



Market Pulse *July 2025*

Equity Market Outlook

The FTSE MPF All World Index gain 4.6% in June. Major equity indices staged a sharp recovery with some of them back to record levels as investors await the announcement of any trade deals between the United States and its trading partners.

Oil prices hovered around the lowest level since early June in a volatile quarter following Trump's tariff announcements that saw prices dropped sharply, before the surge in June as conflicts broke out between Israel and Iran and easing later as hostilities eased.

North America

In June, the Standard and Poor's 500 Index gained 5%. Federal Reserve Chair Powell and nearly a dozen other policymakers have signaled that they prefer to wait for more clarity on the effects of the tariffs on inflation path before adjusting interest rates, ahead of the July policy meeting. They added that there is time to track developments patiently and allow visibility to improve, given the strength in the economy.

High frequency economic indicators in the United States remained mixed. The Institute of Supply Management's indices for the month of May came in below market consensus. However, May's nonfarm payrolls and June's preliminary consumer sentiment index compiled by the University of Michigan were above expectation.

Europe

The Euro Stoxx Index went down by almost 1% in June. From the dollar-based investor perspective, however, the loss was more than offset by the 4% appreciation of the Euro against the greenback. At the June policy meeting, the European Central Bank cut interest rates for the eighth time in a year, warning that uncertainty around tariffs would weigh on exports and investment. The deposit facility rate was lowered to 2.00% and the main refinancing rate was cut to 2.15%.

China & HK

The Hang Seng Index went up by 3.4% in June. China-United State tariff truce and Iran-Israel ceasefire helped calm market fears. The Hang Seng Financials sub-index outperformed and gained 6.8% on the back of increase in initial public offering activity and passing of the stablecoins bill.

The Hang Seng China Enterprises Index and the CSI 300 Index were up by more than 2% in June. Apart from progress in trade negotiation, improvement in domestic consumption helped boost market sentiment. In May, the yearly growth of China retail sales accelerated to 6.4%, the fastest since 2023. Investors were cautiously optimistic on China equities thanks to supportive stimulus and attractive valuation, though fierce deflationary price competition and geopolitical risk continue to cloud the earnings outlook despite early signs of broader economic recovery.

Bond Market Outlook

The FTSE MPF World Government Bond Index was up 1.9% in June. In the United States, fiscal sustainability concerns and Federal Reserve rate cutting expectations are creating a tug-of-war in bond yield movements. Tariff impacts remain unclear, posing short-term inflation and long-term growth risks. In Asia, the Bank of Japan decided at its June policy meeting to keep its policy rate unchanged and to reduce its monthly Japanese Government Bond purchases.

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