

World markets review — May 2025

Equities

Global equities rallied, boosted by news that the U.S. and China had agreed to lower tariffs. Business and consumer sentiment in the U.S. improved amid hopes of further de-escalation in trade tensions and more trade deals to come. Developed markets led, with cyclical stocks strongly outpacing defensive ones. Within emerging markets, Chinese stocks lagged the broader index, but still produced a positive return, as increased optimism on trade was partly offset by concerns around China's economy. Volatility declined, with the May CBOE Volatility Index (VIX) closing at 20.0, down 16.6% month on month. (A VIX reading of 20 is widely viewed as an indicator of moderate market volatility.)

Most sectors of the MSCI All Country World Index (ACWI) were higher. Information technology, communication services and industrials notched up the best gains. Health care was the only sector in negative territory.

Equity index returns (%)	May 2025		YTD 2025	
	U.S. dollar	Local currency	U.S. dollar	Local currency
S&P 500	6.3	6.3	1.1	1.1
MSCI ACWI	5.7	5.6	5.3	3.0
MSCI ACWI ex USA	4.6	4.3	14.0	7.0
MSCI World	5.9	5.9	4.9	2.7
MSCI Emerging Markets	4.3	3.1	8.7	5.6
MSCI EAFE	4.6	4.7	16.9	7.6
MSCI Europe	4.6	4.4	20.6	10.2
MSCI Pacific	4.5	5.2	10.1	2.9

Source: RIMES.

Fixed income

Global bonds lost ground amid growing concerns over the level of government borrowing. U.S. 10-year Treasury yields climbed 24 basis points (bps) to 4.40% while Japanese and U.K. 10-year government bond yields were up 18 bps to 1.49 bps and 20 bps to 4.65%, respectively. German 10-year yields rose by just 6 bps to 2.50%. Global credit ended marginally higher, led by the high-yield segment.

In foreign exchange markets, the U.S. Dollar Index eased 0.1%. The euro and Japanese yen were down 0.1% and 1.1% versus the dollar, respectively, while the British pound gained 1%. Emerging markets currencies were mixed against the dollar, with certain Asian currencies appreciating sharply against the greenback.

Fixed income index returns (%)	May	YTD	Exchange rates (% change vs. USD)	May	YTD
	2025	2025		2025	2025
Bloomberg U.S. Aggregate	-0.7	2.4	Euro	-0.1	9.6
Bloomberg Global Aggregate	-0.4	5.3	Japanese yen	-1.1	8.9
Bloomberg U.S. Corp IG	-0.0	2.3	British pound	1.0	7.7
Bloomberg U.S. Corp HY	1.7	2.7	Canadian dollar	0.5	4.6
JPM EMBI Global Diversified	1.1	3.2	Australian dollar	0.6	3.9
JPM GBI-EM Global Diversified	1.4	9.2	Swiss franc	0.0	10.3

Source: RIMES. Returns are in USD.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

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Past results are not predictive of results in future periods.

North America

U.S. equities jumped to register the largest monthly gains since November 2023 as trade worries faded. The U.S. and China agreed to reduce the extra tariffs imposed on each other's goods this year for at least 90 days. Separately, the House of Representatives narrowly passed Donald Trump's 'big, beautiful' tax bill which is expected to increase government borrowing by at least \$3tn over the next decade. The S&P 500 Index and Nasdaq rallied 6.3% and 9.6%, respectively, with growth stocks substantially outpacing value shares.

Most S&P 500 sectors made gains. Information technology led, followed by communication services, consumer discretionary and industrials. Shares of **NVIDIA** surged after the U.S. pledged to ditch AI Diffusion export controls, opening the way for major deals in the Middle East, including a landmark agreement for NVIDIA to supply advanced chips to Saudi Arabia. Shares also jumped after fiscal first-quarter results and second-quarter guidance beat analysts' forecasts against the accelerating rollout of AI infrastructure.

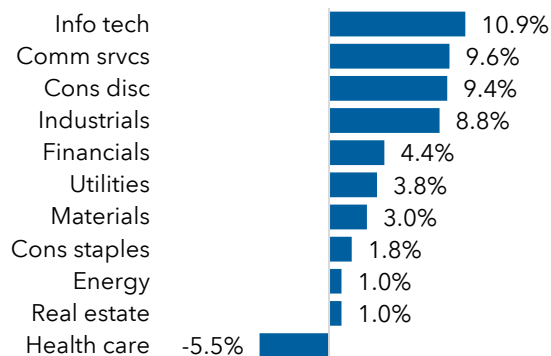
Health care was the exception as the only sector to end lower. Shares of **Eli Lilly** slid after pharmacy benefit manager CVS Caremark revealed it would exclude Eli Lilly's obesity drug Zepbound from its standard commercial formularies, having negotiated cost savings by favoring a rival treatment.

The Federal Reserve (Fed) left interest rates on hold in the range of 4.25% to 4.5% for a third consecutive policy meeting, with Fed chair Jerome Powell once again warning of increased risks for the central bank's inflation and unemployment goals due to higher U.S. trade levies. Fed policymakers also voiced concerns over recent signs of weakening in the safe-haven status of U.S. Treasury bonds against recent trade policy turmoil. Moody's became the latest agency to downgrade the U.S.'s credit rating, citing increasing government debt levels and a worsening budget deficit. U.S. headline inflation slowed to 2.3% in April from March's 2.4% while the Core Personal Consumption Expenditures (PCE) Price Index inflation gauge eased to 2.5% from 2.7%.

U.S. non-farm payrolls surpassed estimates, with the economy adding 177,000 jobs in April, just shy of the 185,000 created in March. Separate monthly survey data suggested U.S. private sector activity accelerated in May, with the S&P Global U.S. Composite Purchasing Managers' Index (PMI) firming to 52.1 from 50.6 in April. The Conference Board's Consumer Confidence Index rose to 98.0 for May from April's 86.0 as optimism around trade deals improved. Meanwhile, official data showed the U.S. economy shrank at an annualized 0.2% in the first quarter, a slight improvement from the initial estimate.

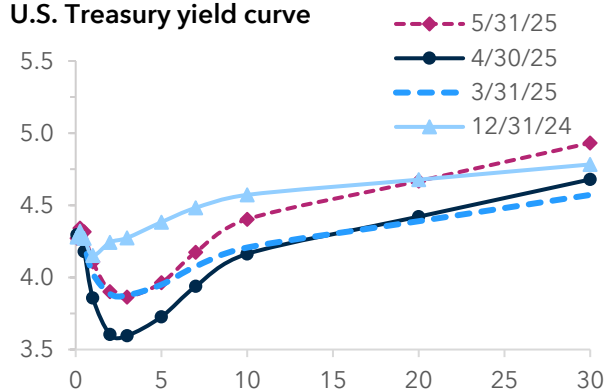
U.S. bonds ended modestly lower, with the Bloomberg U.S. Aggregate Index returning -0.72%. 2-year Treasury yields rose 30 bps to 3.90% while 10-year Treasury yields were 24 bps higher at 4.40%. In U.S. credit markets, high-yield debt rose despite investment-grade bonds (rated BBB/Baa and above) closing broadly flat. Spreads to Treasuries narrowed by 18 bps and 69 bps for investment grade and high yield, respectively.

S&P 500 total returns (May 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 made gains as trade fears eased. With eurozone inflation appearing subdued and private sector activity continuing to shrink, hopes grew that the European Central Bank (ECB) would announce a further reduction in interest rates in June. In terms of sectors, information technology, industrials and financials led. Health care and consumer staples were the principal laggards.

Eurozone inflation appeared subdued. Headline inflation dropped to 1.9% in May from April's 2.2%, marking the first time since September 2024 that inflation has been below the ECB's target and boosting expectations that the ECB will cut its deposit facility rate by 25 bps to 2.0% at its upcoming June policy meeting. ECB President Christine Lagarde suggested the impact of higher global trade tariffs for eurozone inflation was finely balanced, with likely inflationary effects from the higher cost of imports tempered by short-term deflationary impacts as a greater amount of cheap Chinese goods reach European markets.

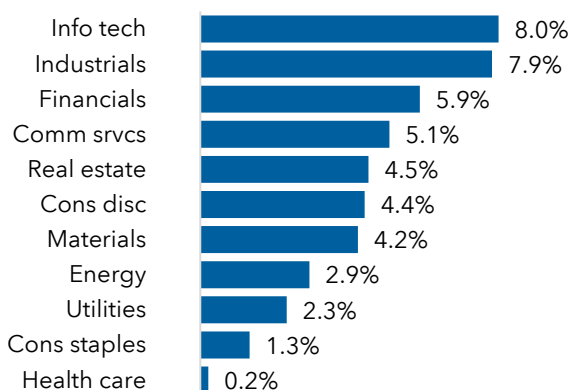
The eurozone's private sector shrank in May, marking the first overall contraction since December. The HCOB (Hamburg Commercial Bank) Purchasing Managers' Index eased to 50.2 from April's 50.4. Manufacturing was the main driver of output, offsetting the first decline in services activity since November last year. The European Commission trimmed its 2025 eurozone growth forecast to 0.9% from 1.3%, citing the impact of higher trade tariffs and increased global uncertainty.

Sentiment on Germany's economic outlook improved in May. The ZEW Indicator of Economic Sentiment for Germany leapt by 39.2 points to 25.2 after the country's Bundestag elected Friedrich Merz as Chancellor. Sentiment was also boosted by increased optimism on resolving trade disputes and hopes of further interest rate cuts from the ECB. Nevertheless, the HCOB Composite PMI for Germany dropped to 48.5 in May from 50.1 in April as the downturn in services deepened and manufacturing activity continued to shrink.

U.K. equities made gains as the country agreed trade deals with the U.S., India and EU. The U.K. economy grew 0.7% over the first quarter but there are signs of stagflation in the second quarter. U.K. headline inflation accelerated to 3.5% for April from March's 2.6% against increased housing and utilities costs. U.K. private sector activity rose, with the S&P Global U.K. Composite PMI at 50.3 in May versus April's 48.5. The modest expansion was driven by a rise in services output.

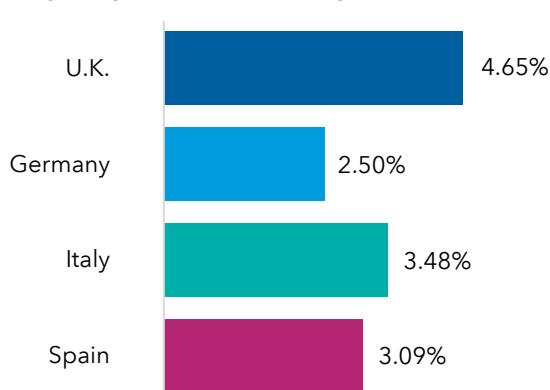
European government bonds were little changed overall. German 10-year bond yields firmed 6 bps to 2.50% while those of France eased 1 bps to 3.16%. Spanish and Italian 10-year yields were down 2 bps to 3.09% and 8 bps to 3.48%, respectively. Conversely, U.K. 10-year gilt yields climbed 20 bps to 4.65% on concerns over the U.K. government's fiscal discipline.

MSCI Europe total returns (May 2025)



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

10-year government bond yields



Source: Bloomberg. As of May 30, 2025.

Asia-Pacific

Japanese equities rose against rising hopes of a U.S.-Japan trade deal after the U.S. agreed a trade truce with China and a trade deal with the U.K. Japanese business survey data nevertheless showed sentiment on the outlook was continuing to deteriorate amid ongoing uncertainty around the outlook for global demand. In terms of sector returns for the MSCI Japan Index, financials, industrials and information technology fared best. In contrast, utilities, real estate and health care lagged. The yen fell 1.1% versus the dollar.

Japanese core inflation accelerated to 3.5% in April from March's 3.2%, rising at its fastest clip in over two years and supporting the case for further hikes in borrowing costs. The Bank of Japan (BoJ) left its key short-term interest rate on hold at 0.5% for a second consecutive policy meeting in May. However, BoJ Governor Kazuo Ueda signaled it would resume the rate hiking cycle later this year, with many investors anticipating a further increase to come in September. Japanese bond yields were additionally pushed higher by lackluster demand in a debt auction as the BoJ continued its strategy to taper bond purchases.

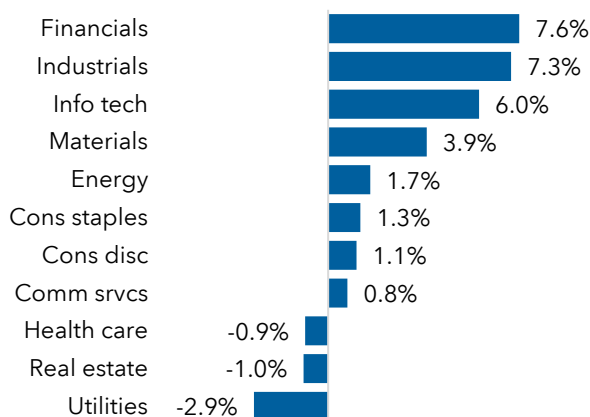
Private sector activity fell in May. The IHS Markit Japan Composite PMI dropped to 50.2 from April's 51.2 amid a slowdown in services alongside an ongoing contraction in manufacturing. New orders saw only a marginal increase reflecting softer demand for services and a milder drop in factory orders. Japan's retail sales grew 0.5% month on month in April versus March's 1.2% contraction.

Hong Kong stocks rallied sharply after the U.S. and China agreed to roll back some of the additional trade tariffs imposed on one another. Hong Kong's economy grew 3.1% year over year in the first quarter versus the 2.5% pace of the prior quarter, marking the fastest expansion since the fourth quarter of 2023. The improvement was driven by export strength as businesses stepped up shipments in advance of anticipated increases in U.S. trade levies.

Singapore equities delivered solid gains as trade worries eased. Singapore's economy shrank 0.6% in the first quarter versus the 0.5% growth of the prior quarter amid weakness in key services industries. This was despite some front-loading of export orders ahead of anticipated rises in U.S. trade levies. Retail sales grew 1.1% year over year in March following the 3.5% decline of the prior month.

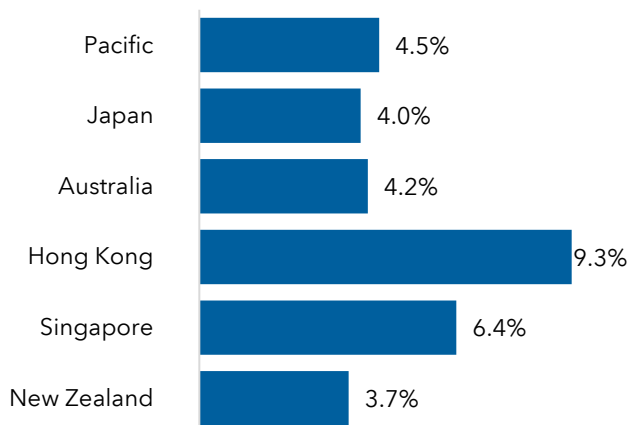
Australian stocks rose. The Reserve Bank of Australia lowered its cash rate by 25 bps to 3.85%, with its policymakers noting downside risks for the domestic economy and highlighting the potential for a re-escalation in global trade disputes. The S&P Global Australia Composite PMI eased to 50.5 in May from April's 51.0 as momentum slowed in both services and manufacturing.

MSCI Japan total returns (May 2025)



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

MSCI Pacific total returns (May 2025)



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

Emerging markets

Emerging markets (EM) equities made gains. Although a U.S.-China trade truce sparked increased optimism on the outlook for the Asia region, Chinese equities nevertheless lagged the MSCI Emerging Markets Index amid further signs of weakness for the domestic economy. The latter prompted the Chinese authorities to cut borrowing costs. Indian stocks also lagged the EM index as volatility increased due to a four-day military conflict between India and Pakistan. Brazilian equities were flat in a month that saw the country's central bank hike interest rates further to combat elevated inflation.

Chinese stocks closed higher, though trailed emerging markets equities amid worries on the domestic economy. China and the U.S. agreed a truce in their trade war, with the respective levies on each other's goods cut for at least 90 days. The additional tariffs placed on Chinese goods by the U.S. this year fell to 30% while those extra levies on U.S. imports to China were dropped to 10%. China cut its short-term benchmark interest rate by 10 bps to 1.4% as it sought to revive the domestic economy. Survey data suggested Chinese factory activity shrank for a second consecutive month in May, with the National Bureau of Statistics Manufacturing PMI at 49.5 versus April's 49.0. China's consumer prices eased 0.1% year over year in April, the third successive month of deflation.

Indian equities closed higher, despite experiencing some volatility given a four-day military conflict between India and Pakistan. India's economy grew 7.4% year over year in the first three months of 2025, accelerating from the prior quarter's 6.4% pace against robust expansion in fixed investment and consumer demand. Monthly survey data also highlighted further strengthening in business activity during May. Separately, headline inflation eased for a sixth consecutive month in April, down to 3.16% from March's 3.34%.

Latin American stocks rose, though lagged emerging markets equities, with Brazilian stocks closing broadly flat in U.S. dollar terms. Brazil's economy expanded 1.4% in the first quarter, accelerating from the prior quarter's 0.1%, supported by growth in fixed investment and private consumption. The Central Bank of Brazil hiked the Selic rate by 50 bps to 14.75%, with inflation remaining well above its upper target range.

Emerging markets debt (EMD) rose. Both local and hard currency EMD advanced over the month. South African debt led as a more subdued inflation outlook enabled the Reserve Bank of South Africa to cut rates by 25 bps. In contrast, Brazil lagged as it raised interest rates by another 50 bps in the face of elevated inflation.

Turkish local and hard currency debt advanced, despite the lira softening against the dollar. Turkey's economy grew 2% year over year in the first quarter, decelerating from the prior quarter's 3% pace. Inflation eased to 35.41% in May from April's 37.86%, the lowest level since November 2021.

May 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	4.3	JPM EMBI Global Div	1.1	-	-	-
MSCI Brazil	0.0	JPM GBI-EM Global Div	-	1.4	0.7	-
MSCI China	2.7	Brazil	-0.5	-0.2	1.0	-1.2
MSCI India	1.1	China	-0.1	0.8	-0.2	0.9
MSCI Mexico	4.4	Indonesia	0.4	2.7	0.8	1.9
MSCI South Africa	5.0	Malaysia	-0.4	2.3	1.0	1.4
MSCI Korea	7.8	Mexico	1.5	1.6	0.7	0.9
MSCI Saudi Arabia	-4.8	Poland	-0.9	0.2	-0.3	0.5
MSCI Taiwan	12.5	South Africa	2.0	5.8	2.7	3.0
MSCI Thailand	-3.3	Turkey	1.0	2.7	4.8	-2.0

Source: RIMES.

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Past results are not predictive of results in future periods.

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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, publicly 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** and the **S&P Global Flash Australia PMI Composite Output Index** provide similar information for the United Kingdom, the United States, and Australia respectively. The **au Jibun Bank Japan Flash Composite PMI**, also compiled by S&P Global, 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 Flash 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 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.

The Conference Board Consumer Confidence Index is based on a survey of consumer attitudes, buying intentions, vacation plans, and expectations for inflation, stock prices, and interest rates.

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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