All-time highs again

June 2025 market review

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June saw markets once again reach all-time highs (at least in US dollar terms). The main drivers of markets in June 2025 were:

1 Middle East mayhem turns to ceasefire

- With the Israel-Iran war finishing in just 12 days after the US intervention to destroy Iran's nuclear facilities, a fragile truce has led oil prices back down from a peak of over $80 a barrel back towards the mid $60's[1]. While the market reaction to the conflict was muted, the reduced risk of conflict in the region has been met positively by risk assets.

2 Slowing global growth in evidence

- The World Bank in its estimates of global growth published in June has cut its forecast for 70%[2] of economies, reaching its weakest level in 17 years. They estimate global growth in 2025 will have slowed to 2.3% which is roughly 0.5% lower than they estimated back in January 2025. While a global recession isn't expected, they do see growth between 2020 to 2027 reaching an average of just 2.5%, the slowest level since the 1960's.

3 "One Big Beautiful Bill Act" and the bond market

- The Trump administration is pursuing a significant expansion in government borrowing with the "One Big Beautiful Bill Act" which is worrying bond markets given the trajectory that US debt is set upon. The net outcome is estimated to be as much as $3.0 trillion increase in cumulative deficit according to the Congressional Budget Office (CBO)[3]. Bond markets will be watching carefully as to how the US administration will look to finance tax cuts and spending and this could lead to higher yields in the medium term.

4 The dollar's decline

- June has seen the US dollar continue to weaken against other major currencies reaching $1.17 to the euro by the end of the month, a three year high for the common currency. It also brings the year-to-date losses for the dollar to circa. (c.) 12% measured against a basket of currencies[4].

5 Tariff led inflation still lurking

- One concern around the prominence of tariffs in the Trump administration is that it will cause a resurgence in inflation. So far, there hasn't been much to support this concern, at least in the data we have available at this point. But that is not to say that we won't in the months ahead. European inflation does look like it's under control with most countries reporting headline inflation at c.2%[5]. The US Federal Reserve (Fed) remains cautious as they believe they may see a resurgence in July.

[1] Source: Bloomberg 01.07.25.
[2] Source: World Bank 10.06.25.
[3] Source: Congressional Budget Office 05.06.25.
[4] Source: Bloomberg 01.07.25 measured by the DXY Index.
[5] Source: Bloomberg 01.07.25.

Warning: Past performance is not a reliable guide to future performance.
Warning: The value of your investment may go down as well as up.
Warning: These funds may be affected by changes in currency exchange rates.

June 2025 Snapshot

- The Israel-Iran conflict, now dubbed the "12-day war" dominated headlines for most of June.
- June has also seen further evidence that while the global economy may be slowing down it isn't yet recessionary and we have had good news at least for now on the inflation front.
- Central bank movements on interest rates have been a mixed lot, with the European Central Bank cutting rates again with their inflation targets met, while the Fed remained on hold facing concerns that tariffs may yet prove inflationary.

Outlook for July 2025

- A lot has changed since the lows of early April. The worst-case scenario of a trade embargo between the US and China has been averted. US tariffs are now likely to land at something like 10%+ globally6. The American and European economies continue to grow even if the pace is slowing in the US.
- After a hefty downdraft in equity markets, we've also seen a powerful recovery, with markets flirting with all-time highs by late June. Heightened pessimism only a short few weeks back, has it seems, been replaced by a more optimistic outlook. However, an awful lot needs to go right for this optimism to persist and some of this optimism seems overdone.
- The US equity market is once again looking expensive by historic standards. From a low in April of 18x earnings, it is currently back up to 23x, back in expensive territory that is about 30% above the long-term average[6]. While earnings remain in growth mode but are being revised downwards, that makes the sums more challenging for further gains. In short, it makes the equity market more vulnerable to any further shocks.
- The most likely outcome is the backlash that may occur to the "One Big Beautiful Bill Act" and how the bond market might view the impact on the US finances. The other factor that is proving very significant for euro-based investors is the continued weakness in the US dollar, which for now at least looks likely to persist.

To find out how our fund performed in May, visit our **Fund Centre**

As always, we encourage you to talk to an Advisor before making any change to your investment portfolio.

[6] Source: Bloomberg 01.07.25.

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