# QUARTERLY REVIEW OF FINANCIAL MARKETS AND OUTLOOK

# 2025/Q2

Renalco

# Contents


Overview 3

Macroeconomics 4-7

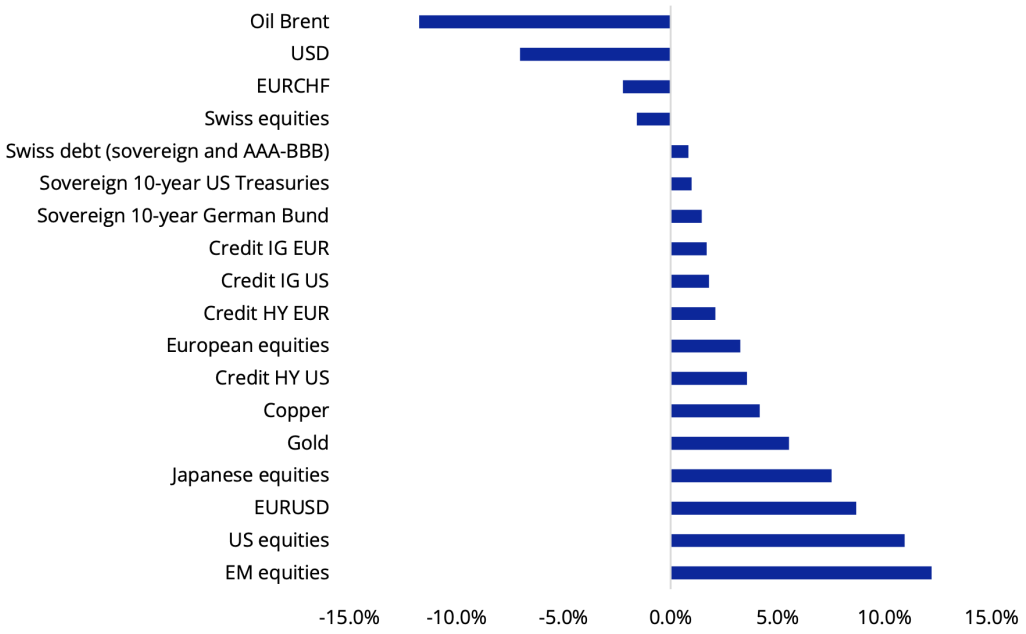
Bond Markets 8

Equity Markets 9

Commodities 10

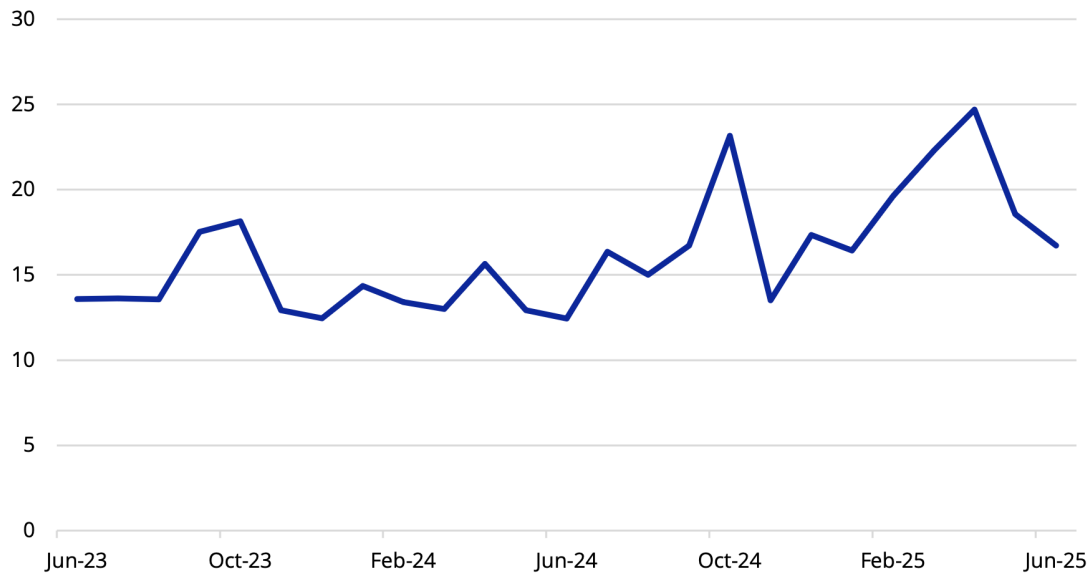
# Overview

## MAIN ASSET CLASSES
3-MONTHS PERFORMANCE




Source : Factset, 30/06/2025
Past performance is not a guarantee of future performance.

## VOLATILITY – VIX INDEX
EVOLUTION OVER 2 YEARS




Source : Factset, 30/06/2025
Past performance is not a guarantee of future performance.

# Macroeconomics

## United States: "Someone will have to pay for the tariffs"

**From the very first days of Q2, the trade war took center stage:** on Liberation Day, the Trump administration imposed "reciprocal tariffs" that quickly surged to 145% on Chinese imports, reigniting a protectionist cycle unseen since the 1930s. Negotiations from Geneva to London were intense, and signs of de-escalation are emerging between the world's two largest economies. However, as of the latest update, U.S. tariffs on Chinese goods stood at 55%. Meanwhile, the U.S. president also threatened Europe with 50% tariffs starting in July, maintaining an environment of uncertainty weighing on economic agents.

Domestic momentum in the U.S. remains solid but under pressure from tariffs. **Q1 2025 growth was revised down to -0.5% annualized**, highlighting distortions from pre-tariff import rushes. June PMI surveys show a second consecutive month of expansion (Composite: 52.8; Services: 53.1; Manufacturing: 52), largely driven by precautionary stockpiling and longer delivery times, symptoms of trade disruptions. On the household side, the University of Michigan confidence index fell in May to its lowest since 2022, signaling persistent consumer caution, though a rebound began in June.

Inflation remains contained so far: May CPI came in at 2.4% y/y (core at 2.8%), with goods prices nearly flat thanks to Chinese deflation and U.S. corporate destocking. However, the new round of tariffs could soon reverse this trend. **In this context, the Fed held its target rate at 4.25–4.50%** for the fourth consecutive time. **The dot plot median still implies 50 bps of cuts by December, though the committee is increasingly divided.** In Congress, Jerome Powell warned that "someone will have to pay for the tariffs," stressing that without the trade war, monetary policy would already be more accommodative. This summer's inflation reports will be decisive.

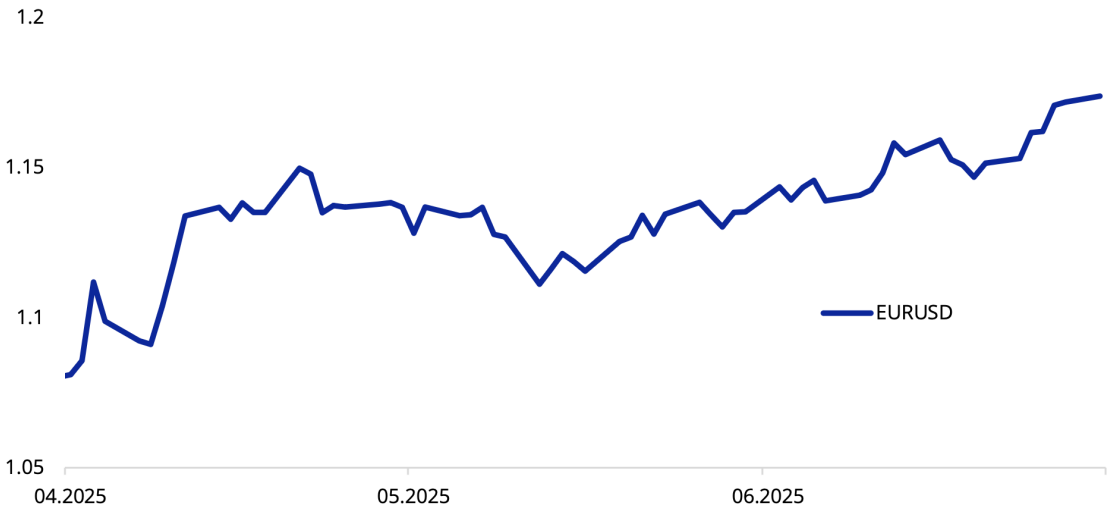
**The labor market continues its gradual cooling:** 139,000 jobs were added in May, with the average down to 123,000 since January. Unemployment holds at 4.2%, but participation has slipped to 62.4%. Continuing jobless claims are rising, reflecting a "Great Stay" where firms freeze hiring rather than lay off workers.

# Macroeconomics (...)

## Eurozone: Inflation and rates at 2%

**The ECB enacted two rate cuts this spring.** The deposit rate was lowered from 2.5% to 2.25%, then to 2%. The total easing amounts to 200 bps since June 2024, and the institution is now pausing. Trade war risks are prompting Christine Lagarde to preserve ammunition, and markets now expect only one more 25 bp cut by the end of 2025. Business confidence remains fragile.

**The third Q1 GDP estimate shows +0.6% q/q, mostly driven by accelerated exports to the U.S.** – especially from Ireland – ahead of trade barriers. The ECB still forecasts 2025 growth at +0.9%, and with current carryover close to 1%, the eurozone is likely to stagnate in H2. June PMI surveys confirm this slowdown: composite at 50.2 (Manufacturing: 49.4; Services: 50), marking the sixth month barely above contraction territory. The ECB sees disinflation progressing well (2025 inflation forecast revised down to 2%) thanks to a strong euro and falling energy prices.




Source : Factset, 30/06/2025
Past performance is not a guarantee of future performance.

With EURUSD above 1.17, the pair could soon test its recent 1.20 highs from 2018 and 2021. It gained 9.0% over the quarter. The likelihood of only one more ECB cut this year is supporting the single currency. Is this the “euro’s global moment” Christine Lagarde referred to in the FT this June?

# Macroeconomics (...)

## United Kingdom: One rate cut per quarter

**The Bank of England cut rates by 25 bps in May, lowering the Bank Rate from 4.50% to 4.25%.** Since then, it has paused, but the latest vote (6-3) shows a third of the committee already pushing for further easing. Markets assign over an 80% chance to another cut in August. Economic conditions are weakening: the third Q1 GDP estimate shows +0.7% q/q, but Q2 figures look less promising.

Activity remains marginally positive: June composite PMI at 50.7, with manufacturing well below 50 (47.7) and services holding modest growth (51.3). Inflation is easing gradually: June CPI at 3.4% (core: 3.5%), after a May spike due to regulated prices. The labor market is loosening: unemployment at 4.6%, job gains down to +89,000 over three months, and wage growth ex-bonus slowing to +5.2% y/y – welcome signs for the BoE.

## Switzerland: Back to zero

**In Q2, the Swiss National Bank (SNB) cut its policy rate to 0%, clearly responding to a return of deflation.** In May, annual inflation was -0.1%, a symbolic figure that worries observers, even if the SNB calls it an isolated data point. Still, the SNB warns that a move into negative territory isn't ruled out if the franc remains strong. The Swiss franc's strength, bolstered by its safe-haven status amid trade tensions, is fueling deflationary pressure.

It hurts export competitiveness and depresses already declining consumer prices. GDP growth in Q1 (+0.8% q/q) was driven by massive exports ahead of U.S. tariff hikes. But this performance is fleeting: **the economy is slowing in H2, as reflected by deteriorating business sentiment**. In June, the KOF index hit its lowest level since October 2023.

## Japan: BoJ adjusts QE policy

**The Bank of Japan (BoJ) held its policy rate at 0.5% throughout Q2 amid persistent uncertainty.** Inflation remains high (+3.6% y/y), but is still largely food-driven. The BoJ continues to forecast a shift toward "virtuous" inflation supported by wage growth by 2026–2027. **It also announced a gradual tapering of QE**: JGB purchases will be reduced by ¥400 billion per quarter through March 2026, then by ¥200 billion, instead of the originally planned ¥400 billion. This cautious approach aims to prevent another surge in long-term yields, which peaked at 3.2% for 30-year maturities in May.

On the activity side, Q1 GDP growth was flat, and outlooks remain bleak. Trade talks with the U.S., including a brief Ishiba-Trump meeting at the G7, failed to lift tariff threats: neither the reciprocal 24% duties nor the 25% auto tariff have been eased.

# Macroeconomics (...)

## China: A deceptive consumer rebound

China's Q2 economic performance shows signs of resilience, but growth is driven by unstable factors. The main bright spot is consumption: **retail sales jumped +6.4% y/y in May**, far exceeding the +5% forecast. However, this surprising number reflects temporary factors – mainly the "618" shopping festival (JD.com's anniversary), which sparked prolonged discount campaigns. In short, **the consumer revival remains artificial and heavily reliant on external stimuli**, confirmed by the extension of the "old-for-new" government scheme to support fragile household demand.

**Consumer prices continued falling in May** (-0.1% y/y, fourth monthly decline), highlighting ongoing deflation. While this helps export competitiveness, it fosters a precautionary spiral: high savings, slow real income growth, and fragile household confidence. Globally, tensions remain high: Beijing has strategically used rare earths to counter rising U.S. tariffs (now at 55%), but this tactical move doesn't offset the depressive impact of disrupted trade flows.

## India: Monetary easing continues

**India's Q1 2025 GDP rose by 2% q/q** (7.4% y/y), driven by strong investment, especially in construction and infrastructure. Despite this momentum, the IMF lowered its 2025-2026 growth forecast to 6.2%, citing global uncertainties. **Inflation has also slowed sharply: May CPI fell to 2.82%**, the lowest since 2019, due to a 13.7% drop in vegetable prices. The RBI now expects average inflation of 3.7% for 2025-2026, bolstering price stability expectations.

**The central bank eased monetary policy: the repo rate was cut to 5.50% in June** (third cut in a row), and the cash reserve ratio (CRR) lowered to 3%. It has adopted a neutral stance, signaling data-dependent decisions. On trade, India and the U.S. are accelerating negotiations to reach a deal before the tariff truce expires on July 9. Major disagreements persist, especially over India's agricultural market access (which New Delhi resists to protect small farmers) and duties on autos and steel.

# Bond Markets

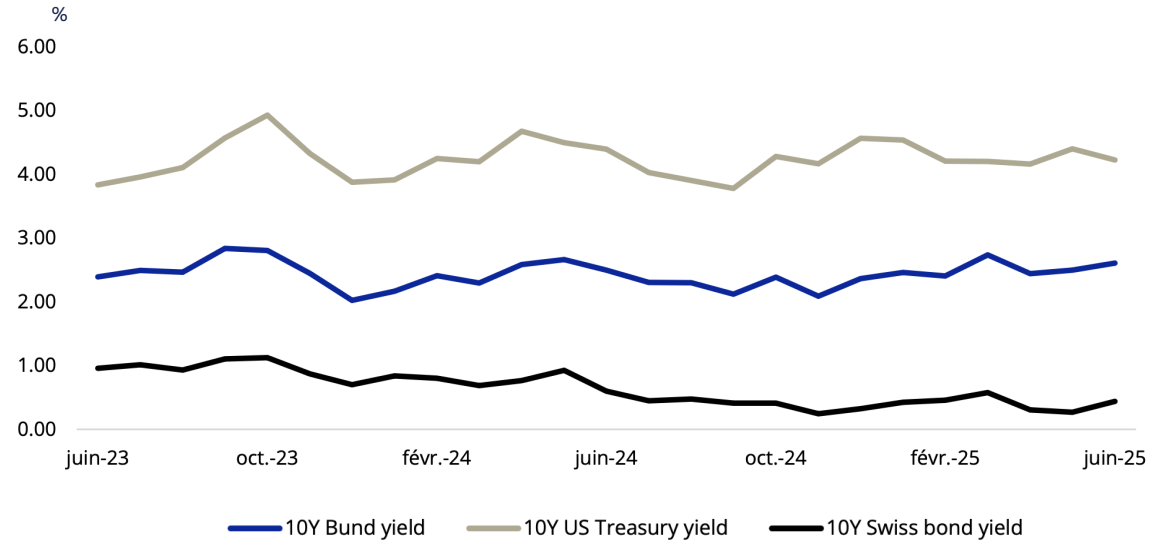
## Rates: The storm before the calm

**The quarter began under high tension: in April, Liberation Day sent shockwaves through bond markets.** Treasuries lost safe-haven status, the 10-year yield surged by 50 bps past 4.7%, and the curve steepened sharply. Volatility spiked to extremes (MOVE > 100), before a temporary tariff freeze eased markets. **But U.S. rates could rise again due to serious fiscal concerns and a tax cuts plan** (the Big Beautiful Bill) still facing Senate hurdles at quarter-end. Easing eventually materialized, thanks to contained inflation, confirmed slowdown (Q1 GDP revised to -0.5%), and dovish Fed voices. By late June, the 10-year returned to year lows (4.2%), with calmer volatility.

## Credit: Appetite remains strong

**After a modest widening in April, credit spreads narrowed sharply in May and June,** buoyed by renewed demand, strong primary market activity, and no systemic stress. They returned to early-year levels. U.S. high-yield outperformed (40–50 bps tightening), and abundant June issuance didn't hamper performance.

**10Y SOVEREIGN BOND YIELDS**
EVOLUTION OVER 2 YEARS




Source : Factset, 30/06/2025
Past performance is not a guarantee of future performance.

# Equity Markets

## Equities: Wall Street rebounds harder than Europe

Q2 started poorly: early April's Liberation Day triggered panic in equity markets. Trump's aggressive tariff threats caused U.S. indices to plunge within days, with the VIX briefly above 50. **But a partial rollback of tariffs and a 90-day truce announcement reignited the bull run by mid-April.**

Wall Street surged. The S&P 500 gained 10.6% for the quarter, Nasdaq 100 jumped 17.6% (both in USD), driven by massive inflows into tech. By quarter-end, the S&P Technology sector posted +23.5%, fueled by a spectacular Nvidia rally (+45.8%). Easing Middle East tensions, a weaker dollar, and hopes for a more dovish Fed supported the broad rally.

In contrast, Europe lagged. The Stoxx Europe 600 gained just 1.4% in EUR, hampered by limited tech exposure, a strong euro, and continued underperformance in major sectors like luxury and healthcare. While some defense-related stocks stood out, they weren't enough to close the gap with U.S. markets. Still, Europe leads the U.S. for H1 overall.

# Commodities

## Oil: The Strait War That Wasn't

**Q2 saw two bouts of high volatility, but the conclusion is clear: Brent fell 9.5%, showing a market dominated by structural bearish forces.** The first shock came in April, right after Liberation Day. The revived trade war slashed global growth expectations. Simultaneously, Saudi Arabia opened the taps to punish OPEC+ cheaters, sending Brent down over 15%, near $60. The second jolt came in June with military escalation between Israel and Iran.

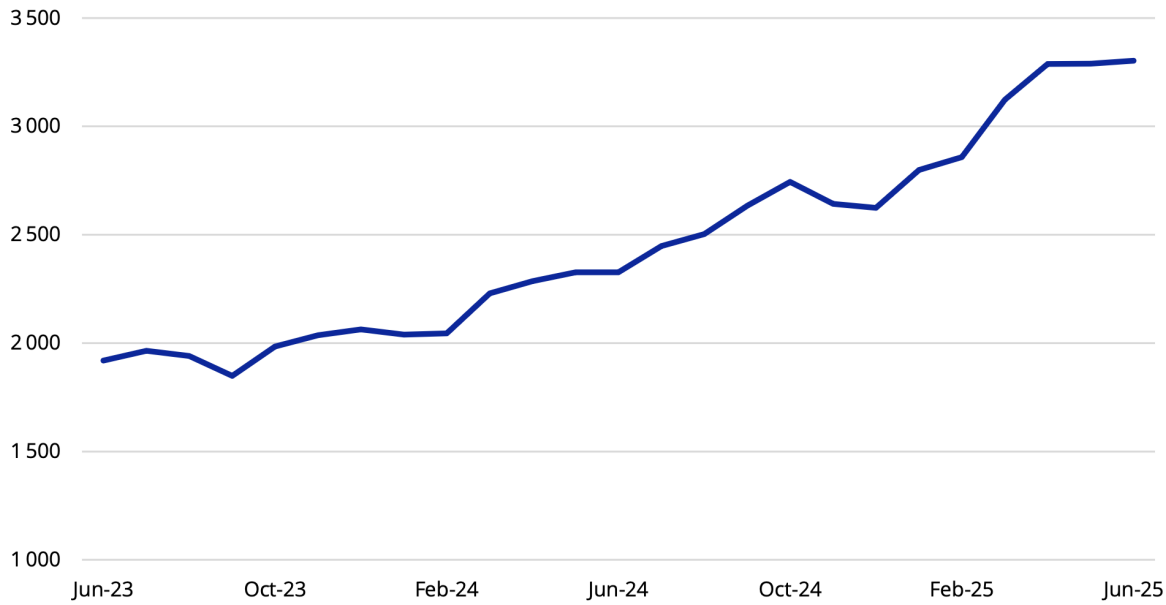
The threat of closing the Strait of Hormuz triggered a geopolitical risk premium: Brent briefly spiked to $80, but Tehran's measured response quickly pulled prices back. This false bullish signal showed that without lasting supply disruptions, oversupply dominates.

## Precious Metals: Gold and Silver Shine in Turns

**Gold rose 5.8% and silver 5.9% over the quarter, but their paths diverged.** In April, during the Liberation Day shock and dollar slump, gold soared, reclaiming its safe-haven role amid distrust in U.S. assets and concerns over the dollar's status. It reached a historic high near $3,500/oz. Silver, more cyclical, fell behind due to market weakness and recession fears. In May, commercial détente and rate stability kept both metals steady.

Gold consolidated gains, while silver stayed muted, awaiting clearer recovery signals. In June, the trend reversed: risk appetite boosted silver, while gold corrected slightly on profit-taking and a less anxious climate. Yet, strong demand from central banks and investors (especially in China) continues to support gold mechanically.

**GOLD**
EVOLUTION OVER 2 YEARS




Source : Factset, 30/06/2025
Past performance is not a guarantee of future performance.

# Disclaimer & Copyright

## Disclaimer

This document is for informational purposes only and in no way may be used or considered as an offer or inducement to buy or sell any securities or other financial instruments. Although all information and opinions contained herein have been compiled from sources believed to be reliable and trustworthy, no representation or warranty, express or implied, is made as to their accuracy or completeness.

The analysis in this document is based on many assumptions and different assumptions can lead to significantly different results. Historical performance is in no way representative of future performance. This document has been prepared only for professional investors, who are expected to make their own investment decisions without undue reliance on its contents. This document may not be reproduced, distributed or published without prior authorization from Renalco SA.

Document completed on **June 30th, 2025**.

© 2025 Renalco SA. All rights reserved.

# Independent Private Wealth Management & Family Office Services

Renalco is an independent, recognised and pioneering private wealth management company based in Geneva, Switzerland since 1979 and regulated by FINMA.

Our highly experienced investment managers deliver a personalised boutique service providing tailored solutions to Swiss and international clients. Our liberty to act ensures your assets are solely managed with your interests in mind.

Renalco also offers family office services and a wide range of other services through its international network based on an open architecture model. Renalco is closely connected to a reputable and leading Geneva law firm.

**Your safe harbour in Switzerland.**

https://renalco.ch

SCAN ME

Renalco

Rue du Général-Dufour 15
1204 Geneva - Switzerland

+41 22 321 17 00 / info@renalco.ch