



### MARKET VIEWS

**EQUITIES:** Global equity markets proved resilient in June, notwithstanding elevated geopolitical tensions and trade-related uncertainty. U.S. indices held steady, with the S&P 500 closing the month up 1.1% and sitting at all-time highs, led by continued strength in mega-cap technology stocks. The latter is highlighted by the gain of 5.5% from the Nasdaq 100. However, for non-U.S. investors the impact of currency again played its part, with the dollar index sliding against a basket of major currencies. Most notably for U.K. clients, sterling picked up a further 2.1% against the dollar, more than offsetting the gains in the S&P 500. The FTSE 100 index was flat in June, with strength in Aerospace and Defence, but weakness in pharmaceutical names.

European equities performed well, supported by weaker inflation numbers and growing conviction over rate cuts from the European Central Bank (ECB) were in the offing. The Euro Stoxx 50 gained 2.4% during the month, buoyed by consumer stocks and financials. Emerging Markets provided mixed results, with Indian equities trending higher, whilst Chinese markets remained under pressure amid continued property-sector weakness and weak domestic demand.

**CURRENCY & DEBT:** The U.S. dollar faced weakness in June, with the DXY index falling 1.9%, against a basket of other major currencies. This marks a third consecutive monthly decline. Expectations for monetary policy easing later this year, combined with concerns over fiscal sustainability and the expiry of the 90-day pause on tariffs, weighed. Sterling was supported by the Bank of England's tone and solid domestic data. The Euro gained 1.4% against the dollar, while the Yen saw strength due to its safe-haven status, amid a flight to safety during escalations in the Middle East. This all further exacerbated local currency returns vs. foreign exchange adjusted returns, a chart on which we have included again this month.

U.S. Treasury yields moved higher, with the 10-year yield ending the month at 4.38%. In contrast, eurozone bonds saw modest gains as investors priced in a second ECB rate cut by October. Credit spreads (difference in yield between corporate and government bonds) remained stable, albeit tight, with investment-grade and high-yield bonds seeing inflows. Emerging market debt was strong, as a weaker dollar provides a tailwind for local-currency bonds.

**COMMODITIES:** Oil prices were volatile in June, initially spiking above \$77 a barrel (Brent Crude) on escalating tension between Israel and Iran. However, a ceasefire agreement mid-month brought prices back down sharply. It closed the month at \$66.66 a barrel, around 6% up over the month.

Gold mirrored the volatility in oil, approaching \$3,500 during the peak of the tensions, before retreating to end the month around 1.5% up in U.S. dollar terms, down a little in sterling terms.

### MACRO VIEWS

**POLITICS:** June was dominated by geopolitical events, with the (albeit brief) military escalation between Israel and Iran raising concerns about energy supply disruption among other areas, especially following Iranian threats to restrict access to the Strait of Hormuz. While direct conflict was short-lived, the episode reasserted the fragility of energy markets and the premium investors place on geopolitical stability.

U.S.-China trade tensions returned to the fore with the 90-day tariff pause purporting to end on 9<sup>th</sup> July. President Trump signalled little appetite for further extensions, increasing the risk of retaliatory measures and disruption to supply chains. Markets took the announcement by the President of a U.S.-China deal being signed in their stride, with the devil as always being in the detail. U.K. headlines included Chancellor Reeves' £2 trillion spending review, projecting ~2.3% annual real growth in departmental budgets.

**MONETARY POLICY:** The Federal Reserve held rates steady in June at 4.25-4.50%. Chairman Powell reiterated the data-dependent stance in his commentary, but acknowledged progress on inflation had "moderated", causing markets to reassess expectations for a September cut. Market expectations are now firmly for two more cuts this year, having hovered at one a month ago. In Europe, the ECB kept rates unchanged but noted "further normalisation" could be warranted given declining inflation momentum. Markets are currently pricing two additional cuts by year-end. The Bank of England though delivered a 0.25% cut to its headline rate, citing slowing core inflation and improving real wages.

**GLOBAL TRADE & SUPPLY CHAINS:** Trade uncertainty was a growing headwind in June. The potential re-imposition of tariffs by the U.S. has begun to impact business sentiment, with preliminary purchasing managers indices (PMI) surveys in the U.S. and Asia showing a sharp deterioration in exports. Multinational manufacturers have reportedly begun to accelerate 'nearshoring' efforts, particularly within the Americas, as part of supply chain diversification strategies. The risk of tariffs on key inputs, including semiconductors, pharmaceuticals, and automotive parts, continues to pose a threat to margins in the second half of the year.

**CONCLUDING THOUGHTS:** June ended a volatile second quarter of 2025, though the returns of major asset classes might suggest otherwise. Announcements of tariffs in April triggered the 5<sup>th</sup> largest two-day drop in the S&P 500 since WWII, only for markets to rebound as a 90-day pause calmed sentiment, with the index hitting fresh highs. Geopolitical tensions intensified as Israel struck Iranian nuclear sites in June, with U.S. involvement further stoking investor concern. A ceasefire followed within ten days, calming markets. Finally, the dollar's decline continued, with the DXY index seeing its weakest first half since 1973. With news flow ever unpredictable, the rest of 2025 looks set to keep investors on their toes.

## CHART OF THE MONTH

Returning to the theme of U.S. dollar weakness and the impact that has on non-U.S. investors, we are repeating an earlier “Chart of the Month” here, having reached the halfway stage of 2025. As noted in the concluding thoughts, the dollar has seen its weakest first half for over 50 years. What does this mean for overseas investors seeking to own U.S. assets? In short, a challenging backdrop, with hedging strategies becoming an important consideration. The below from J.P.Morgan Asset Management shows why it is so important to understand when investing overseas the impact that investing in currencies other than you own can have on realised returns.

	2017	2018	2019	2020	2021	2022	2023	2024	Q2 '25	YTD	10-year ann. return
<b>GBP</b>	29.8%	1.6%	26.4%	21.5%	29.9%	0.3%	19.2%	27.3%	6.2%	14.3%	15.6%
<b>Local</b>	Asia ex-Jp 35.9%	S&P 500 -4.4%	S&P 500 31.5%	Asia ex-Jp 22.7%	S&P 500 28.7%	FTSE All-Share 0.3%	S&P 500 26.3%	S&P 500 25.0%	Euro ex-UK 3.6%	Euro ex-UK 10.2%	S&P 500 13.1%
	25.8%	-6.4%	21.0%	15.0%	18.3%	-4.1%	15.8%	14.5%	6.1%	9.1%	9.5%
	MSCI EM 31.0%	Portfolio -9.3%	Euro ex-UK 27.5%	MSCI EM 19.5%	FTSE All-Share 18.3%	TOPIX -2.4%	Euro ex-UK 17.3%	Asia ex-Jp 16.8%	Asia ex-Jp 8.7%	FTSE All-Share 9.1%	Portfolio 8.7%
	17.0%	-8.4%	19.6%	14.7%	17.6%	-5.7%	13.3%	13.5%	5.7%	5.6%	9.0%
	Portfolio 21.4%	TOPIX -16.0%	Portfolio 23.2%	S&P 500 18.4%	Euro ex-UK 24.4%	Portfolio -10.3%	TOPIX 28.3%	Portfolio 15.6%	MSCI EM 8.1%	MSCI EM 11.1%	TOPIX 9.5%
	16.7%	-8.8%	19.2%	9.6%	14.3%	-6.9%	11.1%	10.0%	5.1%	5.3%	8.7%
	Euro ex-UK 14.5%	Asia ex-Jp -12.0%	FTSE All-Share 19.2%	Portfolio 7.4%	Portfolio 16.4%	Euro ex-UK -12.2%	Portfolio 16.2%	TOPIX 20.4%	Portfolio 7.2%	Portfolio 8.5%	Euro ex-UK 7.6%
	15.6%	-8.9%	14.6%	8.2%	2.0%	-7.8%	7.9%	10.0%	4.8%	4.9%	7.2%
	TOPIX 22.2%	MSCI EM -9.7%	TOPIX 18.1%	Euro ex-UK 2.1%	TOPIX 12.7%	S&P 500 -18.1%	FTSE All-Share 7.9%	MSCI EM 13.7%	TOPIX 7.5%	Asia ex-Jp 10.9%	Asia ex-Jp 6.1%
	13.1%	-9.1%	14.3%	7.8%	-1.3%	-9.2%	4.0%	9.5%	4.5%	3.2%	6.3%
	FTSE All-Share 13.1%	Euro ex-UK -10.6%	MSCI EM 18.5%	Portfolio 8.4%	MSCI EM 0.1%	Asia ex-Jp -15.1%	MSCI EM 10.3%	FTSE All-Share 9.5%	S&P 500 10.9%	TOPIX 3.8%	MSCI EM 6.4%
	11.3%	-9.5%	13.9%	-9.8%	-3.6%	-9.6%	0.3%	2.8%	4.4%	-2.9%	6.2%
	S&P 500 21.8%	FTSE All-Share -9.5%	Asia ex-Jp 18.2%	FTSE All-Share -9.8%	Asia ex-Jp -2.8%	MSCI EM -15.2%	Asia ex-Jp 6.8%	Euro ex-UK 8.1%	FTSE All-Share 4.4%	S&P 500 6.2%	FTSE All-Share 6.2%

Source: J.P.Morgan Asset Management: Guide to the Markets. Available at: <https://am.jpmorgan.com/gbl/en/asset-management/liq/insights/market-insights/guide-to-the-markets/>

## MARKET DATA

Index	Value	%1m	%3m	%6m	%YTD	%1yr	%3yr	%5yr	%10yr
FTSE 100	8,814	-0.1	15.7	9.2	10.2	11.4	37.4	71.4	101.0
FTSE All-Share	4,797	0.2	16.6	9.0	9.7	10.9	35.5	67.1	96.4
FTSE AIM	772.39	2.1	23.7	6.5	7.3	-0.3	-12.3	-12.5	3.0
FTSE World (ex-UK)	697.65	3.2	16.7	1.2	2.3	8.4	42.7	76.2	221.0
S&P500	6,254	4.3	24.0	6.6	7.1	13.9	67.7	114.0	259.0
Dow Jones	44,733	4.6	17.8	5.2	5.2	13.6	42.5	72.8	152.0
Nasdaq 100	22,733	4.5	30.4	7.4	8.2	11.5	87.7	116.0	413.0
S&P Smallcap 600	1,373	4.6	20.4	-2.7	-2.5	7.0	19.7	68.4	91.4
Eurostoxx 50	5,289	-2.6	13.6	5.5	8.0	6.2	51.6	59.2	60.5
Nikkei	39,588	4.9	27.1	-1.2	-0.8	-3.2	49.4	75.1	94.3
Hang Seng	23,888	0.4	20.5	22.8	19.1	34.2	10.4	-8.0	-4.4
Shanghai (SSE)	3,472	2.6	12.1	7.5	3.6	17.7	3.2	3.8	-6.8
FTSE Government All-Stocks	128.95	0.7	1.2	2.9	2.1	0.8	-10.1	-26.5	-3.1
GBP/USD	1.3632	0.8	7.1	9.3	8.9	6.4	13.3	8.7	-11.8
GBP/EUR	1.1616	-2.2	-0.4	-3.7	-3.9	-1.8	-1.8	4.4	-17.3
Gold \$	331,658	0.1	11.3	25.2	26.4	38.7	90.4	84.8	187.0

Source: Alpha: data as at 07-07-25

## Get in touch

If you are interested in using a discretionary investment manager or are contemplating switching from your existing manager, we would be delighted to hear from you. We are passionate about what we do and unincumbered by any large corporate mindset, free to act independently in your best interest.

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