

Global Monthly Outlook

July 2025 (covering June 2025)

Index	June (%)	YTD (%)
MSCI World	USD 4.3	9.8
S&P 500	USD 5.1	6.2
MSCI Europe	EUR -1.3	9.1
MSCI Asia Pac ex Japan	USD 5.8	14.4
Hong Kong Hang Seng	HKD 4.1	22.8
Hang Seng China Enterprises (H-shares)	HKD 3.7	21.7
Topix	JPY 2.0	3.8

Source: Thomson Reuters Datastream, total returns in local currency unless otherwise stated. Data as of June 30, 2025. YTD refers to year-to-date.

Global Outlook

Global equities were mixed in June, with regional performance shaped by economic conditions and geopolitical developments. US equities advanced on progress in US-China trade talks and strong tech performance, although tensions in the Middle East escalated. European markets dipped slightly, underperforming global peers. Asian markets, led by China, and Japan, posted gains on trade developments and policy support.

A positive month for bond markets with investors growing in confidence that the Fed will be able to cut interest rates this year. US Treasuries returned 1.29%. UK gilts gained 1.55%. German bunds lost ground, down 0.39%. The Federal Reserve (Fed) held interest rates steady. The UK inflation rate eased to 3.4%. Eurozone inflation edged up to 2%.

United States

- US equities advanced in June, with the S&P 500 gaining 5.1% amid easing US-China trade tensions and strong tech sector performance. Despite escalating Middle East tensions mid-month, signs of de-escalation later helped stabilize investor sentiment and supported continued market optimism.
- Inflation rose slightly to 2.4%, below the expected 2.5%, reinforcing expectations of potential Fed rate cuts. The Fed held rates steady but revised its 2026–2027 forecasts upward, reflecting concerns over stagflation risks tied to ongoing trade policies and fiscal uncertainty.

Europe (including UK)

- European equities dipped slightly in June, underperforming global peers. Energy and utilities sectors outperformed as rising oil prices and geopolitical tensions boosted demand.
- Eurozone inflation reached the European Central Bank's 2% target, and the euro's 14% year-to-date appreciation weighed on exports.

Asia Pacific (ex Hong Kong ex China ex Japan)

- Asia ex-Japan equities continued to rally during the month. Most of the regions delivered positive returns, in particular Korea and Taiwan outperformed the region.
- Taiwan's market posted strong performance for the month, outperforming the broader Asian region, driven by the strengthening of TWD. IT and healthcare led the rally.

Hong Kong and Mainland China (H-shares)

- The China market rallied during the month, with continual US and China trade talks. In terms of sector performance, IT and materials sector led the gain.
- In China, domestic consumption remains a key area of focus. To support consumer confidence and spending, the government is expected to continue and may broaden last year's successful consumption trade-in policy. We anticipate that this supportive policy will be likely to continue in the second half of 2025.

Japan

- Japanese equities rose on positive global sentiment and a strong US market lead. Optimism grew from potential tariff deadline flexibility and hopes for a US-Japan trade deal, boosting technology, semiconductor, and industrial machinery sectors.
- While Tokyo's core inflation moderated slightly, it remained above the Bank of Japan's 2% target, sustaining expectations of further policy tightening. However, a sharp rise in rice prices weighed on consumer sentiment ahead of the summer elections, prompting government intervention through the release of emergency reserves.

Fixed Income

- The Fed held interest rates steady for the fourth consecutive meeting, with inflation rising less than expected. A Fed governor advocated for a rate cut as early as July, reinforcing market expectations of easing monetary policy amid political gridlock over US fiscal reforms.
- Corporate and high-yield bonds delivered broad gains, supported by narrowing credit spreads. Investment-grade sterling and dollar bonds led returns, while euro-denominated bonds lagged. High-yield bonds also performed well, with US dollar issues returning 1.86%.

Emerging Markets

- Latin American equities outperformed in June, underpinned by resilient domestic fundamentals. In Mexico, investor sentiment improved following President Claudia Sheinbaum's successful resolution of tariff negotiations with the US.
- In Brazil, the central bank raised the Selic rate by 25 basis points (bps) to 15%. Chile also posted gains. Turkish equities advanced, supported by improving investor sentiment. In the Middle East, equity performance was broadly positive. Gulf markets benefited from increased oil prices.

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