Oxonian Capital

Monthly Market Update

June 2025

MARKET VIEWS

EQUITIES: Despite lingering tariff uncertainty, May proved to be a strong month for markets. Improved economic data and diminished concerns about a downturn led investors to re-evaluate their positions. U.S. indices, notably the S&P 500 and Nasdaq 100, recouped most of their post-Liberation Day losses, rising by 6.3% and 9% respectively, marking the strongest month for the S&P 500 in 18 months. U.S. indices were buoyed by strong corporate earnings, with 78% of S&P 500 companies beating consensus estimates, although analysts have begun to temper earnings expectations, reducing estimates by more than average.

Europe performed well, with the German DAX nearing all-time highs. While there were updates on E.U. / U.S. trade negotiations, detail remains scarce, as has become the norm. The FTSE 100 lagged global indices with a 3.8% rise, but smaller companies thrived. The FTSE AIM All-Share gained over 8%, moving positive for the year (+3%), following three years of declines. It remains to be seen if this signals the start of a sustained recovery.

CURRENCY & DEBT: Weakness in the Dollar persisted, albeit less dramatically so, with the global Dollar index down a fraction, taking the year-to-date move to -8.3%. The Pound had a relatively strong month, rising a further 1% against the Dollar and by a little less against the Euro. The Japanese Yen finally showed some weakness having seen four consecutive months of strength, but it remans more than 9% stronger against the Dollar in 2025.

To put some perspective on these moves, if you had purchased an S&P 500 tracker on 1st January, in Dollar terms today you would be c.1% better off. Converting that into pounds knocks c.8% off that return, meaning a paper loss of 7%. A not insignificant issue to many U.K. based investors. We have shown the impact of currency over longer periods in an earlier note, and this is only a short time frame, but it highlights the importance of currency markets, even if just to ensure you fully understand the risks within a portfolio.

Government debt had a difficult May, with yields rising and spreads to corporate debt tightening. 10-year government bond yields in the U.K. now stand close to 4.7%, up from around 4.2% in January. In the U.S. they rose by 0.25% in May, trading at c.4.45%, having touched lows of 3.9% in early-April. Shorter dated bonds fared worse, reflecting expectations for interest rate cuts and the economic environment.

COMMODITIES: In a change from recent moves, May was a quieter month for Oil (+2.6%), and Gold (+0.5%). Gold has risen 25% (in Dollar terms?) year-to-date, making it one of the best assets to own globally. Weakness might be expected at these levels, a reflection of some investors reducing positions to realise some of that gain. We trimmed some of our holdings but remain positive. The themes driving positive equity returns can be a headwind for gold, which is seen by some as a defensive place to hide from volatility elsewhere in markets.

MACRO VIEWS

TARIFFS: The most impactful tariff developments saw the U.S. and China agree to a temporary 90-day tariff reduction. However, the subsequent doubling of U.S tariffs on steel and aluminium, effective from 4th June, casts a shadow over this truce. Combined with both parties accusing the other of violating certain conditions of the pause, this story is not going away quickly.

President Trump's threat of a blanket 50% tariff on E.U. goods, initially slated for 1st June, was postponed to 9th July following more constructive talks. This 'delay' aligns with the original 90-day pause, but recent E.U. statements suggest limited progress. The unpredictable nature of President Trump's social media announcements remains a significant and challenging risk to manage, not knowing which way he will swing one day to the next.

GROWTH: In the U.S., consumer and business confidence saw a rebound, reversing earlier declines, albeit the latest manufacturing data were weaker than expected. First quarter GDP growth beat expectations, partly due to pre-emptive trade ahead of tariff announcements. We are seeing some analysts re-assess growth forecasts thanks to a possible reduction in trade tension between the U.S. and China. Those talks are likely to prove vital for the health of the global economy.

The Euro Area saw improved economic sentiment for the first time in three months, with both consumer and business confidence rising, particularly in manufacturing and services. Whilst the U.K. also saw an improvement in consumer confidence, helped by the latest interest rate cut. U.K. GDP growth also surpassed forecasts, though future growth remains uncertain.

MONETARY POLICY: Headline inflation across major economies generally fell during May, reaching the lowest level since July 2021. In contrast however, U.K. inflation rose, led by energy prices, with the Bank of England describing the path for inflation from here as "bumpy". Forecasts suggest U.S. inflation may accelerate and peak late-2025 as the cost of tariffs are passed on.

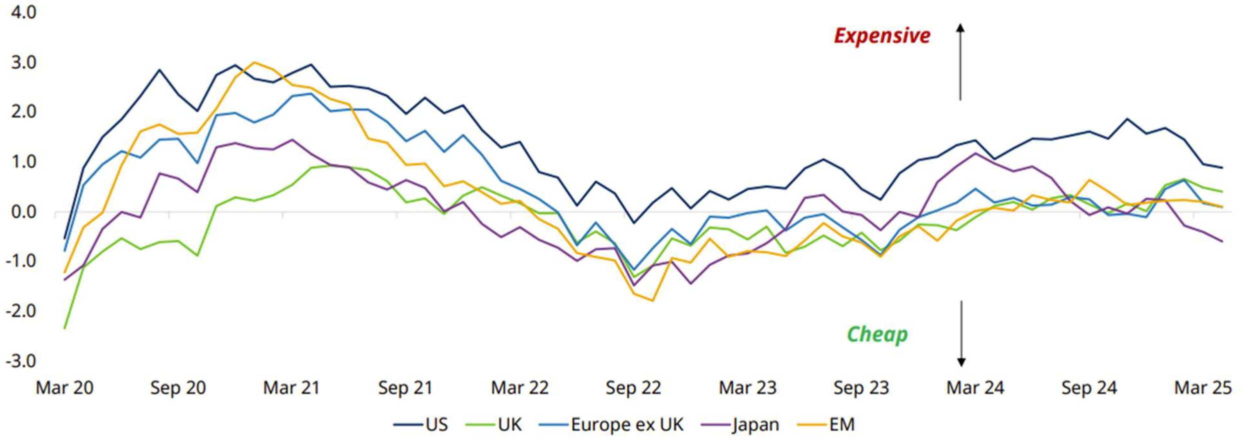
The outlook for interest rates has also changed. Notably, the Federal Reserve is expected to cut just twice this year, down from three expected cuts a month ago. The European Central Bank will decide its next move later this week, with the market expecting another cut to rates, which would mark the seventh consecutive reduction for the ECB. Lastly, the Bank of England cut by 0.25%, to 4.25%, in early-May but emphasised a gradual and careful approach to future easing. Bank share prices continue to be beneficiaries of the 'higher for longer' interest rate story, with major banking names in Europe and the U.K. trading close to recent highs.

Outside of these major economies, May brought further cuts to interest rates in Asia and Emerging Markets, with South Korea, India, Indonesia, Mexico and South Africa all reducing rates in light of moderating inflation and an element of growth concerns.

CHART OF THE MONTH

Returning to an earlier month's chart on valutations, it is interesting to note the narrowing of the valuation gap between the U.S. and Europe, a sign of Europe's storng performance so far this year. Of note, this is the 3rd best relative start to the year for European equities (versus the U.S.) in over 50 years. Moving back to valutaions, of note Japan looks increasingly 'cheap' on this measure, but also on Price to Earnings as well. However, returning to currency, the fate of the Yen will be imporant for unhedged investors and the overall equity market in Japan, given the scale of exports.

Composite valuation metric = Average Z-score* across five valuation metrics, as at 30 April



*Z-score measures the number of standard deviations above or below the average. Our assessment of expensive/cheap is relative to a 10-year rolling average of each market across five valuation metrics: cyclically-adjusted price-to-earnings, forward price-to-earnings, trailing price-to-earnings, price-to-book and dividend yield. Unlike slide 8 (which uses a 15-year median), this chart uses a 10-year average to increase the number of data points and give a better indication of the variability of valuations over time. US valuations appear less expensive when assessed on this basis, mainly because valuations were higher over the past 10 years than over the past 15. Source: LSEG Datastream, MSCI and Schroders. Data to 30 April 2025. Please see relevant disclaimers on page 48.

Source: Schroders Equity Lens – May 2025. Available at: https://www.schroders.com/en-ca/ca/professional/insights/schroders-equity-lens-may-2025-your-go-to-guide-to-global-equity-markets/

MARKET DATA

Index	Value	%1m	%3m	%6m	%1yr	%3yr	%5yr	%10yr
FTSE 100	8,811.0	3.1	2.2	7.7	11.0	31.1	63.6	90.4
FTSE All-Share	4,779.6	3.3	2.7	6.9	10.2	28.4	59.1	85.6
FTSE AIM	754.5	6.6	9.3	2.4	-5.6	-22.4	-16.5	-2.7
FTSE World (ex-UK)	673.1	2.8	-1.0	-3.2	7.4	34.7	71.4	199.0
S&P500	5,948.4	5.4	2.2	-1.4	12.6	51.5	101.0	240.0
Dow Jones	42,371.7	2.8	-1.5	-5.4	9.2	28.8	56.3	137.0
Nasdaq 100	21,592.3	8.1	4.7	0.8	13.4	72.1	120.0	382.0
S&P Smallcap 600	1,296.3	3.9	-2.1	-14.1	-1.8	4.2	44.1	79.5
Eurostoxx 50	5,405.2	2.3	-1.5	9.2	7.3	42.9	59.7	54.0
Nikkei	37,554.5	2.0	0.4	-4.7	-2.4	35.3	64.3	83.5
FTSE Asia Pacific	658.2	4.7	6.0	5.7	11.1	12.2	24.3	30.5
Hang Seng	23,907.0	6.2	1.3	22.2	29.8	13.4	-3.5	-12.3
Shanghai (SSE)	3,384.1	3.2	1.3	0.5	10.4	5.9	15.5	-32.6
GBP/USD	1.357	2.1	5.3	6.4	6.1	8.7	7.2	-11.1
GBP/EUR	1.187	1.0	-0.6	-1.6	0.9	1.8	5.8	-13.7
Gold $	335,721.0	0.7	15.0	27.5	42.5	81.4	99.4	186.0
FTSE All-Stocks	128.1	-0.5	1.2	-0.6	0.7	-11.5	-25.5	-2.0

Source: Alpha: data as at 05-06-25

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.

E: contact@oxoniancapital.co.uk

T: 01865 415 490

Oxonian Capital