

# MARKET CHRONICLES

July 2025



"The developments in July warrant cautious optimism about the global economic landscape. Markets are holding near their highs, supported by solid earnings and growing hopes of rate cuts. Yet, beneath the surface, uncertainty stemming from geopolitical tensions and uneven regional growth lingers. The delicate balancing act central banks are performing remains centre stage as inflation eases globally, but not uniformly. While the US economy is still resilient, signs of cooling are emerging. President Trump's recent interaction with Federal Reserve (Fed) Chair Jerome Powell has incited significant conjecture about whether the frostiness of this relationship will determine the course of monetary policy change. The president's recent change in stance towards China also brought its own wave of volatility across asset classes.

In this environment, we should remain focused on quality - of earnings, of policy signals, and of macro fundamentals. Volatility may return quickly if expectations shift, so staying diversified and data-driven is key."

- Narendra Babu, Senior Director, Financial Marketing Services

## Global Markets

Global commodities

2.0%

Global equity markets

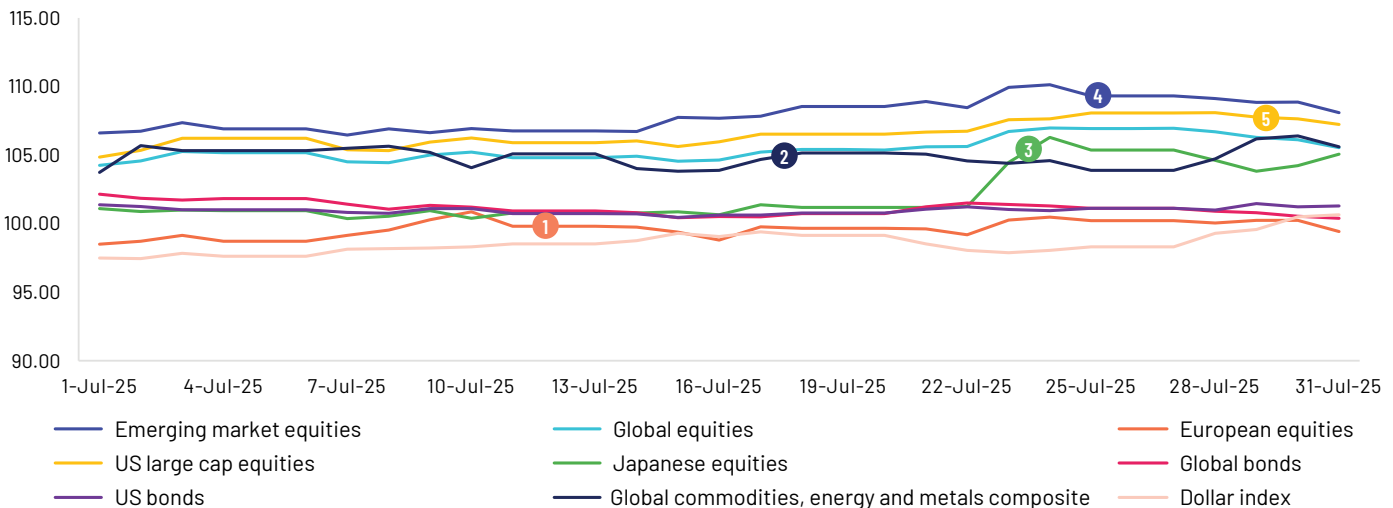
1.1%

Global properties

-1.0%

\*All performances are in USD

### Asset Class Performance



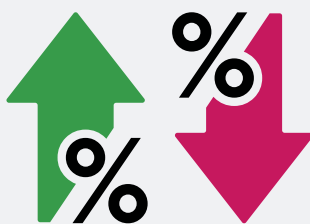
Please note that the chart is intended for illustrative purposes only and should not be used for precise performance measurement. All performance data has been normalized to a baseline value of 100 for comparative ease.

- 12 July: The announcement of a new trade deal between the EU and the US led to a significant rally in European markets.
- 18 July: Oil and natural gas declined significantly m/m with gold facing a slight downside. Industrial metals strengthened, with hedge funds increasing bullish exposure.
- 24 July: A significant sell-off by hedge funds reduced longs and increased short positions, dragging the index down. However, the trade deal between Japan and the US boosted sentiment, pushing the index up significantly following the announcement.
- 25 July: The index continued prior gains from June but decelerated as the US Dollar regained strength and trade/tariff uncertainty returned.
- 29 July: US equities continued near record highs in mid - to late July. The index closed at fresh all-time highs, driven by strong earnings.

### Top performing asset class:

## US large cap equities (2.2%)

US Large Cap Equities saw a strong performance, driven by robust 2Q earnings from major corporations, investor optimism around new pro-growth legislation, easing trade tensions with China and a stable interest rate environment maintained by the Fed all of which boosted market confidence and fueled record highs in the S&P 500.



### Bottom performing asset class:

## Global bonds (-1.5%)

Global bonds underperformed due to rising long-term yields triggered by U.S. fiscal concerns, including a credit rating downgrade and expansive tax policies, which reduced investor appetite and led to weaker demand from foreign buyers.

## Equity

Global equity markets rose in July, buoyed by strong corporate earnings and optimism that tariff impacts would be limited, enhancing risk appetite. In the US, stocks reached record highs, driven by robust big tech earnings, AI-related optimism, and positive trade developments. However, gains were limited by reduced expectations of a September rate cut following the Fed chair's hawkish remarks. The Fed maintained rates at 4.25-4.50%, stressing data dependence amid persistent inflation and market uncertainty. European equities declined as initial optimism over the US-EU trade deal waned due to concerns over US-favoured terms, weak bank earnings and concerns of upcoming tariffs affecting corporate profits. UK equities hit record highs, boosted by strong earnings, UK-US trade optimism and expectations of a Bank of England (BoE) rate cut in August amid a cooling labour market and persistent inflation. Asian markets rallied, supported by strong earnings and easing trade tensions. Japan surged on the US-Japan trade deal and strong US tech earnings, with the TOPIX index reaching a record high. China soared on stimulus measures, easing US tensions and gains in rare earth and tech stocks, reaching its highest level since 2022. Taiwan rose on tech and drone stock gains, with the Taiwan Semiconductor Manufacturing Company (TSMC) hitting a record high on strong June revenue and a positive robotics outlook. South Korea advanced to near-four-year highs, driven by strong chip and auto stocks, upbeat exports and shareholder-friendly reforms. In contrast, Indian equities declined, weighed down by weak IT and bank earnings, persistent foreign outflows and renewed US trade tensions.

## Fixed income

In July, the global fixed income market experienced notable developments in policy actions and trade agreements. The US negotiated with the EU, the UK, South Korea and Japan, reducing initial tariffs. The Fed kept borrowing rates at 4.25-4.50% at its July FOMC meeting amidst high inflation and an uncertain economic growth outlook. The European Central Bank (ECB) also maintained its rates as it assessed the tariff impact on growth and inflation. In Asia, the People's Bank of China (PBoC) kept rates unchanged amid sluggish growth affected by tariffs. Global fixed income indices mostly showed negative performance across Treasuries and investment grades. In emerging market (EM) credit markets, spreads narrowed by 11 basis points (bps) for corporates and by 13 bps for sovereigns, with total returns at +0.3% and +0.1%, respectively. EM local-market total returns appreciated by 0.2%, with foreign exchange marginally positive. GBP high yield (HY) provided the highest returns, followed by EUR high yield, benefiting from easing trade tensions, while US HY struggled due to

a weakening USD. The US 2-year Treasury yield increased by 22bps, and the 10-year Treasury yield rose by 13bps, as inflation reached its highest level since February. The 10-2 Treasury yield spread stood at 0.43%, down from 0.52% in June, as manufacturing, GDP and labour data showed declines. With the 90-day tariff cooldown period ending, the Trump administration initiated country-by-country tariff negotiations to address global trade turmoil as markets prepare for further uncertainty.

## Foreign exchange

The USD ended July with its first monthly gain of the year, bolstered by Fed Chair Powell's hawkish commentary, favourable economic data and the US-EU trade agreement (a 15% import tariff on EU goods) ahead of the Fed FOMC meeting. Consequently, the EUR/USD currency pair retreated in July from its June highs. Weaker-than-expected data pushed the GBP to new lows against the EUR. The USD/MXN pair edged lower after President Trump announced a 90-day postponement of the proposed 30% tariff increase. The JPY weakened earlier in the month due to USD gains, reaching 150. Later in the month, USD/JPY rebounded to around 147, driven by a mid-month election, improved Japan-US trade sentiment and the Bank of Japan's (BoJ's) upwardly revised inflation forecasts. Asian currencies (IDR, KRW, MYR, etc.) broadly weakened on a stronger USD, renewed trade tensions, and capital outflows. The INR was volatile, with overall depreciation triggered by persistent US-India trade uncertainty and sustained FII outflows. The CNY rose to a nine-month high by the end of July as the PBoC lowered the daily fixing rate and tariff tensions eased.

falling over 7% m/m and 2.7% m/m, respectively, due to expectations of better supplies, favourable weather and higher inventories in major producing nations.

## Outlook

The global economy is showing modest improvement, with growth slightly upgraded due to stronger-than-expected activity in key regions. The International Monetary Fund's (IMF's) recent update highlights positive momentum from early stockpiling ahead of trade barriers, fiscal support in major economies and a weaker USD. However, global growth remains slower than the long-term average and faces continued risks. Key concerns include escalating trade tensions, particularly among major powers, rising public debt, policy uncertainty, and geopolitical instability. Inflation continues to ease globally, but disinflation remains uneven across regions, keeping central banks cautious. The US is experiencing subdued growth due to lingering effects of prior monetary tightening, USD strength, diminished fiscal tailwinds, and higher tariffs. China's growth is holding up due to public investment and lighter-than-expected effects from recent tariffs. India remains the fastest-growing major economy, and emerging markets broadly continue to expand at a healthy pace. Overall, the outlook is cautiously optimistic but fragile. Global cooperation, clear trade policies and disciplined economic governance will be essential to sustain momentum and avoid setbacks in the coming months.

## Commodities

The commodity complex had mixed performances in July, with industrial metals and grain prices declining. Gold remained steady around USD3,300/oz as President Trump scheduled multiple negotiations after extending new tariffs. The strength of the USD and Treasury yields limited gains for gold. Silver prices surged to multi-decade highs as market participants favoured cheaper alternatives to gold amid tight physical supply conditions. LME copper prices fell by 2.6% m/m in July after the White House detailed copper tariffs effective 1 August, applying only to semi-furnished copper products, excluding refined and concentrate imports. ICE Brent oil prices rose after President Trump gave Russia 10 days to reach a truce with Ukraine or face additional sanctions, allowing OPEC+ to consider unwinding supply cuts despite potential deficits. US natural gas was the biggest loser, with front-month Henry Hub futures dropping 10% m/m in July due to rising storage levels. As of 25 July, total gas stockpiles were 3.123 Tcf, down 3.8% y/y but 6.7% above the five-year average. In agri-commodities, grains performed weakly, with corn and wheat at the CBOT

## Central bank quotes



Recent indicators suggest that growth of economic activity has moderated. GDP rose at a 1.2 percent pace in the first half of the year, down from 2.5 percent last year. Although the increase in the second quarter was stronger at 3 percent, focusing on the first half of the year helps smooth through the volatility in the quarterly figures related to the unusual swings in net exports. The moderation in growth largely reflects a slowdown in consumer spending. In contrast, business investment in equipment and intangibles picked up from last year's pace. Activity in the housing sector remains weak. In the labor market, conditions have remained solid. Payroll job gains averaged 150 thousand per month over the past three months. The unemployment rate, at 4.1 percent, remains low and has stayed in a narrow range over the past year. Wage growth has continued to moderate while still outpacing inflation. Overall, a wide set of indicators suggests that conditions in the labor market are broadly in balance and consistent with maximum employment.

– Jerome Powell, Chairman, Federal Reserve (30 July 2025)

Monetary policy has been working as expected and we've made good progress on bringing inflation down over the past 18 months. But quarterly trimmed mean inflation has only been in our 2 to 3 per cent target range for one quarter at 2.9 per cent in March. Very pleasingly unemployment remains low at 4.1 per cent. And we've already cut the cash rate by 50 basis points since February this year, the effects of which are still to flow through to the economy. The data and policy outcomes around the world since the May meeting have been close to what we expected in our latest baseline forecasts published in May, but economic conditions remain uncertain. We're waiting to confirm whether inflation is still on track to sustainably reach 2.5 per cent

– Michele Bullock, Governor of the RBA (8 July 2025)



## Market indices

2019	2020	2021	2022	2023	2024	YTD 2025	July 2025
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 17.5%	UK Equities 4.4%
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 14.1%	Japanese Equities 3.2%
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%	UK Equities 13.8%	US Large Cap Equities 2.2%
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%	Global Equities 10.6%	Emerging Market Equities 1.9%
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%	US Large Cap Equities 7.8%	Asian Equities Ex- Japan 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%	European Equities Ex-UK 7.4%	Global Equities 1.1%
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 5.7%	European Equities Ex-UK -0.1%

\*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.

## In case you missed it

1. [Discover the ethical compass every investment writer must follow to build trust and credibility in financial storytelling – July 2025](#)
2. [Highlighting how AI and generative technologies are transforming fund research and commentary by enhancing speed, accuracy, and insight generation – May 2025](#)
3. [Learn how outsourced client portfolio managers can support fund managers through reporting, marketing, and client engagement – May 2025](#)
4. [A comprehensive outlook on the evolving ETF landscape, highlighting trends such as active ETFs, crypto products, and market consolidation – March 2025](#)
5. [Explore how asset managers are leveraging global talent and AI-driven technologies to enhance operational efficiency and stay competitive – February 2025](#)

## What's ahead

15 August 2025	Japan: GDP growth rate q/q
20 August 2025	USA: FOMC minutes
24 August 2025	Germany: IFO Business Climate
28 August 2025	Germany: GfK Consumer Confidence
31 August 2025	China: NBS Manufacturing PMI
2 September 2025	USA: ISM Manufacturing PMI
4 September 2025	Canada: Balance of trade
11 September 2025	Eurozone: ECB interest rate decision
12 September 2025	UK: GDP m/m

## Disclaimer

**Important Disclosure on Acuity Knowledge Partners** – Acuity Knowledge Partners is authorised and regulated by the Financial Conduct Authority. Registered No. OC346366. Registered Office: 33 Cavendish Square, London W1G 0PW, United Kingdom. The information in this document is communicated by Acuity Knowledge Partners "Acuity" and is directed only at persons who are professional clients, eligible counterparties and professional investors, as defined in EU Directive 2011/61/EU (AIFMD) for the purposes of the rules and guidance of the Financial Conduct Authority and the services or investments referred to in this document are only available to professional clients, eligible counterparties and professional investors. Retail clients should not rely on the information herein.

**Accuracy of information** – All information presented in the tables herein has been extracted or sourced from third parties which Acuity believe to be reliable and any opinions expressed based on such information is given on the basis that no reliance can be placed on it (such information and opinions to referred herein as "Content"). No representation, warranty or undertaking, express or implied, is made or given by Acuity or any representative of Acuity as to the accuracy, reliability or completeness of the Content. In no event will Acuity or any of its directors, officers or employees be liable to any person for any direct, indirect, special or consequential damages arising any use or misuse of the Content. The Content is valid as at the date of this document and are subject to change depending on changing market conditions. Acuity has no obligation to update, modify or amend this document or to otherwise notify any recipients if the Content changes or becomes out of date or inaccurate.

**No investment advice** – The Content does not constitute generic or tailored investment advice. The Content is provided on the understanding that any person who acts upon or in reliance on the information does so at its own risk

For more details scan the QR code or visit  
[www.acuitykp.com](http://www.acuitykp.com)



Reach out to us on  
[contact@acuitykp.com](mailto:contact@acuitykp.com)

Acuity Knowledge Partners (Acuity) is a leading provider of bespoke research, analytics and technology solutions to the financial services sector, including asset managers, corporate and investment banks, private equity and venture capital firms, hedge funds and consulting firms. Its global network of over 6,000 analysts and industry experts, combined with proprietary technology, supports more than 500 financial institutions and consulting companies to operate more efficiently and unlock their human capital, driving revenue higher and transforming operations. Acuity is headquartered in London and operates from 10 locations worldwide.

Acuity was established as a separate business from Moody's Corporation in 2019, following its acquisition by Equistone Partners Europe (Equistone). In January 2023, funds advised by global private equity firm Permira acquired a majority stake in the business from Equistone, which remains invested as a minority shareholder.