



## Global Market Overview July 2025

The first half of 2025 has delivered good returns to investors, although we have also seen significant volatility. April was especially volatile and global stock prices fell sharply on 'Liberation Day' (2<sup>nd</sup> April) when President Trump announced a blanket global tariff along with crippling individual country tariffs. The US administration has moderated its stance in some areas which, in large part, were driven by warning signals from the US Treasury market by rising yields. The lessening of announced tariff rates has allowed markets to recover, and since 'Liberation Day' the US stock markets have hit new highs; importantly, however, the US dollar has also fallen sharply in this period which has diminished the received returns for non-US investors.

The imposition of blanket trade tariffs in April, combined with a general feeling that the 'reliability' of the US can no longer be guaranteed and, most recently, additional extreme tariff announcements, have led investors to focus on markets outside of the US where the relative valuation of risk assets appears to be more attractive. As a consequence, over the past six months, we have seen UK and European equities outperform US markets, despite the latter hitting new index highs in US dollar terms.

One of the primary concerns among investors, and certainly for the US Federal Reserve (Fed), is that these tariffs will rekindle inflation as a result of higher prices in goods and services. Currently, it appears that most US companies have chosen to absorb any additional costs, but that is unlikely to persist. Future price increases could easily lead to reduced consumer spending. In most developed countries, the consumers' contribution to GDP is around 70% of the total – if this is diminished it may lead to below-trend economic growth globally and thereby create a significant headwind for current developed market equity valuations, and most especially those in the US.

If we discount the impact of current tariff 'unknowns', inflation is generally abating globally, and the Bank of England cut interest rates by 0.25% in May. The US Fed has yet to cut rates this year and the US administration is pushing for them. The recent rhetoric from President Trump about the tenure of the Fed Chair is an unhelpful distraction for risk markets; any significant change in the political independence of the Fed could be very destructive for equity valuations, and easily lead to a period of extreme volatility. The Fed has widely been expected to cut interest rates in the second half of this year when tariff outcomes are better known; ironically, the most recent comments could easily push any rate cuts to a later date.

In the second quarter of this year, international investors changed the direction of their focus away from the US and have clearly chosen to invest in regions where the relative valuations are deemed more attractive. Corporate activity has also picked up, especially in the UK mid-cap sector, with several international companies making bids. In addition, the recent changes with regard to future defence spending, primarily in Europe, have also been supportive of improved valuations. The renewed interest in markets outside of the vast US market, has led to Asian, Emerging (with the exception of India), European, and UK equity markets all providing better returns to UK investors so far this year when expressed in British pounds.

Clearly, many uncertainties remain about future US global economic policies. We also have no resolution to the Russian invasion of Ukraine, and we are experiencing heightened geo-political conflicts in the Middle East; any escalation or increased uncertainty in these areas could easily create periods of extended volatility and a retrenchment in markets.

It is evident that equity investment provides good returns for the longer-term investor, and periods of uncertainty often create attractive opportunities. Additionally, certain fixed income, and alternative asset classes, provide useful diversification to portfolios during periods of stress and volatility. Naturally, therefore, we remain vigilant to news-flow, and especially the upcoming second quarter company earnings results and any accompanying commentary and forecasts.

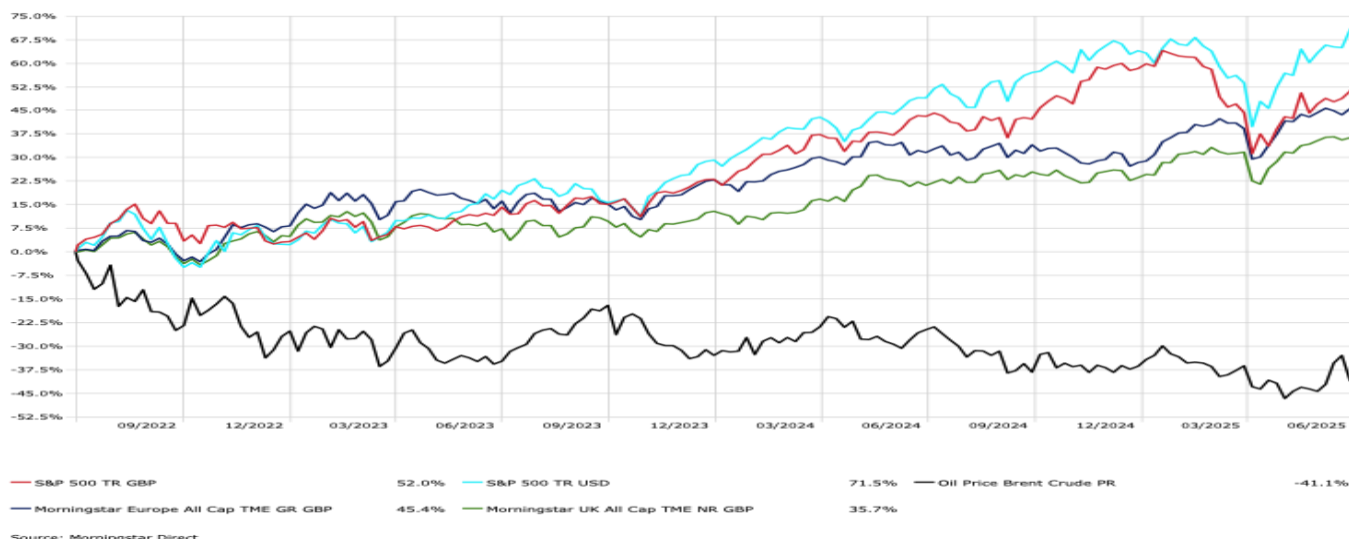


Melissa Longley FCSI  
Chartered Wealth Manager  
CEO & Chief Investment Officer  
Email: [melissa.longley@lamasset.com](mailto:melissa.longley@lamasset.com)



Paul Stevens FCSI  
Chartered Wealth Manager  
Investment Manager  
Email: [paul.stevens@lamasset.com](mailto:paul.stevens@lamasset.com)

## Three Years to end June 2025 – percentage return



## Index, Benchmark and Exchange Traded Funds – percentage/price return to end June 2025

	Currency/Rate	Three Months	Six Months	One Year	Three Years	Five Years
<b>Sovereign and Corporate Bonds</b>						
Bloomberg US Treasury Bills TR	GBP	-4.82	-6.69	-3.35	1.43	3.34
Bloomberg Sterling Gilts TR	GBP	2.01	2.47	1.26	-10.48	-28.25
ICE Global Corporate TR	GBP Hedged	1.88	3.74	7.05	13.21	1.55
<b>US Equities</b>						
S&P 500 TR	USD	10.94	6.20	15.16	71.55	115.89
S&P 500 TR	GBP	4.50	-2.94	6.23	52.03	94.66
NASDAQ 100 TR	USD	17.86	8.35	16.10	102.14	132.33
<b>UK Equities</b>						
S&P UK TR	GBP	2.74	9.21	11.03	35.82	74.32
iShares FTSE 250 ETF PR	GBP	12.35	6.56	9.62	25.96	42.22
iShares MSCI UK Small Cap ETF TR	GBP	14.40	10.11	12.61	27.35	36.21
<b>European Equities</b>						
MSCI AC Europe GR	Euro	3.50	10.23	8.83	46.59	70.97
iShares STOXX Europe 600 PR	Euro	3.05	9.61	8.92	44.86	72.17
<b>Asia and Emerging Market Equities</b>						
Morningstar Asia GR	GBP	5.95	3.53	6.12	24.24	32.62
iShares Core MSCI Emerging Mkts ETF	GBP	12.19	15.39	15.15	33.11	43.75
Morningstar China GR	GBP	-2.94	7.52	22.07	-3.03	-12.72
Morningstar India GR	GBP	4.24	-3.55	-6.47	44.62	127.62
<b>Japanese Equities</b>						
Nikkei 225 Average TR	Yen	13.67	1.49	2.28	53.40	81.65
TOPIX 500 PR	Yen	7.28	2.22	1.34	52.99	84.69
<b>Global Equities</b>						
MSCI World All Cap PR	Various	8.98	5.42	11.86	52.89	80.99
MSCI World ex USA All Cap PR	Various	4.96	6.60	7.74	34.95	53.87
<b>Global Property and Infrastructure</b>						
Morningstar Global Infrastructure PR	GBP	-1.08	0.23	4.78	3.92	26.23
S&P Global Property TR	USD	5.42	6.89	13.39	16.01	32.83
<b>Commodities and UK RPI</b>						
S&P GSCI Brent Crude Spot	USD	-1.74	-10.58	-21.48	-38.38	61.72
S&P GSCI Gold Spot	USD	5.00	25.24	41.38	83.02	83.71
UK RPI	%	2.33	3.16	4.44	18.97	38.20

## Important Information

Data source: graphs, economic and market data - Morningstar Direct: 20 July 2025

NB: TR is Total Return. PR is Price Return. GR is Gross Return.

**With Investment, Your Capital is at Risk.** Opinions constitute our judgement as of this date and are subject to change without warning. The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your initial investment. Past performance is not a reliable indicator of future results and forecasts are not a reliable indicator of future performance. LAM accepts no responsibility for any direct, indirect, or consequential loss suffered by you or any other person as a result of your acting, or deciding not to act, in reliance upon any information contained in this document. The information in this document does not constitute advice or a recommendation and you should not make any investment decisions based on it. If you do, however, require advice we would of course be happy to assist.

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