The Monthly Edit / June 2025

We examine the markets daily, and our monthly update is a selection of key global stories explained through an investment lens.

Market headlines

Global equities in US dollar terms back to record highs in June. The MSCI All Country World Index in US dollars was back to all-time highs during June. US dollar weakness helped, while in sterling terms the index is still below its January high.

Trade negotiations see welcome progress, but tariff-pause cliff edge remains. Pauses in Trump's trade tariffs remained in place during June but economic and market relief from such tariff pauses is only temporary, with the risk that trade volatility could return.

Middle East endures a 12-day Israel-Iran conflict but ends with a fragile peace. Reports suggesting Iranian crude oil output at the end of June was higher than it was before Israel's offensive helped lower oil prices, helping to keep inflation expectations in check.

Market technicals point to potential near-term upside but caution is still warranted. Cautious positioning by larger institutional investors suggests markets could trend higher in the near-term. However, it's important not to become complacent – we believe a degree of caution is still warranted.

The big topics

When will Trump's trade tariffs impact show up in the economic data?

While tariff volatility continued to ebb in June following the hiatus earlier in Q2, any impact on broader economic data has thankfully so far been largely absent.

However, the eventual tariff impact on businesses and households may just be a question of when, rather than if. Companies for example are likely to run-down pre-tariff inventories first before they are either forced to pass on higher prices to consumers or take the cost on themselves hitting profit margins.

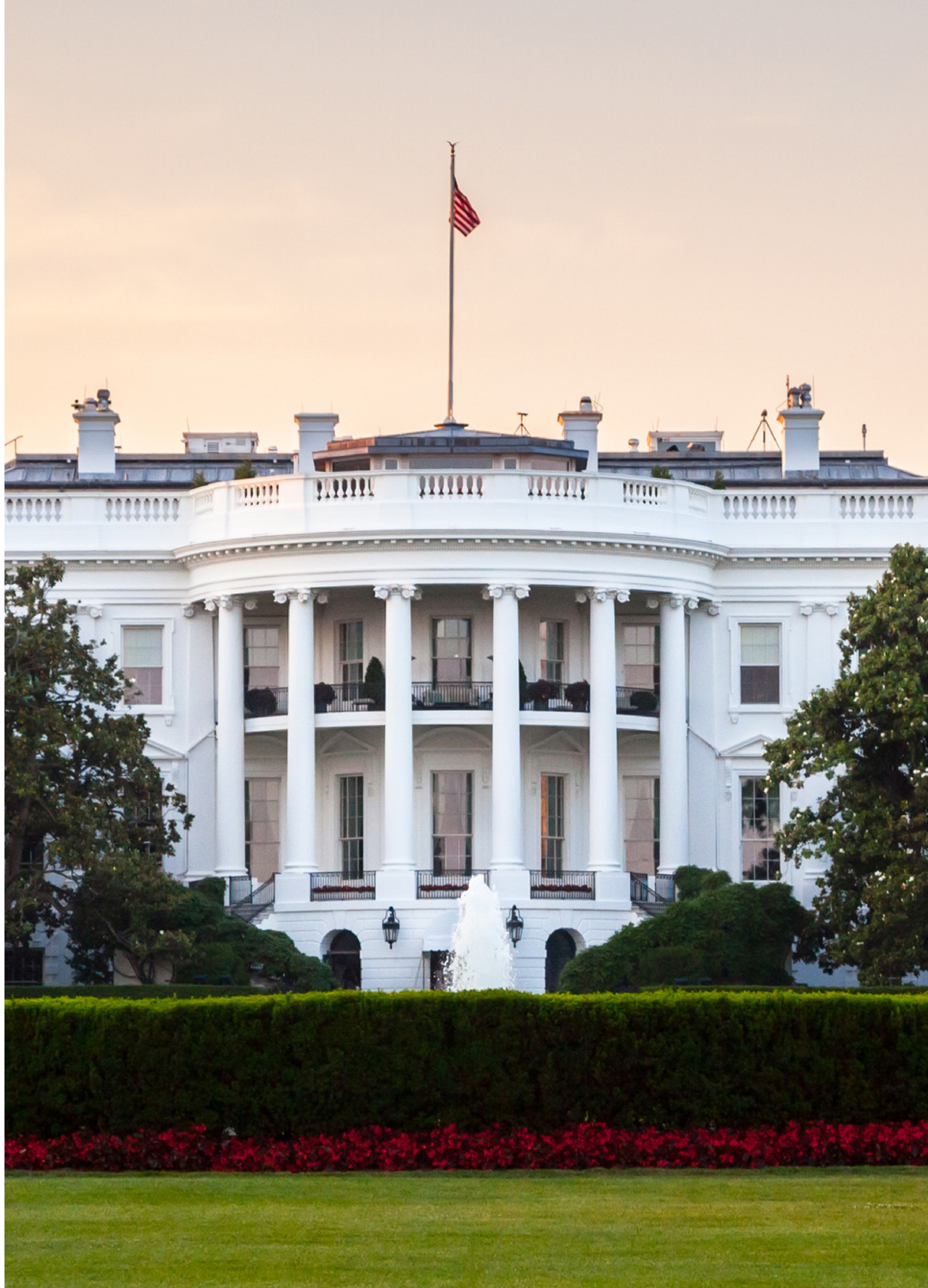
Later this year, there is a risk that we could see the increased trade friction weigh on both inflation and economic growth, reinforcing our relatively more cautious outlook.

Megacap technology seeks to play the AI 'long-game'

June saw technology stocks get a boost on hopes that longer-term capital expenditure ambitions remain intact.

The month saw news that Meta (the parent company of Facebook) entered into a 20-year deal with US nuclear operator, Constellation Energy (which operates the largest fleet of nuclear plants in the US), to supply energy for AI (Artificial Intelligence) infrastructure going forwards.

The news followed a similar 20-year energy supply deal that Microsoft signed last year. This indication of future energy planning from megacap technology companies buoyed investor confidence that the broader AI build-out is not a short-term phenomenon.



Banking deregulation offers a tailwind for risk assets

June saw the appointment of US President Trump's pick for a new US Federal Reserve (Fed) banking supervision chief, Michelle Bowman.

A Fed governor since 2018, Bowman is expected to relax banks' capital buffer requirements and offer a more sympathetic regulatory view towards banks' merger-and-acquisition activity.

It could spur bank deregulation globally if financial regulators in other jurisdictions around the world come under pressure to avoid disadvantaging their own home-grown bank champions. While deregulation could weaken banks' counter-cyclical resilience in weathering economic downturns, near-term it is likely to boost banks' lending growth and offer a tailwind for risk-assets more broadly.

A tug-of-war for inflation pressures leaves clouded outlook for interest rates

Inflation signals presented mixed messages during Q2.

While the UK saw renewed price pressures during the quarter, the US saw becalmed inflation data – even though fears remained that there might yet be a resurgence given US President Trump's tax-cut bill proposal risked buoying government deficit spending. Clouding the outlook, oil prices swung during the quarter.

While OPEC+ members (the Organization of the Petroleum Exporting Countries plus certain countries including Russia) continued to unwind post-COVID pandemic supply curbs thereby easing prices, an Israel-Iran conflict briefly pressured oil prices higher, before markets correctly assessed fighting had deliberately avoided oil production sites.

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