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momentum
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Global Matters | Monthly

Market review & outlook

May 2025

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Global market review & outlook

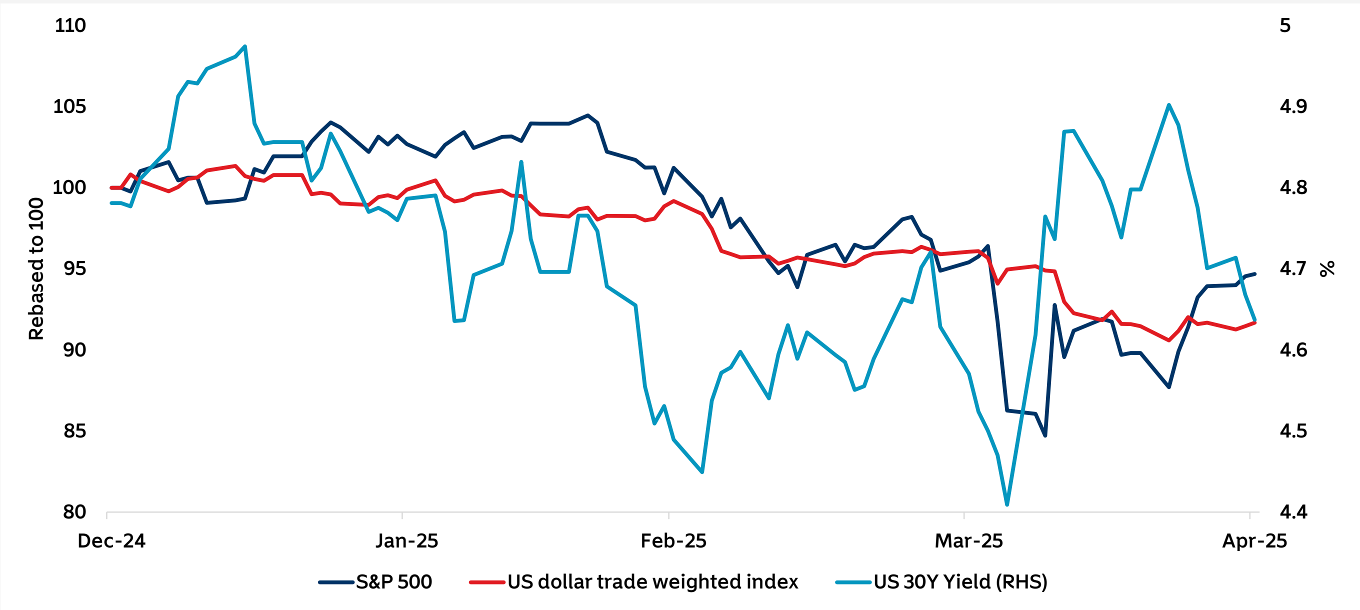
In April US equities returned -0.7%, global developed equites 0.9%, emerging markets 1.3%, US Treasuries 0.6%, global government bonds 3.3% and gold 5.3% - seemingly nothing out of the ordinary, but market moves over the month mask traumatic day-to-day volatility amidst chaotic US policy making and deepening uncertainty, as the US rewrites the global economic and geopolitical post-war order in extraordinary haste. The intra-month trading range of equity markets and gold was around 13% and longer dated US Treasury bond yields moved in a range of 50bps, while the VIX index of equity market volatility, the so-called fear index, rose sharply. Yet by month end equity and bond markets had retraced most of the steep losses earlier in the month, and gold had fallen sharply from its peak. Perhaps the most significant move came in the US dollar, which followed its 3.2% decline on a trade-weighted basis in March with a fall of 4.5% in April, taking its decline year-to-date to 8.3%.

Liberation Day, 2 April, when President Trump announced his reciprocal tariffs, delivered a seismic shock globally, followed a few days later by a potentially even more destructive shock with threats to remove Powell as Chairman of the Board of Governors of the Federal Reserve, in doing so undermining the independence of the central bank. Equity markets sank, yet as investors pushed gold to an all-time high, they did not flee into the usual safe havens of the US dollar and Treasury bonds, both of which fell during a vicious few risk-off days. With US equities down sharply and underperforming much of the rest of the world, the dollar down, and risks of a recession in the US rising, the era of US exceptionalism has been brought into question.

The source of the carnage was also the trigger for the turn round in markets; in the face of the steep rise in bond yields, evaporating confidence, and warnings of massive supply chain disruption and goods shortages, Trump blinked and rolled back his threats of removing Powell while de-escalating the tariff war and setting a 90-day period of grace for bi-lateral negotiations with trading partners to enable deals to be done. The message for markets was clear – independence of the central bank would not be compromised and, while tariffs will be imposed, they will be much more reasonable than initially mooted. Trump does not want the confidence-sapping tariff wars hanging over his administration for long, and needs to move on to his tax-cutting and deregulation agenda well ahead of the mid-term elections in 18 months' time.

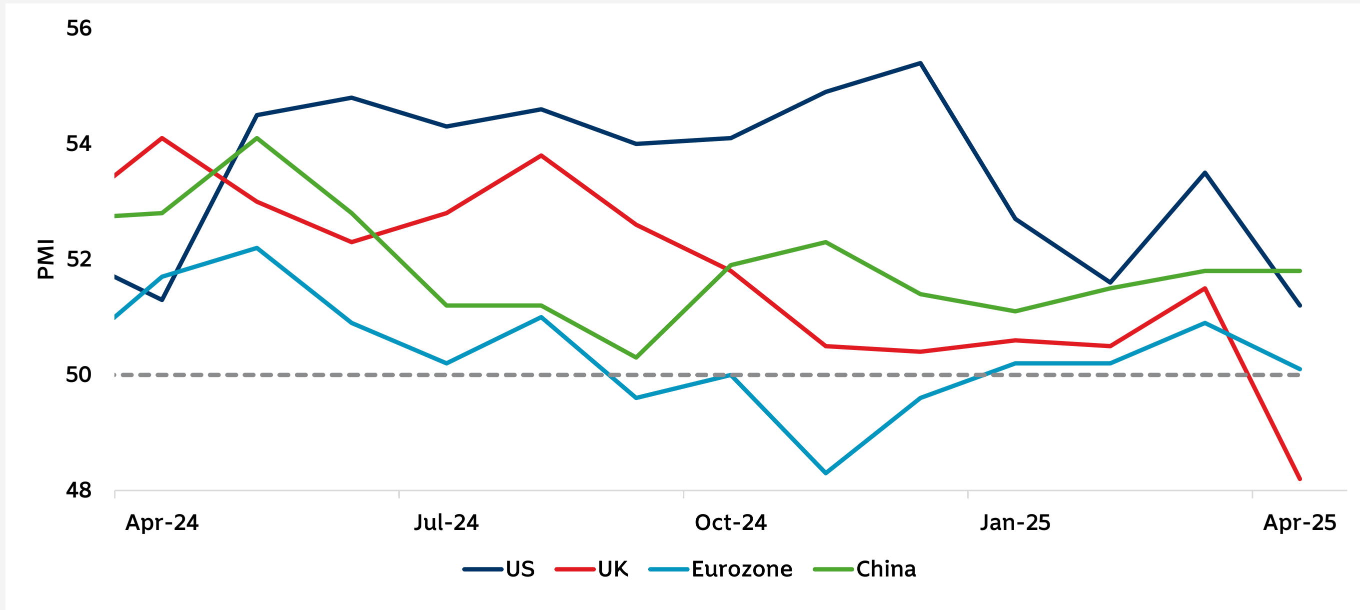
Equity markets duly recovered, bond yields and credit spreads dropped, and gold was set back, although the dollar's decline was stalled rather than turned round. Worst outcome scenarios can now be discounted, but considerable uncertainties remain: what will be the eventual outcome of the tariff negotiations underway; what damage has already been done to confidence of consumers, businesses and investors by the intense uncertainty and loss of confidence in US policy making, possibly even loss of faith in the US underpinning global financial order; and what will be the costs of meeting the administration's strategic priorities of decoupling from China, returning production to the US, and diversifying supply chains, none of which can be implemented quickly without some disruption? While reduced, the risk remains that tariffs will deliver a supply shock that raises prices and damages growth.

Safe haven status of US bonds and dollar questioned:
Bond yields rise, dollar falls in market sell-off



Source: Bloomberg Finance L.P., as at 30 April 2025.

Lead indicators weaken as tariff uncertainty intensifies



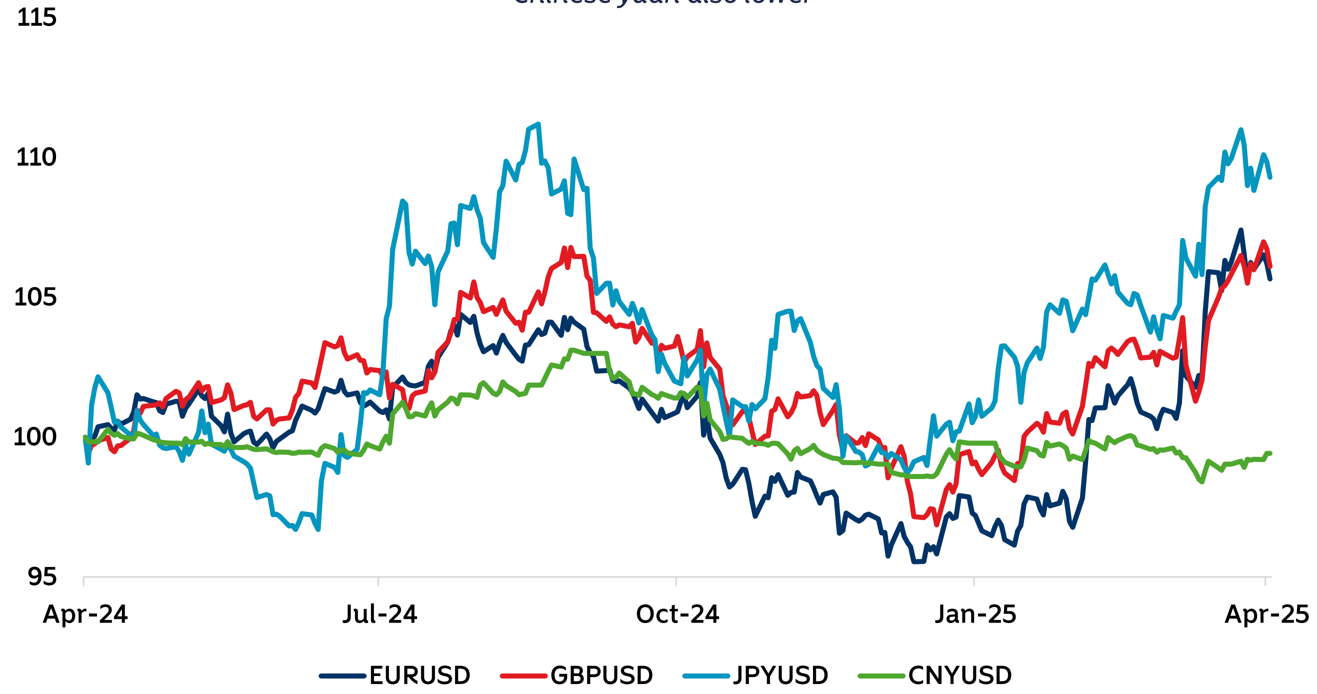
Source: Bloomberg Finance L.P., as at 30 April 2025.

The immediate risks are for a slowdown in growth in the US and a pick-up in inflation as tariff costs are passed on to consumers – potentially a stagflationary shock. This presents the Fed with a dilemma which Powell articulated in April: 'we may find ourselves in the challenging scenario in which our dual mandate goals are in tension'. Markets are betting on the Fed looking through the inflationary pick up and are pricing in four rate cuts of 25bps by year end to counter economic weakness. This might well prove to be optimistic as although soft data like sentiment indicators and Purchasing Managers' Indices are pointing to a sharp slowdown, hard data, especially on the labour market as well as consumer spending, are not yet weakening noticeably. However, caution is necessary in interpreting recent data releases, as there is ample evidence of purchases being pulled forward to offset the impact of tariffs; for example, imports surged 41% annualised in Q1, driven by both capital and consumer goods. Outside the US the risks err on the side of slower growth and a deflationary impulse as excess production in China ends up being dumped elsewhere. Here, central banks are likely to loosen further, the exception being the Bank of Japan, which is in the process of normalising policy and expected cautiously to raise rates again this year.

This seems to be an environment for a wait-and-see approach. Markets have recovered most of the ground lost in the aftermath of Liberation Day, and have gone a long way in discounting the improved narrative coming out of the White House. To date, corporate earnings have generally held up well, but the focus now is on forward-looking statements and the extent to which companies are seeing softness in demand and disruptions to supply chains. Valuations of equities have improved, especially in the US which has been the weakest of the major markets, but there is considerable uncertainty about earnings through the rest of the year, which could disappoint as the year progresses. Bond yields offer reasonable value, but the recent rally has taken yields to levels where patience before adding duration would seem appropriate.

The dollar's sharp fall has raised a number of concerns, with investors moving out of US assets as they digest the shock of a more isolationist US and contemplate the weakening of US hegemony. While the consequences would be far-reaching, there is no possibility of the dollar being replaced as the world's international reserve currency in the foreseeable future. There are no realistic alternatives, and the US remains the world's largest economy with very considerable advantages – energy self-sufficiency at low prices, a favourable regulatory and tax environment, an entrepreneurial and innovative culture, competitive productivity and better demographics than most other large economies.

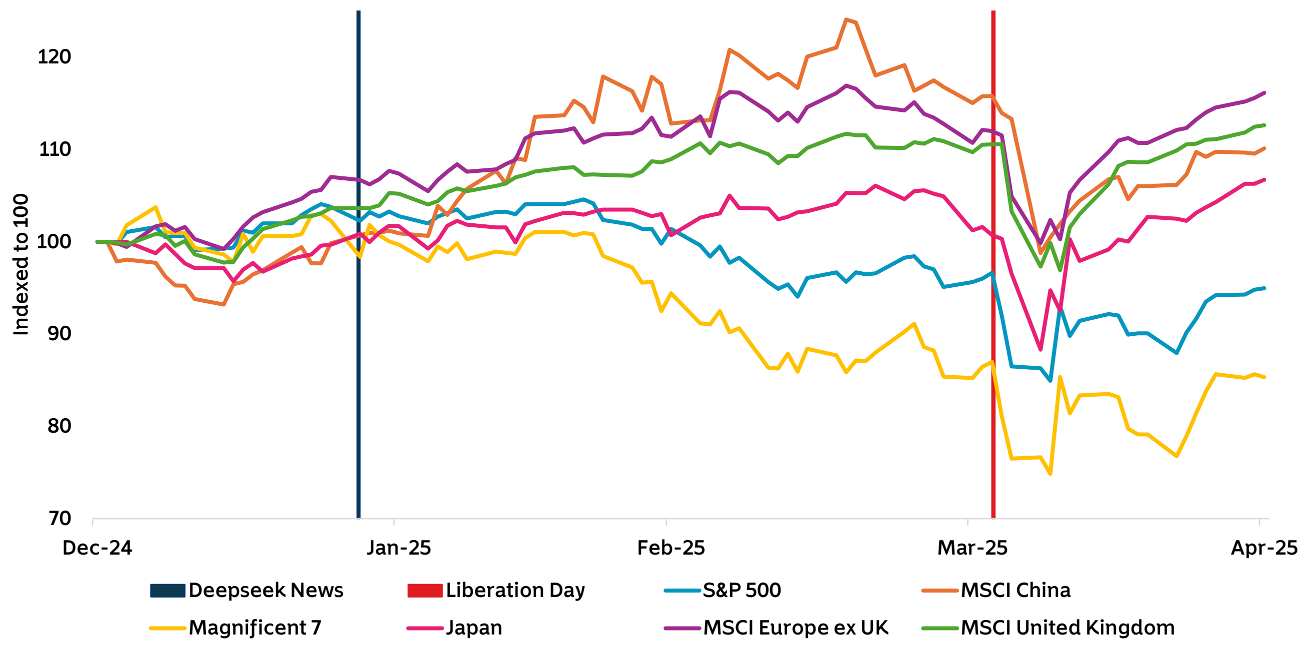
Dollar weakens sharply YTD:
Chinese yuan also lower



Source: Bloomberg Finance L.P., as at 28 April 2025.

However, as US exceptionalism has been brought into question, and many commentators see the US corporate sector as the biggest loser of the tariff wars, at least in the short term, investor flows in recent months have been firmly into non-US stocks and out of the US. After a long run of outperformance, US equities are down by 5% so far this year compared with gains of over 5% in local currency terms in Europe and the UK, and the gap in returns is widened considerably by the fall in the dollar. In April the MSCI World ex US index gained 4% in USD terms, compared with the S&P 500 return of –0.7%, taking the YTD differential to 15%, with the US down 5% and the rest of the world up 10%, wiping out the outperformance of the US over the past 12 months.

Equities recover from Liberation Day shock:
US underperforms significantly



Source: Bloomberg Finance L.P., as at 30 April 2025.

These moves, along with asset class returns this year showing global government bonds +6.3% YTD and gold +25%, while global equities are –0.9%, have highlighted the value and importance of diversification. In an environment of heightened geopolitical risks, intense uncertainty around tariffs, and questions about US supremacy, diversification remains a vital tool for investors. A degree of caution is necessary, particularly as equity markets have rallied significantly from the lows in early April and bond yields have fallen. But we expect the tariff issues to be largely resolved in coming months, and the economic damage to be clearer. Companies will adapt and work around the challenges created by the levies, and, importantly, the corporate sector is in strong shape financially, as are households and, critically, banks, as we enter a potentially tougher period. The prospect of tax cuts and deregulation in the US, the benefits of sharply falling energy prices (the oil price fell by 15% in April as a supply glut comes into prospect, and natural gas prices across Europe have fallen by close to 40% this year), the likelihood of interest rate cuts in the US and Europe, together with the rapidly evolving impact of AI on productivity, point to a more encouraging backdrop as the year progresses.

We recognise the current uncertainties and the potentially wide range of resultant outcomes, and firmly believe that diversification across and within asset classes will be vital, but volatility is creating opportunities to add to risk in our portfolios, albeit with caution and patience in the very short term as a result of the rally in markets in the second half of April.

Market performance - Global as at 30 April 2025 (local currency terms)

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Developed Markets Equities						
United States	S&P 500 NR	USD	-0.7%	-7.6%	-5.0%	11.6%
United Kingdom	MSCI UK NR	GBP	-0.7%	-0.1%	5.6%	8.0%
Continental Europe	MSCI Europe ex UK NR	EUR	-0.3%	-1.1%	5.8%	6.5%
Japan	Topix TR	JPY	0.3%	-3.3%	-3.1%*	-0.3%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	1.6%	1.3%	2.7%	10.4%
Global	MSCI World NR	USD	0.9%	-4.3%	-0.9%	12.2%
Emerging Markets Equities						
Emerging Europe	MSCI EM Europe NR	USD	3.1%	11.0%	20.4%	13.5%
Emerging Asia	MSCI EM Asia NR	USD	0.8%	1.4%	2.1%	9.6%
Emerging Latin America	MSCI EM Latin America NR	USD	6.9%	10.0%	20.5%	-4.3%
BRICs	MSCI BRIC NR	USD	-0.4%	7.5%	7.7%	14.1%
China	MSCI China NR	USD	-4.3%	9.1%	10.1%	26.1%
Global emerging markets	MSCI Emerging Markets NR	USD	1.3%	2.4%	4.3%	9.0%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	0.6%	2.9%	3.5%	7.6%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	0.0%	2.9%	4.2%	8.0%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	0.0%	1.7%	2.3%	7.6%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.0%	-0.4%	1.0%	8.7%
UK Gilts	JP Morgan UK Government Bond TR	GBP	1.8%	1.5%	2.3%	3.4%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	1.3%	0.9%	2.1%	5.7%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	1.9%	0.8%	0.7%	4.7%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	1.0%	0.5%	1.0%	6.2%
Euro High Yield	BBgBarc European HY 3% Constrained TR	EUR	0.3%	0.3%	0.9%	7.6%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	0.5%	-1.2%	-1.9%	-3.3%
Australian Government	JP Morgan Australia GBI TR	AUD	1.8%	2.9%	3.0%	6.4%
Global Government Bonds	JP Morgan Global GBI	USD	3.3%	5.8%	6.3%	8.4%
Global Bonds	ICE BofAML Global Broad Market	USD	2.9%	5.3%	5.9%	9.0%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	1.9%	0.2%	3.0%	13.7%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	0.7%	1.0%	2.8%	10.3%

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	-2.6%	-2.9%	-1.9%	14.2%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	6.4%	-5.8%	-1.4%	5.4%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	4.4%	9.9%	11.0%	6.0%
Global Property Securities	S&P Global Property USD TR	USD	1.3%	1.4%	2.8%	12.6%
Currencies						
Euro		USD	4.7%	9.3%	9.4%	6.2%
UK Pound Sterling		USD	3.2%	7.5%	6.5%	6.7%
Japanese Yen		USD	4.8%	8.5%	9.9%	10.3%
Australian Dollar		USD	2.5%	3.0%	3.5%	-1.1%
South African Rand		USD	-1.5%	0.3%	1.3%	1.0%
Commodities & Alternatives						
Commodities	RICI TR	USD	-7.9%	-5.8%	-3.0%	-3.7%
Agricultural Commodities	RICI Agriculture TR	USD	0.0%	-4.0%	-0.9%	-0.6%
Oil	Brent Crude Oil	USD	-15.5%	-17.8%	-15.4%	-28.2%
Gold	Gold Spot	USD	5.3%	17.5%	25.3%	43.8%

Interest Rates	Current Rate
United States	4.50%
United Kingdom	4.50%
Eurozone	2.40%
Japan	0.50%
Australia	4.10%
South Africa	7.50%

Source: Bloomberg Finance L.P., Momentum Global Investment Management. Past performance is not indicative of future returns.
**estimated figures.*

Market performance - UK as at 30 April 2025 (all returns GBP)

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Equities						
UK - All Cap	MSCI UK NR	GBP	-0.7%	-0.1%	5.6%	8.0%
UK - Large Cap	MSCI UK Large Cap NR	GBP	-1.4%	0.1%	6.5%	8.9%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	2.2%	-4.1%	-0.1%	0.1%
UK - Small Cap	MSCI Small Cap NR	GBP	3.6%	-3.2%	-0.1%	5.0%
United States	S&P 500 NR	USD	-4.0%	-13.8%	-10.9%	4.6%
Continental Europe	MSCI Europe ex UK NR	EUR	1.2%	0.6%	8.9%	6.1%
Japan	Topix TR	JPY	1.9%	-2.1%	0.3%*	3.1%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	-1.8%	-5.4%	-3.6%	3.4%
Global developed markets	MSCI World NR	USD	-2.4%	-10.7%	-7.1%	5.1%
Global emerging markets	MSCI Emerging Markets NR	USD	-2.0%	-4.4%	-2.2%	2.2%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	1.8%	1.5%	2.3%	3.3%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	1.1%	1.8%	2.5%	5.7%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	2.2%	2.2%	3.1%	4.7%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	1.8%	0.0%	0.9%	-0.9%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	0.1%	-2.6%	-1.4%	-4.4%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	0.8%	-0.9%	0.5%	-0.3%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	-0.9%	-5.4%	-4.2%	-10.4%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	1.3%	0.9%	2.1%	5.7%
US Treasuries	JP Morgan US Government Bond TR	USD	-2.8%	-4.3%	-3.0%	0.8%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	-3.4%	-5.4%	-4.1%	0.9%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.0%	-0.4%	1.0%	8.7%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	1.9%	0.8%	0.7%	4.7%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	1.0%	0.5%	1.0%	6.2%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	0.3%	0.3%	0.9%	7.6%
Global Government Bonds	JP Morgan Global GBI	GBP	-0.1%	-1.3%	-0.3%	1.6%
Global Bonds	ICE BofAML Global Broad Market	GBP	2.9%	5.3%	5.9%	9.0%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	1.9%	0.2%	3.0%	13.7%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	-2.6%	-5.7%	-3.6%	3.4%

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Property						
Global Property Securities	S&P Global Property TR	GBP	-2.0%	-5.4%	-3.6%	5.5%
Currencies						
Euro		GBP	1.5%	1.7%	2.7%	-0.4%
US Dollar		GBP	-3.1%	-7.0%	-6.1%	-6.3%
Japanese Yen		GBP	1.6%	0.9%	3.1%	3.4%
Commodities & Alternatives						
Commodities	Rogers International Commodity (RICI) TR	GBP	-10.9%	-12.1%	-9.0%	-9.7%
Agricultural Commodities	Rogers International Commodity (RICI) Agriculture TR	GBP	-3.3%	-10.4%	-7.0%	-6.9%
Oil	Brent Crude Oil	GBP	-18.3%	-23.3%	-20.7%	-32.7%
Gold	Gold Spot	GBP	1.8%	9.7%	17.5%	34.8%
Interest Rates				Current Rate		
United Kingdom				4.50%		

*Source: Bloomberg Finance L.P. , Momentum Global Investment Management. Past performance is not indicative of future returns.*estimated figures.*

Asset allocation views

Score	---	--	-	/	+	++	+++

Score	Change	---	--	-	/	+	++	+++
MAIN ASSET CLASSES	▲/▼/–							
Equities	–			■				
Fixed Income	–				■			
Alternatives	–					■		
Cash	–				■			

Score	Change	---	--	-	/	+	++	+++
EQUITIES	▲/▼/–							
Developed Equities	–			■				
UK Equities	▼				■			
European Equities	–			■				
US Equities	–		■					
Japanese Equities	–					■		
Emerging Market Equities	–				■			

Score	Change	---	--	-	/	+	++	+++
SPECIALIST ASSETS/ALTERNATIVES	▲/▼/–							
Global Listed Property	▲				■			
Global Listed Infrastructure	–			■				
Specialist Assets	–						■	
Liquid Alternatives	–		■					
Gold	–				■			

Score	Change	---	--	-	/	+	++	+++
FIXED INCOME	▲/▼/–							
Government	–				■			
Index-Linked	▼				■			
Investment Grade Corporate	–				■			
High Yield Corporate	▲				■			
Emerging Market Debt	–				■			

Score	Change	---	--	-	/	+	++	+++
CURRENCIES vs. USD	▲/▼/–							
GBP	–					■		
EUR	–				■			
JPY	–					■		

The asset allocation views are updated at the end of each quarter unless otherwise stated.

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Important Notes

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