



AUG 2025 INVESTMENT UPDATE

HIGHLIGHTS

Market Review

- July 2025 ushered in renewed optimism across financial markets. Alongside robust US economic data, sentiment was also driven by favourable US trade deals with key partners like Japan, the EU, and South Korea.
- Global equities advanced in July, with the S&P 500 gaining 2.2% on the back of a resurgent "Magnificent 7 exceptionalism" narrative.
- USD rallied 3.2%, bolstered by a stronger-than-expected Q2 GDP print (3.0% vs. 2.6% expected).
- Safe-havens like gold and US Treasuries were under pressure on the back of higher US yields.

Watch Out For These Risks

Are markets entering a choppy phase? A few key risks ahead to monitor:

- **Tariff tensions reigniting:** While markets have priced out the worst-case scenario, risks remain. Trump has renewed tariff threats - most recently targeting India over its high trade barriers and ongoing oil imports from Russia.
- **Corporate earnings:** Q2 earnings were supportive, but 2H 2025 may see a more challenging backdrop with the latest jobs data evidence of a slowing economy.
- **Sticky inflation and yields:** A resurgence in inflationary pressures could push bond yields higher again, posing renewed headwinds for equities and other risk assets.

Outlook Ahead

"In the short run, the market is a voting machine, but in the long run, it is a weighing machine."

- Baseline view: the near-term risk/reward has become less favourable after the strong rally since the April bottom, with a brief consolidation appearing imminent.
- Market sentiment has shifted from extreme *Fear* in April to extreme *Greed* in July 2025, leaving markets vulnerable to disappointments.
- Within more flexible and tactical strategies, keep overall risk-taking measured while capitalizing on earlier strong gains.

Income Investors Should Focus On...Income!

- The Bloomberg Global Aggregate index, a widely referenced benchmark for bond investors, was down 1.49% in July.
- Declines were driven by USD gains. Income portfolios positioned for continued USD weakness saw losses, highlighting the need for managing currency carefully.
- **A few income portfolios, such as ours, continued to deliver gains.** This is a result of our focus on natural income, rather than on outsized currency bets.
- Maintain our preference for bonds that are better quality, higher-income, and shorter-duration so that investors can enjoy the high income on offer today without the distractions.

Read the full commentary [here](#)