



momentum
global investment management

Global Matters | Viewpoint

Market review & outlook

August 2025

Stewards of your investment **success**



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Global market review & outlook

Despite the uncertainty created by Donald Trump's looming 1st August deadline for completion of tariff deals, July proved to be a relatively benign month in markets. In large part this was due to rising optimism that most key deals would be concluded before month end, avoiding worst-case outcomes, optimism which proved to be well founded. In deals that were universally viewed as heavily in favour of the US, 15% tariffs were agreed with Japan and the EU, along with commitments to invest \$550bn and \$600bn respectively in the US, while US concessions were notable for their absence. With the US a clear winner in the negotiations, the deals exposed a weakened Prime Minister Ishiba in Japan following the loss of the ruling coalition's majority in the Upper House elections, and the absence of effective leadership in the EU, with French PM Bayrou describing the deal as an act of submission and a dark day for Europe. The UK's earlier deal to accept 10% tariffs now looks favourable, although the concessions made were substantial.

Also supporting markets was evidence of resilience in the US labour market and economy, with initial jobless claims falling through July, while retail sales growth and consumer confidence picked up in June. Initial estimates of US GDP growth in Q2 of 3.0% annualised were well ahead of expectations, but largely reflected a 30% drop in imports following a 38% increase in Q1 as businesses and consumers stockpiled goods ahead of tariff induced price increases. In comparison Q2 GDP growth in the Euro Area was 0.4% annualised, although leading indicators are showing some modest signs of improvement.

Two other factors underpinned markets. Corporate earnings reports for Q2, especially from companies most exposed to the AI boom, came in generally stronger than expected, driving megacap tech stocks higher, and taking the Nasdaq and Mag 7 indices to successive new highs. The second came from interest rate expectations in the US building in cuts in both September and December this year – not because of a shift to a more dovish stance by the Fed (which kept rates unchanged at its July meeting and delivered a slightly hawkish tone, pointing to a solid economy, a labour market in balance, and its moderately restrictive stance being appropriate), but because the market is now factoring in the inevitability of a more dovish successor to Chair Powell in 2026, and the likelihood that the FOMC will begin to lean in this direction in the months ahead.

Equity markets responded with broad gains, led by US megacap tech stocks; the Magnificent 7 index rose by 6.7%, taking the S&P 500 up by 2.2%, a gain of 14.1% over 3 months. Although the MSCI Europe ex UK index was flat in euro terms over the month, following its strong rise earlier in the year, most other major markets were higher in local currency terms, with the UK +4.6% and Japan +3.2%.

A sharp recovery in the US dollar following its earlier falls this year reduced returns in USD terms; on a trade weighted basis the dollar rose by 3.2% in July, with sterling –3.8% and the yen –4.5% notably weak, the latter hit by concerns that the minority government following the Upper House elections will be pushed into fiscal stimulus for consumers at a time when inflation is running at 3.3%. In the UK stagflationary concerns and headwinds for sterling continued to mount; the government's huge rise in the tax on employment (employers' National Insurance) and the minimum wage, effective from early April, are being reflected in rising inflation, +3.6% in June, the highest since January 2024, and unemployment, now at 4.7%, the highest since June 2021. In combination with weak economic growth and the government's U-turn on welfare cuts, the Chancellor is increasingly boxed in by her fiscal rules, and further tax rises and spending cuts are inevitable in the October budget.

The dollar's rise led to a return of 1.3% in the month for global developed market equities, while emerging markets fared better, +1.9%, helped by a strong market in China, +4.8%, and relatively stable Asian currencies against the dollar. Bond markets had a quieter month than of late, with yields trading in a narrow range. All the major central banks – the Fed, ECB, Bank of England (BoE) and Bank of Japan (BoJ) – kept rates on hold, albeit with mixed messages. The ECB was more hawkish around further rate cuts, signalling an extended pause; the BoE is cautious in the face of the inflationary spike, but is keen to cut rates given economic weakness, and will take the earliest possible opportunity to resume its easing policy, while the BoJ, which raised its inflation forecast to 2.7%, is expected to resume monetary policy normalisation with further increases in the policy rate, currently at 0.5%, in coming months.

A number of tariff issues remain outstanding, notably with China – where progress has been made and negotiations more constructive – but the conclusion of many trade deals ahead of the 1st August deadline, as well as the passage of the 'One Big Beautiful Bill', have considerably reduced policy uncertainty.

A number of tariff issues remain outstanding, notably with China – where progress has been made and negotiations more constructive (exports of top-end AI chips to China have been resumed) – and in the key sectors pharmaceuticals and semi-conductors, but the conclusion of many trade deals ahead of the 1st August deadline, as well as the passage of the ‘One Big Beautiful Bill’, have considerably reduced policy uncertainty. A major source of weak business and consumer confidence has been lifted.

The net effect is that the average tariffs rate will rise to around 18% on many estimates, from 2.5% in 2024. Where the cost will fall remains to be seen; some will be passed on to consumers, some absorbed in margins, and some through productivity enhancements, but the Federal government will be a big beneficiary, with revenue from tariffs and duties expected to rise from \$77bn in the 2024 financial year to over \$400bn in the year ahead. That increase amounts to over 1% of US GDP and will help to contain the fiscal deficit; it will no doubt be seen as vindication by the Administration, especially if the inward investments announced to date progress as planned and the economy remains resilient. Trump’s political capital is on a high, and he is using it to weaponise trade agreements to achieve foreign policy objectives and influence domestic policy, as we are seeing with Brazil and India. Where it ends and the impact falls, whether on growth or inflation, remains highly uncertain, but in the short term it has supported the dollar and dispelled the more extreme views calling for the end of US exceptionalism and dollar hegemony.

The easing of policy uncertainty has supported risk assets, most of which have enjoyed substantial gains since the early April post Liberation Day lows. As a result, valuations are less attractive, and in some cases, especially across AI driven stocks, stretched. Some consolidation is due, and a degree of caution is called for shorter term. But the tariff issues are much closer to resolution, the economic damage to date has been limited, and will become clearer in the months ahead. The prospect of a resumption of cuts in interest rates in the US, together with the rapidly evolving impact of AI on productivity, will help to underpin markets as the year progresses. We therefore remain constructive about markets in the medium term, albeit with a degree of caution and patience in the short term.



Market performance - Global as at 31 July 2025 (local currency terms)

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Developed Markets Equities						
United States	S&P 500 NR	USD	2.2%	14.1%	8.3%	15.9%
United Kingdom	MSCI UK NR	GBP	4.6%	7.8%	13.9%	12.7%
Continental Europe	MSCI Europe ex UK NR	EUR	0.0%	3.5%	9.5%	7.0%
Japan	Topix TR	JPY	3.2%	10.6%	7.1%*	8.0%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	2.2%	13.5%	16.6%	18.2%
Global	MSCI World NR	USD	1.3%	11.9%	10.9%	15.7%
Emerging Markets Equities						
Emerging Europe	MSCI EM Europe NR	USD	3.1%	16.5%	40.2%	27.4%
Emerging Asia	MSCI EM Asia NR	USD	2.5%	14.3%	16.7%	18.0%
Emerging Latin America	MSCI EM Latin America NR	USD	-4.4%	3.0%	24.1%	7.2%
BRICs	MSCI BRIC NR	USD	0.3%	6.1%	14.3%	17.1%
China	MSCI China NR	USD	4.8%	11.7%	23.0%	42.1%
Global emerging markets	MSCI Emerging Markets NR	USD	1.9%	12.7%	17.5%	17.2%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	-0.4%	-0.2%	3.3%	2.6%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	0.1%	0.4%	4.7%	3.9%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	0.1%	1.9%	4.2%	4.5%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.5%	4.0%	5.0%	8.7%
UK Gilts	JP Morgan UK Government Bond TR	GBP	-0.4%	-0.2%	2.1%	-0.8%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	0.3%	1.7%	3.8%	4.0%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.2%	-0.3%	0.4%	1.9%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	0.5%	1.3%	2.3%	4.8%
Euro High Yield	BBgBarc European HY 3% Constrained TR	EUR	1.2%	3.0%	3.9%	8.0%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	-1.1%	-1.9%	-3.8%	-3.6%
Australian Government	JP Morgan Australia GBI TR	AUD	-0.2%	0.6%	3.6%	4.3%
Global Government Bonds	JP Morgan Global GBI	USD	-2.0%	-1.2%	5.0%	2.8%
Global Bonds	ICE BofAML Global Broad Market	USD	-1.5%	-0.2%	5.7%	4.0%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	1.8%	9.7%	13.0%	19.4%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	0.9%	4.2%	7.1%	10.4%

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	-0.8%	0.4%	-1.5%	0.5%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	3.3%	9.2%	7.6%	6.6%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	0.4%	5.9%	17.5%	14.2%
Global Property Securities	S&P Global Property USD TR	USD	-0.8%	3.2%	6.0%	6.1%
Currencies						
Euro		USD	-3.2%	0.8%	10.2%	5.4%
UK Pound Sterling		USD	-3.8%	-0.9%	5.5%	2.7%
Japanese Yen		USD	-4.5%	-5.1%	4.3%	-0.5%
Australian Dollar		USD	-2.4%	0.4%	3.8%	-1.8%
South African Rand		USD	-2.8%	2.1%	3.4%	-0.1%
Commodities & Alternatives						
Commodities	RICI TR	USD	1.6%	6.8%	3.6%	7.1%
Agricultural Commodities	RICI Agriculture TR	USD	-1.5%	-3.9%	-4.7%	1.3%
Oil	Brent Crude Oil	USD	7.3%	14.9%	-2.8%	-10.1%
Gold	Gold Spot	USD	-0.4%	0.0%	25.4%	34.4%
Interest Rates				Current Rate		
United States				4.50%		
United Kingdom				4.25%		
Eurozone				2.15%		
Japan				0.50%		
Australia				3.85%		
South Africa				7.00%		

Source: Bloomberg Finance L.P. , Momentum Global Investment Management. Past performance is not indicative of future returns.
*estimated figures.

Market performance - UK as at 31 July 2025 (all returns GBP)

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Equities						
UK - All Cap	MSCI UK NR	GBP	4.6%	7.8%	13.9%	12.7%
UK - Large Cap	MSCI UK Large Cap NR	GBP	5.1%	8.0%	15.0%	14.3%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	0.8%	5.5%	5.4%	1.1%
UK - Small Cap	MSCI Small Cap NR	GBP	0.4%	11.1%	11.0%	6.4%
United States	S&P 500 NR	USD	6.0%	15.2%	2.6%	12.5%
Continental Europe	MSCI Europe ex UK NR	EUR	0.7%	5.1%	14.4%	9.8%
Japan	Topix TR	JPY	2.4%	5.7%	6.0%*	4.7%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	6.0%	14.5%	10.4%	14.7%
Global developed markets	MSCI World NR	USD	5.0%	13.0%	5.0%	12.3%
Global emerging markets	MSCI Emerging Markets NR	USD	5.7%	13.7%	11.3%	13.8%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	-0.3%	-0.2%	2.1%	-0.9%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	0.2%	0.8%	3.3%	4.4%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	-0.2%	0.2%	3.3%	0.7%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	-1.2%	-1.6%	-0.7%	-7.7%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	-0.4%	0.3%	-1.1%	-7.5%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	0.3%	0.6%	1.2%	-2.4%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	-1.5%	-0.6%	-4.7%	-15.2%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	0.3%	1.7%	3.8%	4.0%
US Treasuries	JP Morgan US Government Bond TR	USD	3.2%	0.8%	-2.2%	-0.4%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	3.6%	2.9%	-1.3%	1.4%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.5%	4.0%	5.0%	8.7%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.2%	-0.3%	0.4%	1.9%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	0.5%	1.3%	2.3%	4.8%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	1.2%	3.0%	3.9%	8.0%
Global Government Bonds	JP Morgan Global GBI	GBP	1.7%	-0.3%	-0.6%	-0.2%
Global Bonds	ICE BofAML Global Broad Market	GBP	-1.5%	-0.2%	5.7%	4.0%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	1.8%	9.7%	13.0%	19.4%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	4.6%	5.2%	1.4%	7.2%

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Property						
Global Property Securities	S&P Global Property TR	GBP	2.9%	4.1%	0.4%	3.0%
Currencies						
Euro		GBP	0.7%	1.7%	4.4%	2.6%
US Dollar		GBP	4.0%	0.9%	-5.2%	-2.7%
Japanese Yen		GBP	-0.7%	-4.2%	-1.2%	-3.2%
Commodities & Alternatives						
Commodities	Rogers International Commodity (RICI) TR	GBP	5.4%	7.8%	-1.9%	4.0%
Agricultural Commodities	Rogers International Commodity (RICI) Agriculture TR	GBP	2.2%	-3.0%	-9.8%	-1.6%
Oil	Brent Crude Oil	GBP	11.3%	16.0%	-8.0%	-12.8%
Gold	Gold Spot	GBP	3.3%	1.0%	18.7%	30.5%
Interest Rates			Current Rate			
United Kingdom			4.25%			

Source: Bloomberg Finance L.P., Momentum Global Investment Management. Past performance is not indicative of future returns.*estimated figures.

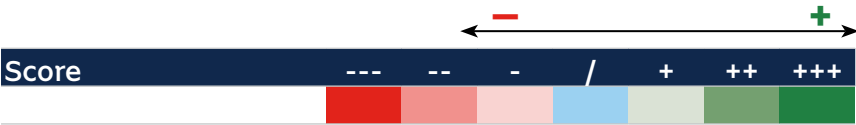
Asset allocation views

Score	Change	---	--	-	/	+	++	+++
MAIN ASSET CLASSES	▲/▼/—							
Equities	—							
Fixed Income	—							
Alternatives	—							
Cash	—							

Score	Change	---	--	-	/	+	++	+++
EQUITIES	▲/▼/—							
Developed Equities	—							
UK Equities	—							
European Equities	▲							
US Equities	—							
Japanese Equities	▼							
Emerging Market Equities	—							

Score	Change	---	--	-	/	+	++	+++
FIXED INCOME	▲/▼/—							
Government	▲							
Index-Linked	▲							
Investment Grade Corporate	—							
High Yield Corporate	—							
Emerging Market Debt	▲							

The asset allocation views are updated at the end of each quarter unless otherwise stated.



Score	Change	---	--	-	/	+	++	+++
SPECIALIST ASSETS/ALTERNATIVES	▲/▼/—							
Global Listed Property	—							
Global Listed Infrastructure	—							
Specialist Assets	—							
Liquid Alternatives	—							
Gold	—							

Score	Change	---	--	-	/	+	++	+++
CURRENCIES vs. USD	▲/▼/—							
GBP	—							
EUR	—							
JPY	—							

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