

MARKET COMMENTARY

June 2025

SNAPSHOT

- Equities rallied strongly from April sell-off, as Trump rowed back on tariffs.
- Sovereign bonds were weak, while high-yield had a positive return.
- Sterling was positive versus the dollar.

All percentages below are monthly returns for May 2025

EQUITIES



BOND MARKETS

BONDS

Long duration government yields rose

	UK GILTS	-1.2%
	US TREASURIES	-1.0%
	GLOBAL CORPORATE BONDS	-0.7%
	GLOBAL HIGH YIELD BONDS	0.8%



*Values represent bond index returns

CURRENCIES

CURRENCIES

Sterling slightly positive vs US dollar

Pound vs Other Currencies



KEY INDICATORS



GOLD – XAU/USD

-0.6%



OIL – BRENT CRUDE

1.2%



COMMODITIES

0.6%



INFLATION – UK CPI (YOY)

3.5%



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GLOBAL MARKETS

Further compromises from President Trump on tariffs fuelled a strong rally across all developed markets. The US led the way, but all four developed markets had strong, positive returns.



US MARKETS

Rose strongly on the back of tariff flipflops

US equities posted a strong month, led by technology. The Nasdaq surged 9.6%, outpacing the S&P500. US small caps were positive, but lagged the S&P500. Growth as an investment style significantly outperformed value. Economic data remains confusing, with a weak headline number for 1Q25 GDP (-0.2%) heavily distorted by the impact of tariffs on inventories and imports. A more reliable GDP measure, excluding these two factors, pointed towards 1.9% growth. Market sentiment was dominated by the twists and turns over tariffs, both from the administration and the courts.

6.2%

US 500



UK MARKETS

Moved higher on potential US-UK trade deal

UK equities took their lead from the US, with the FTSE100 up and mid and small caps posting even stronger returns. The FTSE250 rose 5.8% and is now in positive territory year-to-date. Whilst the economic data was slightly better than expected, against low expectations, the public finances remain in poor health, with borrowing continuing to exceed expectations. Consumer sentiment remains depressed, with the prospect of more tax rises later this year. A trade deal with the US was agreed, clawing back some of the economic damage from the initial US proposals.

3.6%

UK All Share



EUROPEAN MARKETS

Despite US-EU trade tensions, markets were positive

European equities were positive overall for the month. Elsewhere, growth as an investment style outperformed value. The rally meant that all of April's sharp losses have been recovered, with the index now up 8.1% year-to-date. Market sentiment was further boosted by a 90-day extension to the negotiations of a EU-US trade deal, but the situation remains fragile, given the challenges of reaching a deal and Trump's antipathy towards the EU.

4.0%

Euro 600 Index ex UK



JAPAN MARKETS

Strong gains on the back of positive tariff news

Japanese equities recorded further strong gains in May, supported by some progress in US trade negotiations and the perceived safe-haven status of Japan amid US-China tensions. Topix is now ahead year-to-date and growth as an investment style outperformed value. This was despite generally weaker economic data and some very unhelpful developments in the bond market. Long duration yields rose significantly, with 10yr yields spiking from 1.31% to 1.50%, adding significantly to the challenges facing the Bank of Japan.

5.0%

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%

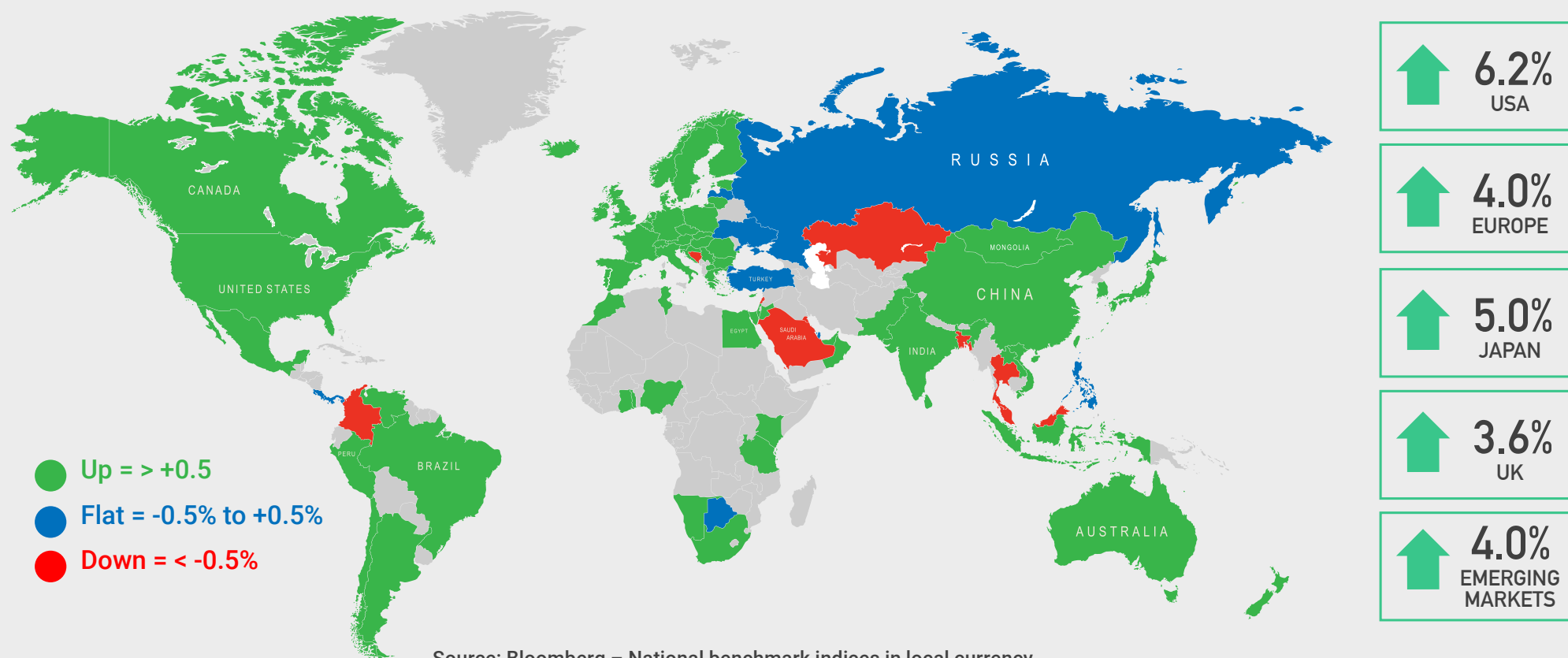
May 2025	Year to date
0.4	1.9
-0.1	-8.4
-1.2	1.0
-1.0	2.5
-0.7	-2.4
0.8	-2.9
6.2	0.5
3.6	6.5
4.0	9.0
5.0	0.6
4.0	5.2
4.0	7.6
0.6	-9.4
-0.6	24.2
1.0	0.8

Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS

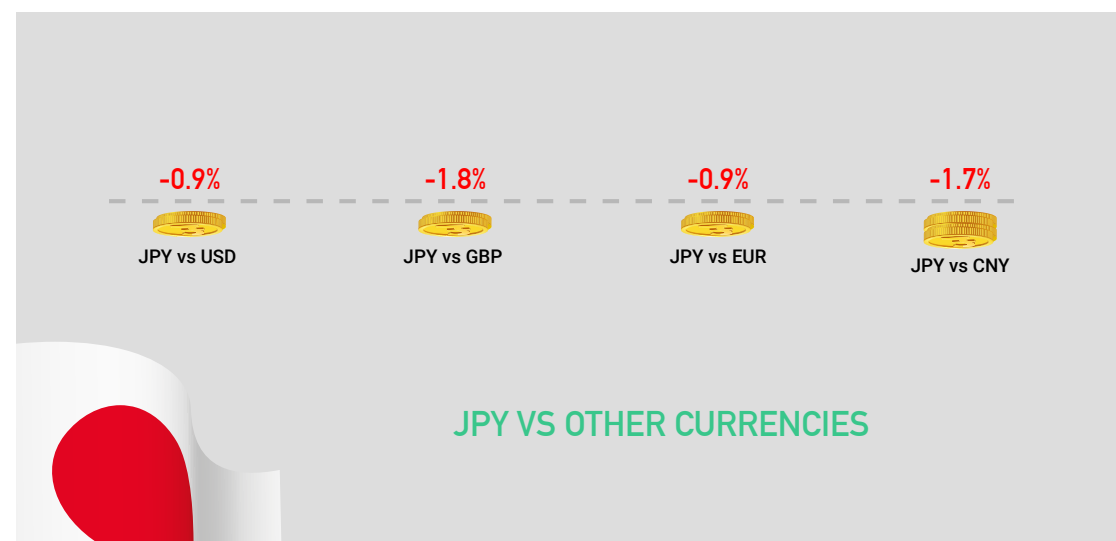
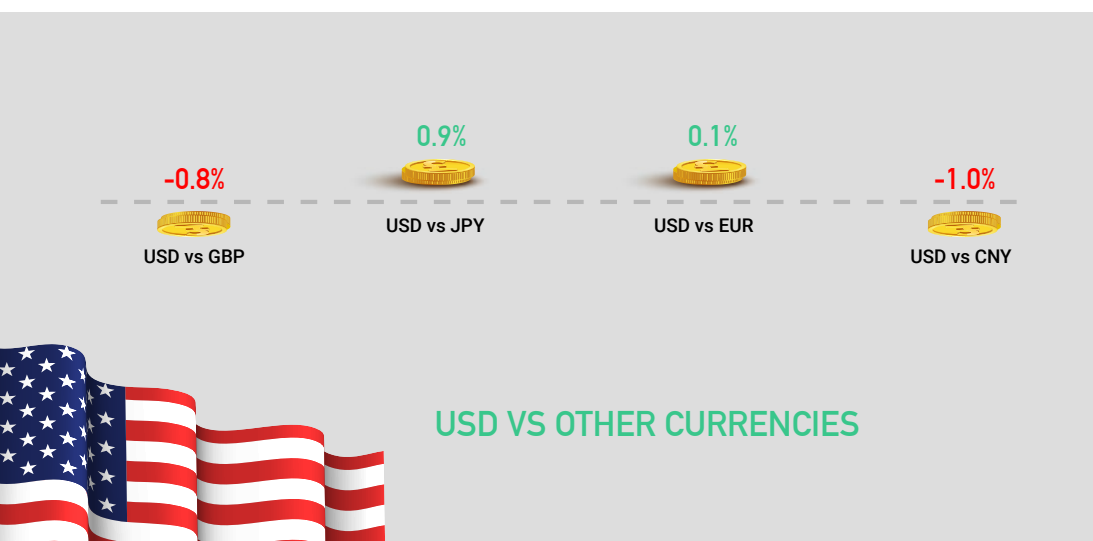
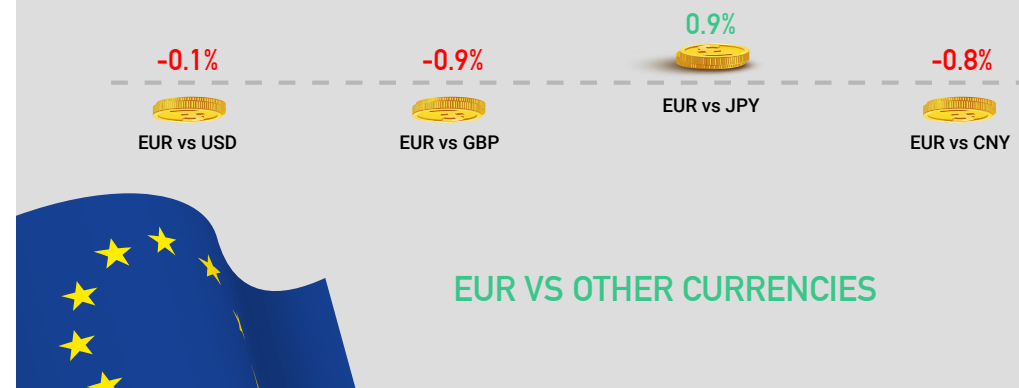
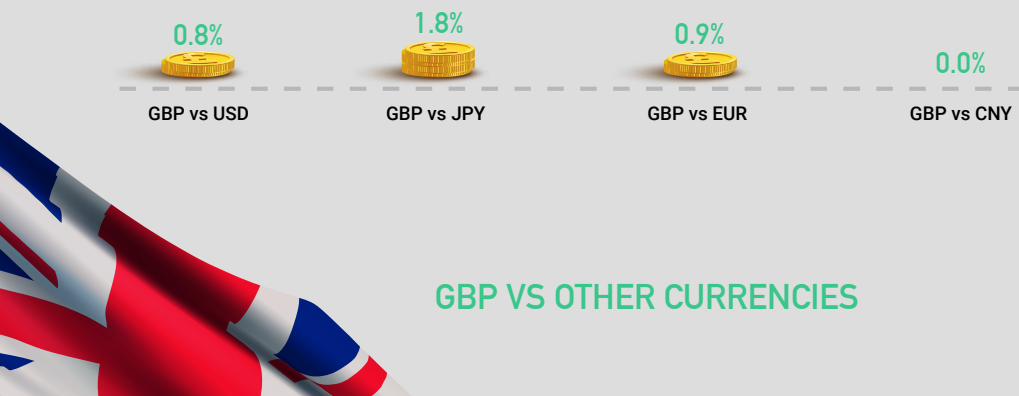


Key Points

- Markets rallied on reduced trade tensions, led by US technology. It was a risk-on month, with equity markets interpreting the potential for positive outcomes on various trade negotiations.
- Nasdaq led the way, with the US outperforming other developed markets. Of the four major developed markets, the UK was the laggard.
- Growth significantly outperformed value in the US, reflecting a strong rally by the 'Magnificent Seven'. Whilst growth was also ahead relative to value in Japan and Europe, it was the reverse in the UK, where value outperformed.
- In the UK, the further down the market cap spectrum you went, the better the performance.

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CURRENCIES



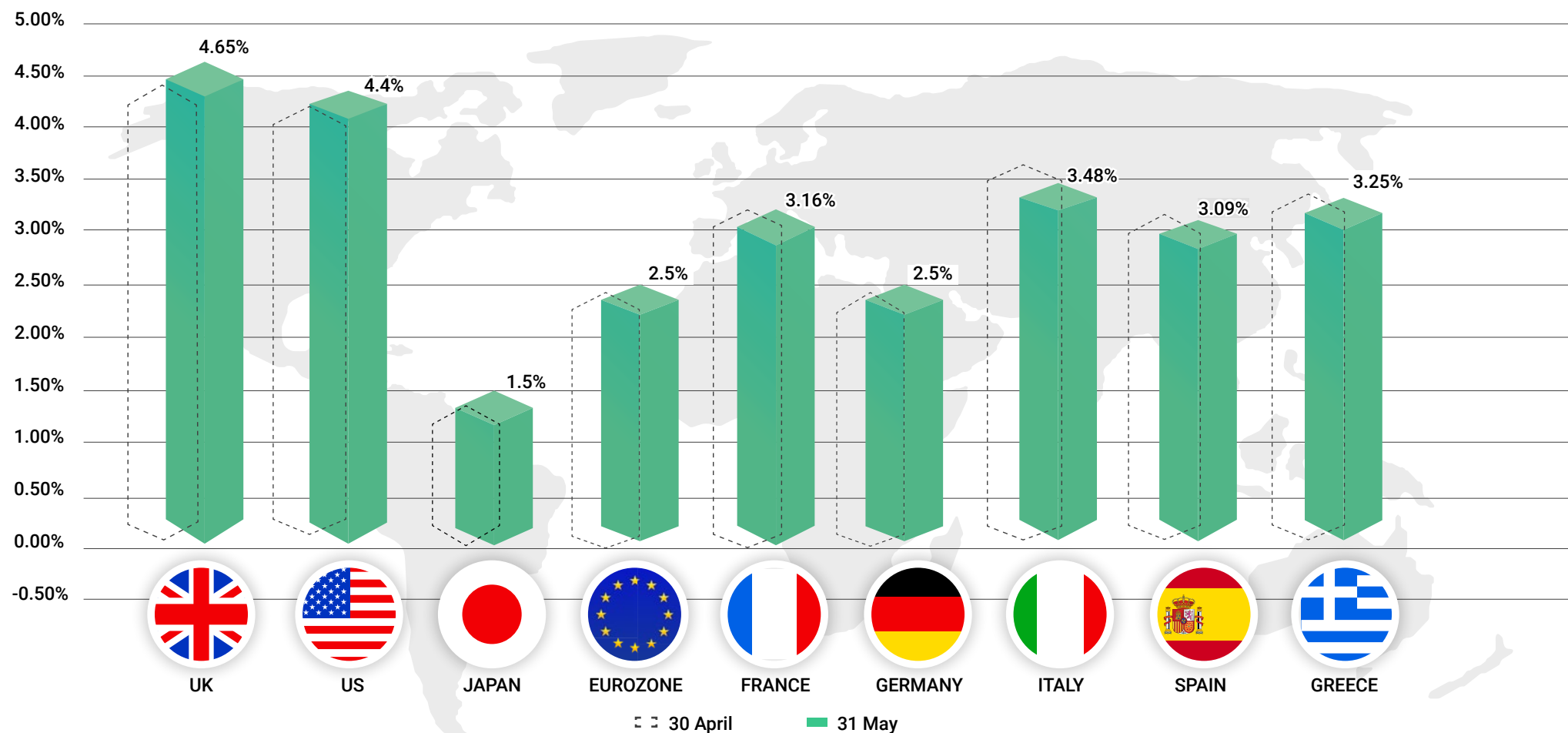
Key Points

- The US dollar remained volatile, with sentiment linked to the ebb and flow of tariff negotiations.
- The yen was little changed over the month, but like the dollar, saw elevated intra-month volatility.
- Sterling strengthened just under 1% against the US dollar, reaching the highest level since early 2022, as the market re-evaluated the prospects for further interest rate cuts relative to the US.
- After surging in value in each of the last two months, the euro index remained relatively unchanged in May.

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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

- Bonds were negative over the month, but this masked a large divergence within the bond market. Sovereign bonds were negative, but High Yield Credit posted a strong positive return.
- UK gilts were highly volatile and weak, reflecting the global move in government bond yields and the continued deterioration in UK public finances.
- Markets continued to re-evaluate sovereign risk, with longer duration US and Japan yields moving up significantly. The moves in the very long duration Japanese yields were particularly concerning.
- Treasuries fell, with the short end impacted by reduced rate cut expectations, and the long end by the size of the deficit and the potential impact for future issuance of bonds as a result of the US budget and tariffs.
- The best performing areas was high yield, which took its cue from the rally in equities. Barclays BBG Global High Yield rose 1.66%.

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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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