



July 2025

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Q2 2025 Commentary

“Trade tariffs and the Middle East conflict initially impacted investors, but sentiment improved and equities were generally positive”

The quarter was characterised by a rise in geopolitical tensions due to the threat of US tariffs and further hostilities in the Middle East, the latter of which de-escalated relatively quickly. The initial recession fears around the “Liberation Day” tariff announcements in the US eased as a more conciliatory approach was ultimately taken. Despite President Trump unveiling higher than anticipated broad-based tariffs, these were generally suspended for 90 days to allow for trade negotiations to take place.

Furthermore, bond markets in particular were impacted by the shift in Central Bank policy: away from monetary policy and towards fiscal policy. In effect, this signalled that the Central Banks are nearing the end of their rate cutting cycles and bond markets are now more focused on global debt sustainability.

United Kingdom

FTSE All Share: 4.39%

In the UK, the FTSE All-Share moved higher, with smaller domestically focused companies outperforming the larger more global ones, despite ongoing concerns around the Government's spending plans and the impact this will have on the Chancellors self-imposed fiscal



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sustainability rules.

The Bank of England (BoE) cut interest rates by 0.25% to 4.25% in May, although inflation remains above the BoE's 2% target at 3.4%.

United States

S&P 500: 4.39%

US shares advanced in Q2 2025, with gains being led by renewed investor appetite for

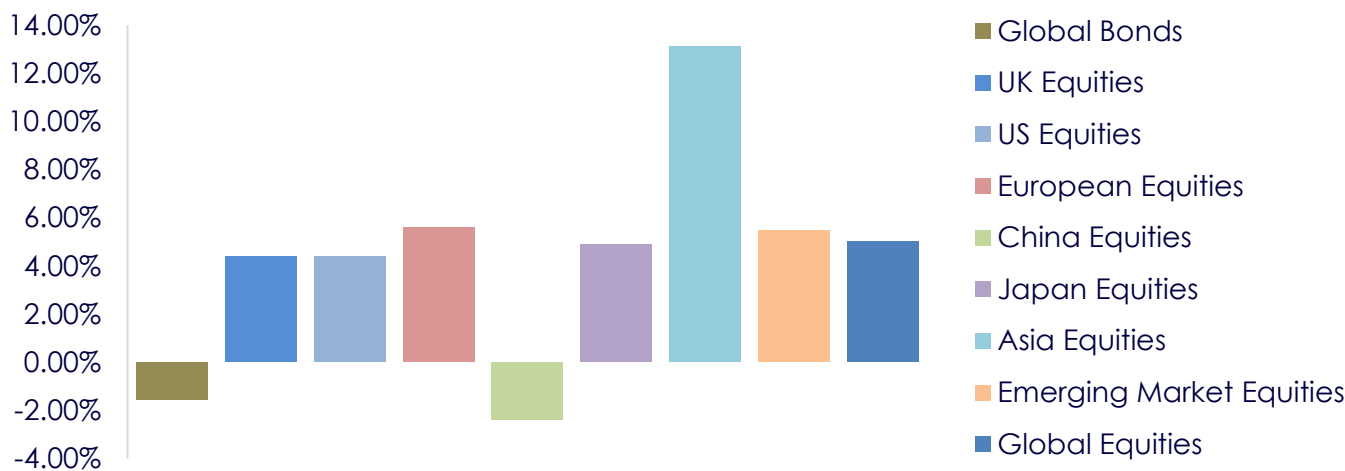
The European Central Bank (ECB) cut interest rates by 0.25% twice in the period. ECB President Christine Lagarde said that the central bank had “nearly concluded” its rate-cutting cycle. Inflation fell to 1.9% .

Japan

MSCI Japan: 4.89%

The Japanese equity market posted strong gains, but a weakening Yen impacted the

Discrete Monthly Performance as at 30/06/2025



some of the “Magnificent 7” stocks and robust Q1 2025 corporate earnings.

US economic data generally remained resilient, although Q1 2025 GDP fell by 0.5% due to higher imports in the quarter, which likely occurred as a result of concerns around future tariffs.

President Trump unveiled flagship tax and spending legislation which was passed by the House of Representatives in June. The bill extends tax cuts passed in 2017, increases defence spending, and cuts spending on programmes such as Medicaid, which impacted the healthcare sector.

Europe

FTSE Developed Europe ex UK: 5.60%

Eurozone shares posted strong gains. Defence stocks continued their good performance amid an agreement at the NATO summit for countries to increase defence spending.

return for foreign investors, which nonetheless was still positive. Investor sentiment initially declined following the Trump administration's announcement of reciprocal tariffs, but steadily improved amid positive developments in trade negotiations with China and other key partners, which eased recession fears.

Many Japanese companies released full-year results and provided guidance for 2025. Although earnings forecasts were cautious, shareholder returns through dividend increases and buybacks rose significantly, reflecting ongoing corporate governance reforms.

China

CSI 300: -2.40%

China underperformed other major developed and emerging markets. The quarter was marked by escalating tariff threats between the US and China, although a more conciliatory approach was eventually taken,

helping to support Chinese shares. However, weak domestic economic data continued to weigh on investor sentiment.

Emerging Markets

MSCI Emerging Markets: 5.48%

Emerging market equities were just ahead of their developed market peers in Q2 2025, helped by weakness in the US dollar.

Korea posted strongly positive double-digit returns (in US dollar terms) over the quarter as political instability subsided following the election of a new president in early June. Strong gains were also made by Taiwan which continued to benefit from investor optimism about Artificial Intelligence.

India underperformed with growth concerns and relatively expensive share valuations continuing to weigh on the market. Saudi Arabia was the only market to decline in Q2 2025, as geopolitical tensions in the Middle East took their toll.

Global Bonds

Bloomberg Barclays Global Agg: -1.55%
Bond market focus was firmly on US debt sustainability. The “Big Beautiful Bill” which was approved by the House of Representatives in June was judged by economists to worsen US debt dynamics. Moody’s credit rating agency highlighted the increased burden of financing the US government’s budget deficit and subsequently cut its US credit rating. US Treasury yields rose for the quarter on this worsening outlook for US debt.

Major central banks were either on hold – such as the US Federal Reserve and the Bank of Japan, or easing monetary conditions modestly. The BOE retained its quarterly pattern of interest rate cuts, lowering the base rate to 4.25% while the ECB cut its main policy rate twice leaving it at 2%. Generally, longer dated bond yields rose, which meant that prices fell.

All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.

Cumulative Performance and Annualised Volatility as at 30/06/2025

	5 Years %	3 Years %	1 Year %	Volatility % ²
Global Bonds	-14.93	-3.88	0.46	5.25
UK Equities	67.27	35.50	11.16	11.41
US Equities	90.29	49.97	5.81	12.89
European Equities	57.82	45.02	9.11	13.03
Japan Equities	37.20	34.90	5.05	11.47
Asia Equities	52.35	26.57	4.47	14.36
China Equities	-5.19	-21.18	9.33	18.74
Emerging Market Equities	25.32	17.00	6.35	12.19
Global Equities	77.85	46.76	7.24	11.84

Data source FE Analytics 30/06/2025. Indices used: Global Bonds: Bloomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), China: CSI 300, Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.

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