



Market Pulse

May 2025

Equity Market Outlook

The trade conflict between the United States ("US") and its trading partners is causing major economic disruptions. The fast-changing shifts on tariff policies by US President Donald Trump spurred swings across asset classes. The FTSE MPF All World Index lost more than 10% at one stage in early April but gradually recovered and ended the month with a meagre 0.7% gain. In its April World Economic Outlook update, the International Monetary Fund trimmed its projection for global growth to 2.8% in 2025, down from its previous forecast of 3.3%, citing that escalated trade tensions clouded global economic outlook ahead.

North America

In April, the Standard and Poor's 500 Index ended the month with 0.8% loss as equity market faced headwind. Policy uncertainty and supply disruptions are weighing on near-term growth, raising the risk of a technical recession. Moreover, equity valuation is relatively more expensive and the US remains the center of global uncertainty.

US Gross Domestic Product ("GDP") shrank 0.3% on a seasonally adjusted basis in the first quarter this year. This is the first quarter-on-quarter contraction since 2022, mostly a result of companies front-loading imports ahead of impending tariffs, coupled with easing consumer and government spendings. At the same time, the above-consensus non-farm payroll continues to point towards a resilient economy that helps offset some concerns on the tariff impacts.

Europe

The Euro Stoxx Index went down marginally by 0.2% in April. From the US Dollar ("USD") - based investor perspective, however, the loss was more than offset by the 4% appreciation of the Euro against the USD. At the April policy meeting, the European Central Bank cut interest rates for the seventh time in a year and cut its deposit facility rates to 2.25% from 2.50%, warning that economic growth will take a hit from US tariffs.

China & HK

In April, the Hang Seng Index lost 4.3%. Investor sentiment was battered by larger-than-expected tariff hikes from the US announced at the Liberation Day in early April. A 90-day pause on reciprocal tariffs had since been announced in late April beyond the base 10%, applicable to all countries except for China in a bid to give trading partners time to negotiate for opportunities to strike deals to avoid the tariffs.

The CSI 300 Index lost 3% in April. Although China equities can be relatively defensive in the trade dispute with potential policy support, major risks stem from external factors, including the impact of trade tariffs and supply chain disruptions. China's real GDP grew by a better-than-expected 5.4% year-on-year in the first quarter. At the Politburo meeting held in late April after US tariff hikes, the central government pledged to provide additional policy supports to cushion the economy from external shocks caused by the tariffs.

Bond Market Outlook

The FTSE MPF World Government Bond Index rose 2.7% in April. The MOVE Index which measures US bond market volatility shot up to a 1.5-year high in early April after Donald Trump announced additional tariffs at the Liberation Day. Dual directional risks stem from the impact of potential US growth downgrades and sticky inflation, creating a balanced risk outlook in the near term.

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