

# Market Monthly

## May 2025

### Highlights

- Economics** Global equities continued the rebound that started mid-April with both European and US indices finishing on a positive note. In the US, annualized GDP for 1Q25 was revised from -0.3%, down to -0.2% while the unemployment rate remains unchanged at 4.2% as expected. Final US Manufacturing PMI for April came in as expected at 50.2, same as previous. Services final April numbers remained weakened at 50.8 compared to the previous 54.4 and expected 51.2. In Europe the picture was a bit different, YoY GDP for 1Q25 remained as previous at 1.2% and as expected; PMI numbers for final April improved with manufacturing at 49.0 (prior 48.6 and expected 48.7), services came in better than expected (49.7) at 50.1, but declined from the previous 51.0.
- Inflation:** April CPI in USA retracted from 2.4% to 2.3% (2.4% expected) and the preferable FED measure, core price inflation (PCE) YoY decreased to 2.1%, expected 2.2%, with the previous figure at 2.3%. Eurozone inflation remained at 2.2% as expected and revised previous value. Inflation figures in other economies were as follows: China -0.1%, India 3.16%, Brazil 5.40%, Russia 10.23%
- Central bank interest rates:** The May meeting of the FED yielded no change, the upper bound rate remain at 4.50%. The next meeting is scheduled for June 18, 2025. The ECB's next meeting is scheduled for June 05, 2025. The current Main Refinancing rate is at 2.40%.
- Capital market rates:** During the month of May, the yield on the 10Y Treasuries moved up to about 4.4% from 4.2%. The general USD yield curve moved up as a whole from 1Y to 30Y. In the 10Y Bund the moved down with the ECB decision from 2.69 to 2.44 during April.

### Tactical Asset Allocation

- Forex:** The USD remained stable against the EUR and remained at 0.88 EUR/USD.
- Bonds incl. High Yields (N<sup>1</sup>):** So far, our view with peak of yields on US Treasuries in April of last year still holds. Currently fixed income rebalances should be done to utilize the still high yield environment. USD yields have not moved much, but pressure and expectations continue that yields come down.

- Equities (U):** May was a positive month, with the US markets S&P500 up +6.15% with the Dax was +6.67%; Eurostoxx 50 +4.00% and the SMI +0.91%.
- Commodities (U):** Crude oil rebounded after the weakest month in a long time. Oil at the end of April was at \$58.21/barrel and moved up 4.4% during May to finish at \$60.79/barrel. Various conflicts continue, and fears of a global recession brought on by tariffs led by the new US administration continue. Gold remained largely unchanged from end April \$3'287/oz to end of May \$3'288/oz.

### Investment Ideas<sup>ii</sup>

- Our exposure in equities remains reserved and we are focused on taking opportunities as governments start negotiations.



Performance Equity Markets MSCI World 5Y



EURUSD Technical Chart 5y, Bloomberg

<sup>1</sup> How to read: (U) underweight; (N) neutral; (O) overweight

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