



CIO OFFICE MORNING MARKET WRAP

20th June 2025

Markets turned sharply lower Thursday as concerns over a potential US military response to Iran continued to grip sentiment. President Trump is expected to decide within two weeks on whether to intervene militarily, keeping pressure elevated across asset classes. The ambiguity surrounding Washington's next move has cast a long shadow over global markets already adjusting to a less dovish Fed. Federal Reserve Chair Powell reiterated the inflationary risk from tariffs and signaled policy flexibility remains limited in the near term. That's left markets digesting a dual threat, geopolitical risk and constrained monetary support, a deeper element of uncertainty across risk assets. MSCI ACWI dropped 0.4%, with developed markets down 0.3% and emerging markets losing 1.4%. US markets were shut for Juneteenth National Independence Day. In Europe, equities extended their slide, with the MSCI Europe falling 0.8% for a third straight loss. Weakness was broad-based. LVMH dropped after new scrutiny over its internal structure and succession planning. The company's stock is down nearly 50% from its 2023 peak, as China's slowdown and tariff threats continue to pressure luxury demand. Officials in Brussels indicated trade talks with the US are making limited progress. The euro held its range, and bonds found support amid the broader risk-off tilt.

Chinese markets remained under acute pressure. MSCI China slid 2.0% after sharp losses in Hong Kong-listed names, with the Hang Seng China Enterprises Index down 2.1%, its biggest drop in more than two months. Participants braced for potential escalation in the Middle East and its ripple effects on global trade and energy prices. Meituan and Trip.com slumped as JD.com announced plans to push into travel, sparking renewed competitive concerns. Japan's TOPIX declined 0.6% as Powell's warning on tariff-driven price pressure added to anxiety over global trade flows. Export-sensitive sectors lagged, with electronics and auto names underperforming. Sony slipped 2.5%, and sentiment was fragile across the board. Some market participants cited concern that US protectionism could undercut external demand, compounding domestic headwinds. The yen stayed under modest pressure as safe-haven dynamics played out globally.

Commodities are reflecting the persistent geopolitical bid. Brent rose 2.8% to \$78.9 per barrel, marking its highest close in over two months as concerns around supply disruption intensified. Gold ended the session flat at \$3,370 an ounce, holding ground despite a firmer tone in the dollar. The yield on 10-year Treasuries was little changed at 4.39%, and the dollar also held steady.

Markets this morning

Today, US equity futures trimmed earlier losses. S&P 500 contracts were down 0.3% after dropping 0.9% on Thursday, and price action in Asia steadied slightly. The Hang Seng rose 0.9%, though Japan and Australia were softer. Brent eased about 2% to give back part of this week's gains, and the yen strengthened modestly to 145.25 per dollar. Treasuries were steady, and the dollar weakened slightly. Analysts flagged that markets are not yet pricing in worst-case outcomes, even as the energy risk premium remains elevated. Japanese inflation accelerated to a two-year high, adding pressure on the BOJ ahead of a summer election cycle. Elsewhere in Asia, political instability in Thailand and looming central bank decisions are adding to headline risk.

Upcoming key events/data

Key events and data to end the week include China announced loan prime rates. Japan and Hong Kong CPI, UK retail sales, Eurozone consumer confidence and Canada retail sales.

Have a good day!

Chief Investment Office
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