FINURA

YOUR MARKET REVIEW
AUGUST 2025

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Financial
Planners

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	Neutral ▼	We have turned neutral. Concerns over high valuations, stretched positioning and volatile labour data have resulted in a less compelling risk/reward profile for equities.
Main Asset Classes	Government Bonds	Short / Negative ▼	We have shifted to a negative view, particularly for bonds with longer maturities, reflecting our concerns around inflation risks and fiscal policy.
Main Asset Classes	Commodities	Neutral	We remain neutral on base metals, reflecting a weak global demand outlook. Our view on energy is also neutral, as we continue to anticipate higher supply. We maintain our positive stance on gold, supported by ongoing central bank demand.
Main Asset Classes	Corporate Bonds (Credit)	Neutral	We remain neutral on credit. Stable fundamentals, strong financials earnings and a peak in debt costs are offset by expensive valuations relative to historical levels.
Equities	US	Neutral ▼	While the probability of a recession remains low, a higher risk of negative growth surprises and high valuation levels mean we have downgraded US equities to neutral in the near term.
Equities	UK	Neutral	Despite the recent rally, the deteriorating fiscal position and valuations appearing stretched relative to macroeconomic indicators keep us neutral.
Equities	Europe ex UK	Neutral ▼	We have downgraded to neutral. Tariff risks and a strong currency are offsetting the domestic cyclical recovery and improving earnings within the small- and mid-cap sectors.
Equities	Japan	Neutral ▼	Although supportive macro trends and policy incentives are emerging, company earnings remain less compelling than in other regions, prompting us to turn neutral.
Equities	Global Emerging Markets[1]	Neutral ▼	EM equities continue to benefit from a weaker dollar and favourable policy developments in certain countries. However, we see no clear catalysts for prices to move up in the region.
Equities	Asia ex-Japan: China	Neutral	We maintain a neutral stance. Even though growth forecasts remain steady, ongoing concerns over domestic economic weakness and inflation pressures from tariffs persist.
Equities	EM Asia ex China	Neutral	The region is supported by AI-related growth trends and favourable policy tailwinds. Nonetheless, we prefer to remain on the sidelines as the market is exposed to tariff risks.
Government Bonds	US	Short / Negative	We are negative on US government bonds as fiscal vulnerabilities and the return of inflation concerns point to upward pressure on yields, particularly for bonds with longer maturity dates.
Government Bonds	UK	Neutral	The Bank of England has cut rates but signalled caution given ongoing inflation pressures. Although valuations remain relatively attractive, we remained neutral.
Government Bonds	Europe	Neutral ▼	Germany's fiscal expansion is expected to remain disciplined; however, persistent inflation and weak production data temper optimism, prompting us to turn neutral.
Government Bonds	Japan	Neutral	The Japanese government aims to keep long-term interest rates low, but we remain neutral in light of ongoing inflation concerns.
Government Bonds	US Inflation Linked	Neutral	We remain neutral, as lower energy and rental costs are offsetting the impact of higher tariffs.
Government Bonds	Emerging Markets Local	Long / Positive	EM countries, particularly those in Latin America, are benefiting from supportive policy environments, a weaker US dollar, and high carry (i.e. higher interest rates than other regions). While valuations in Asia are starting to look less favourable, overall we remain positive on EM local debt.

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

	Category	View	Comments
Investment Grade Credit	US		Valuations remain expensive, and the reward for holding less liquid assets has significantly diminished. Nevertheless, although fundamentals and the technical backdrop remain supportive, we remain neutral.
	Europe		We stay neutral, as valuations are less attractive despite favourable hedged yields and more muted inflation risk in the region.
	Emerging Markets USD		We remain neutral with the slightly more positive macro backdrop and marginal pick up in demand seen recently offsetting unattractive valuations.
High Yield Bonds (Non-IG)	US		Although spreads (the difference between government and corporate bond yields) have widened, valuations remain elevated, limiting further upside. Nonetheless, the sector could see support from generally favourable lending conditions.
	Europe		Valuations remain unattractive although the yield differential has widened relative to IG. There is plenty of demand for new issuance. Overall, we remain neutral.
Commodities	Energy		We remain neutral on energy. Our base case remains for lower oil prices to prevail as we anticipate significantly higher supply to come online in the second half of the year.
	Gold		Gold remains a valuable diversifier, supported by ongoing central bank purchases and providing a hedge against potential risks to the Federal Reserve's independence and fiscal policy in the US.
	Industrial Metals		After a sharp retracement in copper prices, the market now seems balanced. Demand indicators remain benign.
	Agriculture		We remain neutral. Global crop conditions are robust, especially for wheat, corn, and soybeans, but there is little indication of clear price direction in the near term.
Currencies	US $		We retain a negative stance on the US dollar, as evidence of a structural downtrend grows. Increasing portfolio rebalancing, driven by greater uncertainty over the dollar's strategic role as a diversifier, continues to put downward pressure on the currency.
	UK £		Price action continues to be driven mainly by US dollar dynamics rather than UK fundamentals. With moderating UK labour and services inflation and ongoing political uncertainty, we remain neutral on sterling
	EU €		We remain positive on the euro. The currency is supported by macroeconomic growth momentum in the region and appears resilient to weaker relative performance in the equity market.
	CNH ¥		We remained negative on Chinese yuan as recent data on retail sales and fixed asset investment remain weak, and expectations for further fiscal stimulus have diminished.
	JAP ¥	▼	Amid persistent political uncertainty and the Bank of Japan's reluctance to clarify its policy stance before the upcoming election, we have downgraded the Japanese yen to neutral.
	Swiss F		While the Swiss franc provides effective diversification, we maintain a cautious stance given its significantly lower interest rate relative to other currencies.

Source: Schroders, August 2025. **(This document contains links to third-party websites. Finura is not responsible for the accuracy of the information contained within the linked site.)**
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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 look back at markets in August when weak US jobs data raised the chances of an interest rate cut from the Federal Reserve.

THE MONTH IN SUMMARY

Strong corporate earnings, moderating inflation and the promise of lower interest rates enabled global equities to post positive returns in August. In fixed income, investment-grade credit posted solid gains, propelled by the number of companies whose earnings beat analyst estimates.

GLOBAL EQUITIES

Global developed market equities posted a 2.6% gain in August, with particularly strong performance in Japan. Emerging market equities posted a lower, but still positive, return for the month, supported by gains in Latin America and China.

THE US

US shares, as measured by the S&P 500 Index, realised gains even amid concerns about a weaker-than-expected labour report, tariffs and persistent inflation. The July nonfarm payrolls report showed a steep decline in job creation, while also revising downward previous months' figures. While a US appeals court declared the Trump Administration's reciprocal tariffs illegal, it delayed enforcing its ruling until 14 October to give the Administration time to appeal to the US Supreme Court.

Markets were buoyed by the dovish tone Federal Reserve (Fed) Chair Jerome Powell took in a speech delivered at the Jackson Hole Economic Symposium. Powell noted the weakening labour market could justify a change in the Fed's policy stance, and that increased the market's expectations at the Fed will announce a rate cut at its mid-September meeting.

Information technology (IT) underperformed the broad market for the month. While the IT sector has had an exceptional year, some of that momentum might have been at least temporarily short-circuited by a report from the Massachusetts Institute of Technology that found 95% of corporate generative AI pilot projects failed to deliver a measurable financial return (although it noted the failure often resulted from poor execution rather than the technology itself). Materials was the strongest-performing sector for the month, as it benefited from progress toward trade agreements and expanding manufacturing activity. Health care also had a standout month, boosted by investors responding to attractive valuations and some favourable company-specific news.

A revised report revealed even stronger growth for the US economy in the second quarter, as the latest numbers showed a 3.3% annualised increase in GDP, up from the 3% originally reported. The personal consumption expenditures (PCE) price index showed that core inflation ran at a 2.9% annual rate in July. Even with that level of inflation, however, the Fed appears to see enough weakness in other economic indicators to warrant a rate cut in September.

EUROZONE

Eurozone shares made a small gain in euro terms. Top performing sectors included energy and consumer discretionary. Within consumer discretionary, automotive stocks benefited from some relief that a tariff agreement with the US was reached in late July. The industrials and information technology sectors were among the main decliners. Among industrials, defence-related stocks declined amid some progress in security talks towards ending the war in Ukraine. Information technology stocks suffered from global weakness in the sector.

The HCOB flash eurozone purchasing managers' index (PMI) rose to 51.1 in August, up from 50.9 in July. This indicates a pick-up in business activity and new orders returned to positive growth. The PMI is based on a survey of companies in the manufacturing and service sectors. A reading above 50 indicates expansion.

French shares fell late in the month on concerns the government will collapse. French Prime Minister François Bayrou called a confidence vote for 8 September after his plans to tackle the country's widening deficit faced strong opposition in parliament.

UK

In the UK, the FTSE All-Share delivered a positive return in August. The best performing sectors were telecommunications, basic materials and energy. Technology suffered the sharpest declines amid some weakness in the sector globally. The large cap FTSE 100 outperformed the midcap FTSE 250 index.

The Bank of England cut interest rates by 25 basis points to 4.0%. However, the Monetary Policy Committee was split with four members voting for no change. Data from the Office for National Statistics showed inflation rose more than expected to 3.8% in July, casting further doubt on the likelihood of further imminent cuts.

JAPAN

The Japanese equity market extended its multi-month rally, with the TOPIX Total Return rising 4.5% and the Nikkei 225 up 4.0%. Early in the month, upside was capped by uncertainty around US policy and a cut to profit guidance cut at semiconductor tools maker Tokyo Electron. However, sentiment improved as softer US payrolls and Fed Chair Powell's Jackson Hole remarks reinforced US rate-cut expectations.

Domestically, June-quarter corporate results were broadly resilient, and consensus estimates improved. Japanese Q2 GDP returned to growth and July inflation data (CPI) confirmed a continuing shift toward moderate inflation. Together, these factors supported market strength, while AI-linked data-centre demand added momentum to related Japanese companies.

EMERGING MARKETS

Emerging market (EM) equities delivered a positive return in August, helped by a softer US dollar; however, the EM index lagged the MSCI World.

The Latin American markets of Colombia, Chile, Brazil and Peru were the top performers in the month. The Brazilian market appeared to shrug off news that exports to the US will face 50% tariffs, instead it was supported by local currency strength and ongoing improvements in inflation data, which should pave the way for monetary policy easing. South Africa also posted a strong performance in the month, helped by local currency appreciation and stronger precious metals prices.

China gained, outperforming the EM index, as US-China trade talks resulted in another 90-day pause on tariffs. A continued focus on the anti-involution policy was also beneficial for the market. Taiwan delivered negative returns in US dollar terms with the local currency depreciating over the month. Some of the Middle Eastern markets, including Saudi Arabia, Kuwait and UAE declined against a backdrop of weaker energy prices. Meanwhile, the Korean market was lower in US dollar terms on the back of

investor concerns around the potential impact of an increase in the corporate tax rate. Rising US trade tariffs, which have increased to 50%, and foreign equity outflows weighed on India's market.

ASIA (EX JAPAN)

The MSCI Asia ex Japan index made gains. Singapore was the strongest market in the index, followed by China, Malaysia and Hong Kong. India, Taiwan and Korea were laggards.

Singapore's gains were driven by some strong corporate earnings. Chinese stocks continued to benefit from the government's "anti-involution" campaign which aims to curb intense price competition and reduce overcapacity in certain industries. However, economic data remained lacklustre with an annual inflation rate of inflation 0% year-on-year in July.

Indian shares fell as the US raised the tariff rate to 50% (from 25%) in retaliation for India buying oil from Russia. The technology-heavy markets of Taiwan and Korea also underperformed in what was generally a weaker month for tech stocks. Worries over rising corporate taxes also weighed on Korean shares.

GLOBAL BONDS

Global bond markets generated widely varying returns during August, buffeted by economic data and political developments.

US Treasury yields fell sharply at the start of August (reminder: yields move inversely to prices). This came as official figures showed a decline in new jobs created during July, with downward revisions for prior months. This negative economic development—which prompted the US President to immediately fire the head of the office responsible for the numbers—led markets to consider much more seriously the prospect of a near-term interest rate cut from the Fed.

Against a backdrop of increasing political pressure from the Trump Administration, comments from Fed principals later in the month—including Chair Jerome Powell in his speech at the Jackson Hole conference—appeared to move towards the idea of earlier cuts. They highlighted an increased focus on weakness on the labour market side of its dual mandate, rather than on inflation: the CPI report in mid-August duly came in lower than expected, defying widespread expectations for a tariff-driven rise.

While the shorter-dated end of the US Treasury market performed well in response, bonds with longer maturities continued to be plagued by concerns around the fiscal spending levels implied by last month's budget bill, as well as worries about the Fed's independence being compromised.

European government bond yields rose steadily through August (meaning prices fell). Survey data indicated a continued recovery in manufacturing and other cyclical sectors. With inflation broadly stable, the European Central Bank's view seems to be that the current interest rate policy is accommodative enough and that further cuts from here are not necessary. German fiscal expansion in coming years contributes another negative factor for European government bonds; a looming political showdown over fiscal policy in France also provides reason for concern.

Gilt yields rose too. The Bank of England cut rates to 4% but the voting in favour of the move was less clear-cut than observers expected, indicated that the Bank is likely to continue its gradual approach and that further cuts are not imminent. Inflation figures supported this stance by coming in slightly higher than expected, and positive signs of improving activity in the economy suggested that growth may be less stagnant than previously thought.

Japanese government bond yields also continued to sell off significantly. Inflation is now well above the Bank of Japan's 'neutral' level of 2%, with expectations continuing to rise (as consumers extrapolate their recent experience of higher rice prices in particular). Wage growth has reached 2% for the first time since the early 1990s—an era when policy rates were higher, and labour more plentiful. The government's weak position means it is under political pressure to increase public spending.

The performance of corporate bond markets was generally more robust during the month. A relatively benign corporate environment in the US (and lower concerns around tariff levels) meant that US corporates performed well, outperforming European and UK indices.

After appreciating against other major currencies in July, the US dollar resumed its 2025 slide in August as lower interest rates from the Fed began to look more likely. The Japanese yen also performed relatively poorly over the month as markets focused on the rising political pressure on Prime Minister Ishiba's minority government to increase public spending. The euro strengthened against the dollar and the yen. Sterling strengthened against other major currencies, responding to signs of improving activity in the economy and a reduced likelihood of cuts in UK interest rates in the near term.

COMMODITIES

In commodities, the S&P GSCI Index fell slightly in August. The energy component was weaker in the month while other components gained. Oil prices fell mid-month after the International Energy Agency lowered its forecast for demand in 2025, while the US Energy Information Administration reported a rise in crude oil stocks.

Among agricultural commodities, coffee prices surged amid poor weather in Brazil and worries over tariffs. Gold continued to draw in investors amid expectations of an imminent US interest rate cut and concerns over political pressure on the Fed.

DIGITAL ASSETS

August was an eventful month where Ethereum and a select group of 'altcoins' (digital currencies other than Bitcoin) continued to outperform following recent regulatory clarity. After a long period of Bitcoin dominance, the market is showing signs of a shift. Ethereum has already started to outperform, with other altcoins such as Solana catching up more recently.

Flows into Ethereum exchange-traded funds and the upcoming launch of altcoin-focused investment products are helping drive this momentum. This is being accompanied by stronger fundamentals as blockchain integration into traditional finance accelerates under a more constructive US regulatory regime.

TOTAL RETURNS (NET) % – TO END AUGUST 2025

	1 MONTH			12 MONTHS		
Equities	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
MSCI World	2.6	0.3	0.5	15.7	9.4	12.5
MSCI World Value	3.6	1.3	1.5	11.9	5.9	8.9
MSCI World Growth	1.7	-0.5	-0.4	19.3	12.8	16.1
MSCI World Smaller Companies	5.2	2.8	3.0	13.5	7.3	10.4
MSCI Emerging Markets	1.3	-1.0	-0.8	16.8	10.5	13.6
MSCI AC Asia ex Japan	1.1	-1.1	-1.0	19.0	12.5	15.7
S&P500	2.0	-0.2	-0.1	15.9	9.6	12.7
MSCI EMU	2.7	0.4	0.6	19.9	13.3	16.6
FTSE Europe ex UK	3.3	1.0	1.2	14.0	7.9	10.9
FTSE All-Share	3.0	0.8	0.9	15.7	9.4	12.6
TOPIX*	7.1	4.8	4.9	15.3	9.0	12.1

	1 MONTH			12 MONTHS		
Government Bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
JPM GBI US All Mats	1.0	-1.2	-1.0	2.4	-3.2	-0.4
JPM GBI UK All Mats	1.1	-1.2	-1.0	0.5	-5.0	-2.3
JPM GBI Japan All Mats**	2.2	-0.1	0.1	-5.9	-11.0	-8.4
JPM GBI Germany All Traded	2.0	-0.2	-0.1	5.3	-0.4	2.4
Corporate Bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
BofA ML Global Broad Market Corporate	1.4	-0.8	-0.7	5.9	0.1	3.0
BofA ML US Corporate Master	1.0	-1.2	-1.0	4.2	-1.4	1.4
BofA ML EMU Corporate ex T1 (5-10Y)	2.3	0.0	0.2	10.8	4.7	7.7
BofA ML £ Non-Gilts	1.7	-0.6	-0.4	6.2	0.4	3.3
Non-investment Grade Bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
BofA ML Global High Yield	1.5	-0.8	-0.6	9.3	3.4	6.3
BofA ML Euro High Yield	2.4	0.1	0.3	13.2	7.0	10.1

Source: LSEG DataStream. Local currency returns in August 2025: *4.5%, **-0.3%. Schroders, August 2025 **(This document contains links to third-party websites. Finura is not responsible for the accuracy of the information contained within the linked site.)**
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