

MARKET CHRONICLES

August 2025



"Investor sentiment remains cautiously optimistic. Despite elevated valuations, equities are buoyed by strong corporate earnings—especially in the U.S.—and a supportive macro backdrop. A 50-bps Fed rate cut is widely expected amid signs of labor market cooling. Tech, led by AI-driven mega caps, continues to dominate, though concerns over sustainability and monetization are rising. In this environment, small-cap equities may offer relative value and diversification. Trade policy uncertainty has overtaken inflation as the key risk. The U.S.'s aggressive stance—via broad tariffs and targeted actions against China and India—has triggered retaliation and heightened volatility. These shifts are forcing operational recalibrations across industries. While near-term outlooks are mildly positive, geopolitical tensions and supply chain risks persist. Diversification and robust trade frameworks are vital to mitigate these headwinds."

– Narendra Babu, Senior Director, Financial Marketing Services

Global Markets

Global equity markets

2.9%

US large cap equities

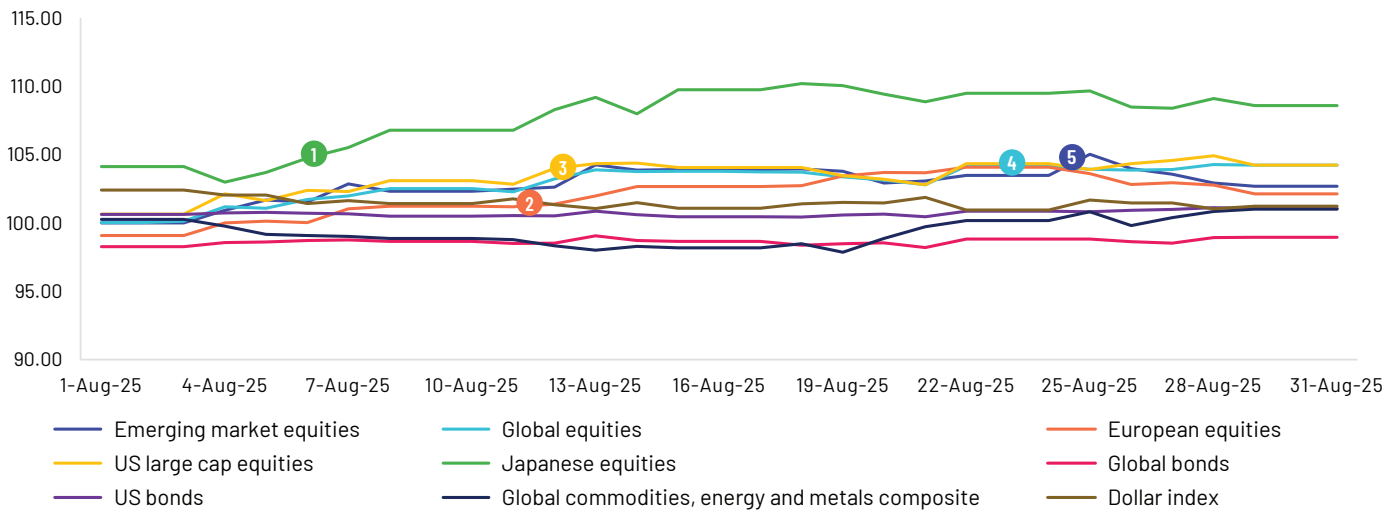
1.9%

Global bonds

0.5%

*All performances are in USD

Asset Class Performance



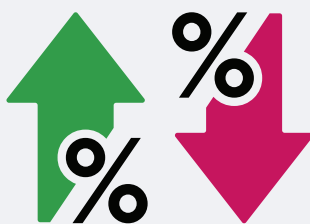
Please note that the chart is intended for illustrative purposes only and should not be used for precise performance measurement. All performance data has been normalized to a baseline value of 100 for comparative ease.

- 7 Aug: Topix hit an all-time high, continuing a four-session rally amid optimism from trade developments and tariff relief.
- 11 Aug: European indices outperformed on strong corporate earnings.
- 13 Aug: U.S. Equities rose, reaching a fresh all-time high, amid tightening rate-cut expectations and easing volatility.
- 23 Aug: Oil rebounded from support, gold held high on dovish Fed signals, and base metals rose on tight supply and China optimism.
- 25 Aug: A notable shift was seen due to declining confidence in developed markets, especially the U.S., and a weakening U.S. dollar, which enhances their attractiveness.

Top performing asset class:

Global properties & Global REIT (3.9%)

Global properties and REITs emerged given the easing interest rates, strong demand in sectors like healthcare and data centres, and attractive yields combined with discounted valuations. Their diversification and resilience also made them a preferred choice amid shifting global economic conditions.



Bottom performing asset class:

Global commodities (-0.8%)

Global commodities struggled due to weak global demand—especially from China—rising supply surpluses in oil and metals, a strong US dollar making dollar-denominated assets more expensive and heightened geopolitical tensions that disrupted trade flows and investor sentiment.

Equities

Global equities rose in August, driven by strong earnings in the artificial intelligence (AI) and tech sectors, and increased investor confidence as capital shifted to European and emerging markets. U.S. stocks posted robust gains, fuelled by solid corporate earnings and AI optimism. The rally gained momentum after inflation data reinforced expectations of a Federal Reserve rate cut in September. However, markets cooled slightly at month's end due to tariff and geopolitical concerns. European equities advanced, supported by optimism over the new EU-US trade deal and anticipated U.S. rate cuts. UK equities rose, with the FTSE 100 hitting a record high, driven by strength in consumer stocks and rate cut expectations. However, the market ended lower due to banking sector weakness. The Bank of England cut rates by 25 basis points to 4.00%. Asian equities posted modest gains, led by a tech-driven rally and foreign inflows. Chinese equities surged to decade highs, fuelled by domestic tech sector optimism, easing trade tensions, and strong state-backed support. Increased retail investor participation added momentum. Indian stocks declined for the second consecutive month, impacted by steep U.S. tariff hikes on Indian exports, weak June-quarter earnings, and heavy foreign investor outflows, despite some optimism from proposed GST reforms. South Korean equities experienced early volatility as new tax reform proposals triggered a sharp sell-off, compounded by weaker-than-expected export growth in key sectors like automobiles and steel, which were hit hard by U.S. tariffs.

Fixed Income

In August, the global fixed income market witnessed significant geopolitical and trade events. The Trump administration announced new tariffs of 35% on Canadian goods, 30% on South African goods, 20% on Vietnamese goods, and 50% on Indian exports, causing market volatility. The U.S. Federal Reserve kept rates unchanged at 4.25-4.50%, with Chair Jerome Powell hinting at possible rate cuts due to inflation and rising unemployment. President Trump's attempts to dismiss the Fed governor and influence central bank policy raised concerns over Fed autonomy and market stability. The Bank of England (BoE) cut rates by 25 basis points to 4.00% to address inflation and a weakening economy, with Governor Andrew Bailey indicating gradual future cuts. The People's Bank of China (PBOC) kept rates unchanged, while India maintained its rates at 5.50% as inflation eased. Global fixed income indices showed positive performance across treasuries, investment grades, and high yields. Emerging Markets (EM) delivered positive returns for both sovereigns and corporates, driven by stability, strong fundamentals, and robust policy frameworks by managing inflation efficiently and providing more flexibility than developed markets. Strategic balancing of hard and

local currency exposures offered diversification benefits from U.S.-based fixed income strategies. EM high-yield bonds outperformed investment-grade corporate bonds. The U.S. 2-year and 10-year bond yields fell to 3.62% and 4.25%, respectively, as unemployment rose and consumer confidence declined. The U.S. dollar weakened due to concerns about economic growth, inflation, and unemployment with the 10-2 Treasury yield spread increasing to 0.64% from 0.43% in July, as manufacturing, GDP, and labor data softened.

Foreign Exchange

In August, the US dollar weakened due to disappointing job growth, with July payrolls at just 73,000—a significant downward revision from previous months. Persistent inflation made the Federal Reserve cautious, prompting Fed Chair Jerome Powell to signal a dovish shift, citing labor market weakness. Conversely, the Euro strengthened as German business morale, reflected by the Ifo Business Climate Index, reached a 15-month high, and recent activity data showed solid momentum. The strong labor market performance allowed the ECB to pause rate cuts, boosting the Euro against the weaker Dollar. The British Pound also gained against the USD due to investor concerns over Federal Reserve independence, political instability in the U.S., and expectations of interest rate cuts, which improved market sentiment toward sterling. The JPY/USD pair, the most volatile, saw the Yen strengthen against the USD, driven by converging interest rate differentials, unwinding of carry trades, and increased safe-haven demand. The Bank of Japan's upward revision of its inflation outlook added policy credibility, while global economic uncertainty and tariff-related tensions further supported yen strength. Emerging market and Asian currencies outperformed the US dollar in August, bolstered by favorable rate differentials, strong EM fundamentals, attractive valuations, and supportive global growth amid shifting US fiscal and trade policies.

Commodities

In August 2025, global commodity markets experienced a downturn. Gold and silver prices hit record highs due to escalating Russia-Ukraine tensions and a weakening dollar, which increased safe-haven demand. Anticipation of U.S. interest rate cuts further fueled the rally. However, U.S. gold futures trimmed gains after a White House official hinted at upcoming tariff policy changes. Industrial demand from the solar and automotive sectors also boosted silver. Copper prices rose slightly, supported by political backing for a major U.S. mining project and initial tariff announcements, but momentum eased due to exemptions and market corrections. Global supply shifts and refining challenges added volatility. In the energy sector, crude oil prices fell due to oversupply concerns and geopolitical

disruptions. OPEC+ announced a significant output increase for September, while weak U.S. fuel demand added pressure. Sanctions on Russia and Iran, Trump's tariff threats on India, and Ukrainian drone strikes on Russian oil infrastructure disrupted supply chains. However, subdued global growth kept demand weak, limiting price gains. Traders also considered India's response to U.S. pressure on Russian oil. U.S. natural gas prices dropped, with Henry Hub futures hitting their lowest since November 2024. Cooler weather forecasts reduced air conditioning demand, while production reached record highs. Although storage accumulations were smaller than expected and LNG exports rose slightly, inventories remained above average, keeping prices under pressure. In agricultural commodities, coffee prices surged due to adverse weather and U.S. tariff threats on key suppliers, tightening an already strained global market. Corn prices rose due to easing harvest concerns, weather-related yield risks in the western corn belt, and stronger-than-expected U.S. export sales. Wheat futures declined to near five-year lows, driven by abundant global supply and upward revisions to Russia's crop forecast. Poland's rising surplus, despite poor harvest quality, suggests low-grade shipments entering the market. With stiff competition from Black Sea exporters, traders are increasingly concerned about pricing pressure. Cocoa prices fell amid improved weather in Ivory Coast, weaker industrial and global chocolate demand, and pricing tensions in Ghana.

Outlook

The global economic outlook for September 2025 is marked by modest expectations and cautious sentiment. The IMF recently raised its 2025 global growth forecast to 3.0%, citing easing tariff pressures, frontloaded spending, and more accommodative financial conditions. Global investors are anticipating a 25-basis point rate cut by the Federal Reserve in September, driven by weakening labor data, elevated inflation, and growing dovish expectations in U.S. policy. However, tariff uncertainty continues to cloud the global economic horizon. Experts at the World Leaders Forum warn that ongoing trade tensions may disrupt supply chains and deter investment, potentially undermining global growth. Sector strategists foresee renewed strength in oilfield services and natural gas, driven by disciplined spending and rising AI-related demand. Offshore services are gaining traction amid limited upstream investment, with opportunities emerging in the U.S., India, Europe, and China. Global growth fears are tempering markets: Powell's recent caution about downside risks to employment has heightened concerns of a global slowdown, driving investor interest toward safe havens like gold. September stands at a crossroads. Monetary easing is nearly priced in, but persistent trade disruptions and geopolitical instability threaten to dampen global momentum. Select markets might outperform, though broader growth remains fragile.

Central bank quotes



Putting the pieces together, what are the implications for monetary policy? In the near term, risks to inflation are tilted to the upside, and risks to employment to the downside—a challenging situation. When our goals are in tension like this, our framework calls for us to balance both sides of our dual mandate. Our policy rate is now 100 basis points closer to neutral than it was a year ago, and the stability of the unemployment rate and other labor market measures allows us to proceed carefully as we consider changes to our policy stance. Nonetheless, with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance. Monetary policy is not on a preset course. FOMC members will make these decisions, based solely on their assessment of the data and its implications for the economic outlook and the balance of risks. We will never deviate from that approach.

– Jerome Powell, Chairman, Federal Reserve (22 August 2025)

At this meeting, the Monetary Policy Committee judged that a further 0.25 percentage points reduction in Bank Rate was appropriate. Based on the outlook for inflation, a gradual and careful approach to the further withdrawal of monetary policy restraint remains appropriate. The restrictiveness of monetary policy has fallen as Bank Rate has been reduced. The timing and pace of future reductions in the restrictiveness of policy will depend on the extent to which underlying disinflationary pressures continue to ease. Monetary policy is not on a pre-set path, and the Committee will remain responsive to the accumulation of evidence.

– Andrew Bailey, Governor of the BOE (7 August 2025)



Market indices

2019	2020	2021	2022	2023	2024	YTD 2025	Aug 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 19%	Japanese Equities 4.5%
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 16.3%	Global Equities 2.9%
Global Equities 24%	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 15.6%	US Large Cap Equities 1.9%
Emerging Market Equities 18.4%	Global Equities 14.1%	Global Equities 16.7%	Asian Equities Ex-Japan -19%	European Equities Ex-UK 14.9%	UK Equities 9.5%	Global Equities 13.9%	Asian Equities Ex-Japan 1.8%
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%	Japanese Equities 10.4%	UK Equities 1.5%
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 9.8%	Emerging Market Equities 1.3%
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%	European Equities Ex-UK 8.5%	European Equities Ex-UK 1.0%

*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

15 September 2025	China: Retail Sales Yo
18 September 2025	UK: BoE Interest Rate Decision
19 September 2025	Japan: Inflation Rate YoY
23 September 2025	Germany: HCOB Manufacturing PMI Flash
25 September 2025	USA: GDP Growth Rate QoQ Final
30 September 2025	Australia: RBA Interest Rate Decision
1 October 2025	Euro Area: Inflation Rate YoY Flash
3 October 2025	USA: Unemployment rate
7 October 2025	Germany: Balance of Trade
13 October 2025	China: Exports YoY

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