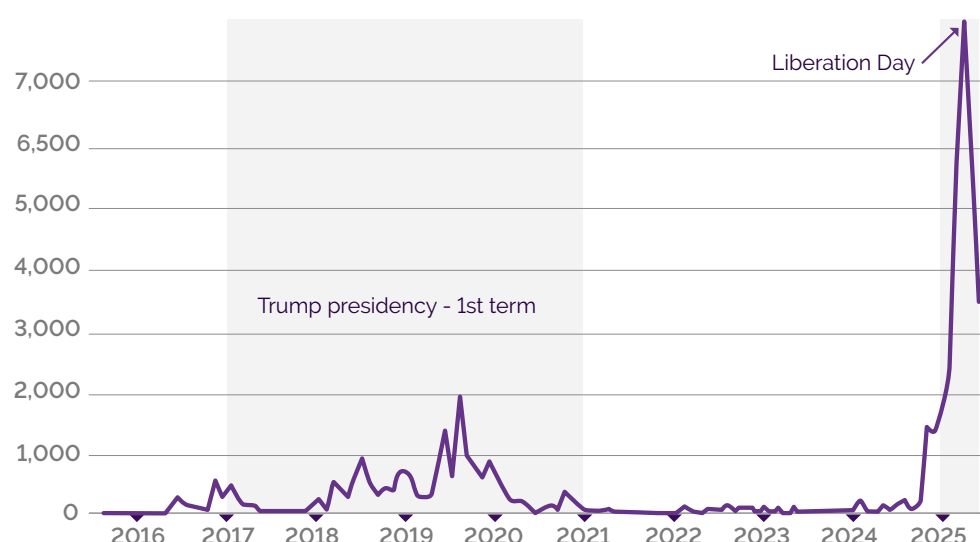


2025 Mid-year review: Markets adapt to a new policy playbook

US trade policy uncertainty peaked following 2nd April, 'Liberation Day'

US monthly trade policy uncertainty index*



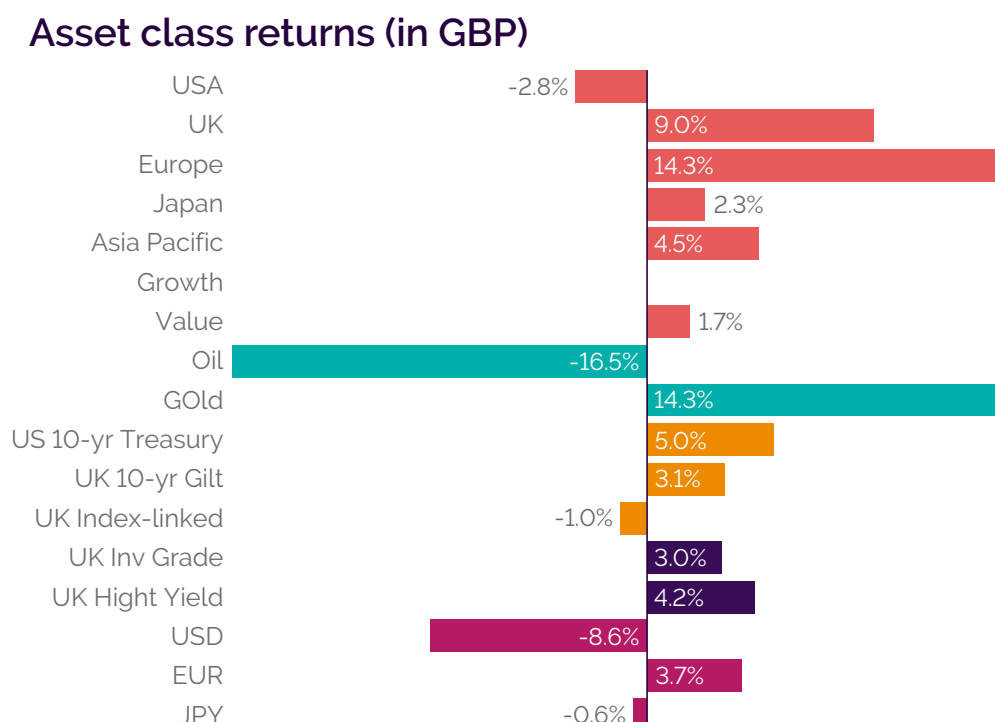
Source: LSEG Datastream/Evelyn Partners as at 23 July 2025. *This index reflects the frequency of articles in American newspapers that discuss policy-related economic uncertainty and also contain one or more references to trade policy.

The first half of 2025 was anything but predictable, yet markets proved remarkably resilient. Investors entered the year with optimism—broadening equity participation, solid earnings, and steady global growth all pointed to a promising start. However, that momentum was quickly tested as President Donald Trump's return ushered in a wave of policy shocks, including sweeping tariffs under the banner of "America First." Markets stumbled in April, with US tech giants leading a sharp correction. Yet, as the administration

softened its stance and economic data surprised to the upside, confidence returned. Corporate earnings remained robust, and despite rising inflation and reigniting conflict in the Middle East, markets rebounded strongly. While risks remain—from trade tensions to geopolitical instability—supportive government spending, resilient consumers, and the prospect of further interest rate cuts are helping investors look through the noise.

An overview by market sector

Major asset class performance in 2025



Source: LSEG Datastream/Evelyn Partners. Performance is in GBP. Data as at 30 June 2025.

United States

US equities weathered a volatile first half. The launch of DeepSeek—a disruptive, low-cost artificial intelligence (AI) model from China—in January triggered the first wave of selling, particularly across AI infrastructure and tech stocks. This was followed by a broader sell-off driven by aggressive tariff policy, which again hit large-cap tech stocks especially hard. Markets later regained ground as trade tensions eased. While corporate earnings remained solid in many areas, investor sentiment was weighed down by persistent inflation, lower global growth expectations, and continued uncertainty around trade policy. Markets regained their footing as economic data revealed limited impact from tariffs, with both consumers and the broader economy proving more resilient than expected. Looking ahead, investors are closely watching central bank actions—where anticipated interest rate cuts could provide further support for equities despite a cautious tone.

United Kingdom

The UK saw some volatility before and after the Autumn budget due to concerns over higher debt levels and future growth. At the beginning of 2025 had a strong start to the year but lost some momentum. A stronger pound weighed on multinationals, while UK-listed pharmaceutical companies came under pressure from US drug pricing reforms. Consumer staples and utilities also lagged, but financials continued to outperform, supported by falling interest rates and resilient margins. Political uncertainty resurfaced as the Labour government faces growing scrutiny over its ability to balance the books and its diminishing political capital. Despite these challenges, selective sector strength and attractive valuations support renewed investor interest in UK assets.

Europe

European equities outperformed in the first half, supported by attractive valuations, resilient earnings and accommodative monetary and fiscal policy. Despite a setback from tariff challenges, investor sentiment recovered quickly, buoyed by Germany's fiscal stimulus, increased investment in defence, and improving US-EU trade dialogue. Comparatively cheap valuations relative to US equities continued to underpin performance. This combination of supportive policy and solid fundamentals helped Europe stand out in an uncertain global environment.

Japan

Japanese equities underperformed other major markets, weighed down by a stronger yen, cautious foreign investor sentiment, and weakness in export-driven sectors amid global trade tensions. While corporate earnings remained broadly resilient and share buybacks were robust, investor enthusiasm was tempered by range-bound trading and uncertainty around US policy direction. Structural reforms, including wage-led inflation and improving corporate governance remain long-term positives, but in the near term, Japan lagged as investors favoured regions with stronger momentum and more aggressive policy support.

Emerging Markets and Asia

Emerging markets rallied, helped by a weaker US dollar and easing trade tensions. Chinese equities rebounded after a rocky start, ending the quarter on a high note following a US-China trade deal in principle. Taiwan and South Korea benefited from renewed AI optimism. India was supported by strong economic growth and steady investor confidence despite global trade tensions.

Gold

Gold surged to record highs above \$3,500/troy oz in May, driven by geopolitical risk and demand for safe-haven assets. Prices have since stabilised but remain elevated, supported by central bank demand and persistent uncertainty.

Bonds

The global bond market navigated a turbulent first half, shaped by shifting fiscal policies, evolving inflation expectations, and geopolitical tensions. Concerns about the inflationary impact of global trade policy and increased government spending—particularly from the One Big Beautiful Bill Act (OBBBA) in the US—drove long-dated government bond yields higher and prices lower. The sharp rise in yields, especially in the US and UK, reflected market unease over rising debt levels and expanded issuance. While these pressures initially created volatility, signs of slowing economic momentum and easing inflation helped calm markets later in the period.

Conclusion

- So far, 2025 has been a strong year across asset classes, despite heightened uncertainty. The global economy has shown resilience in the face of shifting trade dynamics, persistent inflation, and evolving central bank policy.
- Looking ahead, we expect global growth to moderate and inflation to remain elevated. However, this backdrop doesn't rule out continued strength in equities. Tax cuts (in the US), targeted government spending, and robust corporate earnings should continue to provide support and offset unpredictable government policy and geopolitical risks.