FINURA

YOUR MARKET REVIEW
JUNE 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	🟢	We remain positive on equities. While economic uncertainty persists, it is important to keep an eye on how companies respond. However, we think downside risks are contained and the risk of recession this year is lower.
	Government Bonds	🟡	We remain neutral. Yields are higher and valuations look better, but we still have concerns about rising debt and ongoing inflation risks in the US. Inflation is less of a worry outside the US.
	Commodities	🟡	Global manufacturing is still weak, which is holding back demand. Supplies of metals remain tight. Oil prices have jumped because of geopolitical risks, but higher production should help keep prices steady over the medium term.
	Corporate Bonds (Credit)	🟡 ▲	We upgrade our view to neutral. Valuations are high, especially in the US, but the growth outlook is steady and major risks are easing. Consumer confidence also remains strong.
Equities	US	🟢	We keep our positive view on US equities. We are optimistic that over the rest of the year, the market will focus on pro-growth policies that should benefit US growth and sentiment.
	UK	🟡	We stay neutral on UK equities. While earnings growth is positive, it has fallen substantially, and earnings surprises continue to be negative. In addition, valuations do not appear cheap.
	Europe ex UK	🟢	We maintain a positive view on European equities driven by reasonably fair valuations, strong inflows showing domestic demand, and a stable earnings outlook.
	Japan	🟢	Supportive macro trends, such as rising inflation expectations, wage growth, and accommodative financial conditions, combined with greater clarity on tariffs, are expected to favour Japanese equities.
	Global Emerging Markets[1]	🟢	We remain positive on emerging market equities. A weaker dollar, supportive trade negotiations and encouraging policy developments in countries such as Brazil and India are acting as positive catalysts for emerging markets.
	Asia ex-Japan: China	🟡	We stay neutral on China. While growth forecasts remain steady, 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.

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

	Category	View	Comments
Government Bonds	US	🔴	We remain negative as we believe rising government bond supply may keep yields higher for longer. Also, government bonds are no longer providing the same level of safety they usually do when markets are uncertain.
	UK	🟡	We maintain our neutral score. While valuations appear attractive, inflation expectations in the UK are a concern and the Bank of England (BoE) will be cautious about cutting rates.
	Europe	🟢	We maintain our preference for German bonds as a safe-haven position. Germany's fiscal situation is expected to stay disciplined, and inflation should remain under control.
	Japan	🟡	The Japanese government has a strong incentive to support long-term government bond yields, however we remain neutral due to inflation concerns.
	US Inflation Linked	🟡	We hold a neutral view on break evens, as low commodity prices are balancing out higher tariffs.
	Emerging Markets Local	🟢	We maintain a positive view. Several emerging markets have supportive policies and should benefit from a weaker US dollar and the higher interest rates they offer investors.

	Category	View	Comments
Investment Grade Credit	US	● ▲	We upgrade our view to neutral as the biggest risks seem to have passed. Now, the market can pay more attention to deregulation and government spending.
	Europe	●	We stay neutral. Spreads are more attractive relative to the US, supported by a healthy growth picture, robust demand and improved positioning.
	Emerging Markets USD	●	We maintain a neutral stance due to elevated valuations. Given the asset class's heavy concentration in Asia, it remains sensitive to tariff developments.
High Yield Bonds (Non-IG)	US	● ▲	We upgrade to neutral. While valuations are unattractive, the sector should benefit from growth stabilising, a pick-up in demand and positive consumer sentiment data.
	Europe	●	We remain neutral. Valuations are expensive but less so compared to the US. The growth picture looks positive, and demand for the region is starting to return.
Commodities	Energy	●	Oil prices have gone up recently because of geopolitical concerns and are likely to remain at current levels while this uncertainty persists. However, we expect incoming supply to eventually outweigh demand, and once the current uncertainty fades, we expect prices to come down again.
	Gold	●	The price has stabilised as some of the reasons for demand have eased, so it no longer looks overvalued. We remain positive, as gold remains a valuable diversifier amid fiscal concerns and geopolitical tensions.
	Industrial Metals	●	We stay on the side-lines. Recent reports from the US, China and Asia show a slowdown in manufacturing, which points to lower demand for metals. Even though there are still supply shortages, this could lead to an imbalance in the market.
	Agriculture	●	We remain neutral. Fundamentals are not giving a clear signal about where prices are headed next. Many traders are betting that prices will fall across different crops, but this kind of data does not reliably predict future price moves.
Currencies	US $	●	We maintain a negative outlook on the US dollar, reflecting its diminished diversification benefits and the unpredictability of current US policy.
	UK £	●	We stay neutral. The UK is facing challenges with inflation, but expectations for interest rate cuts may be too high. This could help support sterling.
	EU €	●	We maintain a positive view on the euro as valuations are attractive. We believe investors are reducing exposure to the US dollar and are switching into the euro.
	CNH ¥	●	We are cautious on the currency as it is vulnerable to any further escalation in US-China trade tensions.
	JAP ¥	●	There is an expectation that the Bank of Japan will move towards policy normalisation as wage and services inflation continues to rise. We expect this to support the yen.
	Swiss F	●	We stay neutral on the Swiss franc. Whilst an effective diversifier, we are cautious due to notably low carry.

Source: Schroders, June 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 look back at markets in Q2, when tariff uncertainty sparked volatility.

THE QUARTER IN SUMMARY

Uncertainty over US trade tariffs dominated markets in the quarter. However, equities made gains as the initially announced tariffs were later suspended and recessions fears receded. In fixed income markets, the focus began to turn from interest rate cuts to worries over debt sustainability.

GLOBAL EQUITIES

Global shares gained in Q2 despite some sharp falls at the start of the quarter when President Trump unveiled new "Liberation Day" trade tariffs. Equity markets subsequently recovered amid the temporary suspension of most tariffs while trade talks took place, with a deadline of 9 July for most countries.

THE US

US shares advanced in Q2. Gains were led by the information technology and communication services sectors as investor appetite for some of the "Magnificent 7" stocks reignited, while stocks with exposure to artificial intelligence staged a strong recovery after some weakness earlier in the year. US shares were also supported by corporate earnings for Q1, which were generally robust. Underperforming sectors in the quarter included healthcare and energy. The Trump administration is seeking to lower drug prices in the US, pressuring the share prices of some healthcare companies.

US economic data generally remained resilient although Q1 GDP fell by 0.5% (according to the third estimate from the Bureau of Economic Analysis). This was due to higher imports in the quarter, which likely occurred as a result of concerns around future tariffs. Employment data largely remained resilient.

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.

EUROZONE

Eurozone shares also made strong gains. The industrials and real estate sectors led the advance. Within industrials, defence stocks generally continued their good performance amid an agreement at the NATO summit for countries to lift defence spending. Consumer discretionary, healthcare and energy underperformed.

The European Central Bank (ECB) cut interest rates twice in the period, by 25 basis points each time. ECB President Christine Lagarde said that the central bank had "nearly concluded" its rate-cutting cycle. Eurozone annual inflation was 1.9% in May, down from 2.2% in April (according to Eurostat data).

UK

In the UK, the FTSE All-Share moved higher. Top performing sectors included industrials, telecommunications, utilities and real estate. Laggards were energy and healthcare. The mid cap FTSE 250 index outperformed the large cap FTSE 100 index, partly due to the latter's higher exposure to these underperforming sectors.

The Bank of England (BoE) cut interest rates by 25bps to 4.25% in May. Inflation remains above the BoE's 2% target, with a reading of 3.4% for May (according to the Office for National Statistics).

JAPAN

The Japanese equity market posted strong gains, with the TOPIX Total Return up 7.5% and the Nikkei 225 rising 13.6%, driven by outperformance of growth stocks. Market 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, easing recession fears.

Many Japanese companies released full-year results and provided guidance for fiscal 2025. Although earnings forecasts were cautious, shareholder returns through dividend increases and buybacks rose significantly, reflecting ongoing corporate governance reforms and efforts to enhance return on equity- key factors supporting the market's performance during the period.

EMERGING MARKETS

Emerging market (EM) equities were just ahead of their developed market peers in Q2, helped by weakness in the US dollar. Both the EM and World indices delivered double-digit returns in US dollar terms. While equity markets were rattled by President Trump's sweeping "Liberation Day" tariffs announced in early April, the subsequent 90-day pause allayed fears somewhat and helped shares recover.

Equity markets continued to perform well during May and June, with positive progress on trade talks between the US and China providing a supportive backdrop for broader EM.

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 – Democratic Party candidate Lee Jae-myung - in early June. Strong gains were also made by Taiwan which continued to benefit from investor optimism about artificial intelligence. Brazil's outperformance came as the central bank hiked interest rates twice in the quarter, lending support to the real, which rallied against the US dollar.

India underperformed with growth concerns and expensive valuations continuing to weigh on the market. China posted a small positive return over the quarter while Saudi Arabia was the only EM index market to decline in US dollar terms over the quarter as geopolitical tensions in the Middle East took their toll.

ASIA (EX JAPAN)

The MSCI Asia ex Japan index made strong gains in Q2 as trade fears eased and sentiment towards technology stocks and artificial intelligence improved. Top performing markets included Korea, Taiwan and Hong Kong. In Taiwan, the quarter was also marked by a sharp jump in the Taiwanese dollar, which was partly as a result of exporters selling some US dollar assets.

China and Thailand underperformed the index. The early part of the period 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 sentiment.

GLOBAL BONDS

Q2 was characterised by a rise in geopolitical tensions – both due to US tariffs and developments in the Middle East. Recession fears peaked around the so-called "Liberation Day" tariff announcements in the US but later faded as a more conciliatory approach was taken to tariffs. There was a shift in emphasis away from monetary policy, as central banks neared the end of

their rate cutting cycles, and towards fiscal policy and what this would mean for debt sustainability.

US developments dominated markets this quarter. “Liberation Day” (on 2 April) saw President Trump unveil larger and more broad-based tariffs than expected (a 10% tariff rate on all US imports and higher reciprocal tariffs for countries with which US has large trade deficit). A 90-day suspension was later invoked to allow for a period of negotiation (due to expire on 9 July) and this more conciliatory approach – particularly with China – assuaged recession fears.

The market quickly shifted focus to concerns around US debt sustainability. The Reconciliation Bill (“Big Beautiful Bill”) - which was approved by the House of Representatives in June (and the Senate on 1 July) - was judged to worsen US debt dynamics. Moody’s credit rating agency highlighted the increased burden of financing the US government’s budget deficit and cut the sovereign rating to Aa1.

This episode marked the peak of US Treasury yields for the quarter, with other high deficit countries vulnerable to the sell-off. A combination of worsening fiscal conditions, and a structural supply and demand imbalance prompted the 30-year Japanese government bond yield to peak at an all-time-high of 3.2% (yields move inversely to prices).

Major central banks were either on hold – such as the US Federal Reserve, the Bank of Japan, or easing monetary conditions modestly. The Bank of England retained its quarterly pattern of rate cuts, lowering the base rate to 4.25% while the European Central Bank (ECB) cut its main policy rate twice leaving it at 2%.

Over the quarter, yield curves across all major government bond markets steepened (i.e. yields moved comparatively higher in longer dated bonds). Japanese and Canadian government bond markets were the laggards, with the Bank of Canada expressing uncertainty around US tariff policy. Weak growth and easing inflation pressures prompted a comparatively positive market reaction in the Australian rates market.

Credit markets performed with remarkable resilience amid global uncertainties, supported by a robust technical backdrop of high all-in-yields and relatively low net issuance. Returns were positive across sectors and geographies. (All-in-yield refers to the total yield earned on a fixed income security if it is held to maturity. This yield takes into account not only the bond’s coupon payments but also any capital gains or losses if the bond is purchased at a price different from its face value.)

After widening sharply in the wake of Liberation Day, US corporate investment grade (IG) spreads retraced back to below levels pre-Liberation Day, marking an outperformance of government bonds overall. Euro and sterling IG followed a similar pattern as sentiment improved. 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.)

This backdrop was particularly supportive of high yield credit and although performing with greater volatility, both US and euro high yield outperformed their investment grade counterparts over the quarter overall. 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, the US dollar index weakened to its lowest level in three years in June. Uncertainties around trade policy and moderating domestic growth versus growth supportive fiscal policy elsewhere weighed on the currency.

COMMODITIES

In commodities, the S&P GSCI Index declined in the quarter. The energy component was weak. Escalating conflict risk in the Middle East caused a brief oil price surge amid worries about disruption to shipping, but oversupply of oil kept prices contained. 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).

The agriculture component was also weak, although cocoa surged higher. Livestock, industrial metals and precious metals advanced. Elevated levels of risk, such as trade tariffs and geopolitical concerns, continue to see investors favour the safe haven of precious metals.

DIGITAL ASSETS

Digital asset markets were shaped by major regulatory and institutional developments in the face of macro uncertainty. Both Bitcoin and Ethereum returned more than 30% during the quarter. This performance was mainly realised in April and May.

The US Senate passed the Genius Act, providing long-awaited clarity for stablecoin regulation. Stablecoins are considered the first actionable use case for blockchain technology and are now being implemented by some of the largest financial and tech institutions globally.

(Stablecoins are a type of cryptocurrency whose value is pegged to another asset to maintain a more stable price.)

TOTAL RETURNS (NET) % – TO END JUNE 2025

	3 MONTHS			12 MONTHS		
Equities	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
MSCI World	11.5	2.6	5.0	16.3	6.1	7.2
MSCI World Value	5.4	-3.0	-0.7	15.9	5.9	6.9
MSCI World Growth	17.7	8.3	10.8	16.6	6.5	7.6
MSCI World Smaller Companies	11.6	2.7	5.1	1.5	4.5	5.6
MSCI Emerging Markets	12.0	3.1	5.5	15.3	5.3	6.3
MSCI AC Asia ex Japan	12.5	3.5	5.9	16.8	6.7	7.8
S&P500	10.9	2.1	4.5	15.2	5.2	6.2
MSCI EMU	14.0	4.9	7.4	2.9	14.1	15.2
FTSE Europe ex UK	12.7	3.7	6.2	19.1	8.8	9.9
FTSE All-Share	10.8	2.0	4.4	20.5	10.0	11.2
TOPIX*	11.3	2.4	4.9	15.9	5.9	6.9

	3 MONTHS			12 MONTHS		
Government Bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
JPM GBI US All Mats	0.8	-7.3	-5.1	5.2	-3.9	-3.0
JPM GBI UK All Mats	8.3	-0.4	2.0	10.0	0.4	1.4
JPM GBI Japan All Mats**	3.2	-5.0	-2.8	8.4	-1.0	0.0
JPM GBI Germany All Traded	10.0	1.2	3.6	11.8	2.0	3.1
Corporate Bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
BofA ML Global Broad Market Corporate	4.5	-3.9	-1.6	9.7	0.2	1.2
BofA ML US Corporate Master	1.8	-6.3	-4.1	7.1	-2.3	-1.2
BofA ML EMU Corporate ex T1 (5-10Y)	11.0	2.1	4.5	16.8	6.6	7.7
BofA ML £ Non-Gilts	9.0	0.3	2.7	14.2	4.3	5.4
Non-investment Grade Bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
BofA ML Global High Yield	4.8	-3.6	-1.3	11.9	2.1	3.2
BofA ML Euro High Yield	10.7	1.9	4.3	18.7	8.4	9.5

Source: LSEG DataStream. Local currency returns in Q2 2025: *7.5%, **-0.3%.

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Source: [Schroders, June 2025]

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