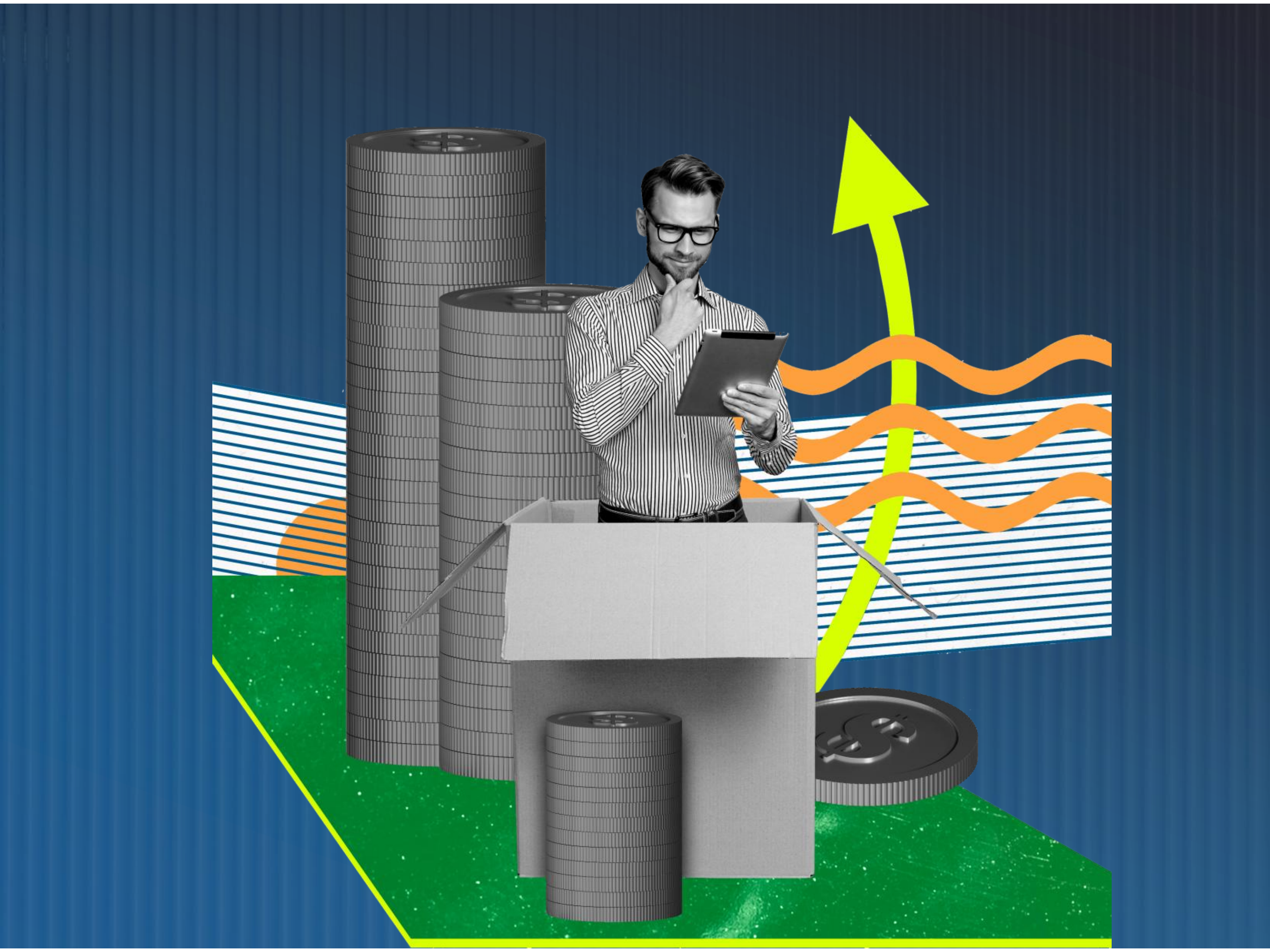
SG Analytics
A Straive Company

Veda

SGA's Monthly Investment Research Roundup



Investment Research Spotlight

Global Macroeconomic Development

Policy landscape remains broadly dovish, excluding Japan and a few EM economies

Fixed Income

US Treasury yield curve steepens; Italian-German 10yr yield spread narrows

Currencies

US Dollar weakened amid soft growth and policy rate differentials

Equities

Global equity markets gain despite geopolitical tensions

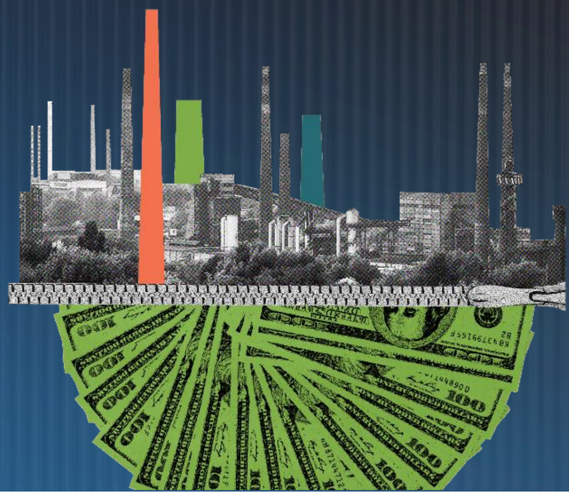
Commodities

Oil slumps and silver shines, along with bitcoin, while gold records modest gains

Real Estate

Persistent supply demand imbalances, evolving liquidity and selective recovery remain at play

From the SGA Research Desk



June 2025 was marked by a fragile global backdrop shaped by slowing growth, diverging monetary policy, and heightened geopolitical tensions. The Iran-Israel conflict escalated, with US strikes on Iranian nuclear sites, briefly sending Brent crude to $88/bbl before easing to $81/bbl on the news of a ceasefire. While the Strait of Hormuz remained open, the event reinforced the vulnerability of energy markets and its implications for global inflation.

In the United States, Q1 GDP contracted by 0.5% q/q, largely driven by pre-tariff inventory accumulation. Despite a low unemployment rate of 4.1%, consumer confidence deteriorated, and wage growth slowed. Core PCE inflation rose to 2.7% y/y in May. The Federal Reserve (Fed) kept rates steady at its June meeting but adopted a dovish tone, cutting its 2025 growth forecast to 1.4%. Markets are now pricing in two 25-basis-point (bps) rate cuts before year-end, as 'stagflation-lite' conditions linger.

In Europe, the European Central Bank (ECB) delivered a 25-bps rate cut to 2.0% amid persistent weakness in growth and inflation. Germany's sentiment dropped to an 11-month low, while Eurozone unemployment ticked up. Fiscal support is expected to provide some tailwinds in H2. The Bank of England (BoE) held rates at 4.25%, although internal divisions suggest possible easing ahead, contingent upon further disinflation.

Asia delivered mixed signals. Japan maintained its rate at 0.5% but revised its growth forecast downward. China's patchy recovery and rising deflation risks may prompt further stimulus in Q3. India's Central Bank front-loaded easing with a 50-bps repo cut, while Brazil surprised with a rate hike to 15.00% and Mexico moved to ease.

Our views on asset classes

Asset Class	US	Europe	UK	Japan	EM / Others
Rates	● Neutral	▼ Negative	● Neutral	● Neutral	Neutral (Local Currency)
Credit	▲ Positive	▲ Positive	–	–	▲ Positive (Hard Currency)
Currencies	▼ Negative	▲ Positive	● Neutral	▲ Positive	Neutral
Equities	▼ Negative	● Neutral	● Neutral	● Neutral	▲ Positive
Real Estate	● Neutral	▲ Positive	–	–	▲ Positive (APAC)
Commodities					
Commodity	**Oil**	**Gold**	**Silver**	**Bitcoin**	
Views	● Neutral	▲ Positive	▲ Positive	▲ Positive	

Source: SGA Research

Outlook & Strategy

With macro uncertainty elevated, we maintain a balanced and defensive stance, favoring high-quality bonds, select emerging markets, and diversified exposure to assets resilient to inflation and geopolitical shocks.

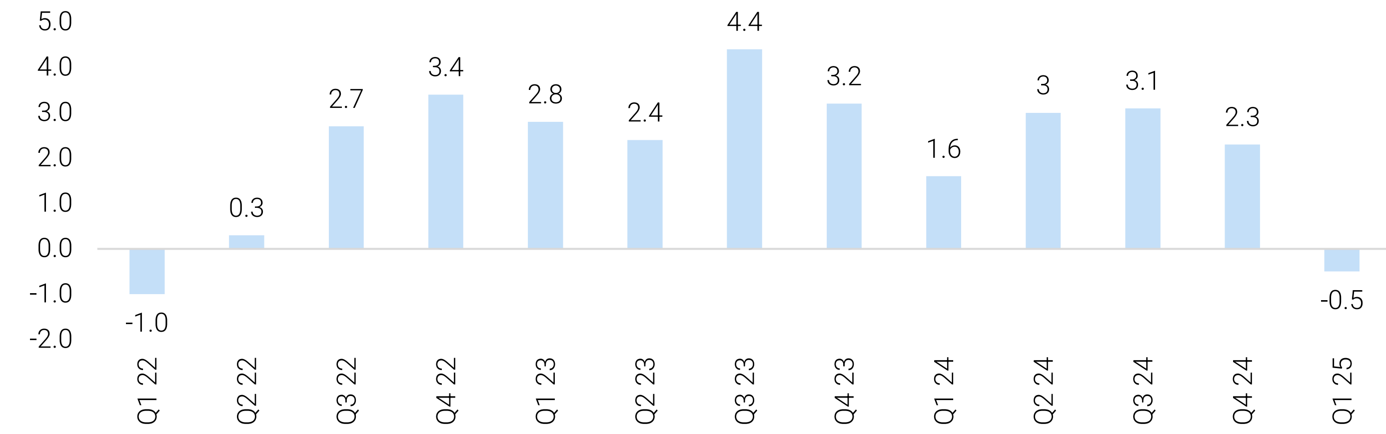
Global Macroeconomic Development

Global Macros: Fed Faces Dilemma

United States: Slower Growth, Sticky Inflation, and Rising Policy Uncertainty

The US economy presents a mixed picture. Real GDP contracted by 0.5% q/q in Q1, driven largely by a surge in pre-emptive imports ahead of prospective tariff increases. The labor market remains firm, with nonfarm payrolls rising by 147,000 and the unemployment rate dipping to 4.1%. However, wage growth has softened, and consumer confidence has plummeted, down over 18% since December. As such, the leading indicators point to a loss of momentum. Both manufacturing and services PMIs softened further in June, suggesting growing caution across sectors. Inflation remains above target, with core PCE rising to 2.7% y/y in May, up from 2.6% in April, well above the Fed's 2% goal. At its June 18 meeting, the Federal Reserve held rates steady but adopted a notably dovish tone, acknowledging slower growth and easing price pressures. The Fed reiterated its data-dependent stance, and markets are now pricing in two 25-bps rate cuts by year-end. While recession risks have receded somewhat, the combination of sluggish growth, persistent inflation, and policy uncertainty, amplified by looming tariffs and the proposed "One Big Beautiful Bill," suggests that a stagflation-lite environment may persist. The Fed now forecasts 2025 GDP growth at 1.4%, down from its previous projection of 1.8% in March.

US Real GDP Contracted First Time Since Q1 22

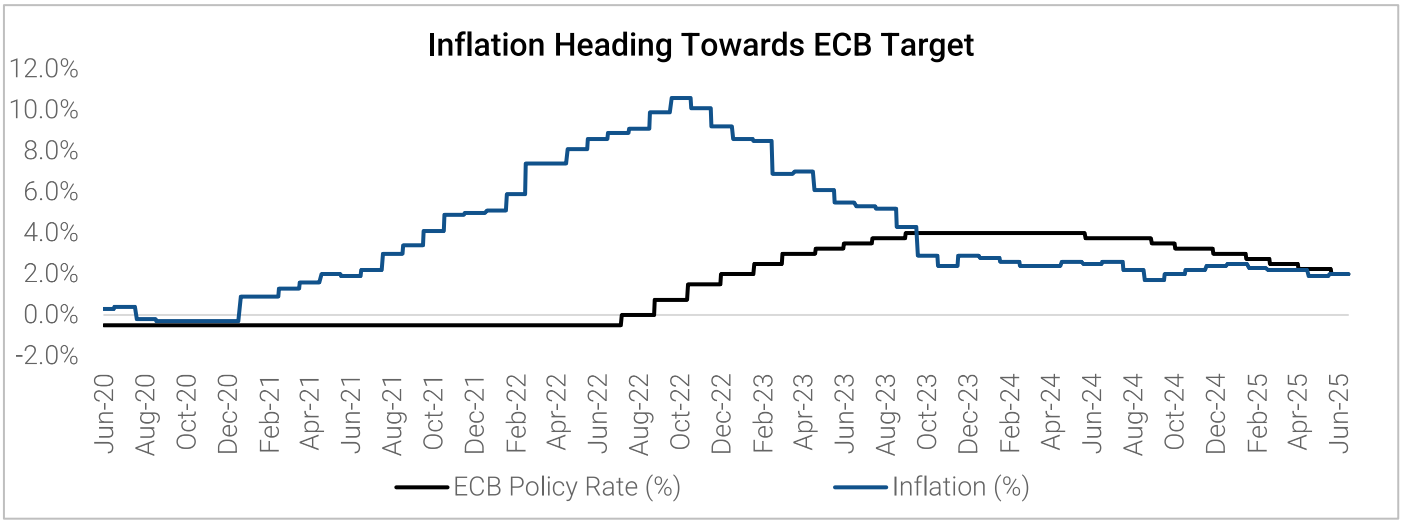


Source: US Bureau of Economic Analysis (BEA), SGA Research

Europe: Policy Eases as Growth Stagnates and Inflation Softens

At its June 5 meeting, the European Central Bank delivered a widely expected 25-bps rate cut, lowering the deposit rate to 2.0%. This move reflects sustained disinflation and concerns over weak economic momentum. ECB staff now forecasts 2025 headline inflation at 2.0% and core inflation at 2.4%, both nearing target. However, growth remains sluggish. After a stronger-than-expected Q1, Q2 GDP rose just 0.3%, dampened by soft industrial output and cautious consumer sentiment. The ECB projects full-year growth at a modest 0.9%, with risks skewed to the downside in H2. In June, German economic sentiment reached an 11-month low, driven by weak exports and persistent contraction in manufacturing. Eurozone unemployment ticked up to 6.3% in May, hinting at labor market fatigue. While the HCOB Eurozone Composite PMI rose to 50.6 in June, signaling marginal expansion, underlying business activity remains fragile. Services show early signs of recovery, but manufacturing continues to lag. Markets expect one more rate cut this year, though ECB officials stress a cautious, data-dependent approach. With policy nearing a turning point, fiscal support may be key to sustaining demand.

UK: BoE Holds as Inflation Plateaus, but Easing Debate Intensifies



Source: European Central Bank, SGA Research

At its June 2025 meeting, the Bank of England maintained the Bank Rate at 4.25%, reflecting a cautious stance on monetary easing. The decision exposed divisions within the Monetary Policy Committee, with three of nine members favoring a 25-bps cut, highlighting uncertainty around the timing of future rate reductions. Inflation rose to 3.4% in May, up from 2.6% in March, driven by energy base effects and changes to regulated prices. Although still above the 2% target, the BoE expects inflation to ease in the second half of 2025 and gradually return to target levels by the end of 2026. Economic growth remains sluggish, with GDP projected to expand by just 0.8–0.9% this year. Tight financial conditions and weak global demand are weighing on activity. Labor market indicators suggest emerging slack, as wage growth slows and hiring momentum fades. Sector performance is uneven—services offer limited support, while manufacturing continues to contract. These dynamics reinforce the Bank's cautious tone, particularly regarding the risks of wage-driven inflation. Markets anticipate a rate cut by August, contingent on further disinflation. The Bank remains committed to a data-dependent approach, signaling that any easing will be gradual and responsive to evolving conditions.

Global Macroeconomic Development

BOJ Remains Hawkish While the Rest Continue to Ease

Japan: BOJ Signals Gradual Normalization amid Wage Gains and External Headwinds

On June 17, the Bank of Japan (BOJ) kept its policy rate unchanged at 0.5%, the highest level in over 15 years. The central bank struck a cautious tone, balancing strong domestic wage growth, highlighted by a 5.2% rise in spring labor negotiations, with persistent inflation, as the core CPI stood at 2.8% in May. Despite signs of progress in overcoming deflation, the BOJ lowered its 2025 growth outlook, citing external pressures such as US trade policies and slowing global demand. While policymakers remain open to future rate hikes, most analysts anticipate no changes until early 2026. With domestic recovery still fragile and international risks on the rise, the BOJ is proceeding cautiously. Markets are now focused on the upcoming July 30–31 meeting, which may provide clearer signals on the path toward policy normalization.

China: PBoC Maintains Easing Bias amid Tepid Demand and Deflation Risks

China's economic rebound remained uneven in June, with industrial production growing just 4.5% y/y, its weakest pace in six months, while retail activity slowed following a brief uptick in May. Despite earlier policy support, domestic demand and credit expansion remain subdued. On June 20, the People's Bank of China kept its one-year and five-year Loan Prime Rates steady at 3.00% and 3.50%, respectively, after a modest cut in May, signaling a cautious approach to easing. Deflationary pressures persist, with the GDP deflator declining for a fifth consecutive quarter and producer prices still in negative territory. Manufacturing PMI unexpectedly rose to 50.4, while services slipped to 50.6. The property market continues to struggle, and consumer confidence remains fragile. Further monetary and fiscal measures are expected in Q3 as policymakers aim to support growth without triggering financial instability or excessive leverage.

India: RBI Front Loads Easing as Inflation Falls

On June 6, the Reserve Bank of India (RBI) lowered the repo rate by 50-bps to 5.50% and cut the Cash Reserve Ratio by 100-bps, its first policy shift since February 2023. This move reflects a transition to a neutral stance aimed at stimulating credit and demand as inflation trends downward. Headline CPI dropped to 3.2% in April and remained below target in May, prompting a revised FY25 inflation estimate of 3.7%. Despite strong Q4 FY24 GDP growth of 7.4%, sluggish credit activity influenced the RBI's decision. Further easing may follow in this quarter, with the central bank emphasizing a data-driven approach focused on supporting economic momentum.

Latin America: Mixed Signals amid Tight Policy and External Pressures

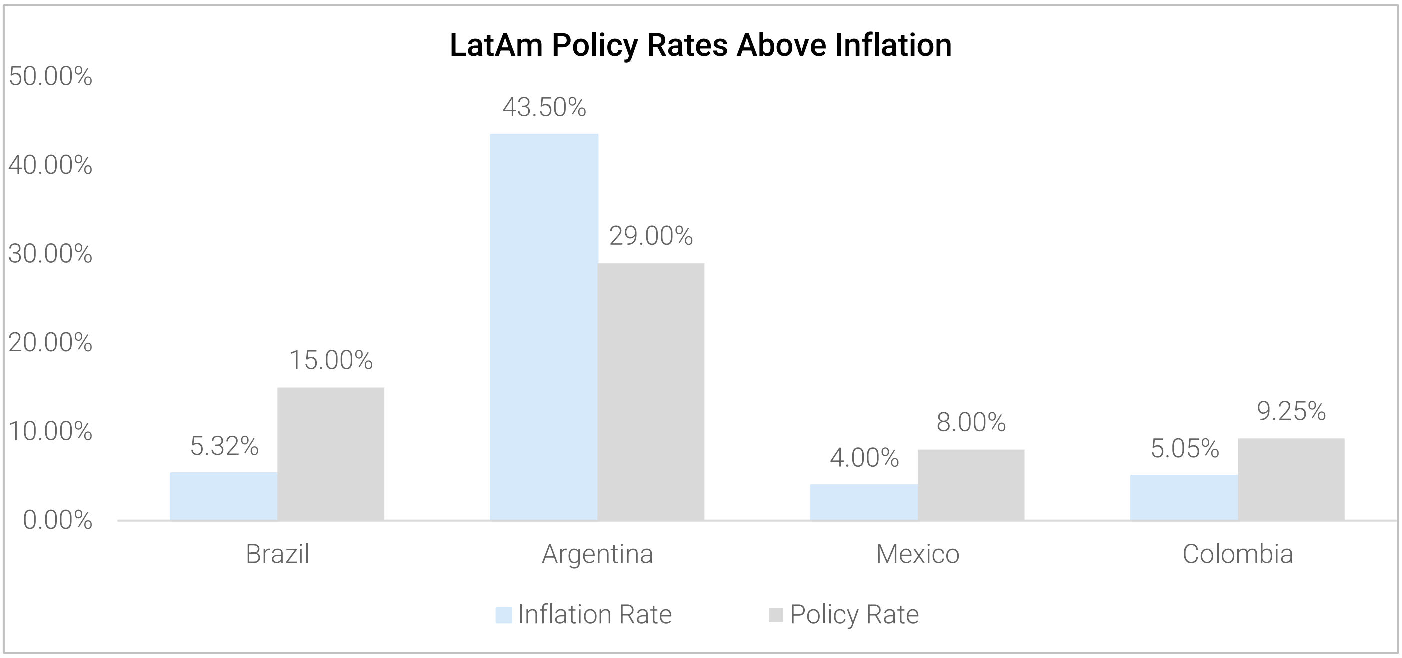
Latin America presented a mixed macroeconomic picture in June, shaped by divergent policy stances and mounting global headwinds.

In Brazil, the Central Bank surprised markets with a 25-bps hike on June 19, lifting the Selic rate by 50-bps to 15.00%—its highest since 2006. This marks the seventh consecutive hike as inflation remained elevated at 5.32% in May, breaching the BCB's 4.5% upper tolerance band. While signaling a possible pause to evaluate cumulative tightening effects, the BCB retained a hawkish bias. Public debt rose slightly to 76.1% of the GDP, and rising debt-servicing costs continue to constrain the fiscal space.

In contrast, Mexico turned more dovish. Banxico cut its policy rate by 50-bps to 8.00% on June 26, amid easing core inflation (4.0% in June) and a firm peso, supported by stable oil prices and foreign inflows. Nonetheless, trade uncertainty linked to potential US tariff changes remains a downside risk for its export-heavy economy.

Argentina showed early signs of stabilization. Q2 GDP was supported by stronger exports and easing FX restrictions. Inflation moderated to 236.7% in June, down from April's peak. However, structural weaknesses—including fiscal slippage and external funding constraints—remain. The IMF continues to project a 3.5% contraction in GDP for 2024.

For LatAm economies, risks remain skewed to the downside. Persistent trade frictions, political volatility, and commodity price fluctuations—particularly in the energy and agricultural sectors—could weigh on sentiment and policy flexibility in the months ahead.



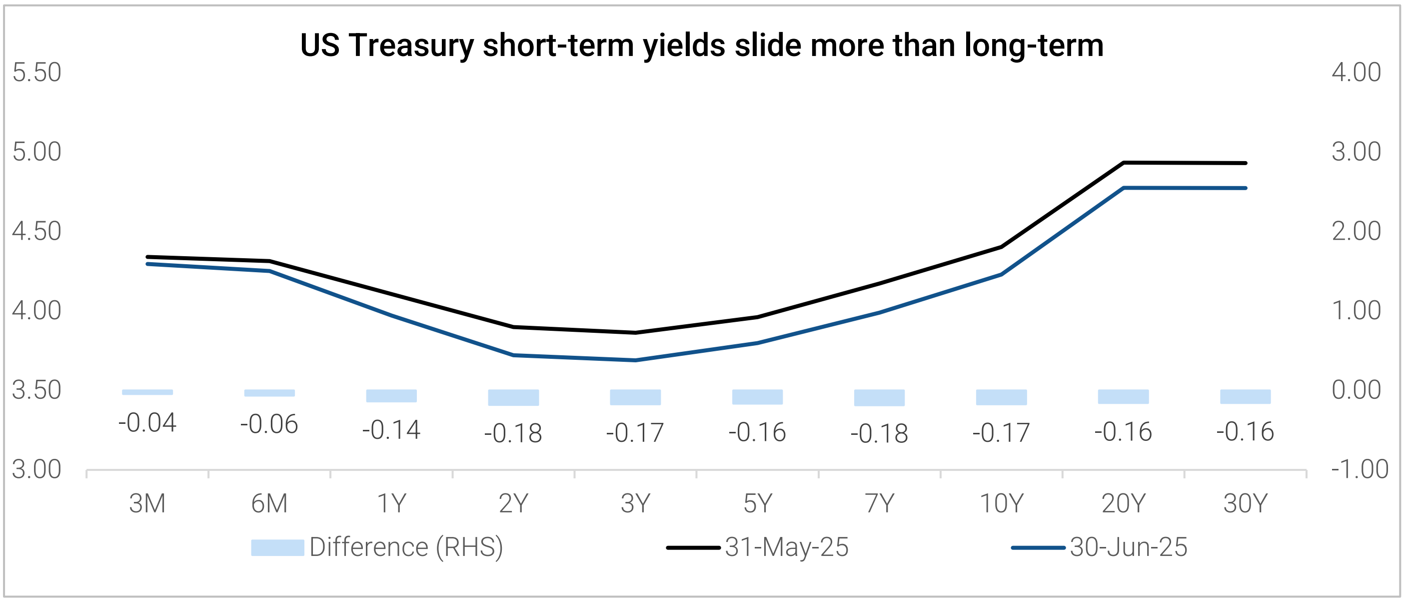
Source: LatAm Central Banks, SGA Research

Fixed Income

US Treasury Yield Curve Steepening

US Treasury Yield Curve Steepens amid Growth Slowdown with Sticky Inflation Expectations

The US Treasury yield curve steepened further in June 2025, as short-dated bonds outperformed amid growing expectations of Fed rate cuts. At its June meeting, the Fed held rates steady at 4.25%–4.50%, while revising its growth forecast down to 1.4% from 1.7% and projecting only two cuts this year, citing tariff-driven cost pressures. Headline CPI remained elevated at 2.4% in May, but forward-looking inflation expectations continued to soften. Longer-term bonds underperformed as duration risk and term premia rose. A late-June rally, led by the front end, reflected rising conviction in imminent policy easing. While geopolitical tensions have eased somewhat, 10-year yields are expected to remain range-bound in July, with short-term yields likely to edge lower. Investors remain cautious amid moderating inflation and softening growth momentum.



Source: FRED, SGA Research

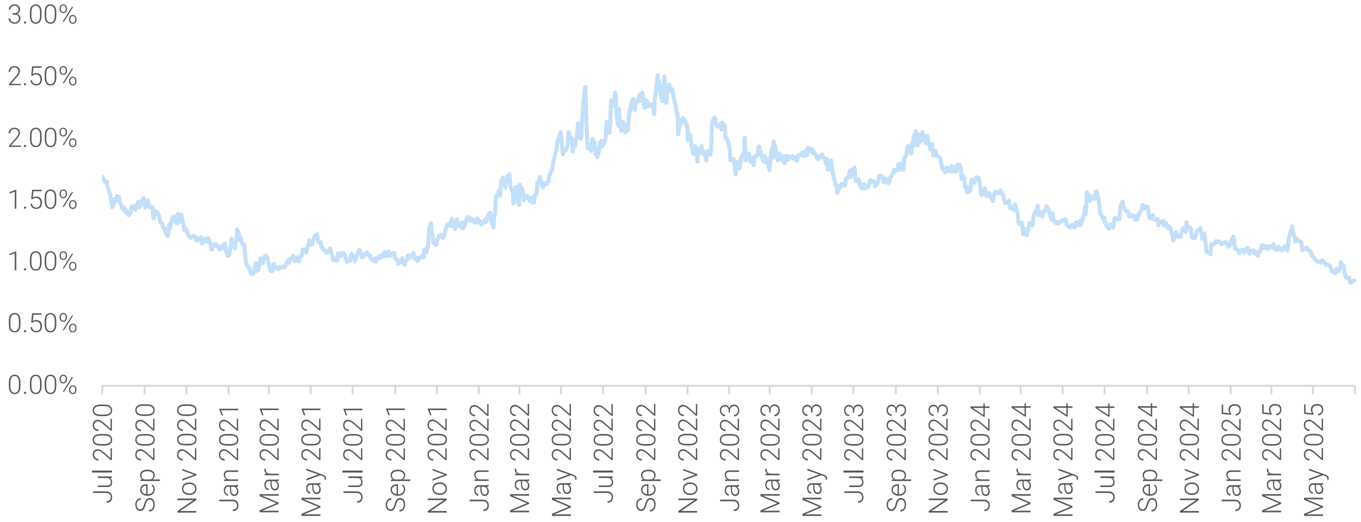
US Corporate Credit: Flight to Quality amid Macro Uncertainty

US corporate credit markets remained resilient in June 2025. Investment-grade (IG) spreads narrowed by 8-bps m/m to 0.73%, supported by solid Q2 earnings and robust corporate balance sheets. High-yield (HY) yields also fell, from 3.3% in May to 2.9% in June, reflecting improving sentiment and stable default expectations. However, lower-rated credit valuations appear stretched, suggesting limited room for further gains amid macro uncertainty. While the Fed held rates at 4.25%–4.50%, citing tariff-linked cost pressures, the broader market anticipates policy easing. In this context, high-coupon, short-duration IG bonds offer attractive risk-adjusted returns and resilience to rate volatility. HY bonds warrant a more cautious stance in July, given tight spreads and slower growth.

Italian-German 10yr Yield Spread Narrows to Its Lowest Since 2010

The spread between Italian and German 10-year bond yields narrowed to below 0.9% in June 2025, its tightest level since 2010, down from 1.0% in May and well below the 2022 peak of 2.5%. Investor sentiment toward Italian debt improved, bolstered by Prime Minister Meloni's market-friendly fiscal approach, political stability, and a stronger economic momentum. Support also came from the Finance Ministry's €5 billion bond buyback plan and expectations of further ECB easing. Italian 10-year yields held steady at around 3.5%, while German Bund yields rose 9-bps m/m to 2.6% as Berlin unveiled record 2025–26 spending to boost growth. Increased issuance, €19 billion above earlier Q3 estimates, alongside higher defense spending, is expected to place further upward pressure on Bund yields.

Spread between German and Italian 10 year bond yield narrowing



Source: Investing.com, SGA Research

GCC and EM Bond Yields Anchored by Policy Support and Muted Inflation

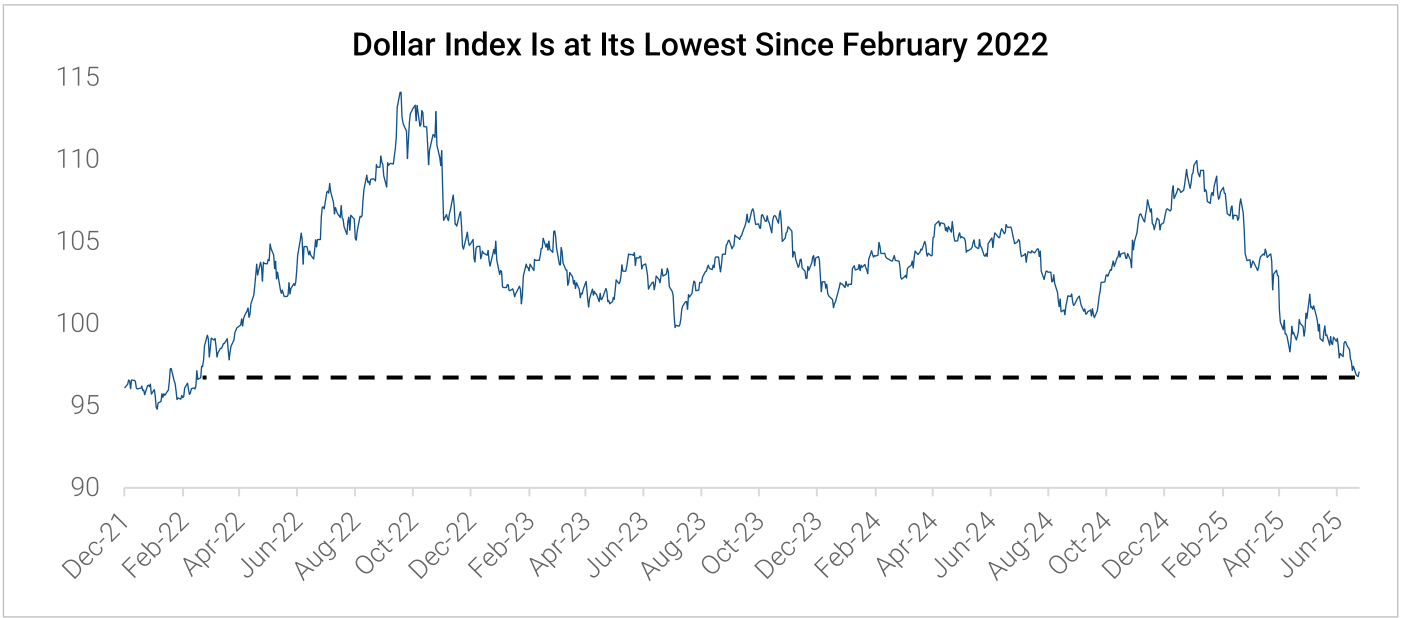
GCC and broader EM bond yields remained largely stable in June 2025, underpinned by dovish signals from global central banks and improving risk sentiment. In China, 10-year government bond yields hovered near 1.7%, as deflationary pressures (-0.1% y/y in May) and subdued demand led the PBoC to maintain an accommodative stance. Fiscal support, including expanded local government bond issuance, also exerted downward pressure on yields. Bond yields are declining even as equities climb, highlighting a policy-driven divergence where monetary easing supports risk assets while anchoring rates lower. In the GCC, bond markets held firm, with high-yield bonds delivering a strong 4.7% YTD return and investment-grade sovereigns gaining 3.3% in H1. With inflation contained and policy set to remain accommodative, yields are expected to stay range-bound in July.

Currencies

Currencies Appreciate amid Dollar Weakness

US Dollar Weakest Since February 2022

The US Dollar fell for the third week in four, closing at its weakest since February 2022. Softer growth expectations, rising tariff burdens, and narrowing real-yield differentials weighed on investor confidence. The DXY index declined 10.7% YTD, with the Euro appreciating by over 13% and the Yen by 8% over the same period. While the labor market showed resilience, with unemployment ticking down to 4.1% in June, the market priced in growing odds of Fed rate cuts. Additionally, concerns over fiscal slippage and trade frictions have reduced the Dollar's safe-haven appeal. Looking ahead, the Dollar may remain under pressure as growth differentials compress, and rate cut bets intensify.



Source: Investing.com, SGA Research

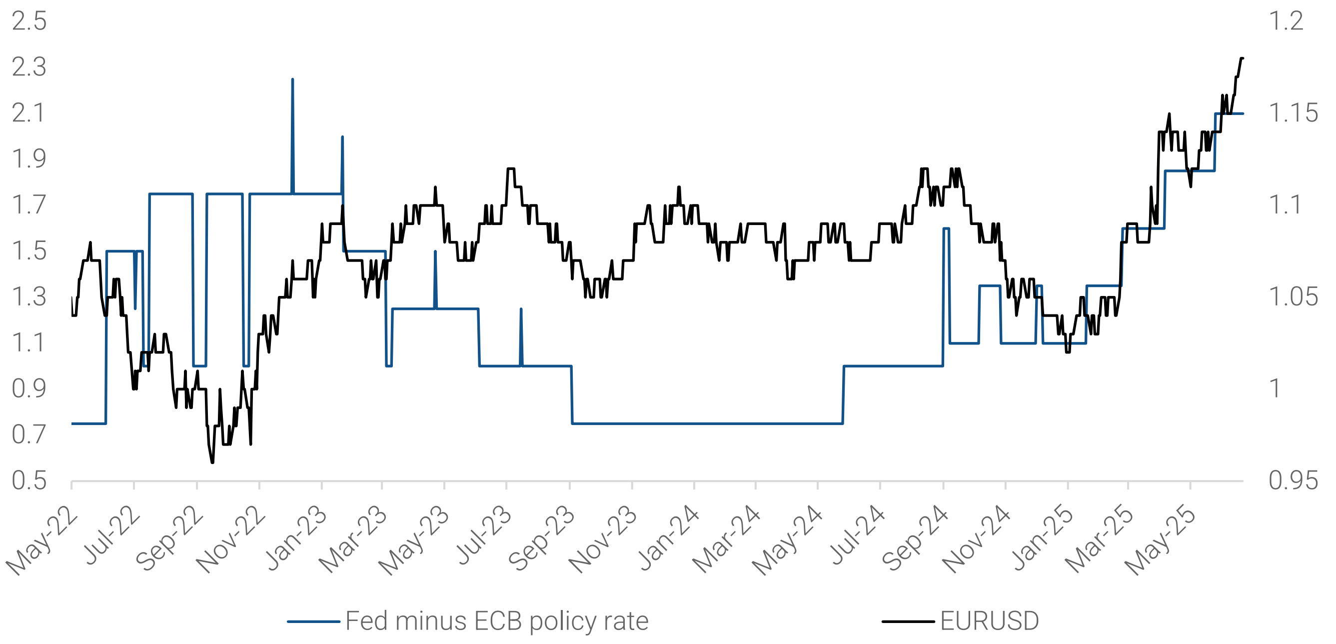
Euro Strength Defies Rate Differential Logic

Developed market currencies displayed strong appreciation in June, with the Japanese Yen (JPY) outperforming amid BoJ tightening and persistent undervaluation. Additionally, the Euro (EUR) continued to strengthen, defying rate differential logic, as capital flowed into the eurozone amid optimism over Germany's fiscal expansion and safe-haven demand. This diverges from the traditional rule where higher interest rate differentials attract capital. Instead, resilient investor sentiment, a stable political landscape, and reduced Dollar demand contributed to Euro strength. EURUSD ended June at $1.1786, up from $1.1348 in May, its highest level since 2021. However, if the ECB resumes rate cuts later this year, Euro strength may wane. For now, we maintain a constructive view, favoring buy-on-dip strategies amid policy credibility.

Our stance on the GBP is neutral; recent gains from a services-led recovery and lower trade friction have been offset by structural headwinds and the BoE's dovish stance.

The JPY remains a bullish call, supported by the Bank of Japan's ongoing policy normalization and valuation tailwinds. We see further upside as rate differentials narrow, and capital flows gradually return to Japan.

EUR/USD Movement Defies FED Minus ECB Rate Differential



Source: FRED, Federal Reserve (Fed), European Central Bank, SGA Research

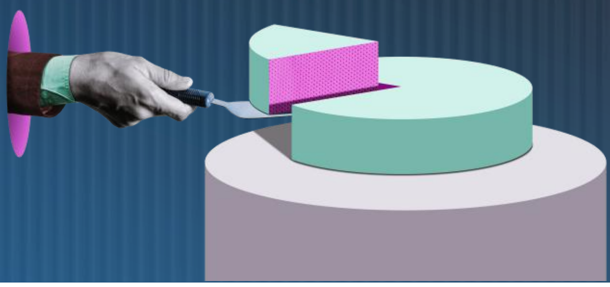
Major EM Currencies Remain Appreciated amid a Weaker Dollar

Major Emerging Market (EM) currencies continued to appreciate in June 2025, reflecting broad weakness in the US Dollar. Select Asian currencies appreciated modestly, while others faced idiosyncratic pressures. The Indian Rupee (INR) initially slid to a three-month low of 87/USD amid geopolitical tensions and a spike in oil prices during mid-month, but later rebounded to 85.7 as energy costs eased. However, with the inflation dropping to a six-year low of 2.8% in May and the RBI expected to maintain a dovish stance, the INR could remain on the weaker side.

Meanwhile, the Turkish Lira (TRY) remained under pressure, hitting fresh lows near 39.8/USD, from 39.2 in May. Along with falling inflation and ongoing policy normalization, structural imbalances and weak growth continue to constrain the currency's outlook. In contrast, the South African Rand (ZAR) gained 1.4% m/m to 17.7, a level last seen in November 2024, buoyed by stronger gold prices and political stability.

The Chinese Yuan (CNY) demonstrated short-term resilience, trading around 7.2 USD, supported by stabilizing PMI data and modest equity gains. However, the medium-term outlook remains bearish due to persistent deflation, capital outflows, and the likelihood of further policy easing. Overall, EM FX is expected to trade firm in July, particularly in Asia, though selective caution remains warranted.

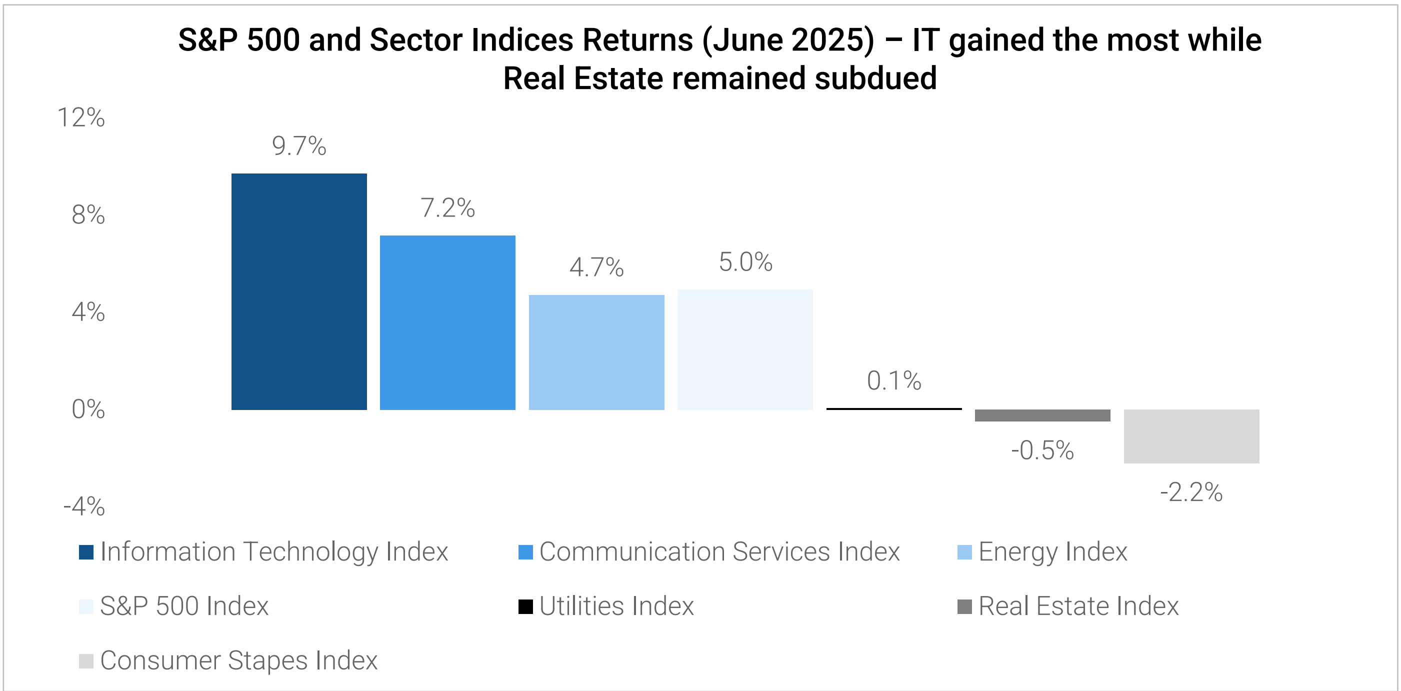
Global Stocks Gain Despite Geopolitical Tensions



Rally in US Stocks Faces Valuation and Macro Headwinds

Despite ongoing geopolitical and economic uncertainties, improved sentiment lifted the S&P 500 in June (+5.0%), driven by strength in the technology, communication, and energy sectors. AI-focused giants, such as Nvidia, Microsoft, and Meta, led gains, while media demand supported the Communication Services sector. Energy stocks rose on Middle East tensions but trimmed gains as OPEC+ increased supply. Optimism around AI, easing trade fears, and potential Fed rate cuts fueled the rally.

S&P 500 Q2 2025 EPS is expected to grow 5% y/y, down from earlier 9.4% estimates, with revenue up by 4.2%. Valuations remain elevated, with a forward P/E of 21.9, compared to 5-year and 10-year averages of 19.9 and 18.4, respectively, raising concerns about limited upside. Furthermore, factors such as a decline in private payrolls, heightened geopolitical tensions, and ongoing uncertainty surrounding US trade policy continue to cloud the economic outlook, potentially limiting the sustainability of recent market gains.



Source: Investing.com, SGA Research

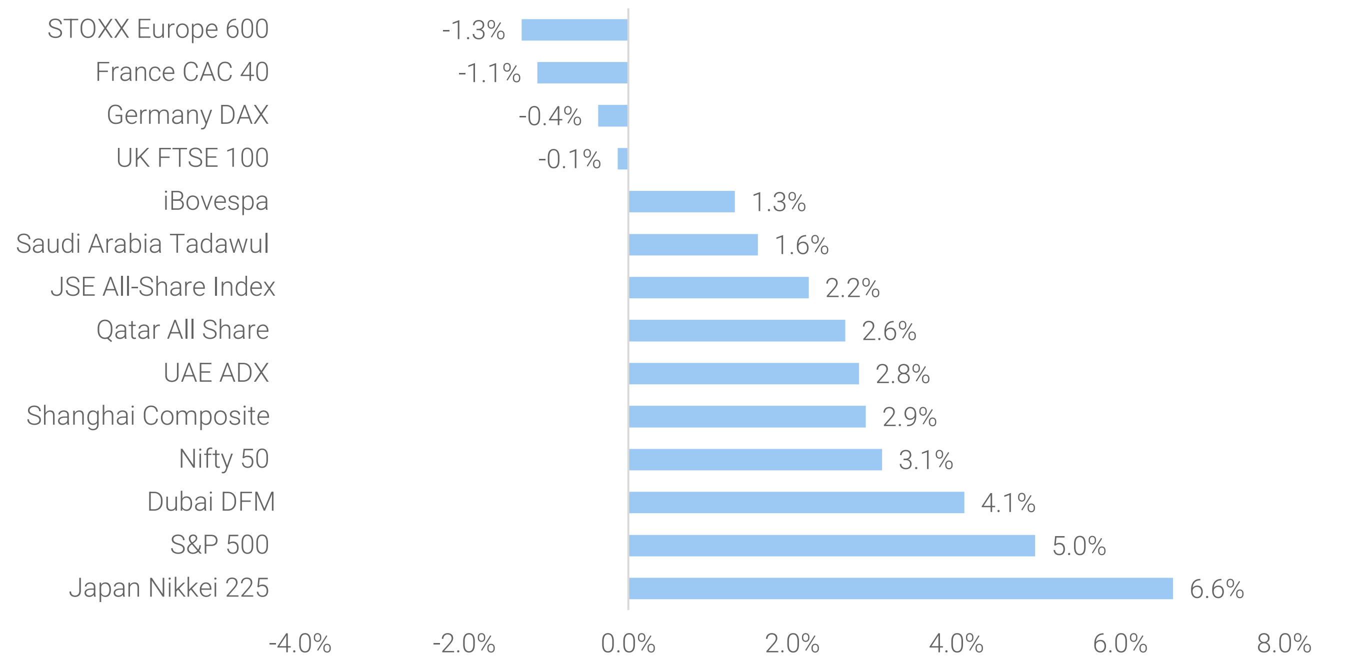
Europe Is Sluggish, but Japan Extends Gains

European equities ended June in negative territory amid weak economic data and cautious signals from Central Banks. The FTSE 100 decreased by 0.1%, weighed down by a 0.3% contraction in GDP in April and sticky inflation. Outlook remains muted, with markets awaiting clearer direction from the BoE and stronger macroeconomic signals. The Stoxx Europe 600 fell 1.3%, while Germany's DAX and France's CAC 40 declined 0.4% and 1.1%, respectively, with soft PMIs and the ECB's gradual approach to easing cloud sentiment. Gains may stay capped in the near term. In contrast, Japan's Nikkei 225 surged 6.6% in June, driven by US momentum, dividends, and buybacks. Strong fundamentals support further gains, although a stronger Yen may temper the near-term upside.

Emerging Markets Gain on Flows and Growth Signals

Positive momentum was observed across emerging markets, except for Mexico, with notable gains in India's Nifty 50 (+3.1%), China's Shanghai Composite (+2.9%), Brazil's Bovespa (+1.3%), and South Africa's ALSI (+2.2%). India benefited from robust Foreign Investment Inflows (FII) and easing geopolitical tensions, while China's economic data signaled recovery in the service sector, which supported the Shanghai Composite. Additionally, a weaker US Dollar and global risk-off sentiment, as global investors sought better returns and diversification, further bolstered the performance of emerging-market equities.

Japan and US Equity Gained Significantly While Europe Reported Negative Returns



Source: Investing.com, SGA Research

UAE, Saudi Stocks Rise on PMI Strength, Sentiment

UAE markets ended June 2025 on a strong note. Dubai's DFM advanced 4.1%, while Abu Dhabi's ADX gained 2.8%, driven largely by real estate. A resilient non-oil PMI and easing regional tensions lifted investor confidence.

Saudi stocks advanced modestly in June, supported by strong PMI data (57.2). Gains in financials and energy helped Tadawul stay positive, reflecting confidence in the Kingdom's economic outlook despite regional risks.

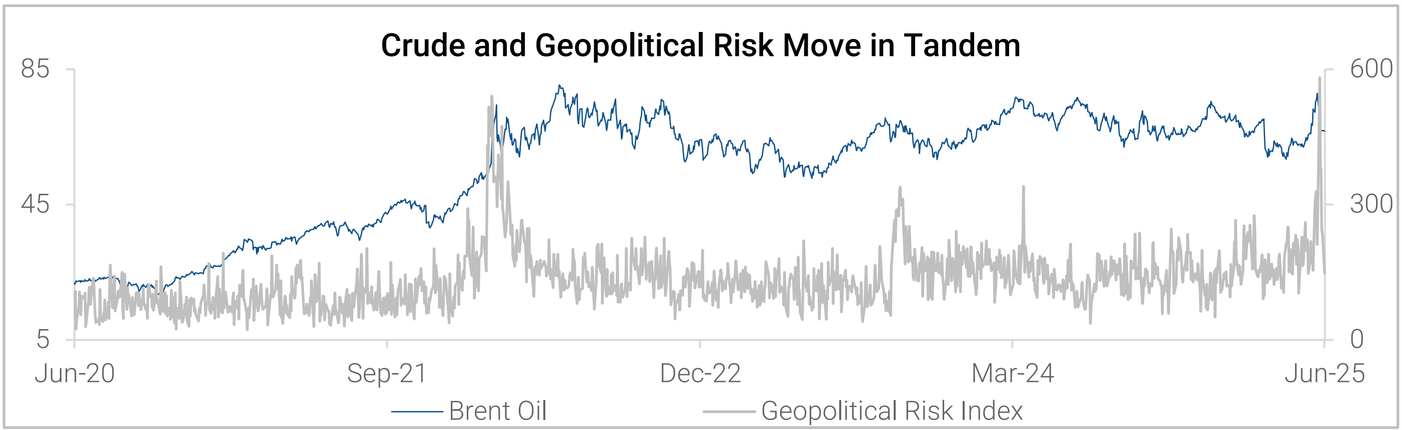
EMs are expected to perform well, underpinned by strong domestic demand and easing trade tensions, particularly between the US and China. India and Brazil continue to benefit from solid macro fundamentals and rapid tech-driven growth, while China shows modest recovery amid ongoing policy support. South Africa remains broadly stable but vulnerable to shifts in global risk sentiment. In the GCC, the UAE, Saudi Arabia, and Qatar are buoyed by economic diversification, infrastructure development, and digital transformation. While moderating oil prices and geopolitical calm support investor confidence, global uncertainty and US fiscal risks may temper near-term momentum.

Commodities

Oil Slips While Silver Shines amid Geopolitical Risks

Crude Oil Slips amid Easing Tensions and Weak Demand

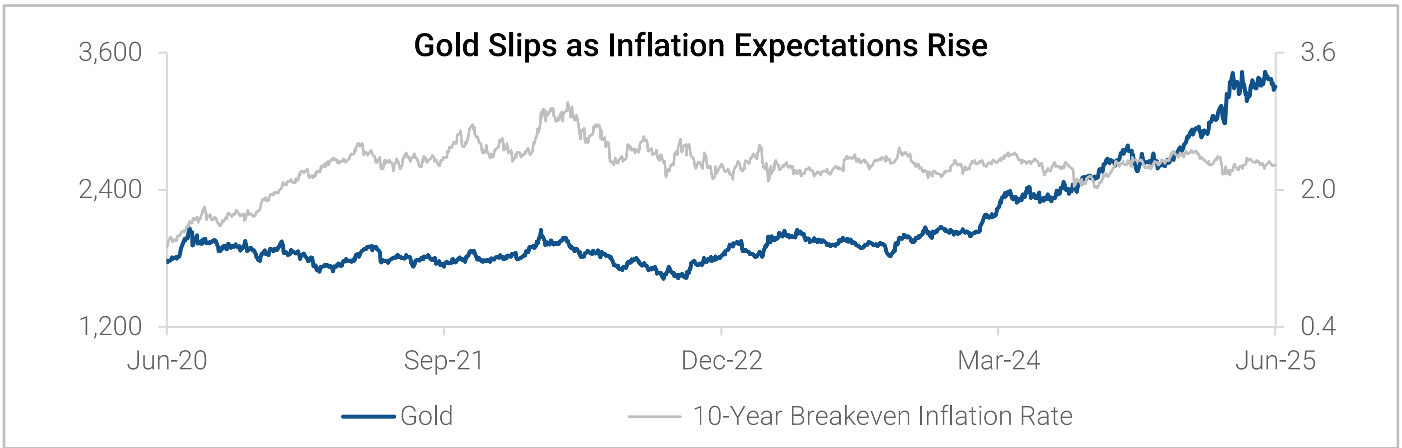
Brent crude surged 25.6% in mid-June, climbing from around \$62/bbl to \$77.80/bbl after the Israel–Iran conflict escalated. However, by month-end, prices pulled back to \$66.70/bbl following news of a ceasefire. The sharp swing highlighted oil's sensitivity to geopolitical risk. Meanwhile, US energy firms reduced the number of active oil & gas rigs for the fifth consecutive week, indicating slower domestic production ahead. Sentiment was also pressured by a surprise build in US crude inventories and weak global demand as manufacturing in China remains weak, even if services are recovering. Looking ahead, the upcoming OPEC+ meeting on July 6 and expectations of a potential supply increase may cap price gains. Still, renewed geopolitical tensions or tighter output could offer near-term support.



Source: Investing.com, www.matteoiacoviello.com, SGA Research

Gold Retreats After Strong YTD Rally Despite Geopolitical Tensions

Gold prices held steady in June at \$3,303/oz, retreating slightly from a mid-month peak of \$3,388/oz as easing geopolitical tensions and improving risk sentiment trimmed safe-haven flows. The move reflected gold's inverse relationship with US 10-year breakeven inflation rates, which rose on rising inflation expectations.



Source: Investing.com, FRED, SGA Research

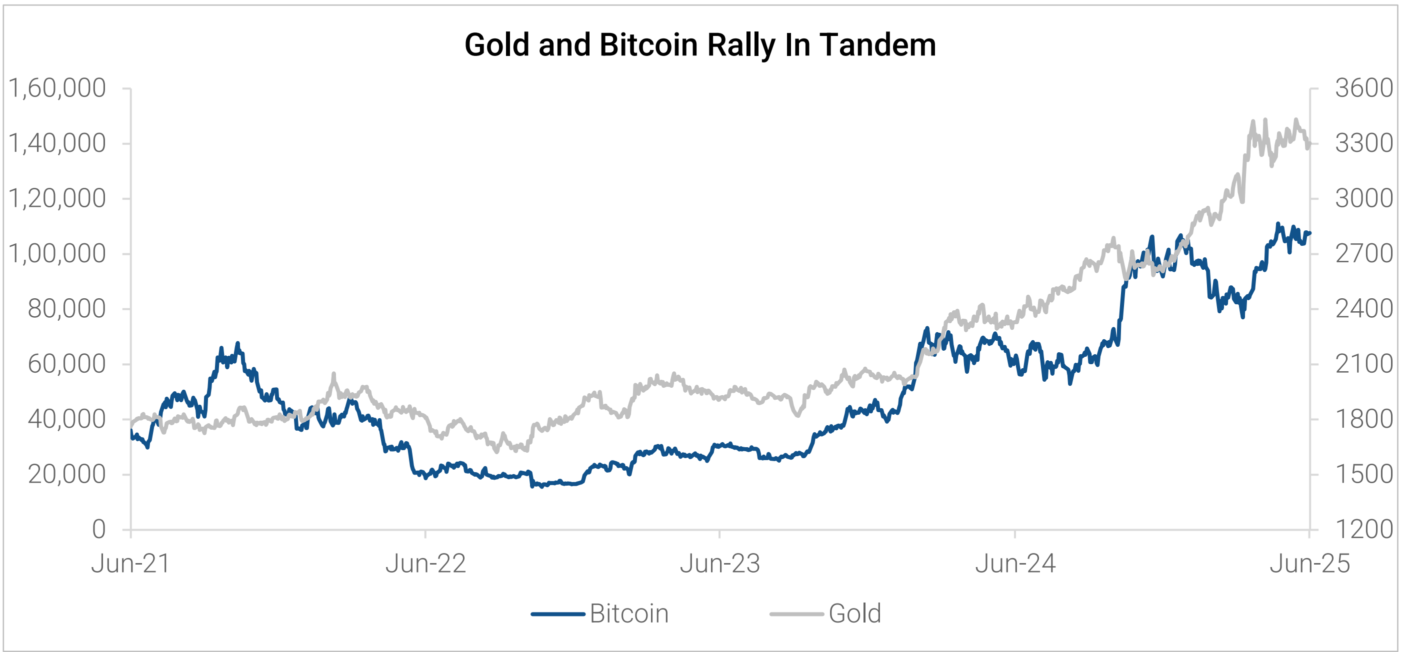
Despite the short-term consolidation, the outlook remains constructive. The fragile Israel–Iran ceasefire, renewed US-China trade tensions ahead of the August 1 (earlier July 9) tariff deadline, and expectations for further US rate cuts continue to offer tailwinds. Gold remains supported by expectations of rate cuts, sustained Central Bank demand—particularly from emerging markets diversifying reserves—and continued weakness in the US Dollar, reinforcing its longer-term bullish outlook.

Silver Soars to a 13-year High on Demand and Tensions

Silver jumped 9.5% in June to reach $36.10/oz, its highest level in 13 years, driven by industrial demand, geopolitical risk hedging, and constrained supply. Notably, the gold-silver ratio narrowed to 90–92, indicating undervaluation relative to gold. Demand from the solar, electronics, and green energy sectors, along with ETF inflows and a weaker Dollar, supports a positive outlook for silver in H2 2025. While volatility remains high and a stronger Dollar could pose near-term risks, structural supply deficits and growing investor interest position silver as a valuable complement to gold.

Crypto Climbs on ETF Boost and Institutional Inflows

Bitcoin (BTC) rose 2.9% in June 2025, briefly surpassing $110,000 before settling at $107,607, driven by strong institutional inflows, accelerating ETF momentum, and expanding crypto infrastructure. Ethereum (ETH) also rose 2.9% to $2,503, supported by optimism surrounding spot ETH ETFs and a growing interest in altcoins. Both assets continued to correlate with gold, reinforcing their appeal as macro hedges amid geopolitical tensions and weakening confidence in fiat currencies. Sentiment was boosted by ETF inflows and allocations from major managers such as BlackRock and Fidelity. While volatility and regulatory risks persist, expectations of US rate cuts, improving liquidity, and broader adoption underpin the medium-term upside potential of crypto.



Source: Investing.com, SGA Research

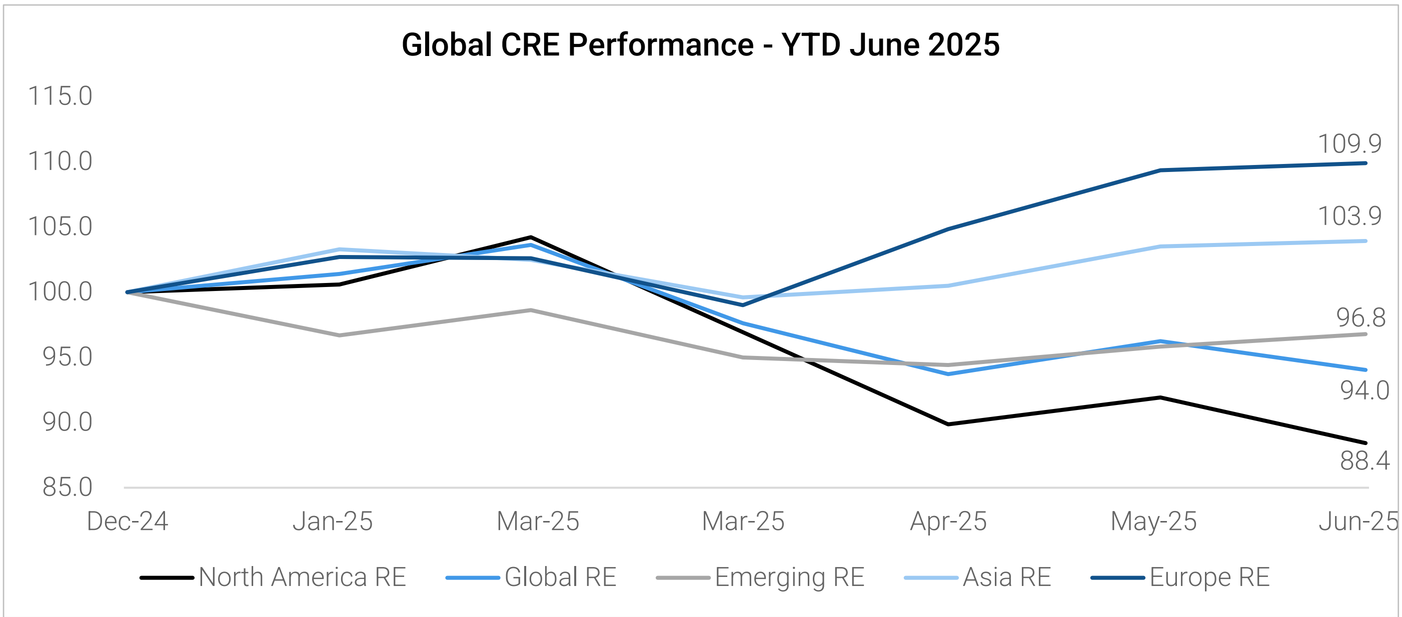
Real Estate

Mixed Trends amid Imbalances & Policy Risks

Steady Fundamentals Back the Case for Global Real Estate in the Current Economic Backdrop

In a global environment dominated by geopolitical and policy uncertainties, the Commercial Real Estate (CRE) sector presented a mixed picture. Despite healthy fundamentals, supply remained constrained, especially for Residential, while Office continues to recover with selective absorption. Industrial as a sub-sector continues to perform well; however, policy uncertainties have shifted focus on the global supply chain. Occupiers in some geographies stay on the sidelines to seek more clarity on the market landscape, which has moderated the demand for Industrials.

The global RE indices were down 5.9% YTD June 2025. Among the regional indices, the North American RE market detracted the most, with a decline of 11.6% YTD June 2025, while the European RE market grew 9.9%.



Source: EPRA, Global RE Represented by FTSE EPRA Nareit Global Index, Regional RE Indices Are Subsectors of Broader Index, SGA Research

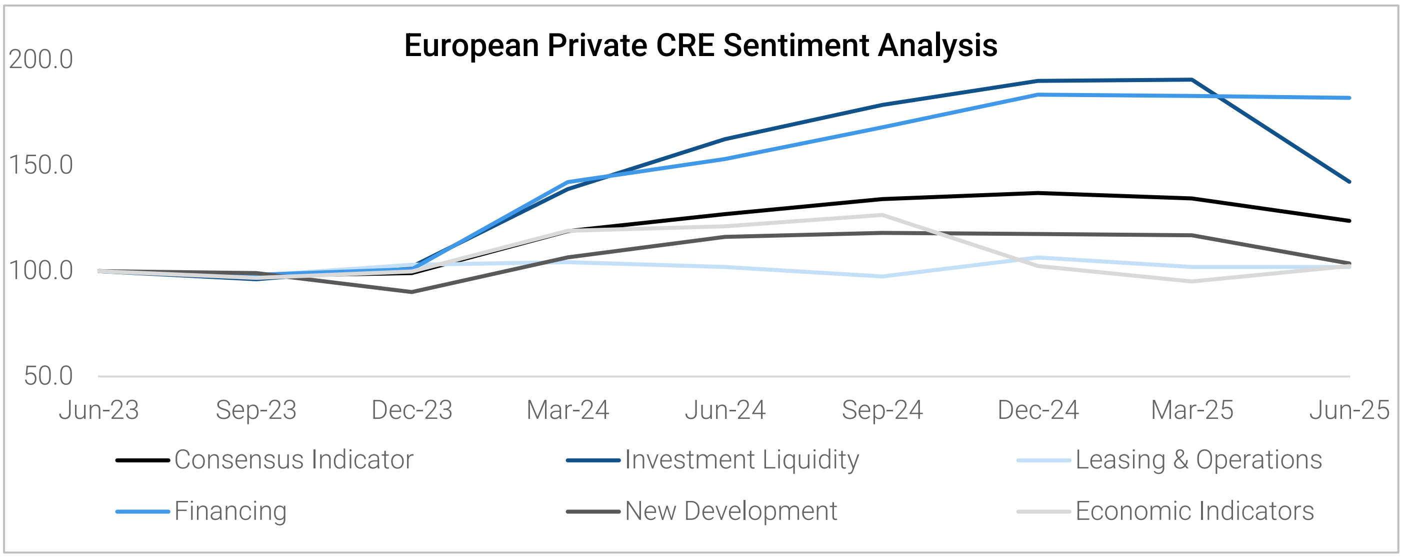
US Entered New Cycle with Shoots of Recovery and Affordability Strains

The US housing market is showing mixed signals, with affordability reaching its lowest point in three decades due to persistently high mortgage rates. In May, existing home sales fell 0.7% y/y, while inventory surged over 20%, marking a 25-year high. Homes now remain listed for an average of 4.6 months, up from 3.8 months last year, suggesting increased buyer leverage in price negotiations. Construction activity remains subdued, with declines in permits, starts, and completions pointing to ongoing supply constraints. However, refinancing activity jumped 40% in June, spurred by a slight drop in the 30-year mortgage rate to 6.79%. Home valuations are gradually stabilizing, and rising inventory may help narrow the price gap between new and resale properties. Meanwhile, demand for office space is recovering, driven by selective leasing of premium properties, expansion by small businesses, and a slowdown in new commercial developments.

Lending activity, however, softened in Q2 2025, with CBRE's lending momentum index down 5.4% q/q and 52.2% y/y. Looking ahead, valuations are expected to further stabilize, the cost of ownership is expected to remain high, and data centers & senior living are expected to remain attractive sub-categories for investments. Further, portfolios' shift toward inflation-protective income-generating assets is expected, while the hunt for opportunistic high-return assets is likely to continue.

Evolving Liquidity & Supportive Fiscal Policies Aiding European CRE

Structurally supply-constrained Euro area attracted $51 billion in investments in Q1 2025, up 6% y/y (Source: CBRE), underpinning demand in the Logistics, Industrial, Retail, and Hotels sub-sectors. This supply-demand imbalance continues to reinforce high rentals for the Residential market. Though partially ceiled through rent control measures in Germany & France, it still presents a compelling preposition for investors seeking stable income flows. Though INREV's Consensus Indicator for June 2025 recorded a sharp contraction in investment liquidity, financing and leasing & operations continued to hold the sentiments high. Going forward, caution is likely to persist; however, steady occupiers' fundamentals provide reasonable confidence in the European CRE outlook.



Source: INREV Consensus Indicator, SGA Research

APAC CRE Feels Pressure, Though Stabilizing Yields in Key Markets Offer Support

APAC CRE witnessed a pullback in Q1 deal volume (-18% y/y; -45% q/q). However, as yields started to compress or stabilize across key markets, overseas investments reached the 31% mark for Q1 2025 (Source: HSBC AM). Japan continued as a leading performer in the region with strong fundamentals for office and multifamily, whereas liquidity concerns continue to weigh on Chinese CRE. Going forward, easing monetary policies, attractive valuations, and assets less sensitive to tariffs are likely to drive the APAC CRE market.

SGA Newsletter Team

Mayuresh Wagh
Head of Capital Markets

Rajib Das
Head of Investment Research

Ramkrishna Umre
AVP of Investment Research

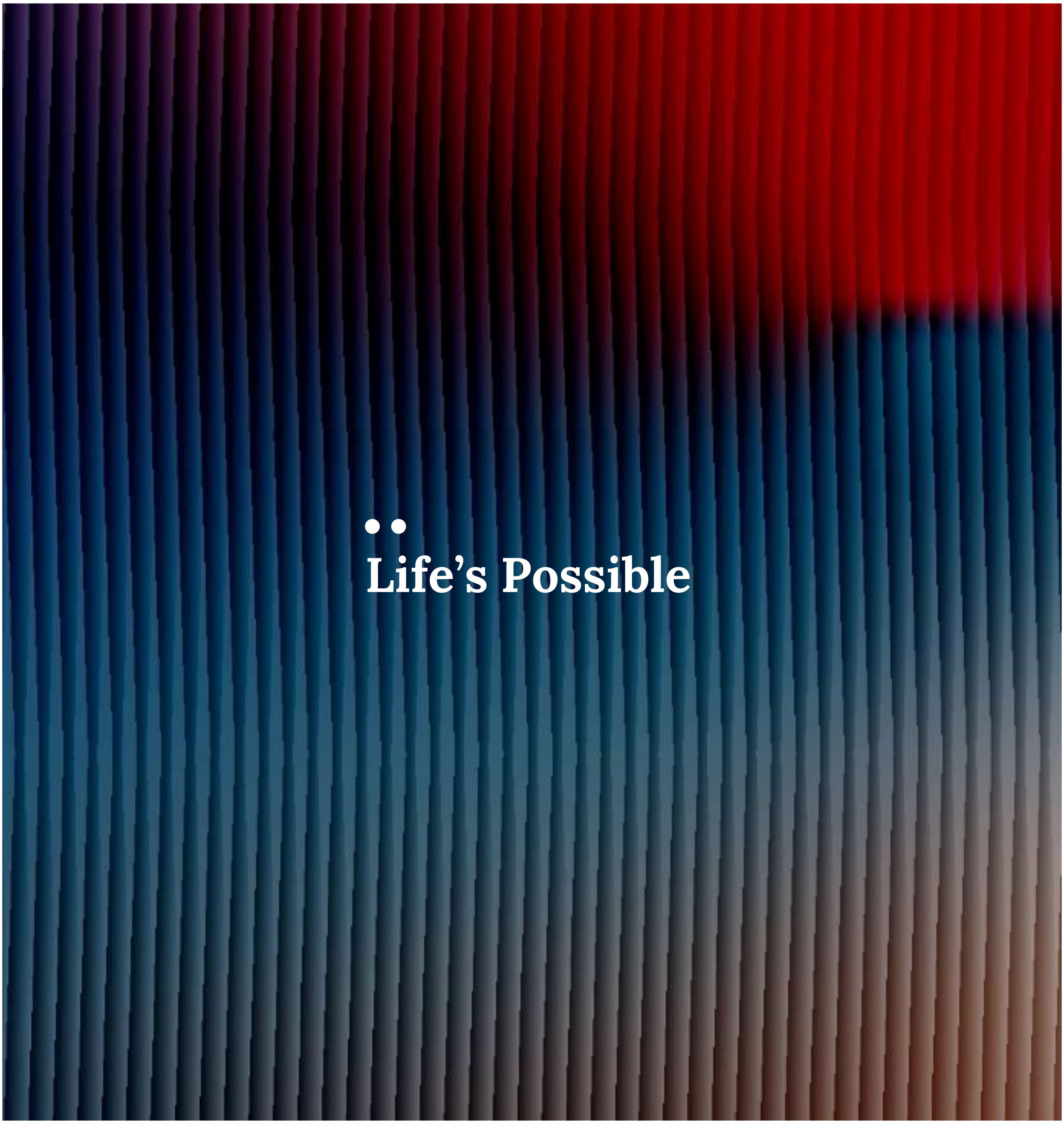
Rakesh Kakani
Head of Fixed Income Research

Mukesh Jhedu
Lead Analyst, Investment Research

Sneha Malani
Lead Analyst, Fixed Income Research

Sarita Ghosh
Analyst, Fixed Income Research

Snehadeep Bapat
Content Editor



Disclaimer

SG Analytics

A Straive Company

in

Pune | Hyderabad | Bengaluru | Gurugram | New York | Chicago | London | Zurich