June 2025

Investment News

Our market round-up and news affecting UK investments

Global equities rebound in May but still some way off peak

Month in brief

Global equities posted positive returns in May, back into positive territory since the beginning of the year

The Bank of England cut rates in early May but the Federal Reserve held its main lending rate constant

A sharp increase in oil production has seen the oil price continue to struggle

UK gilts yields rose and corporate bond spreads tightened over May

Click to watch James' two-minute video.

James Pollard
Investment Associate



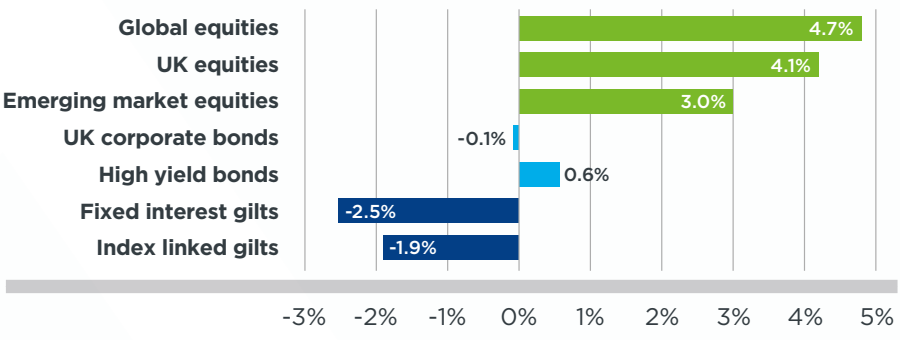
A combination of better-than-expected US inflation figures, temporary tariff pauses and a trade agreement between the UK and US laid the foundations for a bumper month for major global equity markets in May.

Understandably, equity markets turned a corner in May when the Trump Administration announced it would delay some of its aggressive tariff policies. US and China trade tensions eased with both countries pausing tariff increases for 90 days and the 50% tariff that was set to be imposed on the Eurozone by the US was also paused. The S&P 500 and the tech heavy NASDAQ indices finished the month up 6% and 10% respectively. The FTSE 100 index finished 3% up over May and the European Stoxx 600 was up 4%.

The Bank of England cut its bank rate early in May by 0.25% to 4.25%. However, with data showing that the UK Consumer Prices Index had hit a 15-month high of 3.5% in the year to April, markets are now pricing in just one further quarter point rate cut for the rest of 2025. There are also suggestions of a pause in rate cuts for the European Central Bank (ECB) whilst EU-US trade negotiations remain ongoing. The European Commission have scaled back their growth outlook for the Eurozone to just 0.9% growth in 2025, whilst Eurozone inflation remains above expectations at 2.2% as of April, slightly higher than the ECB's target of 2%. The US saw inflation fall in May by more than expected but the Federal Reserve (Fed) opted to keep its main lending rate unchanged due to uncertainty over the inflationary impact of Trump's tariff policies – a move which President Trump called "a mistake" when he met with Fed Chair Powell at the end of the month.

Global and regional equities performed strongly over the month

One Month to 31 May 2025



The international oil market has seen dramatic price volatility in recent months. Oil prices started May at a four-year low, with Brent Crude hovering just above $60 per barrel at the beginning of May, with prices picking up modestly by the end of the month. There has been a dramatic shift in OPEC+ production strategies as eight members, including Saudi Arabia and Russia, announced they would be producing a combined 411,000 barrels a day in May, June and July. Oversupply is squeezing profits for US oil producers who have had to reduce drilling and cut spending in contrast to President Trump's desire to expand US oil production and reduce US reliance on middle eastern oil.

Long dated fixed interest gilts fell in value over the month with the 30-year gilt yield narrowly missing out on a 27 year high, peaking at 5.48%.

Long term inflation expectations ended the month much how they started. UK investment grade corporate bond spreads tightened over the month and now sit just marginally higher than where they started the year after some widening in March and April. At a sovereign level, the US credit rating has been struck off its top notch "Triple A" rating by Moody's and, for the first time in history, does not hold the top rating by any of the big three rating agencies. US bonds suffered a minor sell off in response to the news.

The combination of rising gilt yields reducing the value of liabilities and positive returns for major growth asset classes is expected to have boosted aggregate UK DB pension scheme funding over May.

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Find out more

To discuss any of the issues covered in this edition, please get in touch with James Pollard. Alternatively, please speak to your usual XPS contact.



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