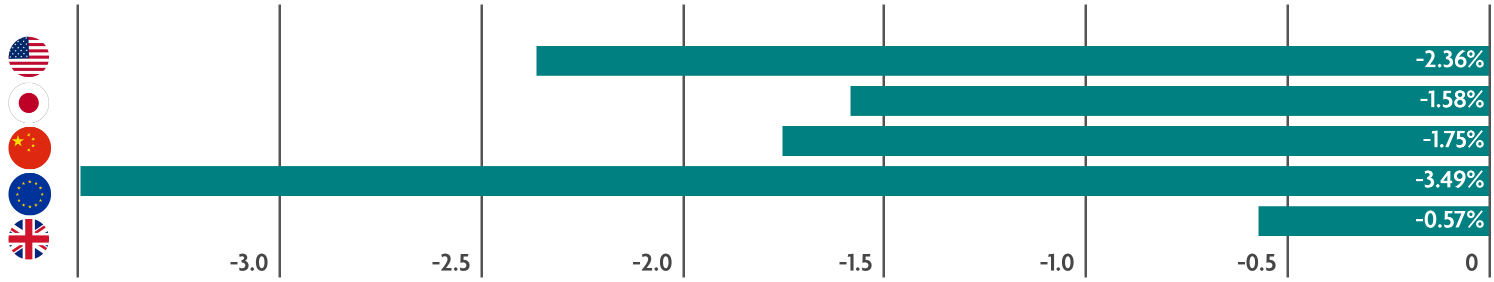
Weekly Market Update

4 August 2025

Last week's performance – major stock markets

Market Monitor (%): How did major stock markets perform last week*?



Key stories from last week

US: STOCKS DECLINE ON RENEWED TARIFFS, TRADE POLICY UNCERTAINTY, AND SOFT ECONOMIC DATA

US stock indices posted losses in what ended as the worst week for some indices since the tariff-driven sell-off in early April. Small-cap indices fared worst as the Russell 2000 and S&P MidCap 400 indices fell 4.17% and 3.53%, respectively. Trade deals and tariffs were a major driver of sentiment throughout the week. On Thursday, President Trump signed an executive order to raise tariffs on the vast majority of U.S. trading partners, effective August 7, which appeared to weigh heavily on stock indices on Friday morning. Earnings headlines were another major focal point during the week, with 82% of companies having beaten consensus earnings estimates as of Friday morning. The Federal Reserve maintained its target policy rate at a range of 4.25% to 4.50%, as was widely expected. On Friday, the Labour Department reported that the U.S. economy added only 73,000 jobs in July, well below consensus estimates for a gain of around 115,000. The readings for May and June were also revised down indicating that the labour market has cooled much more significantly than many had thought in recent months.

JAPAN: STOCKS COOL ON RENEWED GLOBAL TRADE TENSIONS AND SOFT EARNINGS ANNOUNCEMENTS

Japan's stock markets fell over the week, with the Nikkei 225 Index losing -1.58%. The Japanese technology segment was weak amid some unfavourable earnings developments, whilst renewed global trade tensions weighed on sentiment. The Bank of Japan left its key interest rate unchanged at 0.5% at its July 30–31 monetary policy meeting. In its quarterly outlook, the central bank revised up its expectations for inflation. The bank cited the evolving situation regarding trade and other policies in each jurisdiction as a key risk but acknowledged positive developments with the U.S. In economic data developments, Japan's industrial production rose 1.7% month over month in June, outpacing market expectations of a 0.6% decline, following a 0.1% decline in May, whilst retail sales rose 2.0% year on year in June. The Bank of Japan continued to assert that if economic activity and prices develop in line with its forecasts, it will continue to raise interest rates.

CHINA: STOCKS PULL BACK ON CLOUDED GROWTH OUTLOOK

Mainland Chinese stock markets retreated after the new U.S. tariff rates darkened the global growth outlook and a batch of data suggested a slowdown in China's economy. The S&P Global manufacturing purchasing managers' index (PMI) for China fell to 49.5 in July, below the 50 level that indicates a contraction, versus June's 50.4 reading. The latest PMI data suggested that China's economy could see slower growth in the coming months amid still-weak domestic demand and global trade uncertainty.

EUROPE: STOCKS RETREAT ON DISAPPOINTMENT SURROUNDING TRADE DEAL WITH THE US

European equities fell sharply for the week amid disappointment with the framework trade deal between the U.S. and the EU. Whilst a deal was reached, many key details remain unresolved. The agreement includes a 15% tariff on most European exports to the U.S., half the rate initially mooted. The U.S. will keep a 50% tariff on steel and aluminium for the time being. Resilient eurozone data for GDP, inflation, and economic sentiment appeared to reduce pressure on the European Central Bank to lower interest rates again. Headline inflation held steady at 2.0% in July, matching the European Central Bank's target but coming in slightly higher than the 1.9% predicted by analysts.

UK: UK STOCKS SNAP 6-WEEK WINNING STREAK, ALBEIT FARE BETTER THAN REST OF EUROPE

UK equities snapped a 6-week winning streak, pulling back -0.57% for the week. Despite stocks displaying some weakness, UK equities fared better than the rest of Europe, partly supported by the depreciation of the UK pound against the U.S. dollar. A weaker pound lends support to the index because many of its companies are multinationals that generate meaningful overseas revenue. The UK Nationwide House Price Index in July rose 0.6% sequentially, rebounding from a 0.9% decline in June. Bank of England data showed that British lenders approved more mortgages for house purchases than expected in July, providing additional support for equities.

*Source: Bloomberg. All performance measured in local currency.