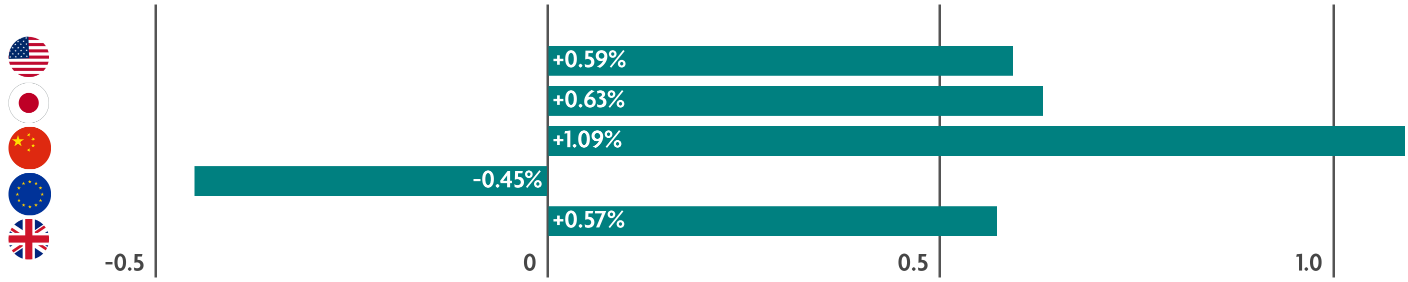
Weekly Market Update

21 July 2025

Last week's performance – major stock markets

Market Monitor (%): How did major stock markets perform last week*?



Key stories from last week

US: TARIFFS RETURN TO CENTRE STAGE

Tariff news dominated the headlines, but market reaction was muted compared with previous tariff announcements. U.S. President Donald Trump announced 25% trade levies on major trading partners South Korea and Japan, as well as tariffs at varying levels on other countries, including Canada, South Africa, Thailand, and Malaysia. He also said that his administration would dramatically increase Brazil's tariff to 50% in a move linked to the country's legal proceedings against former right-wing President Jair Bolsonaro. In addition to the country-specific tariffs, President Trump also announced an upcoming 50% tariff on copper and over the weekend said he will impose tariffs of 30% on Mexico and the EU from 1st August.

JAPAN: US-JAPAN TRADE RELATIONS AND MIXED ECONOMIC DATA WEIGHS ON MARKETS.

Tariff-related developments - notably some signs of growing tensions in U.S.-Japan trade relations - and mixed domestic economic data releases weighed on investor risk appetite. The U.S. announced that it would implement a slightly higher tariff of 25% on Japanese imports, up from the 24% rate the administration set in early April. However, many investors viewed positively the indication that the higher tariff will only come into force on 1st August 2025, leaving more time for negotiations. Domestic economic data releases were mixed. Sentiment was pressured by data showing that Japan's wage growth slowed sharply in May, raising concerns about the broader economic recovery. On the positive side, separate data showed that household spending rebounded strongly in May.

CHINA: WHERE NEXT FOR THE CHINESE ECONOMY?

Mainland Chinese stock markets recorded a weekly gain. China's economy grew 5.2% in the second quarter from a year ago, compared with the first quarter's 5.4% growth pace. This higher-than-expected growth could ease pressure on Beijing to roll out further economic stimulus measures. However, there is some concern that economic growth could slow for the rest of 2025 amid worsening deflation pressures, weak retail sales growth, and the potential for a flareup in U.S. trade tensions once a temporary deal expires in mid-August. Persistent weakness in China's housing market could also call for more stimulus from the central government.

EUROPE: INVESTORS KEEP AN EYE ON TRADE TALKS

Markets fell slightly as investors watched for signs of any progress in U.S. and European trade talks. In economic news, industrial production in the Euro area expanded in May, rebounding from the decline recorded in April and beating expectations. Increased output of energy, capital goods, and nondurable consumer goods drove the expansion. Meanwhile, German investor sentiment is at the highest point in three years, with investors expecting the economy to improve thanks to potential stimulus and expectations for a speedy resolution to the European Union's trade dispute with the U.S.

UK: INFLATION WORSE THAN EXPECTED

Contrary to European markets, the FTSE 100 Index rose during the week, helped partly by the depreciation of the UK pound against the U.S. dollar. A weaker pound lends support to companies in the FTSE 100 because many are multinationals that generate meaningful overseas revenue. In terms of economic data, inflation in the UK unexpectedly rose to 3.6% in June from 3.4% in May, the fastest pace since January 2024. Higher prices for transport, especially motor fuels, drove the increase. Services inflation - a key metric for the Bank of England - stayed at 4.7%. Meanwhile, the unemployment rate ticked higher in the three months through April, the highest level in four years.

The Omnis Investment Club

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*Source: Bloomberg. All performance measured in local currency.