



## August 2025

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### Q3 2025 Commentary

“Global markets rose in July on easing trade tensions and strong corporate earnings, led by tech and AI, while bonds were mixed”



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Markets delivered positive returns in July, with trade tensions easing and company results reassuring investors. The US and Japan led gains due to strong performances in technology and export-driven sectors. Europe and the UK also advanced on solid corporate earnings, while emerging markets benefited from optimism around AI, particularly in Taiwan and Korea. However, India and Brazil struggled under the weight of new US tariffs. In contrast, government bonds faced a challenging month as investors grew more cautious about the fiscal outlook in major economies, though corporate bonds remained resilient producing positive returns and helping stabilise the market.

#### United Kingdom

FTSE All Share: 0.48%

UK equities rose in July, supported by strong results from energy and healthcare companies, as well as steady performance in consumer staples and telecoms. However, property and technology stocks lagged. Inflation nudged up to 4.1%, and government borrowing was higher than expected, raising questions about public finances. Investors also welcomed modest reforms announced by Chancellor Rachel Reeves, aimed at strengthening the UK's financial sector.

## United States

S&P 500: 3.38%

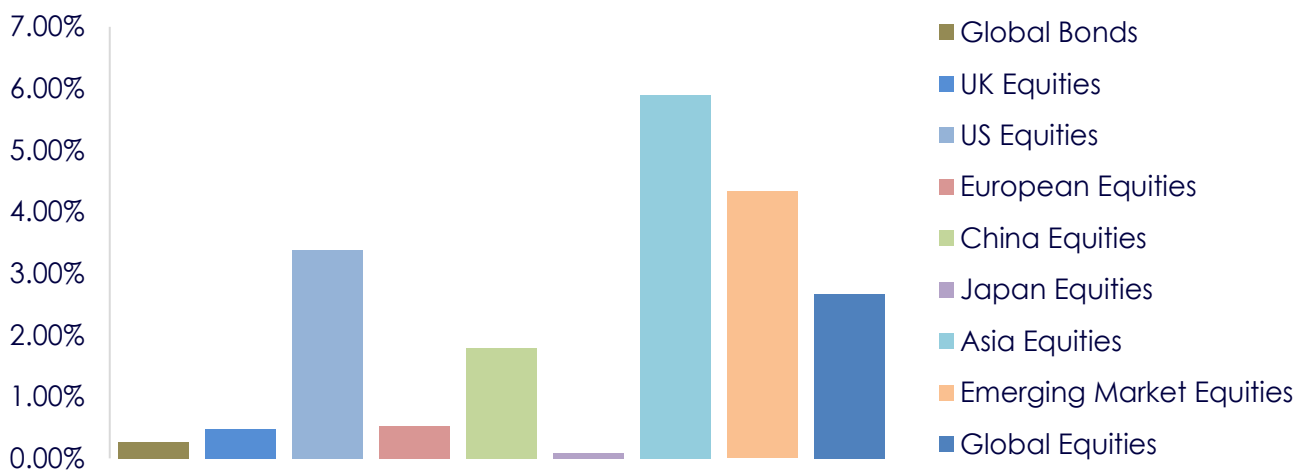
US equities delivered solid gains in July, with technology stocks leading the way. Investor confidence improved as new tariff agreements reduced uncertainty and as economic growth rebounded - GDP expanded by 3% in Q2 2025, reversing the prior quarter's contraction. Inflation edged up slightly to 2.7%, though the Federal Reserve kept interest rates steady,

## Japan

MSCI Japan: 0.09%

Japanese markets strengthened in July, with exporters and technology-linked companies benefiting from both a favourable trade deal with the US and rising demand linked to AI. Political concerns around the Upper House election, which chooses members of parliament's upper chamber, proved less disruptive than expected, allowing markets to

### Discrete Monthly Performance as at 31/07/2025



helping maintain stability. While concerns remain about the long-term cost of the government's new spending package, markets focused on positive earnings and renewed economic momentum.

## Europe

FTSE Developed Europe ex UK: 0.53%

European shares advanced as a tariff deal with the US brought much-needed clarity. The agreed 15% duties were less than expected, giving markets a lift. Healthcare and financials were stand-out performers on the back of solid corporate earnings, while technology and interest rate-sensitive sectors lagged. The Eurozone economy grew by 0.1% in Q2 - slower than earlier in the year but better than expected given the uncertainty around trade.

focus on the improving economic outlook. The TOPIX rose 3.2% and the Nikkei gained 1.4%, although a weaker yen dampened markets and limited returns for foreign investors when converting gains back into their home currencies.

## China

CSI 300: 1.79%

Chinese markets were supported in July by policy easing and stabilization measures. Including the government's "anti-involution" campaign, which aims to reduce excessive competition in areas like education, work, and real estate, is designed to ease social pressure, support household income growth, and boost long-term consumer demand. Investor sentiment was further supported by signs of progress in US-China trade talks and the partial resumption of AI-chip exports. While these measures were viewed positively and provided

some market support, investor caution remained due to ongoing uncertainty around broader US-China tariff negotiations.

### Emerging Markets

MSCI Emerging Markets: 4.33%

Emerging market equities advanced in July, supported by strong gains in Taiwan, China, and Korea. Thailand was the top performer, while the UAE, Qatar, and Greece also delivered robust returns, with Greek banks standing out.

In Asia, Taiwan benefited from continued enthusiasm around AI alongside sustained international investor interest. China saw sentiment improve on progress in U.S.-China trade talks and the partial resumption of AI-chip exports. Korea also gained, driven by resilient overseas capital flows and a new trade agreement with the U.S. Elsewhere, Poland and South Africa posted modest gains, but Mexico, Indonesia, and Saudi Arabia all fell in US dollar terms. Mexico and Indonesia were held back by weaker regional performance and investor

caution amid dollar strength and trade uncertainty. In Saudi Arabia, limited foreign investor inflows kept the market from rising, causing it to lag other emerging markets. India and Brazil faced the steepest losses, pressured by new U.S. tariffs, including a 25% duty on India and a 50% tariff on Brazil.

### Global Bonds

Bloomberg Barclays Global Agg: 0.27%

Government bond markets faced a challenging month, with yields rising as investors focused on rising deficit risks in the US, Japan, and the UK. Political uncertainty in several regions added volatility, weighing on sentiment.

In contrast, corporate bonds delivered solid returns. Strong company earnings, particularly from cyclical sectors, and improving economic indicators underpinned performance. Both investment grade and high yield bonds benefited from steady demand and a constructive outlook. Euro corporate bonds performed well, with investors willing to accept lower extra yield over government bonds.

**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 31/07/2025

	5 Years %	3 Years %	1 Year %	Volatility % <sup>2</sup>
Global Bonds	-14.93	-3.88	0.00	11.91
UK Equities	67.27	35.50	11.16	11.31
US Equities	90.29	49.97	5.81	13.04
European Equities	57.82	45.02	9.11	12.99
Japan Equities	37.20	34.90	5.05	11.47
Asia Equities	52.35	26.57	4.47	14.63
China Equities	-5.19	-21.18	9.33	18.67
Emerging Market Equities	25.32	17.00	6.35	12.37
Global Equities	77.85	46.76	7.24	5.21

Data source FE Analytics 31/07/2025. 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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