4.6%	10.3%
UK Gilts	JP Morgan UK Government Bond TR	GBP	1.5%	2.0%	2.5%	1.4%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	1.6%	2.7%	3.4%	5.4%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.2%	1.8%	0.6%	4.4%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	0.3%	1.8%	1.8%	6.0%
Euro High Yield	BBgBarc European HY 3% Constrained TR	EUR	0.4%	2.1%	2.7%	8.1%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	0.5%	-0.3%	-2.7%	-2.7%
Australian Government	JP Morgan Australia GBI TR	AUD	0.8%	2.6%	3.8%	6.1%
Global Government Bonds	JP Morgan Global GBI	USD	1.7%	4.1%	7.1%	8.1%
Global Bonds	ICE BofAML Global Broad Market	USD	2.0%	4.3%	7.3%	8.7%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	4.1%	9.8%	11.0%	19.3%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	2.5%	4.0%	6.2%	11.6%

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	-0.8%	-1.5%	-0.7%	7.6%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	0.7%	12.4%	4.2%	10.3%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	4.2%	10.2%	17.1%	20.2%
Global Property Securities	S&P Global Property USD TR	USD	1.5%	5.4%	6.9%	13.4%
Currencies						
Euro		USD	3.9%	9.0%	13.8%	10.0%
UK Pound Sterling		USD	2.0%	6.3%	9.7%	8.6%
Japanese Yen		USD	0.0%	4.1%	9.1%	11.7%
Australian Dollar		USD	2.3%	5.3%	6.4%	-1.3%
South African Rand		USD	1.6%	3.5%	6.4%	2.7%
Commodities & Alternatives						
Commodities	RICI TR	USD	4.1%	-3.1%	2.0%	1.0%
Agricultural Commodities	RICI Agriculture TR	USD	-1.2%	-2.4%	-3.3%	0.0%
Oil	Brent Crude Oil	USD	5.8%	-9.5%	-9.4%	-21.8%
Gold	Gold Spot	USD	0.4%	5.7%	25.9%	42.0%

Interest Rates	Current Rate
United States	4.50%
United Kingdom	4.25%
Eurozone	2.15%
Japan	0.50%
Australia	3.85%
South Africa	7.25%

Source: Bloomberg Finance L.P., Momentum Global Investment Management. Past performance is not indicative of future returns.
estimated figures.

Market performance - UK as at 30 June 2025 (all returns GBP)

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Equities						
UK - All Cap	MSCI UK NR	GBP	-0.5%	2.3%	8.9%	10.6%
UK - Large Cap	MSCI UK Large Cap NR	GBP	-0.4%	1.4%	9.5%	11.4%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	0.8%	7.0%	4.5%	3.5%
UK - Small Cap	MSCI Small Cap NR	GBP	2.7%	14.6%	10.6%	13.5%
United States	S&P 500 NR	USD	3.1%	4.3%	-3.2%	5.7%
Continental Europe	MSCI Europe ex UK NR	EUR	0.6%	5.7%	13.7%	8.9%
Japan	Topix TR	JPY	-0.1%	5.2%	3.5%*	7.0%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	3.7%	6.2%	4.1%	6.8%
Global developed markets	MSCI World NR	USD	2.4%	4.9%	-0.1%	7.2%
Global emerging markets	MSCI Emerging Markets NR	USD	4.1%	5.4%	5.2%	6.3%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	1.6%	2.0%	2.5%	1.3%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	0.8%	1.7%	3.1%	5.1%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	1.7%	2.6%	3.5%	2.8%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	2.1%	1.3%	0.4%	-4.3%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	2.8%	0.8%	-0.6%	-5.2%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	2.2%	1.2%	0.9%	-1.0%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	4.0%	0.1%	-3.3%	-11.7%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	1.6%	2.7%	3.4%	5.4%
US Treasuries	JP Morgan US Government Bond TR	USD	-0.4%	-5.1%	-5.3%	-3.0%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	0.2%	-4.1%	-4.8%	-1.4%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	1.8%	3.5%	4.6%	10.3%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.2%	1.8%	0.6%	4.4%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	0.3%	1.8%	1.8%	6.0%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	0.4%	2.1%	2.7%	8.1%
Global Government Bonds	JP Morgan Global GBI	GBP	-0.2%	-2.0%	-2.2%	-0.3%
Global Bonds	ICE BofAML Global Broad Market	GBP	2.0%	4.3%	7.3%	8.7%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	4.1%	9.8%	11.0%	19.3%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	0.6%	-2.1%	-3.1%	2.9%

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Property						
Global Property Securities	S&P Global Property TR	GBP	-0.3%	-0.8%	-2.4%	4.5%
Currencies						
Euro		GBP	1.8%	2.5%	3.7%	1.3%
US Dollar		GBP	-2.0%	-5.9%	-8.9%	-7.9%
Japanese Yen		GBP	-2.0%	-2.1%	-0.6%	2.9%
Commodities & Alternatives						
Commodities	Rogers International Commodity (RICI) TR	GBP	2.2%	-8.8%	-6.9%	-6.9%
Agricultural Commodities	Rogers International Commodity (RICI) Agriculture TR	GBP	-3.0%	-8.2%	-11.7%	-7.8%
Oil	Brent Crude Oil	GBP	3.9%	-14.9%	-17.3%	-27.9%
Gold	Gold Spot	GBP	-1.4%	-0.5%	14.9%	30.9%
Interest Rates				Current Rate		
United Kingdom				4.25%		

*Source: Bloomberg Finance L.P., Momentum Global Investment Management. Past performance is not indicative of future returns.*estimated figures.*

2025

Asset allocation views

Score	---	--	-	/	+	++	+++

Score	Change	---	--	-	/	+	++	+++
MAIN ASSET CLASSES	▲/▼/–							
Equities	–			■				
Fixed Income	–				■			
Alternatives	–					■		
Cash	–				■			

Score	Change	---	--	-	/	+	++	+++
EQUITIES	▲/▼/–							
Developed Equities	–			■				
UK Equities	–				■			
European Equities	▲				■			
US Equities	–		■					
Japanese Equities	▼				■			
Emerging Market Equities	–				■			

Score	Change	---	--	-	/	+	++	+++
SPECIALIST ASSETS/ALTERNATIVES	▲/▼/–							
Global Listed Property	–				■			
Global Listed Infrastructure	–			■				
Specialist Assets	–						■	
Liquid Alternatives	–		■					
Gold	–				■			

Score	Change	---	--	-	/	+	++	+++
FIXED INCOME	▲/▼/–							
Government	▲					■		
Index-Linked	▲					■		
Investment Grade Corporate	–				■			
High Yield Corporate	–				■			
Emerging Market Debt	▲					■		

Score	Change	---	--	-	/	+	++	+++
CURRENCIES vs. USD	▲/▼/–							
GBP	–					■		
EUR	–				■			
JPY	–					■		

The asset allocation views are updated at the end of each quarter unless otherwise stated.

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