

MARKET COMMENTARY

May 2025

SNAPSHOT

- Global equities were negative from a sterling perspective after a volatile month.
- Global bonds rose as yields declined.
- The dollar weakened against major currencies.

All percentages below are monthly returns for April 2025

EQUITIES



BOND MARKETS

BONDS

Falling yields moved prices higher

	UK GILTS	1.7%
	US TREASURIES	0.6%
	GLOBAL CORPORATE BONDS	-1.5%
	GLOBAL HIGH YIELD BONDS	-2.5%



*Values represent bond index returns

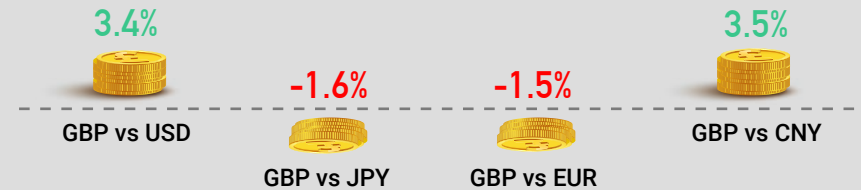
CURRENCIES

CURRENCIES

Sterling results were mixed



Pound vs Other Currencies



KEY INDICATORS



GOLD – XAU/USD

5.7%



OIL – BRENT CRUDE

-15.5%



COMMODITIES

-11.5%



INFLATION – UK CPI (YOY)

2.6%



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GLOBAL MARKETS

Global markets moved higher in dollar terms but were muted, as US trade policy uncertainty and political pressure on the Fed created headwinds. Developed markets outperformed emerging, while growth stocks outpaced value.



US MARKETS

Tariff uncertainty continued to weigh on US markets

US equities declined, initially falling sharply before rebounding. The Trump administration signalled a potential softening in its trade stance, including a 90-day tariff pause and progress in talks with China, South Korea, and India. The Federal Reserve held interest rates at 4.5%, citing stable conditions but increased uncertainty from trade policy. It revised its growth forecast down to 1.7% and now expects inflation to approach 3%. US GDP contracted by 0.3% in Q1, reversing Q4's 2.4% growth, as a surge in imports weighed on growth. Microsoft and Meta exceeded earnings expectations, with strong demand for artificial intelligence supporting this performance.

-0.8%

US 500



UK MARKETS

Lower on mixed economic results

UK equities edged lower, although mid and small-cap stocks outperformed. Inflation eased overall, in which Core and Services CPI declined to 3.4% and 4.7%, respectively. Unemployment held at 4.4%, but payrolls fell by 78,467, the sharpest drop since the pandemic. Retail sales rose 0.4% in March, defying forecasts, though consumer confidence weakened in April amid rising energy costs and market volatility. The IMF lowered its 2025 UK growth forecast to 1.1% from 1.6%.

-0.6%

UK All Share



EUROPEAN MARKETS

Lower on tariff uncertainty and weak regional results

European equities declined but recovered some early losses as sentiment improved following the US decision to delay tariff increases and ease trade tensions with China. The ECB cut its deposit rate to 2.25% and maintained a data-dependent stance, noting weaker growth prospects amid trade uncertainty. Germany lowered its 2024 GDP forecast to 0.0%, with the Bundesbank warning of a possible mild recession. Eurozone business activity softened, with the composite PMI falling to 50.1 in April from 50.9, as services weakened slightly while manufacturing expanded for a second month.

-0.9%

Euro 600 Index ex UK



JAPAN MARKETS

Higher on potential trade progress with US

Japanese equities recorded gains, supported by progress in US trade negotiations and the perception of Japan being a safe-haven amid US – China trade tensions. The Bank of Japan maintained a cautious tone, with Governor Ueda signalling potential policy support as needed. This contributed to a decline in the 10-year government bond yield to 1.31%. On the economic front, exports rose 3.9% year-on-year in March, below expectations and sharply lower than February's growth, due mostly to US tariffs and weaker global demand. Imports increased 2.0%, missing forecasts but marking a return to positive growth after a decline in February.

0.3%

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%

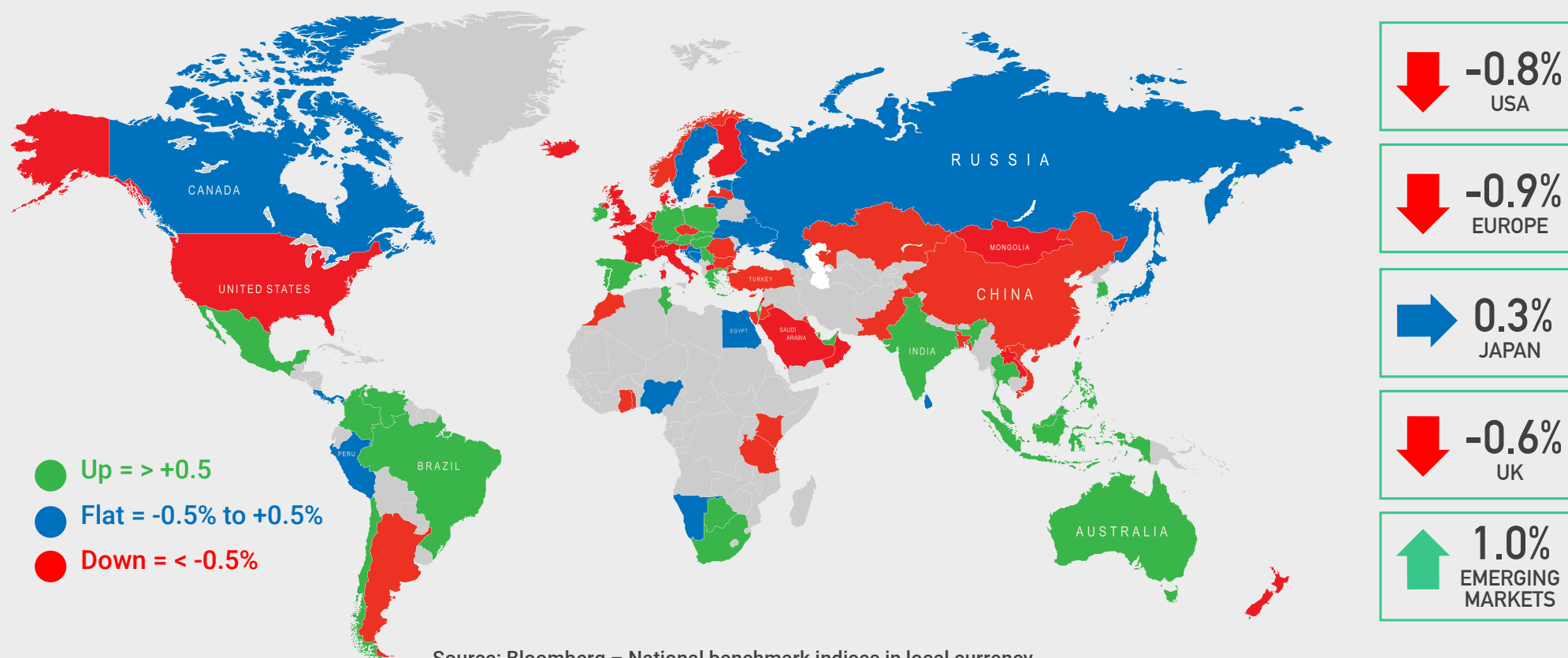
April 2025	Year to date
0.4	1.5
-4.6	-8.3
1.7	2.3
0.6	3.6
-1.5	-1.7
-2.5	-3.6
-0.8	-5.3
-0.6	2.8
-0.9	4.8
0.3	-4.2
-0.9	1.1
1.0	3.5
-11.5	-9.9
5.7	25.0
-0.6	-0.2

Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS

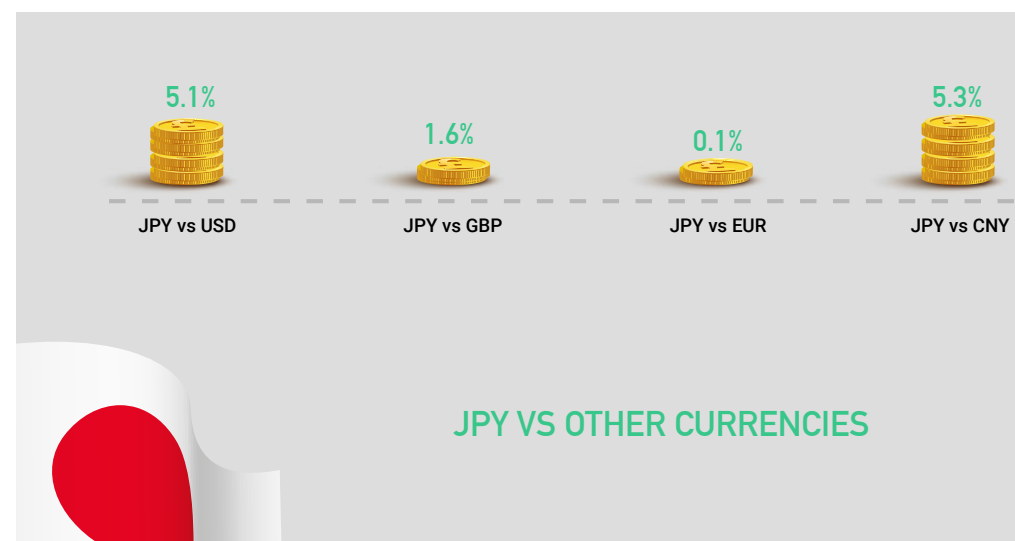
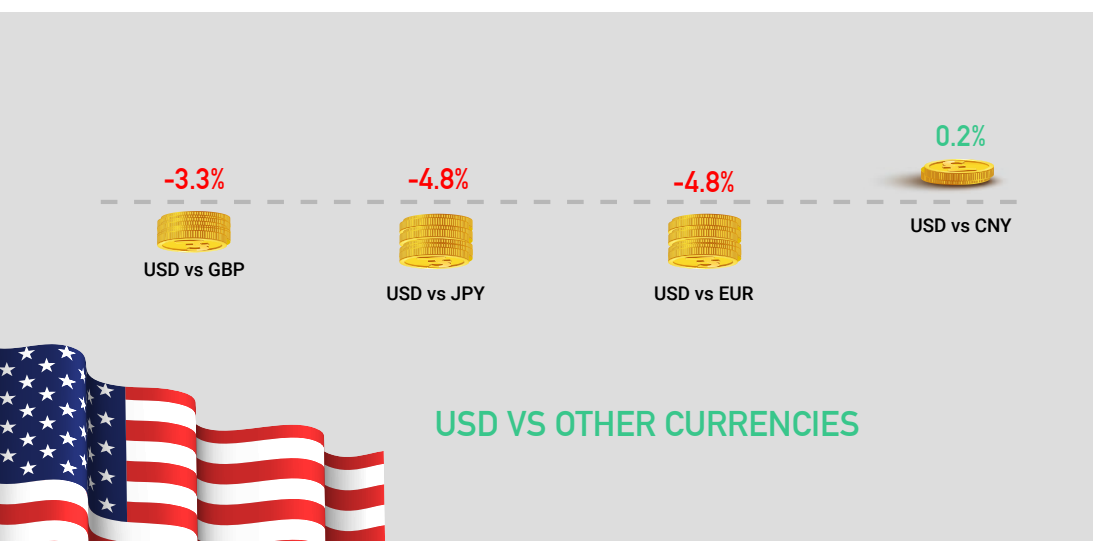
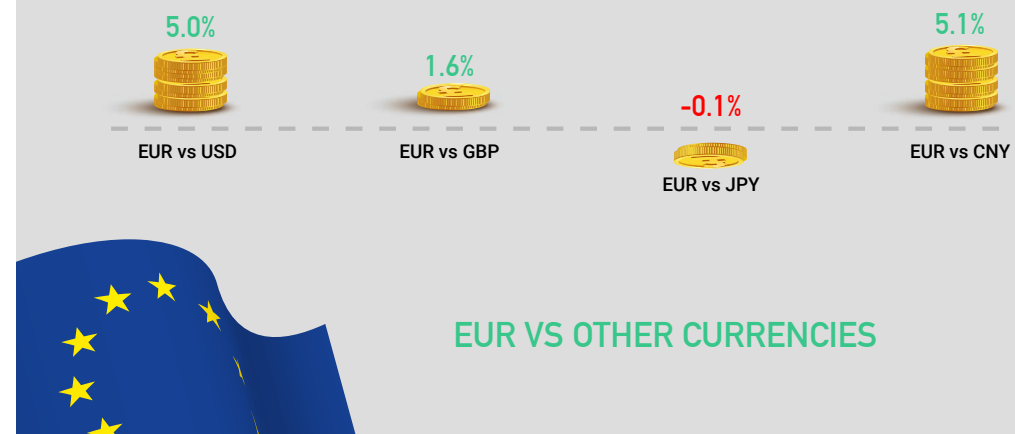
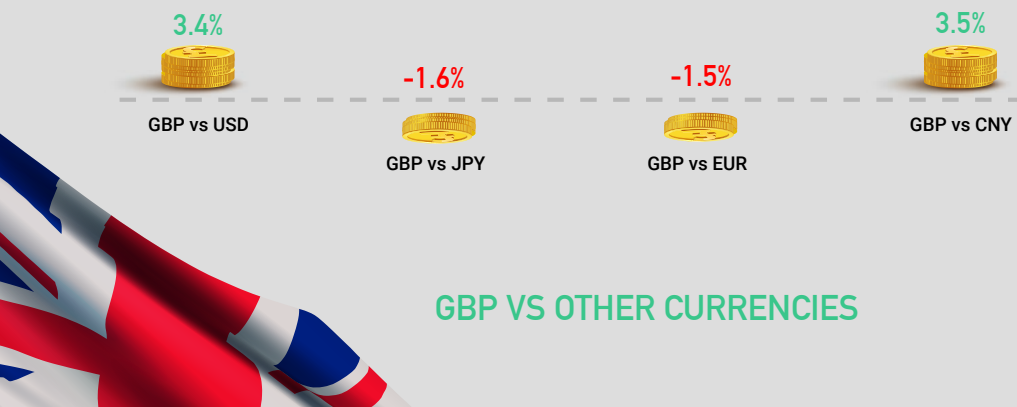


Key Points

- Developed equities gained in dollar terms, though US markets underperformed their global peers. Growth stocks outpaced value, which were hindered by energy sector weakness. Emerging markets showed resilience, with notable strength in Mexico and Brazil supporting overall performance.
- US equities declined for the third straight month, though growth stocks outperformed value, while large-caps fared better than small-caps. Early April saw a sharp drop due to new tariffs, but markets partially recovered later in the month on the hopes of easing trade tensions.
- European equities declined but saw a partial recovery due to delayed US tariffs and an easing of China trade tensions. The ECB cut its deposit rate to 2.25%, citing weaker growth amid trade uncertainty. Eurozone business activity softened slightly.
- UK equities saw a slight dip, with mid and small caps outperforming. Inflation eased (with CPI 2.6%), but payrolls fell sharply. Retail Sales unexpectedly rose (0.4%), although consumer confidence weakened. The IMF lowered the UK's 2025 growth forecast to 1.1%.

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CURRENCIES



Key Points

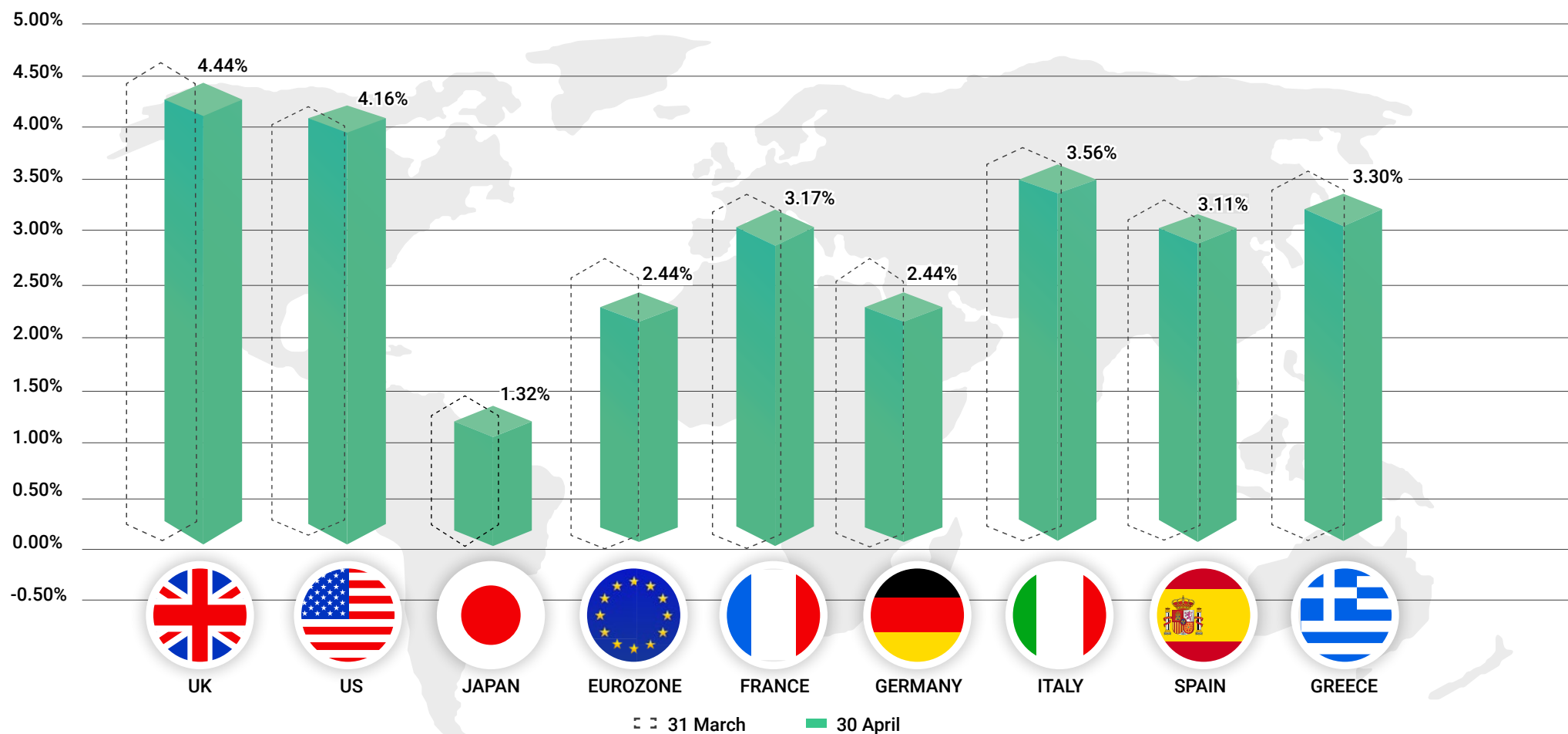
- The US dollar declined as investor confidence in the United States weakened, reflecting concerns about the unpredictability of government policy. The US dollar's traditional status as a safe-haven asset is being reassessed amid ongoing political and fiscal uncertainty.
- The yen strengthened as demand for perceived safe-haven assets increased amid signs of an escalating trade war between the US and China.

- Sterling ended mostly weaker but stabilised on improved global sentiment. A dovish Bank of England stance weighed the currency down, but optimism over trade talks supported the pound.
- The euro strengthened, reflecting a combination of US tariff shocks weakening the dollar, safe-haven demand for the euro, and favourable monetary policy expectations in Europe.

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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 fell in April as yields rose, led by the long end of the market; the selloff was driven more by market 'technicals' and positioning rather than fundamentals, with limited evidence of significant foreign selling.
- UK gilts were volatile throughout April but ultimately ended the month higher, driven in part by a sharper-than-expected decline in March inflation data, which reinforced expectations that the Bank of England may begin cutting rates as early as May.
- Eurozone government bonds posted modest gains, supported by resilient economic data and a more constructive policy outlook.
- Credit markets showed resilience, with investment-grade bonds performing well due to strong earnings and improving fundamentals. However, high-yield bonds faced pressure from rising long-term rates and tightening credit conditions affecting leveraged issuers.
- Emerging market debt had mixed performance in April. Weaker foreign demand for US treasuries and a global risk-off sentiment pressured EM bonds, while stability in Latin America and Asia, supported by commodities and fiscal policies, provided some gains.

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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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