



FINURA

YOUR MARKET REVIEW MAY 2025



INFOGRAPHIC: THE GLOBAL ECONOMY

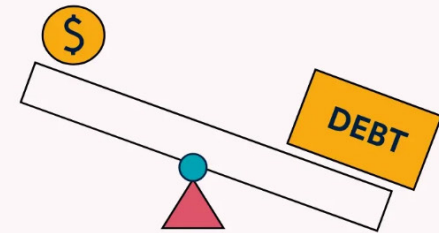
Tariff uncertainty led to stockpiling in Q1, denting US growth

We have cut our **US growth forecast** for 2025 to **1.7%** from **2.5%**, mainly due to stockpiling of goods in Q1

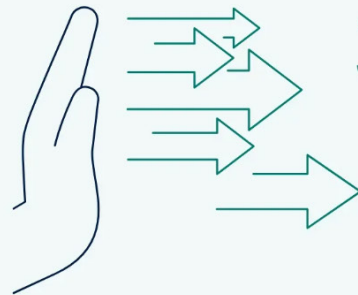


...but expect a rebound to **2.4%** in **2026**

Beyond tariffs, rising US sovereign debt is a concern for markets

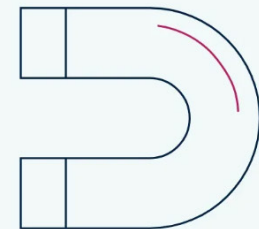
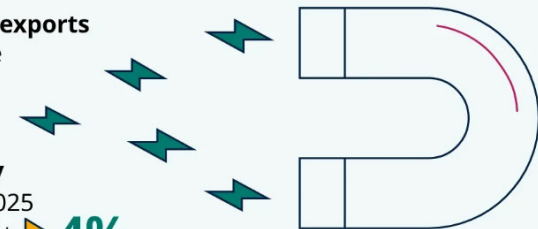


The push and pull factors affecting Chinese growth

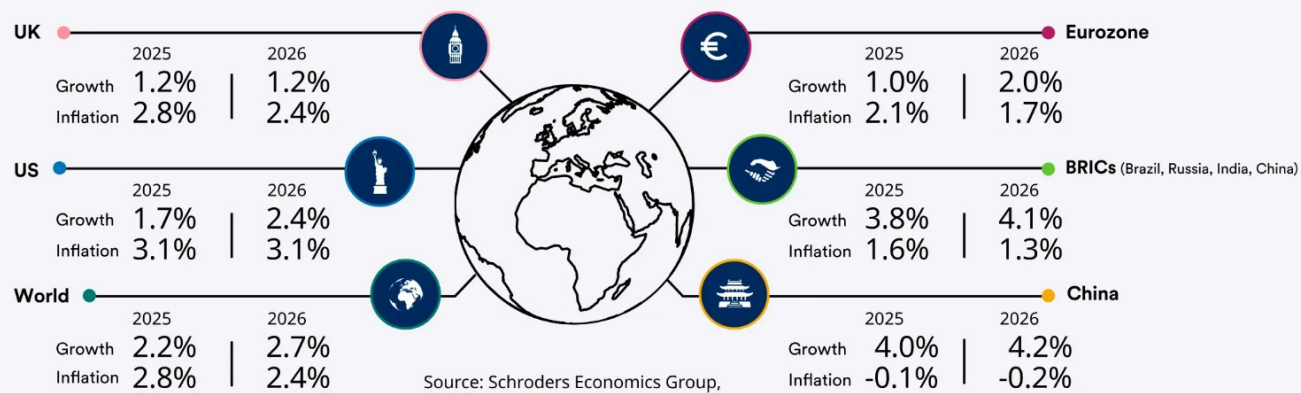


30% **US tariffs on Chinese exports** should be manageable

...but the **domestic economy remains weak** leaving our 2025 growth forecast unchanged at **4%**



Schroders' latest growth and inflation forecasts



Source: [Schroders as at May 2025](#).



MULTI-ASSET INVESTMENT VIEWS

KEY

▲ Up from last month ▼ Down from last month

● Long / Positive

● Neutral

● Short / Negative

	Category	View	Comments
Main Asset Classes	Equities	● ▲	We have upgraded equities to positive, due to the recent 90-day pause on reciprocal tariffs between the US and China, which reduced the risk of a sudden stop in trade volume and a sharp rise in unemployment.
	Government Bonds	●	We remain neutral. While yields have risen, medium term concerns remain due to increasing debt levels and sticky inflation in the US. We prefer German Bunds over US Treasuries.
	Commodities	●	Energy markets remain imbalanced due to increasing supply, while demand stays weak across all sectors amid growth risks. Gold continues to stand out as our preferred diversifier.
	Corporate Bonds (Credit)	●	We stay negative on credit, with a particular focus on the US, where technical indicators are weakening.
Equities	US	● ▲	We have upgraded our view on US equities. Reduced tariff uncertainty has alleviated key market concerns in the short term. This, coupled with supportive fiscal policies, and an uptick in earnings revisions, creates a supportive environment moving forward.
	UK	●	We stay neutral on UK equities where sector composition is naturally more defensive. UK equities are less exposed to global tariff risks; however, limited fiscal headroom and persistent inflation constrain policy flexibility.
	Europe ex UK	●	We maintain a positive view on European equities, as the implementation of expansive fiscal policies is expected to contribute to narrowing the disparity in economic growth between the US and Europe.
	Japan	● ▲	Supportive macro conditions such as rising inflation expectations, wage growth, and loose financial conditions - as well as positive sentiment from more tariff certainty - should benefit Japanese equities.
	Global Emerging Markets ¹	● ▲	The recent 90-day pause in reciprocal tariffs between the US and China has improved the near-term trade environment, prompting us to upgrade our view. Attractive valuations and a weaker US dollar continue to provide a supportive backdrop.
	Asia ex-Japan: China	●	We remain cautious on China. While growth forecasts remain stable, there are concerns about domestic economic weakness and the inflationary impact of tariffs.
	EM Asia ex China	●	Although Asian markets avoided immediate tariffs, their dependence on Chinese imports poses risks.
Government Bonds	US	● ▼	Inflation expectations in the US are increasing, driven by factors such as a tight labour market, potential tariff impacts, and dollar weakness. This, combined with rising debt levels, leads us to hold a negative view on US government bonds.
	UK	●	We maintain our neutral score. While valuations look attractive, a sticky labour market and wages mean that the Bank of England (BoE) is unlikely to cut rates.
	Europe	● ▲	We upgrade our view to positive, German bonds have a safe haven appeal. In addition, Germany's fiscal situation is expected to remain disciplined and inflation under control.
	Japan	●	Although the Bank of Japan held interest rates at 0.5% at its most recent meeting in May, the upward trajectory in wages and inflation means the ultimate path of interest rates is likely higher.
	US Inflation Linked (TIPS)	● ▲	There is a significant risk of rising inflation in the US, driven by a tight labour market, persistent wage growth and potential inflationary impacts from tariffs. We upgrade our view as US inflation-linked bonds are a useful hedge against such pressures.
	Emerging Markets Local	●	We maintain a positive view on EM debt. Economic activity in EM markets has remained robust and the sector should be supported by a weakening US dollar.

¹ Global Emerging Markets includes Central and Eastern Europe, Latin America and Asia.

	Category	View	Comments
Investment Grade Credit	US	●	We maintain our negative stance. Valuations are at extreme levels, and we are concerned that the backdrop for credit is starting to weaken.
	Europe	●	We remain neutral on European IG, where spreads are more attractive compared to the US. The technical environment is favourable, and demand seems to be improving.
	Emerging Markets USD	●	We remain neutral as valuations look expensive. We are closely observing the asset class which is predominantly concentrated in Asia and therefore susceptible to tariffs.
High Yield Bonds (Non-IG)	US	●	We stay negative on US high yield. Technical indicators are weakening.
	Europe	●	We remain neutral. Valuations are more attractive compared to the US, although the technical environment is showing signs of weakening.
Commodities	Energy	●	We remain negative on energy. OPEC+ has announced a second bumper production hike for June, which has reinforced the view that the market will move further into a supply surplus this year.
	Gold	●	While volatility is high, we remain positive on gold as central bank buying remains rampant and Chinese household demand remains strong.
	Industrial Metals	● ▼	The structural outlook is bullish for base metals but relies on robust growth assumptions, which have been called into question following the tariff announcements. We therefore stay neutral.
	Agriculture	●	We remain neutral. With market fundamentals still in balance, the market is likely to be more driven by the ratcheting up of retaliatory tariffs, weighing down on prices.
Currencies	US \$	●	We maintain our negative view on the US dollar as inflationary pressures and efforts to address trade imbalances could lead to further weakness.
	UK £	●	The BoE faces a delicate balance: maintaining rates may cause a recession, while early cuts could revive persistent service inflation.
	EU €	●	We maintain a positive view on the euro. We believe growth momentum should continue due to cross-border flows shifting investment away from the US.
	CNH ¥	●	We maintain our negative stance as the currency is vulnerable to any further escalation in US-China trade tensions.
	JAP ¥	●	We stay positive on the Japanese yen which has benefitted from safe-haven flows following the fall in sentiment globally and is a reliable hedge in our portfolios.
	Swiss F	●	We stay neutral on the Swiss franc which we see as an effective diversifier.

Source: [Schroders, May 2025](#).

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

The views for equities, government bonds and commodities are based on return relative to cash in local currency. The views for corporate bonds and high yield are based on credit spreads (i.e. duration-hedged). The views for currencies are relative to US dollar, apart from US dollar which is relative to a trade-weighted basket.





MARKETS REVIEW

A review of markets in May when shares gained after the US and China agreed a 90-day pause on reciprocal tariffs.

THE MONTH IN SUMMARY

Global shares advanced in May as concerns over tariffs eased. The US and China agreed a 90-day suspension of tariffs on most goods. Sovereign bond yields rose (meaning prices fell) amid rising worries over debt sustainability.

THE US

Developed market shares made gains in May following an agreement between the US and China to pause reciprocal tariffs for 90 days.

US shares were strong in May, recovering from April's weakness. As well as easing tariff fears, shares were supported by some robust Q1 corporate earnings. The information technology sector led the gains while communication services and consumer discretionary were also strong. Healthcare underperformed. President Trump announced a reform of drug pricing.

Near month end, the US Supreme Court ruled that President Trump's "Liberation Day" tariff proposals are illegal as he did not have the authority to use the emergency economic powers legislation that he cited when he imposed them. The White House is appealing the ruling.

President Trump's budget bill ("Reconciliation Bill") was approved by the House of Representatives and will now proceed to the Senate. The bill extends tax cuts passed in 2017, increases defence spending, and cuts spending on programmes such as

Medicaid. Some investors fear the bill will add to the US deficit. Ratings agency Moody's downgraded the US's credit rating from the top Aaa rating to Aa1.

Data confirmed that the US economy contracted in Q1 2025 although the revised reading from the Bureau of Economic Analysis indicated a shallower drop of -0.2% compared to the initial -0.3% reading. The labour market remained resilient with non-farm payrolls showing 177,000 jobs were added in April.

Eurozone shares advanced in May. Top performing sectors included industrials, information technology and financials while the healthcare sector lagged.

EUROZONE

The eurozone flash composite purchasing managers' index (PMI) dipped to 49.5 in May, a six-month low. PMI data is based on surveys of companies in the manufacturing and service sectors. A reading above 50 indicates growth while below 50 indicates contraction.

Despite the tariff pause between the US and China, tariffs were still a source of market volatility. President Trump threatened 50% tariffs on the EU, starting from 1 June. However, negotiations were subsequently extended back to the original 9 July deadline. Shares fell amid the tariff threat but later recovered.

In the UK, the FTSE All-Share gained, led by the industrials and basic materials sectors. UK inflation jumped to 3.6% in April, a 15-month high, according to data from the Office for National Statistics. The news saw markets trim expectations for further interest rate cuts this year. Just one further 25 basis point cut is now anticipated.



The UK and EU agreed a deal to “reset” relations and deepen ties in the wake of Brexit. The deal covers a defence and security pact, fishing rights, and removes bureaucracy for farm exports.

JAPAN

The Japanese equity market rallied strongly, with the TOPIX Total Return up 5.1% and the Nikkei 225 gaining 5.3%, driven by strong large-cap performance. Market sentiment improved on positive news about trade negotiations between the US and China, easing recession concerns.

Many Japanese companies announced full-year results and guidance for the next fiscal year (ending March 2026). While earnings forecasts were conservative, shareholder returns through dividend hikes and buybacks rose significantly, reflecting continued corporate governance reforms and efforts to boost return on equity.

EMERGING MARKETS

Emerging market (EM) equities rose during May, although the MSCI EM index lagged the MSCI World. The potential for a de-escalation in trade tensions supported shares following a temporary tariff agreement reached between US and China during the month. As a result, concerns about a US recession also eased. This combination was particularly beneficial for the index markets of Taiwan and Korea, both of which were supported by renewed investor optimism about artificial intelligence. South Africa and Mexico outperformed the index as currency strength and an interest cut in each market aided returns.

The UAE and Poland underperformed with the latter negatively impacted by political uncertainty ahead of a tightly contested

presidential election. Despite the easing of tariff concerns, China lagged the broader index as did India and Brazil. India's underperformance follows two months of strong returns in March and April, while Brazil's flat performance (in US dollar terms) occurred against a backdrop of a weaker local currency and another interest rate hike.

ASIA (EX JAPAN)

The MSCI Asia ex Japan index rose in May. Top performing markets included Taiwan, Hong Kong, Indonesia and Korea. In Taiwan, technology stocks performed well amid renewed enthusiasm around the artificial intelligence theme, given capital spending announcements from some large US tech companies. Markets in Hong Kong and Korea benefited from some strong corporate earnings. Hong Kong is also benefitting from a surge in new listings.

Underperformers included Thailand and Malaysia. Chinese shares also lagged the benchmark's gains. While the delay to tariffs came as a relief for equity investors, China continues to face headwinds from lacklustre domestic demand.

GLOBAL BONDS

May was another volatile month for global bond markets. While a de-escalation of China-US trade tensions eased US recession fears, the market's focus quickly switched to concerns around US fiscal sustainability. The Reconciliation Bill - which was approved by the House of Representatives and is now required to be passed by the Senate - was judged to worsen US debt dynamics, driving longer-end Treasury yields higher (yields are inverse to price).





Moody's cut its US sovereign rating to Aa1 – aligning itself with the other major credit rating agencies. Meanwhile, on 28 May the US Court of International Trade ruled that President Trump's administration did not have the authority to impose baseline 10% or reciprocal tariffs through the use of emergency powers (IEEPA). This complicates ongoing attempts to negotiate concessions from trading partners within the 90-day extension period (due to end on 9 July). Some tariffs – including those on autos – are exempt from this ruling.

While potentially removing some of the headwind to US growth, this could have broader revenue implications. Specifically for the Reconciliation Bill, there was the hope that tariffs would be used as a source of revenue to fund tax cuts. This renewed focus on debt sustainability catalysed a sell-off across global government bond markets, with US Treasury yields rising on the month.

Other high deficit countries were vulnerable to the sell-off. A combination of worsening fiscal conditions, and a structural supply and demand imbalance for Japanese government bonds (JGBs) prompted a significant bear steepening of the yield curve (where longer-maturity bonds incur comparatively larger losses than shorter maturities). The benchmark 30-year JGB yield peaked at an all-time-high of 3.2%.

The UK gilt market did not escape, with the shift higher in yields reflecting investors' concerns about the country's fiscal outlook. The Bank of England (BoE) cut its base rate by 25bps to 4.25%, but with April's inflation data coming in higher than expected, the market is sceptical over the extent of future rate cuts.

European government bond markets in comparison had a much better month, with only modest yield rises in core markets –

such as Germany. Peripheral markets outperformed, with 10-year yields in Italy actually falling slightly on the month.

Despite the ongoing uncertainty, risk assets continued to recover from the early April sell-off. Within investment grade (IG) corporates, US credit spreads tightened more significantly versus their Euro denominated counterparts, marking an outperformance. (Credit spreads are the difference in yield between a corporate bond and government bond, reflecting the additional risk investors take on when lending to corporations.)

US high yield was the biggest beneficiary of the improvement in risk sentiment. An easing of US recession concerns combined with a more conciliatory outlook on tariffs prompted strong investment flows into the asset class. The robust monthly performance was broad-based across sectors. Euro high yield also had a positive month but underperformed the US. (Investment grade bonds are the highest quality bonds as determined by a credit rating agency. High yield bonds are more speculative, with a credit rating below investment grade.)

Among currencies, an initial rise in the trade-weighted US dollar index (DXY) was reversed in the second half of the month. Optimism around the apparent resilience of domestic economic data – particularly the labour market – was later overshadowed by deficit concerns and ongoing policy uncertainty. The dollar ended the month weaker against most major currencies (the yen being the notable exception) and almost all emerging market (EM) currencies. The euro was also among the weaker currencies with a further easing of monetary policy widely anticipated when the European Central Bank next meets on 5 June.

COMMODITIES

In commodities, the S&P GSCI Index gained slightly in May. Gold fell as appetite for defensive assets waned amid improved appetite for riskier assets given the truce on tariffs. The agriculture component also delivered a negative return, with declines for coffee and corn. The energy, industrial metals and livestock components all registered gains.

Opec+ announced another increase in oil production for July, following two other recent increases. (Opec+ is a grouping of oil exporting countries, including the 12 Opec members and ten other oil exporters).

DIGITAL ASSETS

For digital assets, May was characterised by regulatory progress, technological advancements, and increasing institutional and governmental purchases.

Bitcoin returned 11% during the month, reaching a new all-time high of \$112,000 on 22 May. Much of the performance was driven by new institutional demand from longer term investors such as sovereigns, local governments and corporations, with less reliance on retail investors. Other assets also had a strong month. Ethereum returned 42%.

US regulation took a significant step forward as the Senate voted on the GENIUS act, creating a legal framework for stablecoins which is expected to be combined with the stablecoin bill and ratified into law later this year.



TOTAL RETURNS (NET) % – TO END MAY 2025

	1 MONTH			12 MONTHS		
Equities	USD	EUR	GBP	USD	EUR	GBP
MSCI World	5.9	6.1	4.9	13.7	8.7	7.4
MSCI World Value	3.1	3.2	2.1	10.9	6.0	4.7
MSCI World Growth	8.7	8.8	7.7	16.5	11.4	10.0
MSCI World Smaller Companies	5.8	5.9	4.8	7.2	2.5	1.2
MSCI Emerging Markets	4.3	4.4	3.3	13.0	8.1	6.7
MSCI AC Asia ex Japan	5.3	5.4	4.3	14.8	9.8	8.4
S&P500	6.3	6.4	5.3	13.5	8.6	7.2
MSCI EMU	5.4	5.6	4.4	17.2	12.1	10.6
FTSE Europe ex UK	4.9	5.0	3.9	13.7	8.8	7.4
FTSE All-Share	5.1	5.3	4.1	15.8	10.8	9.4
TOPIX*	3.9	4.0	2.9	12.8	7.9	6.5

	1 MONTH			12 MONTHS		
Government Bonds	USD	EUR	GBP	USD	EUR	GBP
JPM GBI US All Mats	-1.0	-0.9	-2.0	4.9	0.4	-0.9
JPM GBI UK All Mats	-0.4	-0.2	-1.3	7.2	2.5	1.2
JPM GBI Japan All Mats**	-2.5	-2.3	-3.4	5.7	1.1	-0.2
JPM GBI Germany All Traded	-0.5	-0.4	-1.4	8.5	3.7	2.4
Corporate Bonds	USD	EUR	GBP	USD	EUR	GBP
BofA ML Global Broad Market Corporate	0.2	0.3	-0.8	7.6	2.9	1.6
BofA ML US Corporate Master	0.0	0.1	-1.0	5.8	1.2	-0.1
BofA ML EMU Corporate ex T1 (5-10Y)	0.5	0.6	-0.4	12.1	7.2	5.9
BofA ML £ Non-Gilts	0.7	0.8	-0.3	10.7	5.9	4.5
Non-investment Grade Bonds	USD	EUR	GBP	USD	EUR	GBP
BofA ML Global High Yield	1.5	1.7	0.6	10.0	5.2	3.9
BofA ML Euro High Yield	1.3	1.4	0.3	13.7	8.7	7.3

Source: LSEG DataStream. Local currency returns in May 2025: *5.1%, **-1.3%.

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Source: [Schroders, May 2025](#)

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