

World markets review — August 2025

Equities

Global equities advanced. Japanese stocks led developed markets amid positive sentiment on Japanese corporate fundamentals. U.S. equities generated more modest returns as certain tech names suffered from concerns over AI growth prospects. European stocks also rose, despite French assets coming under pressure from domestic political worries. Although Chinese equities made good gains, emerging market stocks trailed their developed counterparts. Volatility declined, with August CBOE Volatility Index (VIX) futures closing at 17.1, down 4.5% month on month. (A VIX reading below 20 is widely viewed as an indicator of market stability.)

Most sectors of the MSCI All Country World Index (ACWI) rose. Materials, health care and communication services delivered the best returns. Conversely, utilities, industrials and information technology lagged.

Equity index returns (%)	Aug 2025		YTD 2025	
	U.S. dollar	Local currency	U.S. dollar	Local currency
S&P 500	2.0	2.0	10.8	10.8
MSCI ACWI	2.5	2.0	14.3	11.5
MSCI ACWI ex USA	3.5	2.1	21.6	13.3
MSCI World	2.6	2.1	13.8	11.0
MSCI Emerging Markets	1.3	1.4	19.0	16.1
MSCI EAFE	4.3	2.1	22.8	11.6
MSCI Europe	3.4	1.3	25.0	11.7
MSCI Pacific	5.9	3.8	18.7	11.8

Source: RIMES.

Fixed income

Global bonds rose overall. U.S. 10-year Treasury yields eased 15 basis points (bps) to 4.23% while 2-year U.S. Treasury yields were down to a greater extent, falling 34 bps to 3.62%. German 10-year yields were little changed, rising 3 bps to 2.72%. However, French and U.K. 10-year yields increased by 16 bps to 3.51% and 15 bps to 4.72%, respectively. Japanese 10-year bond yields closed 4 bps higher at 1.60%. Global credit gained, with both investment grade and high-yield debt delivering positive returns.

In foreign exchange markets, the U.S. Dollar Index lost 2.2%. The euro, Japanese yen and British pound were up 2.3%, 2.5% and 2.1% against the dollar, respectively. Similarly, most emerging markets currencies rose against the greenback.

Fixed income index returns (%)	Aug 2025	YTD 2025	Exchange rates (% change vs. USD)	Aug 2025	YTD 2025
Bloomberg U.S. Aggregate	1.2	5.0	Euro	2.3	13.0
Bloomberg Global Aggregate	1.5	7.2	Japanese yen	2.5	7.0
Bloomberg U.S. Corp IG	1.0	5.3	British pound	2.1	7.9
Bloomberg U.S. Corp HY	1.2	6.4	Canadian dollar	0.7	4.8
JPM EMBI Global Diversified	1.6	8.7	Australian dollar	1.7	5.7
JPM GBI-EM Global Diversified	2.2	13.8	Swiss franc	1.6	13.4

Source: RIMES. Returns are in USD.

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Past results are not predictive of results in future periods.

North America

U.S. equities rose, supported by increasing hopes the Federal Reserve (Fed) would cut interest rates in September. Defensive stocks nevertheless outpaced cyclical names, underscoring more cautious sentiment on the economy after U.S. nonfarm payrolls for July disappointed. The data publication prompted President Donald Trump to fire the Bureau of Labor Statistics Commissioner. Value also outpaced growth, with the month seeing certain tech stocks come off their highs as investors questioned the outlook for AI-driven momentum. The S&P 500 and Nasdaq gained 2.0% and 1.6%, respectively.

Most S&P 500 sectors closed higher. Materials and health care led, followed by energy and communication services. Shares of **UnitedHealth** rebounded from the sharp losses of the prior month as investors took advantage of price weakness and Berkshire Hathaway revealed it had recently established a new stake in the firm.

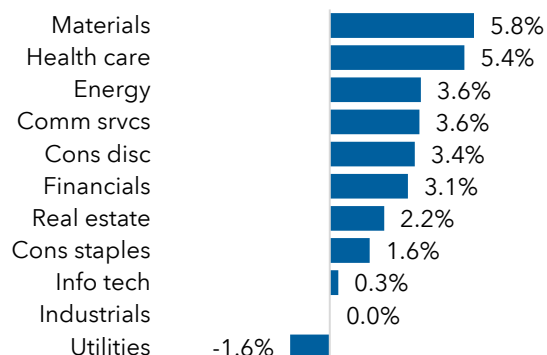
Utilities, industrials and information technology were the weakest sectors. Shares of **Microsoft** gave up much of the gains of the prior month as investor sentiment around the growth outlook for generative AI revenues cooled. Researchers from the Massachusetts Institute of Technology warned the vast majority of firms were not getting a return on their AI investments. OpenAI CEO Sam Altman also said investors had become overexcited by AI.

Fed chair Jerome Powell struck a dovish tone, signaling the Fed was more likely to cut rates in September given signs of a slowdown in the U.S. labor market. Minutes of the Fed's July policy meeting meanwhile highlighted lingering uncertainty over the impact of higher trade tariffs on the U.S. inflation outlook. There were continuing tensions between the Fed and President Donald Trump, who has been calling for aggressive rate cuts. Lisa Cook, a member of the Fed's rate-setting committee, contested a presidential order to fire her over allegations related to personal mortgage applications. Headline U.S. inflation was at 2.7% in July, unchanged from June. However, the Core Personal Consumption Expenditures (PCE) Price Index, the Fed's preferred inflation gauge, firmed to 2.9% from 2.8%.

U.S. nonfarm payrolls disappointed, with just 73,000 jobs created in July versus economists' forecasts of 110,000. Meanwhile, the tallies for May and June were revised sharply lower, further stoking concerns that the U.S. labor market was softening more quickly than widely anticipated. The S&P Global U.S. Composite Purchasing Managers' Index (PMI) fell to 54.6 in August from July's 55.1. U.S. retail sales grew 0.5% month-on-month in July versus June's 0.9% rise.

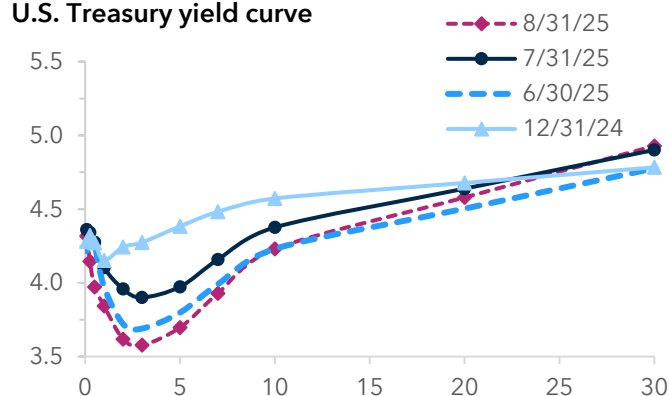
U.S. bonds rose, with the Bloomberg U.S. Aggregate Index returning 1.20%. The yield curve steepened, with 2-year Treasury yields dropping 34 bps to 3.62%, 10-year Treasury yields falling 15 bps to 4.23% and 30-year Treasury yields rising 3 bps to 4.93%. In U.S. credit markets, both investment-grade bonds (rated BBB/Baa and above) and high-yield debt generated positive returns. Spreads to Treasuries widened by 3 bps for investment grade but narrowed by 6 bps for high yield.

S&P 500 total returns (Aug 2025)



Source: RIMES. Data labels reflect rounded figures.

U.S. Treasury yield curve



Source: Bloomberg. The x-axis represents Treasury maturities (years). The y-axis represents the U.S. Treasury yield (%).

Europe

European stocks closed higher. Survey data suggested the eurozone economy continued to grow in August, though with business confidence suffering from weak sentiment around the recent EU-U.S. trade deal and the higher U.S. levies faced by EU exporters. French assets were pressured by worries that France's government would be defeated in a September parliamentary vote on proposals to cut the public deficit. In terms of sectors, health care, consumer staples and energy led, while information technology, utilities and industrials lagged.

Christine Lagarde fuelled speculation that eurozone interest rates would remain on hold in September. The European Central Bank president suggested the eurozone economy was on track for growth and unlikely to be significantly impacted by higher U.S. trade levies. Although acknowledging that momentum was likely to slow in the coming months, Lagarde described the bloc's economy as resilient. Headline eurozone inflation edged up to 2.1% in August from July's 2.0% while core eurozone inflation remained unchanged at 2.3%.

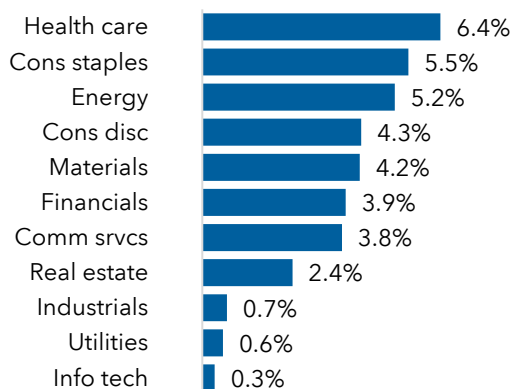
Eurozone private sector activity surprised on the upside in August, with the HCOB Eurozone Composite PMI firming to 51 from July's 50.9. It contrasted with market forecasts of a deceleration in the gauge to 50.7 and marked the strongest private sector growth for the eurozone since May 2024. Overall, new orders increased for the first time in 14 months. The manufacturing sector experienced its first expansion since April 2022, defying market forecasts of further contraction. Services activity grew for a third successive month, although the pace of expansion eased modestly versus July. Business confidence, however, declined for a second consecutive month.

Sentiment on Germany's economic prospects softened in August. The ZEW Indicator of Economic Sentiment for Germany fell to 34.7, down from July's 52.7, marking the first deterioration in four months. ZEW pointed to disappointment around the terms of the recent EU-U.S. trade deal and recent weak German economic data. Official data showed Germany's economy had contracted by 0.3% in the second quarter, worse than the preliminary estimate of a 0.1% decline. The HCOB Germany Composite PMI Output Index for August eased to 50.5 from July's 50.6.

U.K. equities rose. The Bank of England cut interest rates by 25 bps to 4.0%. This was despite inflation for July increasing to 3.8% from June's 3.6%. U.K. growth slowed to 0.3% in the second quarter from the first quarter's 0.7%. However, private sector activity picked up in August, with the U.K. S&P Global Composite PMI strengthening to a preliminary 53.5 – a one-year high – from July's 51.5 as services momentum accelerated.

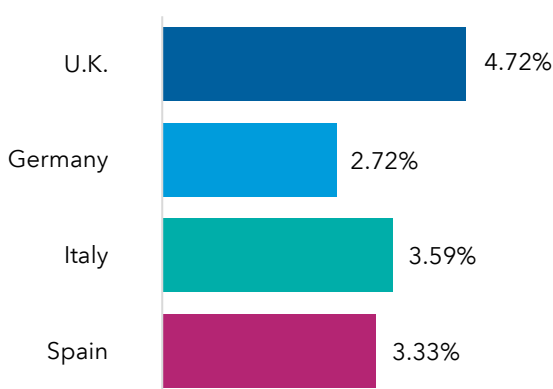
European government bonds advanced in U.S. dollar terms, although yields closed broadly higher. French 10-year government bond yields rose 16 bps to 3.51% on domestic worries, while German 10-year yields firmed by just 3 bps to 2.72%. Spanish and Italian 10-year yields increased 6 bps to 3.33% and 8 bps to 3.59%, respectively. U.K. gilt yields climbed 15 bps to 4.72% amid concerns over debt sustainability.

MSCI Europe total returns (Aug 2025)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures.

10-year government bond yields



Source: Bloomberg. As of August 31, 2025.

Asia-Pacific

Japanese equities rallied amid strong buying by overseas and domestic investors together with positive sentiment around the outlook for Japanese corporate earnings. Japan's economic growth picked up in the second quarter, while inflation for July fell for a third successive month. In terms of MSCI Japan Index sectors, energy, utilities and communication services led the advance. In contrast, information technology and health care trailed the index. The yen gained 2.5% versus the dollar.

Japanese inflation eased for a third consecutive month, down to 3.1% in July versus June's 3.3% to mark the lowest reading since November 2024. Electricity prices fell year on year while gas prices were flat. Food price inflation nevertheless accelerated against a sharp year-over-year increase in rice prices. Core inflation, which excludes fresh food but includes energy, also dipped to 3.1% from 3.3% in the prior month. This however surpassed economists' estimates, remaining well above the Bank of Japan's 2% target. Separately, Tokyo inflation fell to 2.6% in August from July's 2.9%, dampened by lower utility prices.

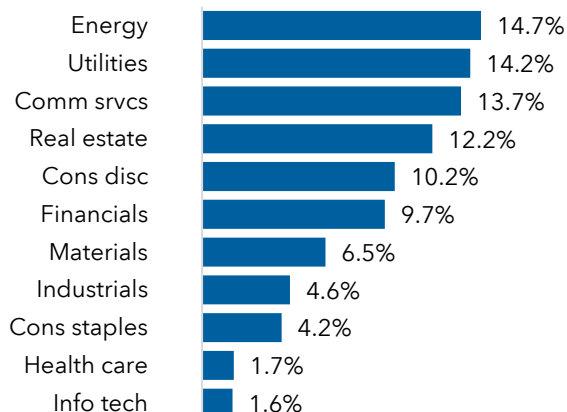
Growth beat economists' forecasts. The Japanese economy expanded by 0.3% in the second quarter versus consensus estimates of 0.1% amid stronger-than-anticipated consumer demand and business investment. Exports also contributed to growth as firms rushed through shipments ahead of higher U.S. trade levies. In addition, private sector activity firmed in August, with the S&P Global Japan Composite PMI rising to 52.0 from July's 51.6, supported by a fifth consecutive monthly expansion in the services sector. Nevertheless, separate data showed retail sales growth slowed to 0.3% year on year in July from June's 1.9%.

Hong Kong stocks closed higher. Private sector activity grew for the first time in seven months in August, with the S&P Global Hong Kong SAR PMI rising to 50.7 from July's 49.2. Meanwhile, Hong Kong's retail sales grew 1.0% year over year in July versus June's 0.3% decline.

Singapore equities surged. Survey data pointed to continuing expansion for the city-state's economy, with the S&P Global Singapore PMI at 51.2 in August versus July's 52.7. However, growth in new orders and output slowed month-on-month as higher U.S. trade levies weighed on demand.

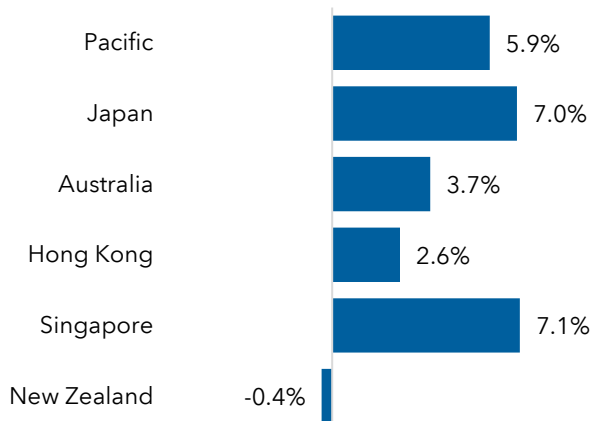
Australian stocks rose. The Reserve Bank of Australia cut its cash rate by 25 bps to 3.6%, the lowest level since April 2023. Private sector activity accelerated in August amid improving momentum in both manufacturing and services, with the S&P Global Australia Composite PMI rising to 55.5 from July's 53.8. This marks the 11th consecutive month of expanding private sector activity and is the fastest growth rate since April 2022.

MSCI Japan total returns (Aug 2025)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures.

MSCI Pacific total returns (Aug 2025)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures.

Emerging markets

Emerging markets (EM) equities generated positive returns. Brazil notched some of the best gains amid improving investor sentiment on the country, with inflation and fiscal worries fading to the background. China also advanced strongly, helped by some easing in U.S.-China trade worries and a further 90-day suspension of additional increases to respective levies. In contrast, Indian stocks fell after the U.S. hiked tariffs on the country's exports to 50% while voicing discontent on India's imports of Russian crude oil.

Chinese stocks made gains. U.S.-China trade worries eased, with the two sides agreeing to suspend a new wave of higher tariffs for another 90 days. However, data suggested existing U.S. trade levies and weaker domestic consumer momentum were weighing on Chinese growth. Industrial production grew 5.7% year over year in July, down from June's 6.8%, while retail sales growth slowed to 3.7% from 4.8% in the prior month. Survey data showed factory activity fell for a fifth successive month in August against subdued demand, with the official National Bureau of Statistics Manufacturing PMI at 49.4 versus July's 49.3. Chinese consumer prices were flat year over year in July compared with June's 0.1% increase.

Indian stocks slid against worries over the impact of higher trade levies. The U.S. announced an extra 25% tariff on Indian goods as a punitive measure over the country's imports of discounted Russian crude oil. It brought the total new U.S. levy imposed on India's exports to 50%. India's private sector activity nevertheless picked up in August, with the HSBC India Composite PMI reaching 63.2 versus July's 61.1. Official data also showed Indian growth accelerated to 7.8% on an annual basis in the three months to June from the prior quarter's 7.4%.

Latin American equities advanced. Brazilian stocks made good gains, rebounding from the prior month's losses to trade at all-time highs as inflation and fiscal worries faded to the background. Inflation fell below market estimates to 5.23% in July from June's 5.35%, the lowest level in 5 months. Notwithstanding some skepticism, the government submitted 2026 budget plans targeting a modest fiscal surplus.

Emerging markets debt (EMD) closed higher, with local EMD (returns in U.S. dollars) outpacing hard currency EMD. Brazil was among the top contributors as domestic inflation for July fell closer to the upper level of its central bank's target and improving investor sentiment on Brazilian assets helped the real to strengthen versus the U.S. dollar. Mexican debt also outpaced the wider market. The Bank of Mexico cut its key interest rate by 25 bps to 7.75% while inflation for July dropped sharply to its lowest level since 2020, in line with market estimates.

Turkish bonds advanced, with the country's local currency EMD (returns in U.S. dollars) outpacing its hard currency debt. Inflation continued to fall, down to 32.95% in August versus July's 33.52%. Turkey's economy grew 1.6% in the second quarter, accelerating from the first-quarter's 0.7% pace.

August 2025 total returns (%)

Equity indexes	(USD)	Fixed income / currency	USD debt (USD)	Local debt (USD)	Local debt (Local)	Exchange rate (vs. USD)
MSCI Emerging Markets	1.3	JPM EMBI Global Div	1.6	–	–	–
MSCI Brazil	10.3	JPM GBI-EM Global Div	–	2.2	0.8	–
MSCI China	4.9	Brazil	2.1	4.9	1.7	3.1
MSCI India	-3.1	China	1.1	0.5	-0.3	0.8
MSCI Mexico	3.2	Indonesia	1.0	1.5	1.7	-0.2
MSCI South Africa	6.7	Malaysia	1.3	1.5	0.5	0.9
MSCI Korea	-1.9	Mexico	1.8	3.5	2.5	1.0
MSCI Saudi Arabia	-1.1	Poland	1.0	2.8	0.3	2.5
MSCI Taiwan	-0.8	South Africa	1.6	2.9	0.7	2.2
MSCI Thailand	-0.3	Turkey	1.7	2.2	3.6	-1.4

Source: RIMES.

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Unless otherwise noted, all returns are in U.S. dollars and assume the reinvestment of dividends. Country stock returns are based on MSCI indexes.

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Bloomberg indexes are unmanaged, and results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **Bloomberg U.S. Aggregate Index** represents the U.S. investment-grade fixed-rate bond market. **Bloomberg Global Aggregate Index** represents the global investment-grade fixed income markets. **Bloomberg U.S. Corporate Investment Grade Index** represents the universe of investment grade, publically issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. The **Bloomberg U.S. Corporate High Yield Bond Index** measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. **U.S. Dollar Index** is a market index benchmark used to measure the value of the U.S. dollar relative to other widely traded international currencies.

The CBOE Volatility Index is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time mid-quote prices of S&P 500 Index call and put options.

S&P Global purchasing manager indexes (PMIs) track business trends across both manufacturing and service sectors for various countries. The indexes are based on data collected from companies and follow variables such as sales, new orders, employment, inventories and prices. The **S&P Global U.K. Composite PMI**, the **S&P Global U.S. Composite Purchasing Managers' Index**, the **S&P Global Hong Kong SAR PMI**, the **S&P Global Singapore PMI** and the **S&P Global Australia Composite PMI** provide similar information for the United Kingdom, the United States, Hong Kong, Singapore and Australia respectively. The **S&P Global Japan Composite PMI** provides similar information about Japan.

The **HCOB (Hamburg Commercial Bank) Purchasing Managers' Index** measures private sector economic activity in the euro area, based on a survey of companies in the euro area manufacturing and service sectors. The **HCOB Germany Composite PMI** provides similar information for sectors in Germany. The **National Bureau of Statistics Manufacturing Purchasing Manager Index** measures the performance of China's manufacturing sector and is derived from a survey of state-owned companies. The **HSBC India Composite PMI** measures private sector activity in India based on a survey of manufacturers and service providers.

The ZEW Indicator of Economic Sentiment measures the level of optimism that analysts have about the expected economic developments in Germany over the next six months.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified and related country-specific indexes track total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, eurobonds.

J.P. Morgan Government Bond Index – Emerging Markets (GBI-EM) Global Diversified and related country-specific indexes cover the universe of regularly traded, liquid fixed-rate, domestic currency emerging market government bonds to which international investors can gain exposure.

MSCI indexes are free-float-adjusted, market-capitalization weighted indexes. Developed market index results reflect dividends net of withholding taxes. Emerging market index results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter. Each index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **MSCI All Country World Index (ACWI)** is designed to measure results of more than 40 developed and emerging equity markets. **MSCI All Country World (ACWI) ex USA Index** is designed to measure equity market results in the global developed and emerging markets, excluding the United States. **MSCI EAFE® (Europe, Australasia, Far East) Index** is designed to measure developed equity market results, excluding the United States and Canada. **MSCI Emerging Markets Index** is a free-float-adjusted market-capitalization-weighted index designed to measure equity market results in more than 20 global emerging markets. Individual emerging markets listed herein represent a subset of the MSCI Emerging Markets Index. **MSCI Europe Index** is designed to measure developed equity market results across 15 developed countries in Europe. **MSCI Pacific Index** is designed to measure the equity market performance of the developed markets in the Pacific region. It consists of Japan, Australia, Hong Kong, New Zealand and Singapore. **MSCI World Index** is designed to measure equity market results of developed markets. The index consists of more than 20 developed-market country indexes, including the United States. **MSCI Japan Index** is designed to measure equity market performance in Japan.

Nasdaq Composite Index is a broad-based market-capitalization-weighted index that measures all domestic and international-based common-type stocks listed on The Nasdaq Stock Market.

S&P 500 Index is a market-capitalization-weighted index based on the results of 500 widely held common stocks. This index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes.

The Core Personal Consumption Expenditures (PCE) Price Index is a measure of prices paid for U.S. goods and services, excluding food and energy.

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