

## June 2025 (covering May 2025)

Index	May (%)	YTD (%)
MSCI World	USD 6.0	5.2
S&P 500	USD 6.3	1.1
MSCI Europe	EUR 4.9	10.5
MSCI Asia Pac ex Japan	USD 5.2	8.2
Hong Kong Hang Seng	HKD 5.9	18.0
Hang Seng China Enterprises (H-shares)	HKD 4.7	17.3
Topix	JPY 5.0	1.8

Source: Thomson Reuters Datastream, total returns in local currency unless otherwise stated. Data as of May 31, 2025. YTD refers to year-to-date.

### Global Outlook

Global equities rose in May, supported by easing US-China trade tensions and strong economic data. US markets rallied, driven by tech and consumer discretionary. European markets advanced, led by Germany, Italy, and Spain, though defensives underperformed. Chinese stocks gained on tariff relief and central bank stimulus.

Government bond markets struggled in May amid US fiscal concerns and rising yields, with treasuries, UK gilts, and German bunds posting negative returns. Moody's downgraded the US credit rating due to deficit concerns. Corporate bonds saw tighter spreads, with euro IG outperforming. High yield bonds delivered strong returns. The European Central Bank (ECB) is expected to cut rates in June, while UK inflation rose.

### United States

- US equity markets bounced back in May. Investor sentiment was boosted by waning trade tensions as the US reached a deal with the UK and agreed to cut tariffs on China for 90 days in a bid to negotiate further.
- The US inflation rate unexpectedly fell from 2.4% to 2.3% – the lowest reading since February 2021. This supported the argument for an additional interest rate cut from the Federal Reserve and eased some market concerns about the effects of the White House's trade tariffs.

### Europe (including UK)

- European equities rose in May as US-China trade tensions eased, boosting cyclical sectors like technology and industrials. Financials gained on strong earnings, while defensives underperformed.
- Eurozone inflation fell to 1.9%, driven by lower services inflation. Sentiment improved slightly, though the economy remains fragile.

### 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 Taiwan and Korea outperformed the region.
- Taiwan's market posted positive returns for the month, outperforming the broader Asian region, driven by strong gains in the industrial and IT sectors. South Korea's equity market advanced, supported by strong performance in the utilities and financial sectors.

### Hong Kong and Mainland China (H-shares)

- The China and Hong Kong markets rallied during the month, due to easing US-China trade dynamics with kickstart of discussions between two countries as well as a sharp fall in Hong Kong Interbank Offered Rate (HIBOR).
- The People's Bank of China (PBoC) took further easing measures, announcing a 50 basis point cut to the Reserve Requirement Ratio (RRR) and a 10 basis point reduction in policy rates, aiming to support liquidity and stimulate growth.

### Japan

- Japanese equities rose, supported by a weaker yen that boosted exporter prospects and attracted foreign investors. Industrial and manufacturing stocks led gains. However, building inflation and declining real wages continued to dampen consumer confidence, particularly in services.
- Meanwhile, Bank of Japan (BoJ) Governor Kazuo Ueda signalled a cautious approach to further interest rate hikes.

### Fixed Income

- Treasuries come under pressure as angst over rising US debt burden increases with the US losing its triple-A credit rating status following a downgrade from Moody's rating agency.
- With price pressures easing in Germany, Italy and Spain, putting the ECB on course to reach its inflation target, markets are expecting the ECB to cut interest rates by 0.25% on 5 June.

### Emerging Markets

- Emerging markets performed strongly in May, with Latin America, Eastern Europe, South Africa, and the Middle East contributing to gains. Chile and Peru led Latin America, supported by mining rebounds and dovish central banks.
- Middle East markets gained despite tensions, with Saudi Arabia and the UAE benefiting from non-oil growth and upcoming global events boosting investor confidence.

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All data as of June 18, 2025, unless otherwise stated.

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