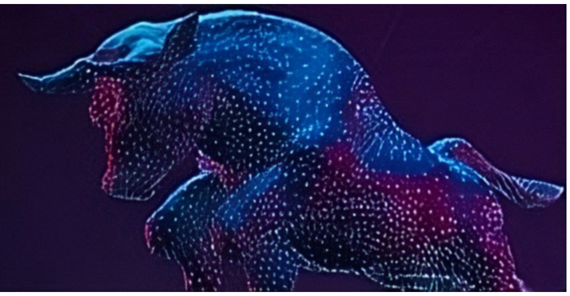
MARKET CHRONICLES
June 2025



"As we step into July, global equity markets are holding near 52-week highs, supported by resilient earnings and growing anticipation of rate cuts in the second half of the year. Despite persistent geopolitical risks—particularly in the Middle East—investor sentiment remains constructive, with a renewed focus on earnings quality and macro fundamentals. The global economy is navigating a complex transition. Inflation has moderated across most developed markets, giving central banks room to consider policy easing. The U.S. economy remains relatively strong, though early signs of slowing are emerging. Meanwhile, the Eurozone faces industrial stagnation and weak demand, and Japan's recovery is losing momentum. Emerging markets are mixed. While commodity exporters benefit from price stability, others face capital outflows and currency pressures. Trade tensions between the U.S. and China continue to cloud the global trade outlook.

Central banks are treading carefully, balancing growth support with inflation control. Markets are highly sensitive to data and policy signals, and volatility may rise if expectations shift. While recession risks have eased, we recommend maintaining diversified exposure and closely monitoring macroeconomic developments and geopolitical shifts."

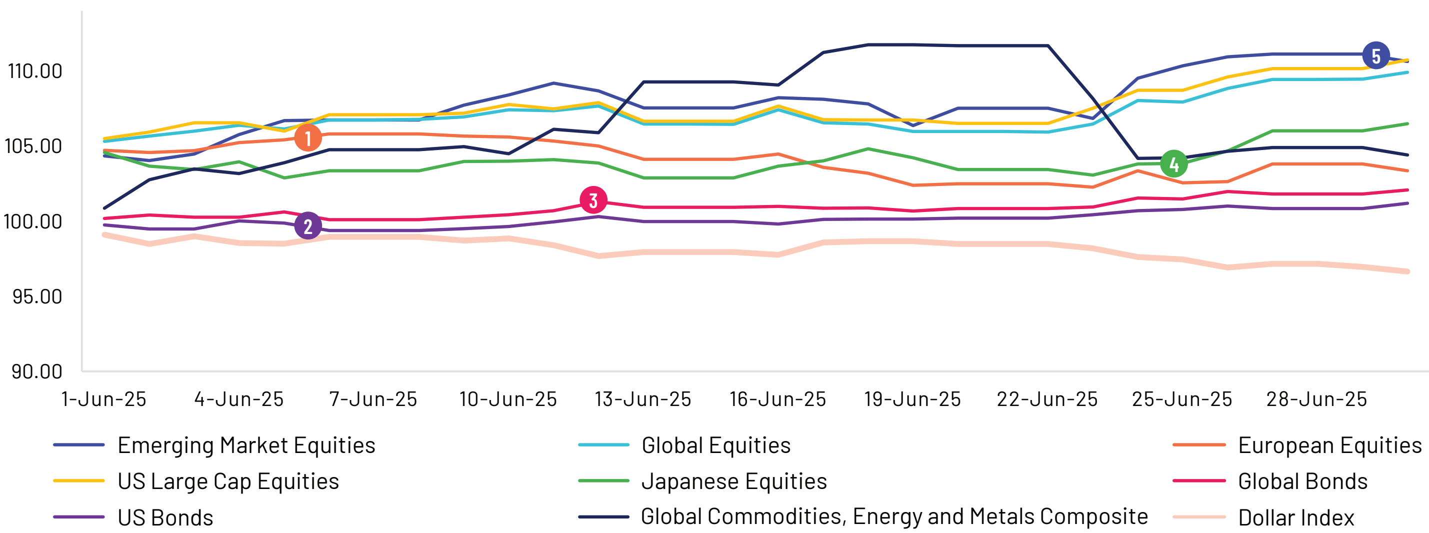
– Narendra Babu, Senior Director, Financial Marketing Services

Global Markets

Global Equity Markets	**4.4%**
Global Commodities	**3.5%**
Global Bonds	**1.9%**

**All performances are in USD*

Asset Class Performance



Please note that the chart is intended for illustrative purposes only and should not be used for precise performance measurement.
All performance data has been normalized to a baseline value of 100 for comparative ease.

1. June 5: European equities surged following the ECB's interest rate cuts, pushing the STOXX 600 higher for third consecutive day
2. June 5: U.S. Bonds - U.S. Treasuries rallied significantly -10year yields dropped as bond investors reacted to dovish central bank and weaker data
3. June 12: Global bond yields dropped sharply in response to dovish central bank signals - namely ECB policy easing and soft U.S. macro data - resulting in a sharp rally in government bond
4. June 25: Japanese equities rose amid improved geopolitical sentiment
5. June 30: Emerging markets equities have turned positive year-to-date, driven by strong contribution from India over the past three months

Top Performing Asset Class:

US Large Cap Equities (5.0%)

US Large Cap Equities were supported by strong quarterly earnings from major tech firms and steady consumer spending. Market confidence was further boosted by signs of moderating inflation and expectations of a soft landing.

Bottom Performing Asset Class:

Global REITs (-0.2%)

Global REITs renewed concerns over rising interest rates and pressure on commercial property valuations. Investors' sentiment weakened further due to sluggish leasing activity and muted real estate demand in key markets.

Equity

Global equities rallied in June, driven by AI-led tech momentum, easing US-Iran tensions, falling oil prices, trade optimism, and growing expectations of global interest rate cuts. US equities surged, powered by tech/AI strength, trade de-escalation, easing geopolitical risks, and a dovish Fed stance that reinforced investor confidence. In contrast, European equities fell amid broad geopolitical tensions, including fears of Middle East escalation after US-Israeli strikes on Iran, investor caution over US-China trade talks ahead of tariff deadlines, and uncertainty around central bank meetings. UK equities initially rose, with the midcap index hitting multi-month highs, supported by earnings optimism, softer consumer spending data easing rate concerns, accommodative monetary policy, and relief from US metal tariffs. However, they were later pressured by mixed UK economic data, Middle East tensions, and North American trade concerns. Broader Asian markets rallied on easing geopolitical tensions, an improved US-China trade outlook, Wall Street-driven optimism, expectations of rate cuts, and a softer dollar. Japan's Nikkei 225 surpassed the 40,000 mark for the first time in five months, buoyed by stronger earnings and improved investor sentiment. Chinese equities rose on early optimism over US-China trade talks, renewed policy support, and easing geopolitical risks following the Israel-Iran ceasefire, despite mid-month pressure from limited negotiation progress. Indian equities grew on easing geopolitical and trade tensions along with robust foreign inflows. The Reserve Bank of India delivered a bold 50bps rate cut, CRR reduction, and added liquidity tools to support growth. South Korean markets rose, supported by strong exports, improved investor access, expanded liquidity, and heightened confidence in President Lee Jae-myung's pro-reform, AI-focused economic agenda. The Bank of Korea cut rates to 2.50%, cautioned against overheating, and boosted liquidity operations.

Fixed Income

In June, geopolitical tensions in the Middle East and trade disputes stemming from tariffs continued to disrupt global markets. The World Bank revised its GDP growth projections downward across various regions, indicating an economic slowdown. The U.S. Federal Reserve maintained its key borrowing rates at 4.25%-4.50% during its June FOMC meeting, amidst high inflation and slower economic growth expectations. Similarly, the Bank of England (BoE) kept rates unchanged at 4.25%, adopting a cautious stance due to heightened tensions in the Middle East. The European Central Bank (ECB) lowered interest rates by 25 basis points to 2%, as inflation settled below its 2% target

In Asia, China kept its key rates unchanged for June, while India reduced rates by 50 basis points to 5.50% to stimulate growth and support borrowers, as inflation remained below target. Global fixed income indices showed positive performance across treasuries, investment grades, and high yields. In the Emerging Market (EM) credit markets, spreads narrowed by 4 basis points for corporates and 8 basis points for sovereigns. Euro credit markets performed relatively well to rising sovereign yields, with Euro investment grade spreads narrowing and high yield spreads stabilizing.

The U.S. 2-year Treasury yield decreased by 17 basis points, and the 10-year Treasury yield fell by 16 basis points, as investors sought safe-haven assets during geopolitical crises. The U.S. 10-2-year yield spread closed at 0.52%, significantly below the long-term average. As the conflict in the Middle East subsided by the end of the month, high-yield corporate bonds in the U.S. showed a moderate reaction. However, emerging market bonds, particularly in oil-importing countries, faced increased risk premiums due to potential inflationary pressures and currency volatility.

Foreign Exchange

June proved to be a challenging month for the U.S. dollar, which continued its decline against major currencies. The Federal Reserve's cautious stance—hinting at a possible rate cut by the end of July—combined with rising concerns over U.S. debt (linked to the 'OBB bill') and escalating tensions between Israel and Iran, drove investors toward safe-haven currencies like the Swiss franc (CHF). As a result, the USD/CHF pair fell 2.91% in June, reaching a decade low. Meanwhile, the USD/JPY remained broadly stable amid tariff-related headlines and market speculation about a delayed rate hike by the Bank of Japan. In a notable comeback, the EUR/USD surged past the key resistance level of $1.16—its highest in four years. This rally was fueled by a combination of dollar weakness, uncertainty surrounding U.S. trade policy, euro area inflation aligning with the ECB's 2% target, and support from fiscal stimulus measures. The GBP/USD pair also extended its strong upward momentum in June, largely driven by the continued weakening of the greenback.

Elsewhere, emerging markets in Asia presented a mixed picture. While South Korea (KRW) and Vietnam (VND) benefited from strong export demand, countries like Indonesia (IDR) saw currency depreciation, and India (INR) experienced a mild slowdown. Overall, the region remains highly sensitive to geopolitical developments and shifts in U.S. Federal Reserve policy. In Latin America, the Mexican peso (MXN) held steady, as dollar weakness offset the impact of a 50 basis point rate cut by Banxico.

Commodities

The commodity complex continued to perform well in June as lingering geopolitical concerns drove precious metals and energy prices higher, while base metals rose due to declining stockpiles. Gold prices surpassed US$3,300/oz last month amid rising tensions between Iran and Israel, fueling haven demand. Meanwhile, silver prices jumped to multi-year highs, following estimates of a fifth consecutive year of supply deficit. Turning to industrial metals, LME copper prices rose by 4% month-on-month (MoM) in June, primarily due to supply disruptions at major mines and decreasing inventories in both LME and SHFE warehouses. The investigation by former President Trump into whether to impose import tariffs on copper has seen year-to-date (YTD) LME on-warrant holdings decline by around 75% by the end of June. As for aluminum, LME 3-month (3M) prices rose by almost 6.3% MoM last month due to rising immediate demand and tightening LME inventories.

Meanwhile, ICE Brent oil prices ended positively last month, primarily due to the conflict between Israel and Iran and slowing drilling activity in the US. Baker Hughes data shows that the US oil rig count fell for a ninth consecutive week, the longest period of declines since mid-2020. US natural gas ended with marginal gains, primarily on mixed weather forecasts and larger-than-expected storage injections. As of 20 June, total gas stockpiles totaled 2.9 Tcf, down 6.3% year-on-year (YoY) but 6.6% above the five-year average.

In agriculture, sugar prices fell by almost 9% MoM in June, primarily on hopes of increased global production supported by favorable weather conditions in top producers Brazil and India. Meanwhile, money managers increased their net bearish bets on raw sugar by 12,066 lots for a fifth consecutive week to 85,592 lots as of 24 June, the most bearish bets since December 2019.

Outlook

Global growth remains subdued as trade tensions and policy uncertainty continue to weigh on investment and confidence. The OECD (Organization for Economic Co-operation and Development) attributes the slowdown to rising tariffs and fragmented global trade, which dampen spending and complicate supply chains. Advanced economies are experiencing modest momentum: U.S. and Euro-area activity is moderate, with industry and services balancing out despite ongoing tariff-related pressure. Inflation is gradually cooling but remains above long-term averages. Central banks, especially in Europe and emerging markets, are cautiously easing, while the U.S. Federal Reserve maintains a more measured approach. Emerging markets, particularly in Asia, show more resilience; India is noted for its stable inflation and domestic strength. Risks remain tilted to the downside, including renewed tariff actions and geopolitical shocks. Despite some supply-chain stabilization and selective rate cuts, global momentum remains fragile.

Central Bank Quotes

Incoming data suggest that the economy remains solid. Following growth of 2.5 percent last year, GDP was reported to have edged down in the first quarter, reflecting swings in net exports that were driven by businesses bringing in imports ahead of potential tariffs. This unusual swing has complicated GDP measurement. Private domestic final purchases, or PDFP as we call them — which excludes net exports, inventory investment, and government spending—grew at a solid 2.5 percent rate. Within PDFP, growth of consumer spending moderated, while investment in equipment and intangibles rebounded from weakness in the fourth quarter. Surveys of households and businesses, however, report a decline in sentiment over recent months and elevated uncertainty about the economic outlook, largely reflecting trade policy concerns. It remains to be seen how these developments might affect future spending and investment

– Jerome Powell, Chairman, Federal Reserve (24 June 2025)

In the present geopolitical environment, it is even more urgent for fiscal and structural policies to make the euro area economy more productive, competitive and resilient. The European Commission's Competitiveness Compass provides a concrete roadmap for action, and its proposals, including simplification, should be swiftly adopted. This includes completing the savings and investment union, following a clear and ambitious timetable. It is also important to rapidly establish the legislative framework to prepare the ground for the potential introduction of a digital euro. Governments should ensure sustainable public finances in line with the EU's economic governance framework, while prioritizing essential growth-enhancing structural reforms and strategic investment

– Luis De Guindos, Vice President of the ECB (5 June 2025)

Market Indices

2019	2020	2021	2022	2023	2024	YTD '25	Jun '25
US Large Cap Equities 28.9%	Asian Equities Ex- Japan 20.2%	US Large Cap Equities 26.9%	UK Equities 7.2%	Japanese Equities 25.1%	US Large Cap Equities 23.3%	Emerging Market Equities 15.3%	Emerging Market Equities 6.0%
European Equities Ex-UK 24.1%	Emerging Market Equities 18.3%	European Equities Ex-UK 22.3%	Japanese Equities -5.1%	US Large Cap Equities 24.2%	Japanese Equities 17.7%	Asian Equities Ex- Japan 12.1%	Asian Equities Ex- Japan 5.3%
Global Equities 24.0%	US Large Cap Equities 16.3%	UK Equities 19.6%	European Equities Ex-UK -14.5%	Global Equities 19.9%	Global Equities 15.4%	Global Equities 9.4%	US Large Cap Equities 5.0%
Emerging Market Equities 18.4%	Global Equities 14.1%	Global Equities 16.7%	Asian Equities Ex- Japan -19.0%	European Equities Ex-UK 14.9%	UK Equities 9.5%	UK Equities 9.0%	Global Equities 4.4%
UK Equities 16.4%	Japanese Equities 4.8%	Japanese Equities 10.4%	US Large Cap Equities -19.4%	Emerging Market Equities 9.8%	Emerging Market Equities 7.5%	European Equities Ex-UK 7.5%	Japanese Equities 1.8%
Asian Equities Ex- Japan 15.6%	European Equities Ex-UK -0.5%	Emerging Market Equities -2.5%	Global Equities -19.5%	UK Equities 7.7%	Asian Equities Ex- Japan 7.3%	US Large Cap Equities 5.5%	UK Equities -0.2%
Japanese Equities 15.2%	UK Equities -13.2%	Asian Equities Ex- Japan -3.2%	Emerging Market Equities -20.1%	Asian Equities Ex- Japan 5.3%	European Equities Ex-UK 4.4%	Japanese Equities 2.4%	European Equities Ex-UK -1.2%

**Indices are arranged in descending order based on their performance (% gains) during the period. Each colour refers to a specific index, and it remains constant for the table.*

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What's ahead

July 17, 2025	United Kingdom: Unemployment Rate
July 22, 2025	Australia: RBA Meeting Minutes
July 23, 2025	USA: Existing Home Sales
July 25, 2025	Germany: IFO Business Climate
July 31, 2025	China: NBS Manufacturing PMI
August 1, 2025	Euro Area: Inflation Rate YoY Flash
August 5, 2025	Canada: Balance of Trade
August 7, 2025	United Kingdom: BoE Interest Rate Decision
August 9, 2025	China: Inflation Rate YoY

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