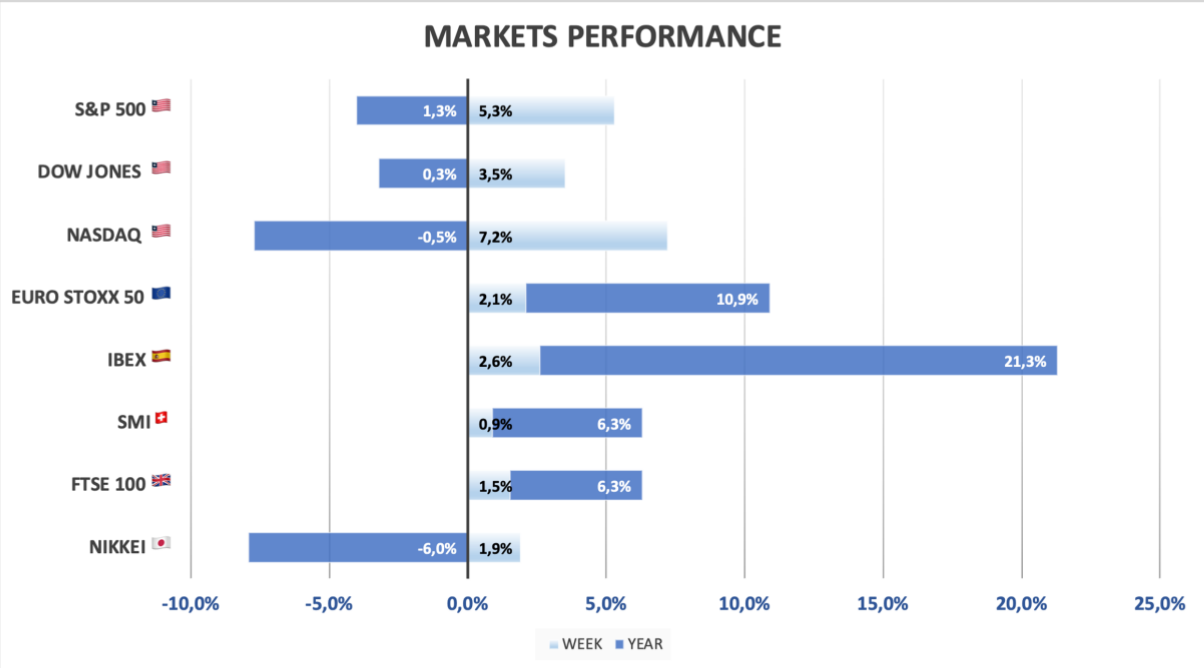
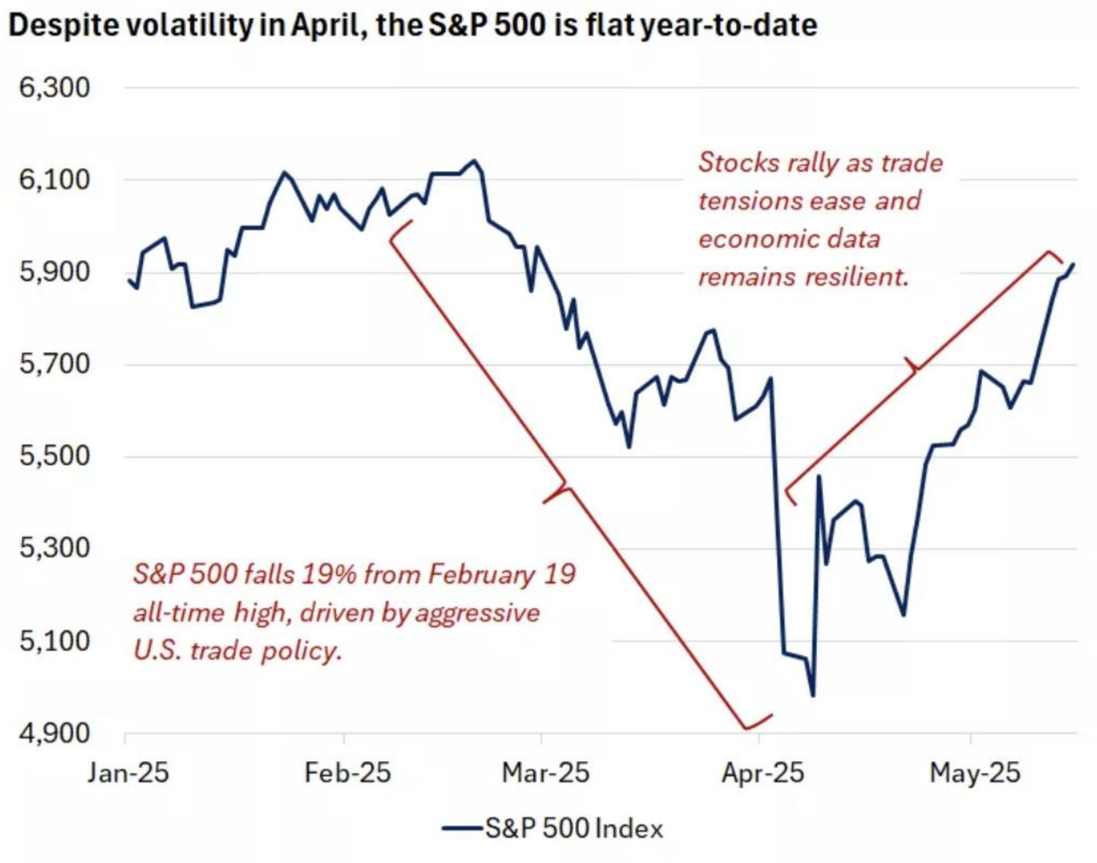
Global markets weekly update

19.05.2025



U.S.

- U.S. stocks closed out a strong week, wiping out the steep losses that followed Donald Trump's "Liberation Day" a month ago. For the week, the S&P500 advanced 5.3%, back in positive territory, while the Nasdaq climbed +7.2% and the blue-chip Dow Jones rose +3.5%. Sentiment was boosted on Monday following trade negotiations between the world's two largest economies. U.S. and Chinese negotiators agreed to sharply reduce rates for many recently introduced tariffs for 90 days while pursuing further talks that could result in a longer-term agreement. U.S. tariffs on most Chinese goods will be brought down from 145% to 30%, while China's levies on U.S. imports will drop from 125% to 10%.
- A CPI report showed that price increases continued to moderate in April even as higher tariffs began to take effect. Prices rose 2.3% over the same month a year earlier, down slightly from March's 2.4% annual inflation rate and marking the smallest increase since February 2021. Excluding volatile energy and food prices, core inflation was unchanged at 2.8%.
- In other economic news, U.S. retail sales posted a small monthly increase (+0.1%) after surging the previous month. The 1.7% surge in March was attributed to a rise in purchasing ahead of higher tariffs.



Source: FactSet, S&P 500 Index.

Source: FactSet, U.S. Census Bureau, University of Michigan Consumer Sentiment Index.

Europe

- The Eurostoxx 600 ended the week 2.10% higher, supported by the hopes of constructive trade dialogues between the U.S. and. China. Major European indices also rose. Germany’s DAX added 1.14%, France’s CAC 40 Index gained 1.85%, and Italy’s FTSE MIB climbed 3.27%. The UK’s FTSE 100 Index climbed on 1.52%.

- UK economy at the fastest pace in a year. GDP in the first quarter increased 0.7% sequentially, more than the 0.6% forecast in a Reuters poll and up from 0.1% in the final three months of 2024. Strong increases in services, investment, and exports drove the expansion. Meanwhile, the Office for National Statistics reported that the labor market cooled at the start of the year with the unemployment rate rising to 4.5% from 4.4% in the first three months of the year. BoE policymakers highlighted ongoing inflationary pressures in the labor market and advocated caution on cutting rates further without more evidence that inflation was retreating.
- Industrial production in the euro area jumped in March, suggesting that the sector is emerging from a two-year recession. Strong increases in capital goods and durable consumer goods drove monthly expansion of 2.6%, exceeding February’s 1.1% increase. Germany’s industrial output surged 3.1%. Also, the eurozone’s trade surplus increased to a record EUR 36.8 billion in March, from EUR 22.8 billion a year earlier, fueled by a sharp rise in exports, particularly to the U.S.

Japan

- Japan’s stock markets ended the week slightly higher, with the Nikkei 225 Index up 0.67% and the broader TOPIX Index climbing 0.25%. The temporary truce on tariffs between the U.S. and China helped lift sentiment.
- Amid ongoing trade negotiations between Japan and the U.S., Japan continued to call for a review of all tariff measures imposed by the U.S., especially on autos. The yen remained unchanged from the previous week at JPY 145 against the USD.
- A weaker yen, JPY 144.7 against the USD, provided some relief. The yield on the 10-year Japanese government bond rose to 1.46%, from the prior week’s 1.35%, as a de-escalation in the trade dispute reduced demand for assets considered as safer.
- Japanese GDP contracted more than expected in the first quarter, falling an annualized 0.7% quarter on quarter, versus consensus estimates of a 0.2% q/q decline. The contraction was attributed to slow private consumption as well as concerns about the potential impacts of the U.S. tariffs and weak demand from China, a major trading partner.

China

- Chinese equities rose over the week. The Shanghai Composite Index climbed 1.12%, while the onshore blue chip CSI 300 gained 0.76%.
- Chinese stocks initially rallied following the de-escalation of the trade dispute with the U.S. but pared their gains as a more favorable tariff outlook lowered hopes for a substantial stimulus package from Beijing. In recent weeks Chinese stocks had been bolstered by expectations that the government would ramp up measures to support the economy. Earlier in May, the People's Bank of China had unexpectedly cut its reserve requirement ratio by 0.5%.

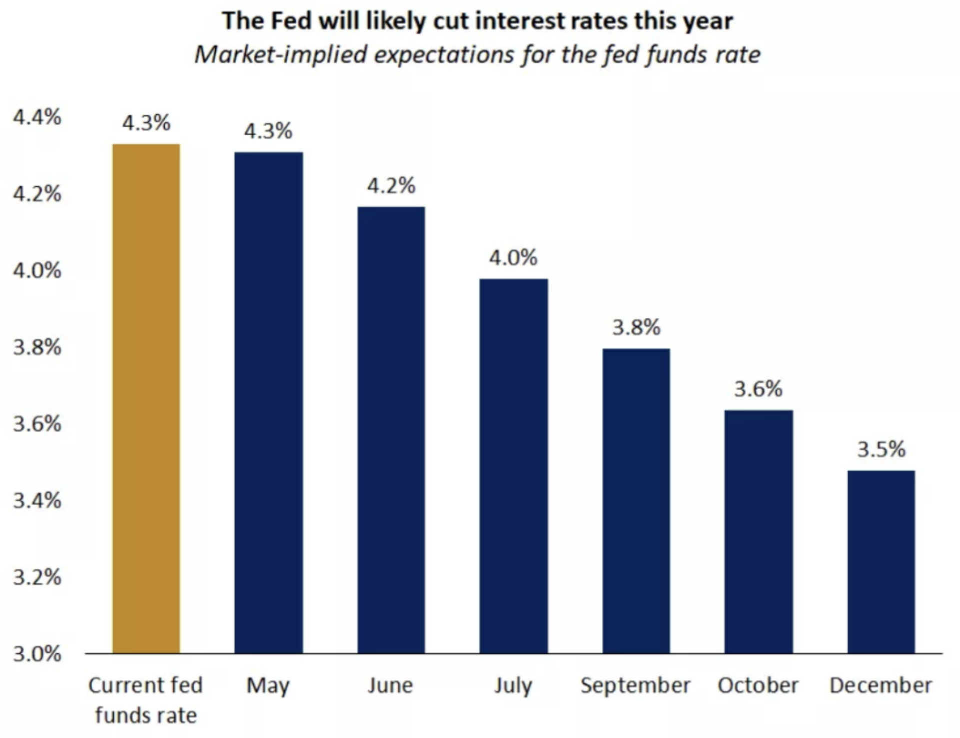
Portfolio considerations

Equities

While the temporary reprieve between the U.S. and China demonstrates that there is room for negotiation, and that the extreme tariffs put in place on "Liberation Day" are impracticable, is remains just that – temporary, making the situation maybe worse by bringing in further uncertainty that will delay decisions regarding deployment of capital by corporates and households. Valuations are high again, interest rates remain elevated, and the market is priced for perfection and assumes that tariffs will simply go away. Markets have also gained comfort from the week's hard-economic-data releases (inflation, labor-market, and retail-sales data), which confirmed that the actual impact of trade-policy uncertainty on inflation and the economy has remained contained for now. Various recent soft-data points, such as sentiment surveys, demonstrate on the contrary that the uncertainty has weighed on consumer confidence. It will take time for the impact of higher tariffs and policy uncertainty to filter through hard data more fully. For this reason, we remain cautious and are not ready to jump back in the bandwagon blindly. We are taking some decent capital gains when appropriate to be able to redeploy the cash and stay opportunistic. And as mentioned in previous reports, diversification is key while we wait for better clarity or signs that grow-friendly measures such as tax cuts and deregulation will become reality.

Fixed Income

With the 10-year yield ticking up towards the upper end of the 4.5% range, we recommend overweighting intermediate and long-term bonds



The still elevated levels of carry represent some of the highest yields of the past twenty years, making them very attractive for investors.

The week ahead

Monday	Tuesday	Wednesday	Thursday	Friday
The Conference Board Leading Economic Index for the U.S.	____________	____________	Existing home sales Weekly unemployment claims	New home sales