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# VEDA

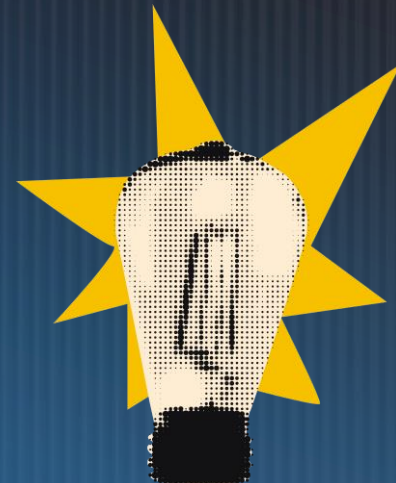
Monthly Investment Research Roundup



## SEPTEMBER CROSSROADS

Navigating the Intersection of Trade Tensions and Monetary Policy

# Investment Research Spotlight



## **Global Macroeconomic Development** 04

Global growth faces mixed signals as inflation persists, fiscal risks rise, and policy pivots loom

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US Treasury yield declined post Jackson Hole Symposium, while Japanese Yields reached record highs

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Momentum continued with mixed trends across markets and sub-categories

# From the SGA Research Desk



August 2025 was marked by heightened policy uncertainty and shifting market dynamics, as global central banks signaled a cautious pivot. In the US, Treasury yields fell sharply after Fed Chairman Powell's Jackson Hole remarks acknowledged persistent inflation but flagged rising employment risks, reinforcing expectations of a September rate cut.

The dollar weakened as markets priced in policy easing, while equities advanced on cyclical strength, led by Materials and Health Care, even as sector performance remained polarized.

In Europe, bond markets saw historic yield convergence between France and Italy, while German and UK yields climbed on fiscal expansion concerns.

Japanese government bond yields surged to multi-year highs amid inflationary pressures and fiscal risks,

underscoring the Bank of Japan (BOJ)'s hawkish stance.

Emerging markets remained broadly stable, with Chinese and Indian yields edging higher on liquidity measures and fiscal worries, while EM currencies firmed on dollar weakness.

Commodities delivered mixed signals—gold and silver rallied on safe-haven demand and strategic reclassification, while crude prices softened on supply concerns.

Overall, markets navigated a complex backdrop of easing monetary expectations, fiscal imbalances, and geopolitical uncertainties, setting the stage for a volatile September.

## Our Views on Asset Classes

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

Source: SGA Research

### Outlook & Strategy

We remain cautiously defensive amid policy uncertainty and growth risks. We favor short-duration Treasuries and quality credit, with selective equity exposure in the US and Asia. Commodities, especially gold and silver, act as hedges, while dollar weakness supports opportunities in the euro, yen, and select EM currencies.

# Global Macroeconomic Development

## Global Macros: Economic Resilience Persists Despite Uncertainty



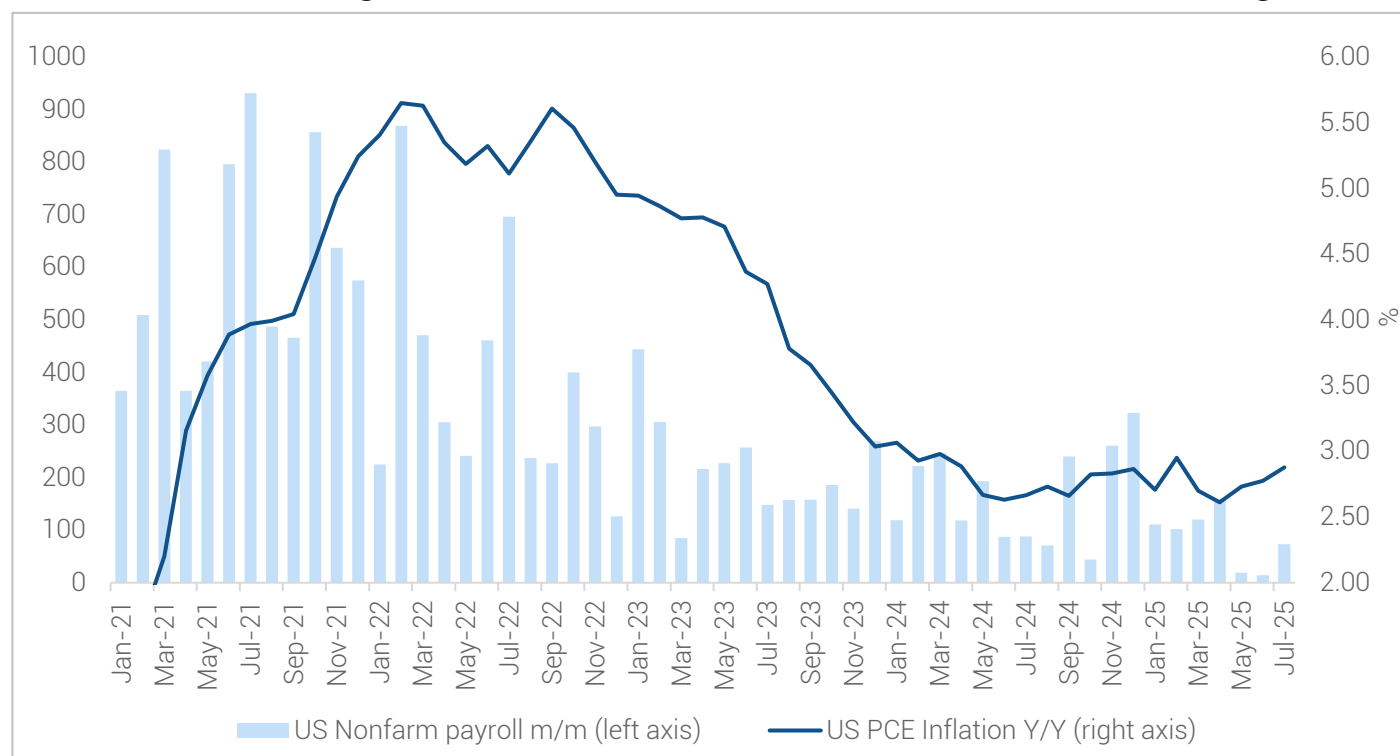
### US: The Great Contradiction and the Fed's Pivotal Shift

August 2025 was a month defined by a series of powerful and at times contradictory economic signals. On one hand, the second estimate of Q2 GDP revealed unexpected resilience, driven by upward revisions to consumer spending and a favorable trade balance. On the other hand, the July jobs report, released in August, presented a stark and sobering picture of a labor market losing its footing, with massive downward revisions to prior months' data. This macroeconomic schism—a resilient past clashing with a fragile present—set the stage for the month's most significant development: a strategic pivot by the Fed.

At the Jackson Hole Symposium, Chairman Powell not only signaled a potential September rate cut but also unveiled a wholesale revision to the Fed's monetary

policy framework, abandoning its "average" inflation target and a long-standing emphasis on labor market shortfalls. This fundamental re-evaluation of the Fed's strategy, coupled with escalating geopolitical trade tensions, is reshaping the economic landscape and introducing a new set of risks and opportunities for investors. The core narrative is no longer about a controlled slowdown but about navigating an inflection point where a new policy regime confronts a complex and uncertain reality.

### US Job Gains Slowing While PCE Inflation Remains Above the Fed's 2% Target



Source: International Monetary Fund, SGA Research

## Europe: Limited PMI Gains Offset by German Downturn and Weak External Demand

In August, Eurozone activity showed modest stabilization, though growth remained fragile. The HCOB Manufacturing Purchasing Managers' Index (PMI) rose to 49.8, its highest since mid-2021, as factory output expanded for a fifth month, albeit at a slower pace, and remained in contractionary territory. Services provided limited support, with the Composite PMI edging up to 50.9, a four-month high but still below its long-term average of 52.4. New orders stagnated and exports contracted for the 41st consecutive month, highlighting weak external demand amid tariff pressures. Industrial output declined by 1.3% in June, driven by steep declines in Germany and Ireland, underscoring the persistent headwinds facing the industry despite a marginal 0.1% growth in GDP in

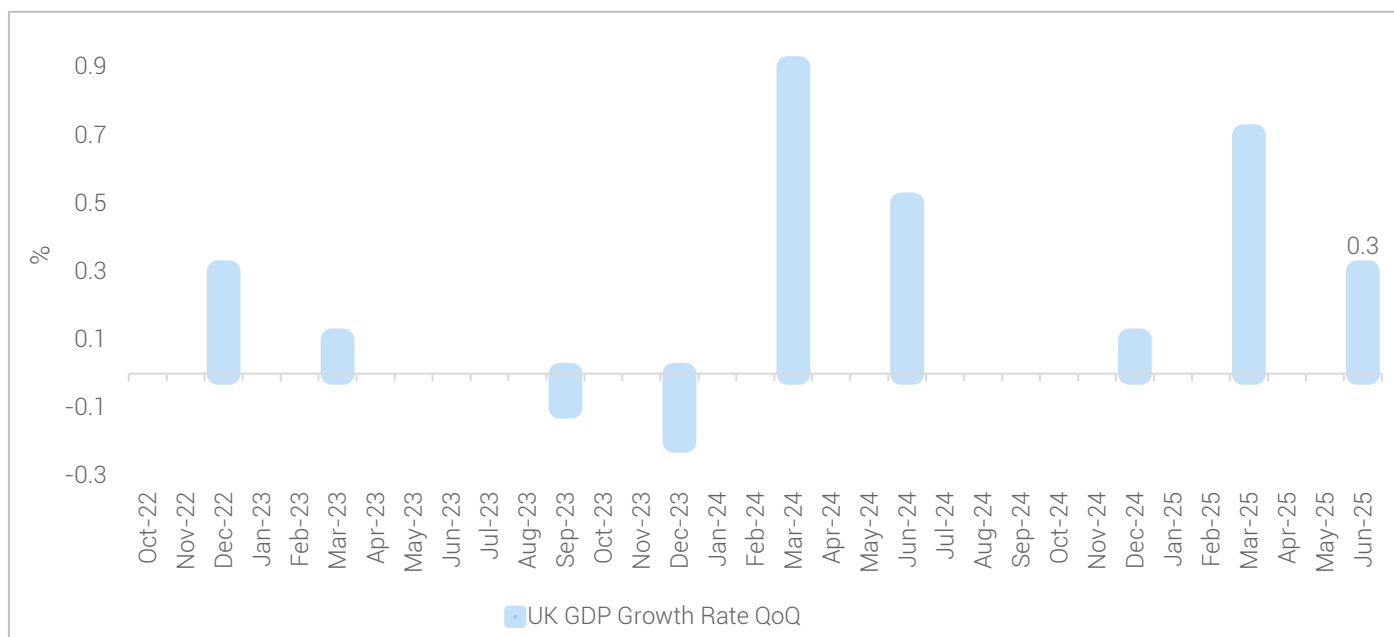
Q2. Germany continues to underperform. Industrial orders declined 1% in June, primarily due to a 7.8% drop in non-Eurozone demand. Meanwhile, investor sentiment plummeted sharply in August, largely due to disappointment with the EU-US trade deal. Moreover, the industry has shed 245k jobs since 2019, especially the car manufacturing segment. Although the Ifo Business Climate Index rose to a 15-month high, consumer confidence deteriorated, and labor markets softened. Looking ahead, inflation across the eurozone is expected to hover near the 2% target, but core remains sticky at 2.3%. With growth subdued and risks tilted downward, the ECB is likely to hold rates at 2.0% in its September meeting, keeping one final cut in December as a possibility.

## UK: Inflation Nears Peak as BoE Eases, Debate over Further Cuts Looms

At its August meeting, the Bank of England (BoE) lowered the policy rate by 25bps to 4.0%, marking its third cut of 2025 but exposing clear divisions within the Monetary Policy Committee (MPC). Four members voted to hold rates, reflecting persistent concerns about inflation, which rose to 3.8% in July and is projected to peak at 4% in September, nearly double the 2% target. While headline inflation has been driven higher by food prices, core and services inflation remain sticky. Governor Bailey emphasized that disinflation will be gradual, with risks tilted toward persistence given tight labor supply and elevated wage growth. Meanwhile, growth has cooled but proved

more resilient than expected. GDP expanded 0.3% in Q2, moderating from 0.7% in Q1, but above the 0.1% forecast, with services and construction offsetting weakness in manufacturing. However, the job market continues to soften payrolls have fallen for a sixth consecutive month, vacancies have dropped to their lowest level since 2021 and hiring intentions have declined to pandemic-era lows. Looking ahead, markets expect one further cut by year-end and another in early 2026. Yet the pace of easing will hinge on inflation dynamics and labor market slack, leaving policy firmly data-dependent.

## UK Economy Slows Less Than Expected in 2025



Source: Bank of England, SGA Research



# Global Macroeconomic Development

## Asia's Revival: Progressing at Different Speeds



### Japan: The Hawkish Pivot amid Fragile Growth

The Bank of Japan (BoJ)'s August meeting was defined by a more hawkish tone, even as the policy rate was held steady at 0.5%. This pivot was supported by new data, including the BoJ's significant upward revision of its core inflation forecast for fiscal year 2025 to 2.7%. The central bank's risk assessment, however, shifted to "generally balanced," suggesting it is more confident in the trajectory of price stability. 2Q25 GDP data, released in August, showed a stronger-than-expected annualized growth rate of 1.0%. However, this was largely driven by a temporary "front-loading" of exports

ahead of new US tariffs, while private consumption remained subdued. Looking ahead, the economic outlook is defined by a delicate balance. A September rate hike is seen as "unlikely" as the BoJ awaits more data to confirm the durability of the recovery, particularly as the boost from exports is expected to fade. Market participants anticipate a potential economic slowdown in the latter half of the year as the full impact of US tariffs materializes, making the central bank's path to normalization slow and data-dependent.

### China: Navigating a Slowdown and Structural Shifts

August 2025 data revealed a modest deceleration in China's economic momentum, underscoring the persistence of challenges despite ongoing policy support. The recovery remains uneven, with a notable return to deflationary pressures as the Consumer Price Index (CPI) remained flat y/y in July. This reflected subdued domestic demand and fragile consumer confidence. Concurrently, industrial output growth softened to 5.7% y/y in July, and retail sales growth remained disappointing at 3.7%. In response, the People's Bank of China (PBoC) maintained a cautiously accommodative monetary stance, holding its key

lending rates steady while utilizing liquidity tools to ensure sufficient credit. The government's continued focus on structural reform was evident in its plan to cut steel production, a move aimed at addressing overcapacity. Looking ahead, a sustainable recovery hinges on restoring household confidence and resolving the deep-seated issues in the property sector. The market will be closely monitoring Beijing for further policy signals, as a durable economic expansion will depend on successfully rebalancing the economy away from its traditional growth drivers toward a more stable, demand-led model.

### India: Economic Resilience amid External Headwinds

India's economy continued to demonstrate robust domestic momentum, even as external challenges intensified. The month opened on an optimistic note, with provisional data revealing a five-quarter high in real GDP growth, 7.8% for the April–June quarter, primarily driven by significant government-led capital expenditure. This was complemented by the provisional July CPI inflation data, which fell to a multi-year low of 1.55%, primarily due to a sharp decline in food prices. In response to the benign inflation environment, the Reserve Bank of India (RBI) adopted a "dovish pause" at its August meeting, keeping the repo

rate steady at 5.50% after a series of rate cuts. The central bank lowered its inflation forecast for FY26 to 3.1% from an earlier 3.7%, signaling a data-dependent approach. This domestic resilience was tested by escalating US trade tariffs and sustained foreign fund outflows, which caused the Indian rupee (INR) to hit an all-time low of 88.17 against the US dollar. The RBI intervened to manage the currency's volatility. Looking ahead, the economy's strong domestic drivers are expected to provide a crucial buffer against global uncertainties.

## Latin America: A Diverging Policy Landscape

The economic narrative across Latin America (LatAm) in August was defined by widening monetary policy divergence, as central banks charted different courses to address persistent inflation and slowing growth. April's revised GDP forecasts for key economies reflected these trends. While overall regional growth is expected to slow in late 2025, country-specific conditions drove varied responses. External headwinds, particularly global trade tensions and commodity price drops, continued to pose risks.

The Central Bank of Brazil (BCB) maintained its Selic rate at 15% in August, signaling caution amid a "more adverse and uncertain" global environment and domestic fiscal risks. Despite a July GDP forecast revision to 2.3% (from 2.2%), economic activity showed moderation. Minutes highlighted continued labor market strength and inflation above target. The committee's primary concern was unanchored inflation expectations for 2025 and 2026 (5.1% and 4.4%, respectively). This pause reinforced commitment to its inflation mandate and underscored fiscal discipline concerns, which could raise the economy's neutral interest rate.

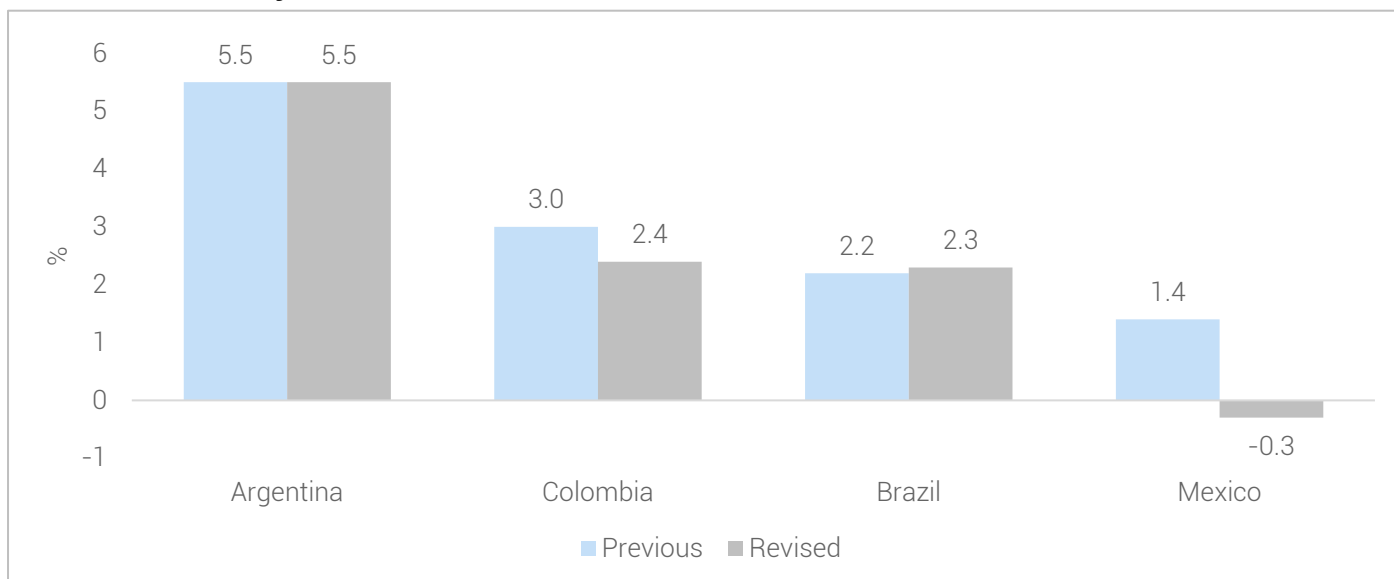
Diverging from Brazil, Banco de México (Banxico) cut its overnight interbank interest rate by 25bps to 7.75% on August 08, 2025. This non-unanimous decision, the ninth consecutive cut, was driven by weak economic activity and the need to mitigate US trade policy uncertainty. These concerns were amplified by April's significant GDP forecast downgrade to a -0.3% contraction (from 1.4%), attributed to weaker activity,

US tariffs, and tighter financial conditions. While headline inflation eased in July, core inflation accelerated slightly, and year-end expectations rose to 4.04%. The split vote reflected internal disagreement over whether to prioritize the fragile economy or address persistent inflation risks.

Colombia's disinflationary path faced a July setback, with monthly CPI inflation at 0.28%, exceeding expectations and pushing the annual rate to 4.90% y/y. This surprise, largely from rising food and lodging/utilities costs (75% of total), was exacerbated by a rice producers' strike. This rebound has limited the central bank's ability to cut rates. The policy rate is expected to remain stable at 9.25% for the rest of the year, with easing contingent on a clearer disinflationary path.

Argentina's reform-led recovery continued to show impressive results, with July inflation dropping sharply to 1.9% m/m and the y/y rate falling to 36.6%. This deceleration directly results from President Milei's aggressive fiscal consolidation, ending central bank financing. The economy is projected to rebound strongly, with GDP growth expected to exceed 5.0% in 2025, an outlook reinforced by the April GDP forecast, which was maintained at 5.5% due to an early 2025 rebound and rising market confidence. However, the sustainability of the fiscal adjustment is in question, relying on potentially difficult-to-maintain cuts. Additionally, the overvalued peso, while aiding import costs, could weigh on exports and foreign exchange reserves.

## GDP Growth Projections for 2025



Source: IMF, SGA Research

# Fed's Dovish Tilt Supports Short-Term Bonds amid Inflation Uncertainty

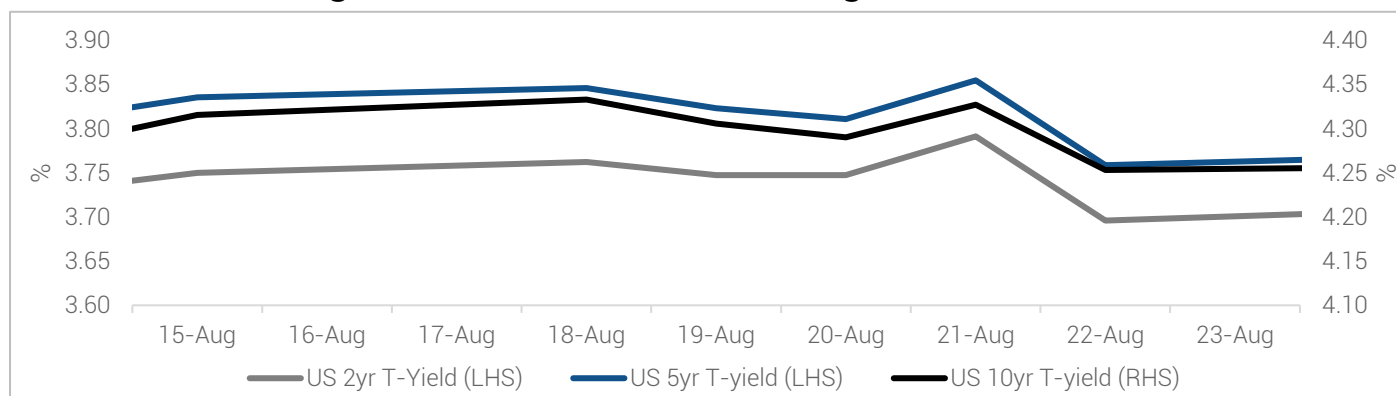


## US Treasury Yields Decline Post Jackson Hole

The US Treasury curve shifted lower in late August 2025, with yields plunging notably following Fed Chairman Powell's remarks at the Jackson Hole conference. On August 22, the 10-year yield fell by nearly 10bps, while the 2-year slid by 12bps, with the belly of the curve outperforming. Powell acknowledged persistent inflation pressures but emphasized rising downside risks to employment, noting that rates remain "restrictive" and that the balance of risks "may warrant adjusting policy." Markets quickly repriced, assigning an 89% probability to a September rate cut, compared with 75% a week earlier. For now, stronger-than-expected PMI readings and tariff-driven input cost pressures complicate the inflation outlook, but weakening labor market signals are reinforcing expectations of imminent policy easing. We revise our

views from positive to neutral on Treasuries, preferring short-term maturities due to their resilience in a policy-adjusting environment, while avoiding long-dated bonds given fiscal deficits, elevated term premiums, and political uncertainties that weigh on valuations. Short-term investment-grade (IG) credit is favored over long-term credit, as it better compensates for interest rate risk amid tight spreads. Conversely, long-term IG remains unattractive given compressed valuations. We remain neutral on high-yield (HY) bonds, as tight spreads limit medium- to long-term value, though short-duration HY retains appeal due to solid corporate fundamentals and low sensitivity to rate moves. Overall, we maintain a cautious stance, favoring shorter maturities and selective credit exposures as growth risks prevail and inflation dynamics remain unsettled.

## US Treasuries Plunged After Jackson Hole Meeting



Source: FRED, SGA Research

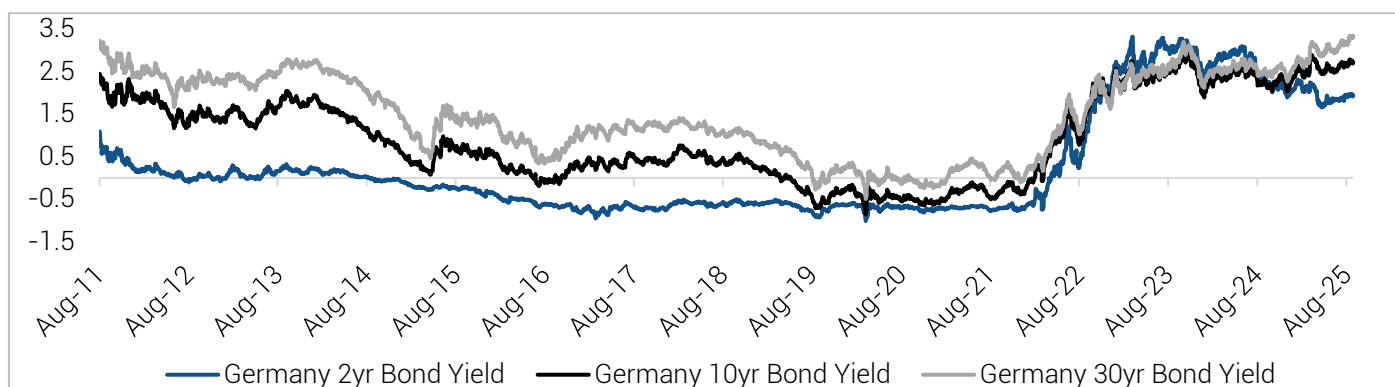
## France–Italy Yield Convergence Hits Historic Lows, Signaling Shifts in Risk Dynamics

The yield spread between French and Italian 10-year bonds narrowed to just 0.14% in July 2025, marking a historic convergence not seen since the global financial crisis. French 10-year yields climbed to 3.51% in August from 3.35% in July, reflecting political instability and fiscal concerns, while Italian yields held steady at 3.62%, supported by Prime Minister Meloni's fiscal prudence and ECB easing. In contrast, German 10-year bund yields rose to 2.78% mid-month, their highest since March, driven by Berlin's fiscal expansion and

record borrowing plans. Spain's 10-year yield widened to 3.33% from July's 3.27% following global bond market trends, while UK gilts rose to 4.72% from 4.57% in July, as the government's £70 billion/year expansionary budget raised fears of persistent deficits and inflation. Looking ahead to September, the expected wave of new European government bond issuance will likely test market resilience, potentially placing upward pressure on yields across the major eurozone economies.



## Germany Long-Term Yields Rise to New Highs



Source: Investing.com, SGA Research

## Japanese Bond Yields Climb amid Inflation and Fiscal Concerns

Japanese government bond (JGB) yields continued their ascent in August 2025, with the 10-year yield reaching 1.62%, its highest since 2008, driven by persistent inflation above the 2% target, global rate pressures, and fiscal concerns. Investors are increasingly concerned that Japan's expansionary fiscal measures will exacerbate its already massive debt load, which exceeds 260% of GDP, the highest among developed economies. The 30-year yield surged to 3.18%, equaling its record high, as investors

intensified expectations of additional interest rate hikes by the BoJ and increased bond issuance to fund stimulus. Japan's core Inflation rate rose by 3.1% y/y in July, exceeding expectations but easing from June's 3.3%. Looking forward, JGB yields are expected to remain elevated in September, with the 10-year potentially testing new highs as the BoJ is expected to continue with its hawkish monetary policy trajectory in the medium term.

## Japan's 30-Year Yield Spiked to Its Highest Ever



Source: Investing.com, SGA Research

## China Bond Yields Rise amid Fed Optimism; Indian Yields Hit Five-Month High

In the emerging markets segment, China's 10-year government bond yield climbed to 1.78% in late August from 1.73% in July, its highest in four weeks, buoyed by optimism over the Fed's dovish signals at Jackson Hole. Additionally, the People's Bank of China (PBoC) injected CNY600 billion via its Medium-term Lending Facility (MLF) to ensure ample liquidity, reinforcing its accommodative stance. Meanwhile, Indian 10-year G-Sec yields surged to 6.6% in August from 6.4% in July, driven by fiscal concerns stemming from GST rate cuts and weak foreign inflows. Additionally, elevated yields reflect muted demand for long-duration debt amid

concerns about fiscal slippage. GCC corporate bonds delivered a 6.1% y/y return, with sovereigns gaining 3.6% y/y and Sukuk gaining 5.7% y/y in August as continued efforts in fiscal consolidation and diversification (e.g., Saudi Vision 2030) enhanced sovereign credit profiles. Looking forward, we maintain a neutral outlook on EM and GCC bonds, as yields are expected to remain stable in September. This is largely due to ongoing policy support and current valuations, which, while steady, do not present a compelling case for a more bullish stance.

# Global Currencies to Remain Firm as Dollar Retreats on Fed Cut Bets

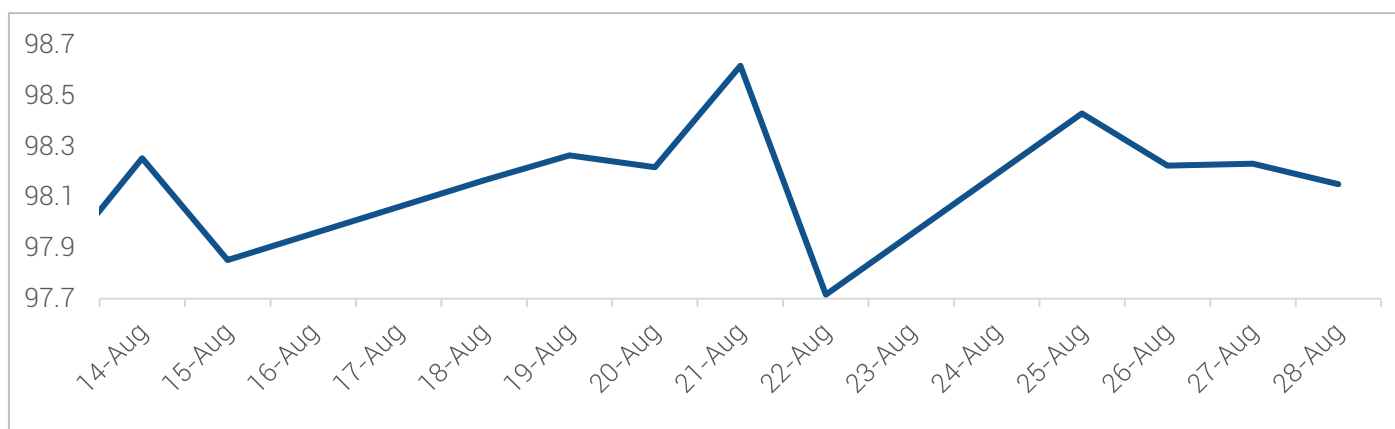


## US Dollar Fell Post Jackson Hole as Policy Uncertainty Deepened

The US dollar slipped to 97.7 on August 22, 2025, from 99.9 in July, after the Jackson Hole conference, as investors priced in higher odds of Fed rate cuts. Markets now see an 89% chance of a 25bp cut in September, reflecting softer growth signals, July's modest jobs report (+73k), and political uncertainty after President Trump's attempts to reshape the Fed. Concerns over fiscal sustainability, with the OBBBA's \$4.1 trillion burden and widening deficits, have also weighed on sentiment. Global capital flows continue to

reallocate into European assets, while the dollar has ceded ground against the euro, despite the presence of French political risks. Looking ahead, we expect the DXY Index to remain range-bound, possibly weakening in September, as it is pressured by growth downgrades, structural deficits, and waning foreign inflows. We maintain a negative view on the dollar, as political interference, softer macroeconomic fundamentals, and capital diversification trends suggest a gradual depreciation over the medium term.

## DXY Index Fell Sharply After Jackson Hole



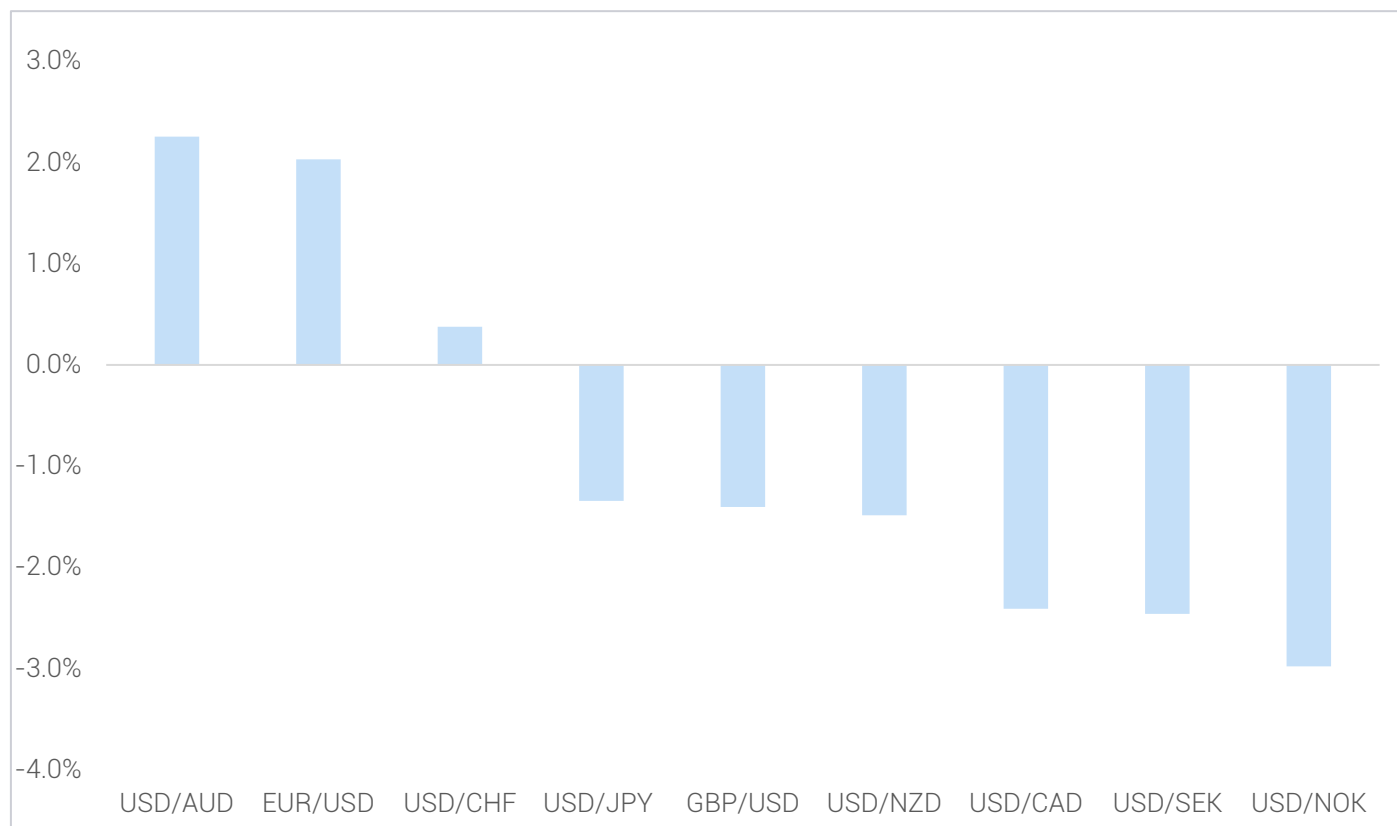
Source: Investing.com, SGA Research

## Euro Expected to Hold Firm amid ECB Pause, Sterling Might Be Under Pressure

The euro (EUR) appreciated to \$1.1715 on August 22, 2025, amid dollar weakness, not far from its four-year high of \$1.18 reached on July 01, 2025. This was buoyed by the ECB's signaled pause in rate cuts, citing the strength of the Eurozone labor market. German business morale hit a 15-month high, reinforcing upbeat activity data. Policy divergence is evident as Fed Chairman Powell hinted at a September US rate cut. The British pound (GBP) gained modestly to \$1.3585 mid-month before retreating to \$1.3499, despite UK businesses experiencing their strongest month in a year, driven by the services sector. Money markets now price in less than a 50% chance of a BoE rate cut before the end of 2025. Meanwhile, the Japanese yen (JPY)

strengthened to around 146.95 per dollar, recovering as the US dollar weakened amid concerns over the Fed's independence and the possibility of a rate cut. BoJ Governor Ueda signaled conditions for another rate hike are taking shape, citing rising wages and a tightening labor market. For September, we remain positive on the euro and yen, citing the ECB's constructive stance, potential BoJ hikes later in the year, the yen's cheap valuations, and prospects for Fed rate cuts. We revise from neutral to a negative stance on the pound, anticipating further BoE rate cut by year end, driven by a weaker labor market and concerns over fiscal credibility.

## Major Developed Market Currency Movements Against Dollar



Source: Investing.com, SGA Research

## Major EM Currencies Firm as Dollar Slips on Fed Cut Bets

EM currencies broadly strengthened in August 2025 as the US dollar weakened on heightened expectations of a September Fed rate cut. The Chinese yuan advanced past 7.1217/USD, its strongest since November 2024, supported by firm central bank fixings and dollar sales by exporters. Ongoing trade tensions with the US pose risks, yet robust trade surpluses and progress in yuan internationalization continue to underpin the outlook. The Indian rupee remained volatile in August, closing at 88.17/USD after a five-session decline. Downside pressures are expected to persist, given the steep US tariffs and elevated oil-related vulnerabilities. Meanwhile, the Turkish lira (TRY) extended its losses to 41.10/USD, reflecting structural fragilities and

persistent concerns about policy credibility. Meanwhile, the South African rand (ZAR) appreciated to 17.432/USD, its strongest level since late 2024, buoyed by gains in the gold price and a dovish Fed outlook. Yet, inflation risks and potential revisions to the South African Reserve Bank's (SARB) wide inflation target range limit visibility. Although fiscal strains and legal uncertainty continue to temper investor confidence, the Brazilian real (BRL) strengthened against the US dollar, reaching 5.4417 in August from 5.6011 in July, supported by wide yield spreads against the US dollar and carry demand. Looking ahead, EM FX momentum is expected to hold in September, particularly in Asia, though political and tariff risks may temper gains.

## Equities

# Global Stocks Mixed: Cyclical Lead in US, Trade Tensions Weigh Abroad

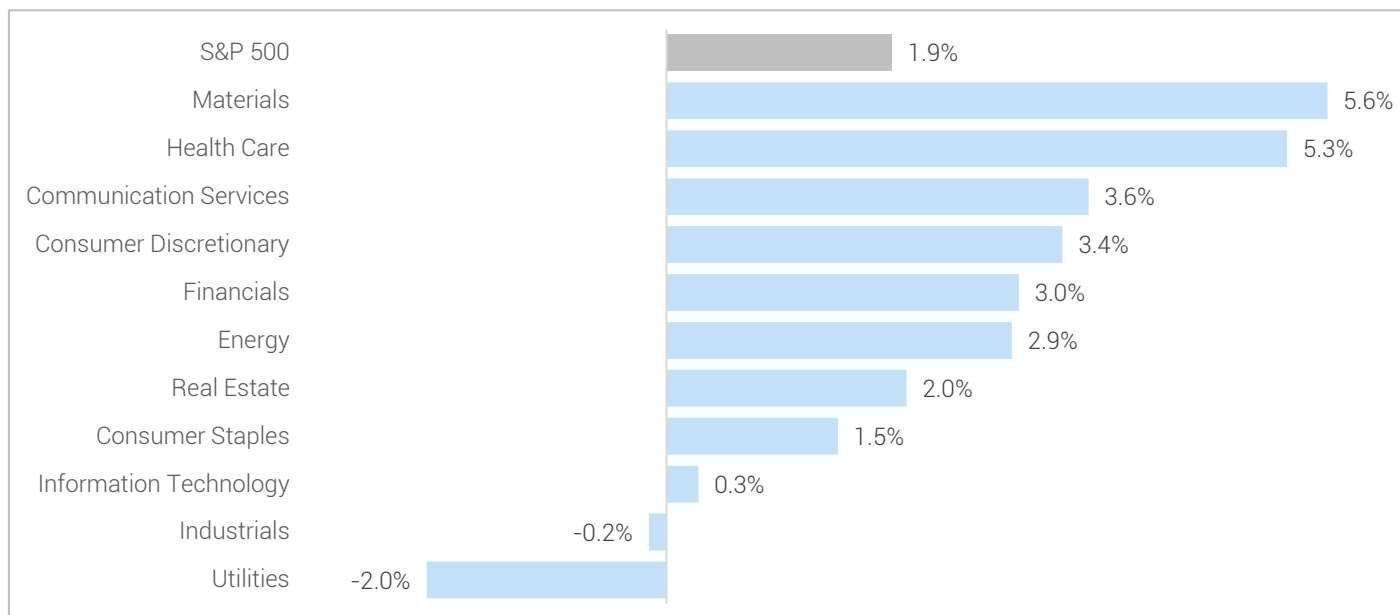


### Cyclicals Drive Gains in US Equities

The S&P 500 advanced 1.9% in August 2025, as sector trends revealed an interesting rotation. Materials (+5.6%), Health Care (+5.3%), Communication Services (+3.6%) and Consumer Discretionary (+3.4%) were the largest drivers, while Utilities (-2.0%) and Industrials (-0.2%) lagged. The strength in cyclical sectors, such as Materials and Consumer Discretionary, reflected optimism around economic growth, while the resilience of Health Care indicated selective defensive buying. Conversely, weakness in Utilities and Industrials suggested investors were less inclined toward traditional defensives or sectors exposed to higher financing costs. In August, performance was polarized, led by Teradyne (+30.6%), Humana (+30.5%), C.H. Robinson (+29.0%), Generac (+22.4%), and CVS Corp (+21.9%), while sharp declines came from Trade Desk (-35.3%), Align Technology (-31.0%), Super Micro Computer (-29.2%), Gartner (-28.3%), and Moderna (-26.2%) on weaker outlooks and revenue pressures.

Heading into September, market leadership is likely to remain narrow, with investors favoring growth areas while remaining cautious in rate-sensitive and capital-intensive sectors. Artificial Intelligence (AI) remains the standout growth engine, with its adoption projected to significantly boost corporate profitability and market capitalisation. Strong corporate earnings across sectors, combined with resilient consumer spending, supported by easing inflation, should provide additional momentum. The Fed's interest rate decisions will be closely watched, with markets anticipating possible cut in September and December. However, trade policies and tariffs, along with broader geopolitical uncertainties, may weigh on sentiment. While the outlook is broadly positive, risks include elevated valuations, the potential drag of tariffs on earnings, and concerns over market breadth, as gains remain concentrated in a few large-cap names. Sustained growth will depend on robust economic conditions and continued earnings strength.

### S&P 500 and Sector Indices Returns (August 2025) – Cyclicals Outperform While Rate-Sensitive Sectors Struggle



Source: S&P500, SGA Research

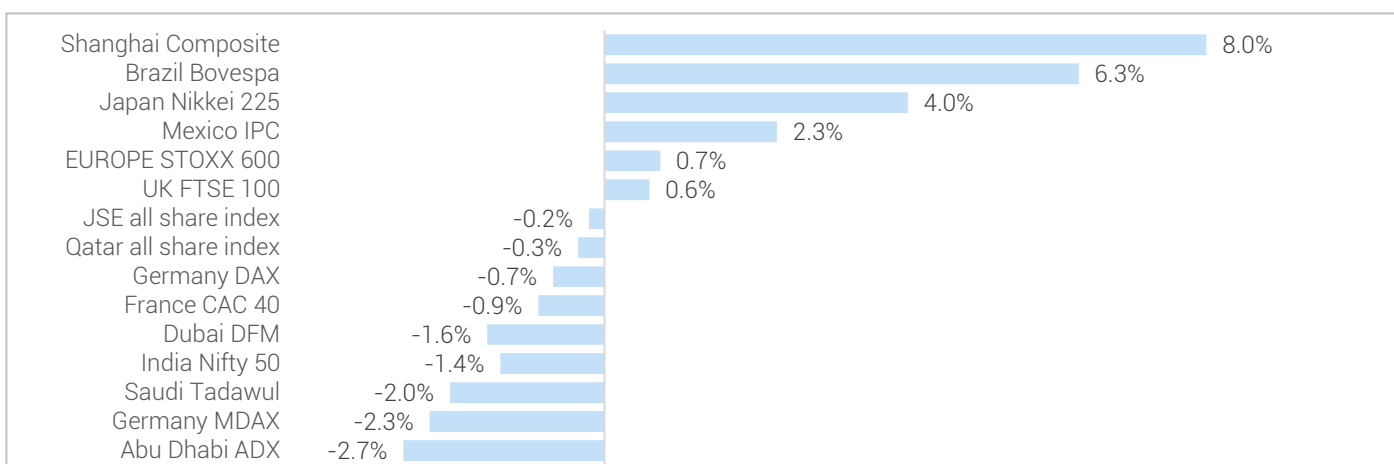
## European Equities Mixed as Earnings Strength Meets Trade Frictions

In August 2025, European equities delivered a mixed performance as investors weighed resilient corporate earnings against trade headwinds and geopolitical uncertainty. The STOXX 600 Index fluctuated throughout the month, briefly rising on solid earnings before retreating to +0.7% on disappointment over the revised US–EU trade framework, which left tariffs on select imports at 15%. Sectoral trends were polarized: technology outperformed, led by chipmakers like ASML and BE Semiconductor, while automotive lagged under tariff pressures and rising competition from Chinese manufacturers. National indices showed mixed performances—Germany's DAX (-0.7%) and France's

CAC (-0.9%) declined, while the UK's FTSE 100 rose 0.9%.

European equities carry a cautiously optimistic outlook for the remainder of the year. Disinflation, ECB easing, resilient domestic demand, and supportive fiscal measures should provide tailwinds, particularly for small-caps and rate-sensitive sectors such as banking and real estate. However, persistent geopolitical risks, potential trade policy shifts, and weak growth in core economies suggest that investors may remain selective, striking a balance between growth prospects in technology and financials and the stability of defensive, income-oriented investments.

## Selective Strength in Equities as Regional Divergences Persist



Source: Investing.com, SGA Research

## Mixed Signals Across Asia-Pacific, the Middle East, and Emerging Markets

Asian equities delivered a mixed performance in August 2025. Japan's Nikkei 225 gained strongly (+4.0%), crossing a record mark of 43k, driven by robust tech earnings, global trade optimism, and expectations of US rate cuts, though trade frictions occasionally weighed on sentiment. China's Shanghai Composite surged 8.0% to a decade-high, as abundant liquidity, policy support, and strength in technology and AI stocks fueled the rally, even as regulatory and economic risks lingered. In contrast, India's Nifty 50 slipped 1.4%, pressured by renewed US tariffs and domestic policy uncertainty, with IT, banking, and autos underperforming while consumer durables proved relatively resilient.

Middle Eastern markets mostly ended lower in August. Dubai's DFM fell by 1.6%, Abu Dhabi's ADX lost by 2.7%, Qatar's All Share Index slipped by 0.3%, and Saudi Arabia's Tadawul declined by 2.0%. Sentiment was dampened by fading optimism around US rate cuts, weaker global cues, reduced sovereign fund investments, and Saudi's fiscal pressures.

EMs showed a mixed trend. Mexico's IPC advanced 2.3% on industrial and consumer strength, Brazil's Bovespa surged 6.3% to record highs on strong earnings, easing inflation, and robust commodities, while South Africa's JSE fell 0.2% in August 2025, pressured by new US tariffs, weak growth outlook, and persistent fiscal and policy uncertainties.

The outlook for the remainder of 2025 remains cautiously constructive across Asia-Pacific, the Middle East, and EMs. Supportive factors include easing inflation, potential global rate cuts, fiscal measures, and resilient domestic demand in select economies. Technology, commodities, and reform-driven sectors could provide opportunities, though risks from trade tensions, policy uncertainty, and geopolitics persist. While China may see a modest recovery and India retains strong growth momentum, regional diversification supports Southeast Asia. Meanwhile, LatAm faces policy and trade headwinds, and Middle Eastern markets remain influenced by oil dynamics and geopolitical sensitivities.



# Global Shifts Fuel Commodity Momentum



## Silver Advances Following US Critical Minerals Designation

Silver climbed over 7.0% in August 2025, surpassing \$40/oz to reach a 14-year high. The rally was driven by two major factors: the US government's designation of silver as a Critical Mineral, which emphasized its strategic industrial value, and reports of the Saudi central bank investing in silver-backed Exchange-Traded Funds (ETFs), signaling new sovereign demand.

These developments boosted investor confidence and reinforced silver's appeal as an industrial asset and a safe-haven investment amid shifting global economic dynamics. The outlook remains positive, with robust industrial and investment demand supporting further potential price gains.

## Silver Reaches 14-Year High, Surpassing \$40/oz Level



Source: Investing.com, SGA Research

## Crude Climbs a Cautious Path: Tight Supply, Tighter Uncertainty

Brent crude prices declined in August 2025, declining about 6.0% to \$68 per barrel. This drop was primarily driven by mounting concerns of a global supply surplus, as both OPEC+ and non-OPEC nations increased production. Simultaneously, signs of slowing demand growth in key economies and broader fears of

an economic slowdown dampened market sentiment. While geopolitical tensions involving Russia and new US-India trade disputes created some volatility, the narrative of supply outpacing demand pushed prices lower.

- **Silver may soon attract greater attention as the US Geological Survey has proposed adding it to America's Critical Minerals List. The draft list is set to shape US strategy, investment, and permitting, securing vital minerals for economic growth and national security.**
- **The Saudi Central Bank's strategic \$40 million investment in silver ETFs and mining stocks sparked optimism in the silver market, signaling growing institutional interest. While not a reserve asset purchase, the move positively influenced sentiment, highlighting silver's potential in diversified portfolios amid evolving global monetary dynamics.**

## Gold Ends Higher as Dollar Weakens and Uncertainty Lingers

Gold prices gained around 5.0% during the month, crossing the key psychological \$3,400/oz level and approaching a potential retest of all-time high of \$3,400/oz. The rally was fueled by heightened geopolitical tensions, particularly the prolonged Russia-Ukraine conflict and renewed friction between

Iran and Western powers over the 2015 nuclear deal. Additionally, growing concerns about the political independence of the Fed, along with a dovish Fed stance, have weakened the dollar, increasing demand for safe-haven assets such as gold and reinforcing its appeal amid rising global uncertainty.

### Gold Moves Past Crucial \$3,400/oz Level



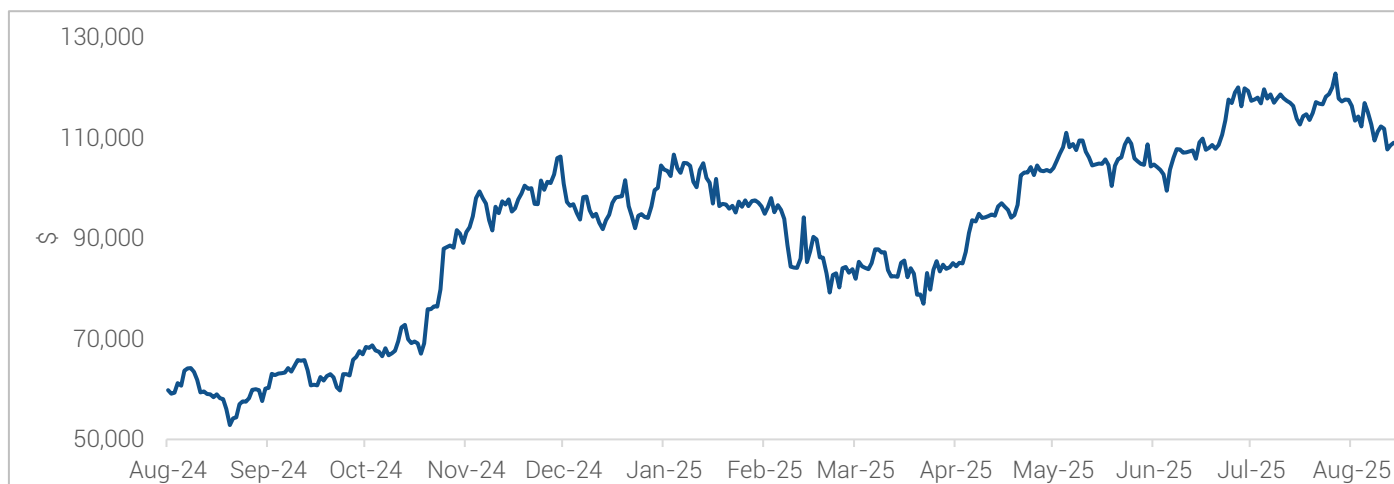
Source: Macrotrends.net, SGA Research

## Volatility amid Strengthening Fundamentals

Bitcoin (BTC) prices faced intense volatility and shifting investor sentiment. Prices reached an all-time high of \$124,500 mid-month, driven by strong institutional inflows and ETF momentum. However, profit-taking on increased derivatives liquidation triggered a correction, leading prices to correct. The Fed's rate cut hints briefly boosted sentiment, but volatility returned.

Consequently, prices saw about a 7.0% correction in August. Despite the price drop, on-chain metrics remained bullish. Exchange balances hit seven-year lows, indicating strong accumulation by long-term holders and whales. Mining fundamentals also improved, with hash rate and difficulty reaching record highs.

### Bitcoin Corrects After Reaching an All-Time High



Source: Macrotrends.net, SGA Research

# Changing Sentiment amid Mixed Trends & Robust Investments



## Mixed Regional Trends as Countries Evaluate Post Tariff Impact

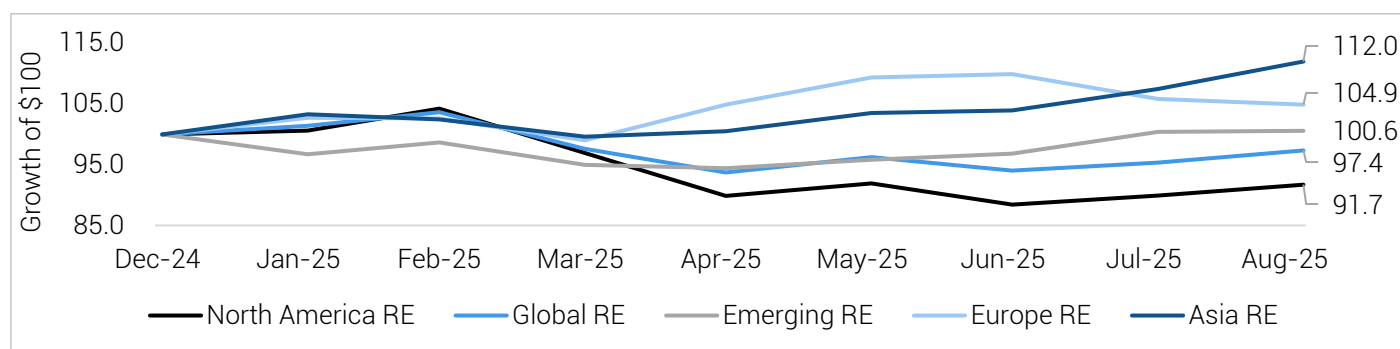
The global Commercial Real Estate (CRE) landscape in August was dominated by the dust settling around tariffs, easing monetary policies, and investors prioritizing high-growth sub-sectors. 1H25 witnessed direct investments worth \$179 billion, while the overall investment growth moderated in 2Q25. Continued tight supply, muted demand for office, and the downsizing by the US government underscored the demand. Demand for premium office, retail, and residential spaces continues to soar, reshaping market dynamics. The industrial sector showed resilience across most markets, even as companies evaluated tariff impacts.

Looking ahead, controlled inflation and accommodative

monetary policy could support a gradual recovery, hoping a rebound in housing affordability stabilizing prices. Additionally, repurposing underperforming retail assets and upgrading sub-prime office stock could boost leasing activity, provided labor markets remain stable in key regions.

The global CRE indices were down 2.6% YTD August 2025. Among the regional indices, the North American CRE market detracted the most, with a decline of 8.3% YTD through August 2025, while the Asian RE market grew 12%. On monthly basis, Europe RE was down 0.9%, due to weakness in UK and Sweden CRE sub-sectors.

## Global CRE Performance – YTD August 2025



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

## US CRE: Easing Construction Fundamentals, Paving Path Through Turbulence

The US housing market activity remains burdened by affordability concerns despite sales incentives from builders. This dried demand resulted in existing homes inventory built-up and longer lead time to sale—4.6 months in July (vs. 4 months in July 2024). However, continued strength in rental housing has increased the pace of the construction activity, which grew 12.9% y/y in July 2025 (Source: US Census). Median new home sales price fell 0.8% from June's \$407,200 (Source: NAR), while at current sales rate, supply expands to 9.2 months (flat from June). Existing home sales increased by 2.0% y/y, while inventory surged over 15.7%, maintaining the highest levels in the last five years. The rising inventory continued narrowing the price gap

between new and resale properties. Mortgage originations and refinancing activity remained subdued in August; conversely, the average loan amount edged higher. Purchase activity jumped by 2% w/w in the last week of August, while the 30-year mortgage rate edged higher to 6.69%. In the meantime, weak office leasing activity due to hesitation to return-to-office and federal downsizing pushed occupancy rates to their lowest level in the last six quarters, reaching 79.4% in 2Q25 (Moody's Analytics report). The retail and industrial sectors are relatively better positioned, with leasing activity picking up for modern and centrally located properties.

Low market activity, led by persistently high mortgage rates, continued growth in listing, and longer lead time to sell, is likely to keep deteriorating housing prices in the coming future. While office leasing activity is expected to remain subdued, with selective demand for prime properties. In retail, the repurposing of strategic assets would remain aided by the growing demand for mixed use quality space in the coming quarters.

At the sub-sector level, data centers and senior living remained top investment destinations due to strong growth potential. From a portfolio strategy perspective, investors are expected to shift toward inflation-protected, income-generating assets, while maintaining a focus on opportunistic, high-return investments.

## Lucrative Yields and Tight Supply Drive Rental Demand in Europe and UK CRE

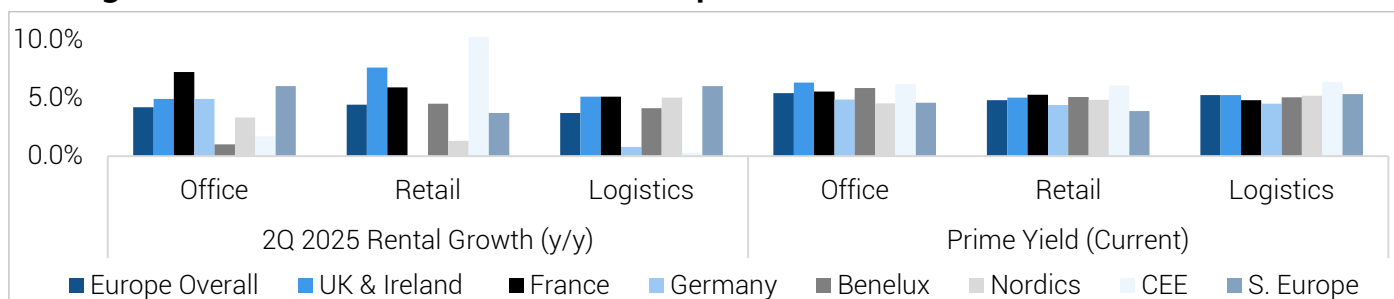
Yields for the European Union remain attractive as of YTD August 2025, boosting investments across the region. The region witnessed continued demand for retail, hotels, and student housing. Despite being structurally supply-constrained, the Euro area attracted €95 billion in investments in 1H25, up 11% y/y (Source: Savills). France & UK sustained yields above 5% across sub-sectors, however the ongoing supply-demand imbalance fueled rental growth. Central and Eastern Europe and Benelux possessed high potential for yields growth.

In UK, yields remain stable and elevated in July 2025, recording an average of 5.25% for office and 5% for industrial prime properties (Source: Knight Frank). While France witnessed mixed vacancy trends for

office properties in July despite stable 1H25, due to regional differences. In July, German residential market continue to witness some yield compression as its perception as a secure asset class drove prices, whereas active employment market suggests continuation of 1H25 momentum (+9% y/y in 1H25 take-up).

Across the sub-sectors, the customer preference for logistics properties was particular but firm. On the other hand, the office segment is cultivating innovative trends, with a growing emphasis on energy-efficient and sustainable spaces. Going forward, declining interest rates are expected to drive further yield compression across European markets.

## Strong Rental Fundamentals Across Europe and UK



Source: Cushman & Wakefield, SGA Research

## APAC CRE Navigating Through Tariffs and Inflationary Pressures

APAC CRE fundamentals remain strong despite concerns post high tariffs. The region recorded 18% y/y growth in investment volumes in 1H25 (Source: CBRE). Japan pulled the highest investments and logged growth 46% y/y (CBRE). Investor preferences revolved around key property sectors including office, industrial, and multifamily. Investments in South Korea skyrocketed to fourfold growth. India and Hong Kong RE continued to post strong demand for luxury residential, office and retail properties. However, Chinese CRE remained a concern due to slumping sales.

In the Middle East, the CRE market activity was driven by government spending and increased non-oil GDP share in UAE, Saudi Arabia, and Qatar. While the

supply-chain diversification aided logistics and industrial sectors in Australia.

Except China (30%) and India (50%), many developing economies in the APAC region have settled a trade deal (~10–20%) with the US, ending uncertainty. However, due to the higher tariffs on Asian giants, inflationary pressures are weighing high. Key construction materials cost is expected to go up, potentially driving the property prices up, impacting affordable housing the most.

Going forward, the optimum trade mix, easing monetary policies, a refined tenant mix, and assets less sensitive to tariffs are likely to drive the APAC CRE market, with focus on office, retail, and industrial assets.

## Currencies

Currencies	Aug-end	▲ 1-Month	▲ YTD	▲ YoY
DXI Index	97.7710	-2.2%	-9.9%	-3.9%
EUR/USD	1.1684	2.4%	12.9%	5.8%
GBP/USD	1.3503	2.3%	7.9%	2.9%
USD/CHF	0.8002	-1.5%	-11.8%	-5.8%
USD/CAD	1.3744	-0.8%	-4.4%	1.9%
USD/AUD	1.5293	1.8%	5.7%	-3.3%
USD/AED	3.6724	0.0%	0.0%	0.0%
USD/INR	88.1440	0.7%	3.0%	5.1%
USD/CNY	7.1304	1.0%	-2.3%	0.6%
USD/JPY	147.0200	2.5%	-6.5%	0.6%
Bitcoin	109,127.01	-6.3%	16.5%	85.1%

## Commodities

Commodities	Aug-end	1-Month	YTD	YoY
WTI Crude (\$/barrel)	64.0	-7.6%	-10.8%	-13.0%
Brent Oil (\$/barrel)	68.1	-6.1%	-8.7%	-13.6%
Natural Gas (\$/mmBtu)	3.0	-3.5%	-17.5%	40.9%
Gold (\$/oz)	3,446.7	4.8%	31.4%	37.7%
Silver (\$/oz)	39.7	8.0%	37.4%	37.5%
Platinum (\$/oz)	1,364.5	5.8%	51.0%	47.4%
Palladium (\$/oz)	970.5	0.8%	6.3%	1.7%
Copper (\$/metric ton)	9,518.8	3.8%	10.0%	12.6%

## Fixed Income

Rates	31-Aug-25	31-Jul- 25	31-Dec-24	31-Aug-24
Fed Funds Target	4.5%	4.5%	4.5%	5.5%
ECB Depo Rate	2.0%	2.3%	2.8%	4.0%
US Treasuries 2-year	3.6%	4.0%	4.3%	3.9%
US Treasuries 10-year	4.2%	4.4%	4.6%	3.9%
US Treasury 2–10 Spread (bps)	60	41	33	(2)
German Bunds 2-year	1.9%	1.9%	2.1%	2.4%
German Bunds 10-year	2.7%	2.7%	2.4%	2.3%
UK Gilts 10-year	4.7%	4.6%	4.6%	4.0%
Japanese Govt Bonds 10-year	1.6%	1.6%	1.1%	0.9%
Swiss Govt Bonds 10-year	0.3%	0.3%	0.3%	0.5%
China 10-year	1.8%	1.7%	1.7%	2.2%
India 10-year	6.6%	6.4%	6.8%	6.9%
Australia 10-year	4.3%	4.3%	4.4%	4.0%

Source: investing.com, July-end data as of 31 August 2025, SGA Research



## Global Equity Markets

Country	Index	Aug-end	▲ 1-Month	▲ YTD	▲ YoY
US	S&P 500 (\$)	6460.26	1.9%	9.8%	14.4%
	DJ Industrial Average (\$)	45544.88	3.2%	7.1%	9.6%
	Nasdaq 100 (\$)	23415.42	0.8%	11.4%	19.6%
Europe	STOXX Europe 600 (€)	550.14	0.7%	8.4%	4.8%
	STOXX Europe 50 (€)	5351.73	0.6%	9.3%	7.9%
	UK FTSE 100 (£)	9187.34	0.6%	12.4%	9.7%
	Germany DAX (€)	23902.21	-0.7%	20.1%	26.4%
	France CAC 40 (€)	7703.90	-0.9%	4.4%	1.0%
	SWISS MKT (CHF)	12187.58	3.0%	5.1%	-2.0%
APAC	Japan Nikkei 225 (JPY)	42718.47	4.0%	7.1%	10.5%
	SHANGHAI COMPOSITE (CNY)	3857.93	8.0%	15.1%	35.7%
	Hang Seng (HKD)	25077.62	1.2%	25.0%	39.4%
	Australia S&P/ ASX 200 (AUD)	8973.10	2.6%	10.0%	10.9%
	India Nifty 50 (INR)	24426.85	-1.4%	3.3%	-3.2%
MENAT	UAE ADX (AED)	10094.67	-2.7%	7.2%	8.7%
	Dubai DFMGI (AED)	6063.61	-1.6%	17.5%	40.2%
	Qatar DSM (QAR)	11222.38	-0.3%	6.2%	10.0%
	Saudi Arabia Tadawul (SAR)	10696.89	-2.0%	-11.1%	-11.9%
	Kuwait BK Main 50 (KWD)	7973.86	4.9%	17.1%	35.0%
	Muscat MSM30 (OMR)	5029.89	5.2%	9.9%	6.0%
	Bahrain All Share (BHD)	1929.18	-1.4%	-2.9%	-1.4%
	Egypt EGX 30 (EGP)	35148.14	2.8%	18.2%	14.2%
	Turkey N100 (TRY)	11288.05	5.1%	14.8%	14.8%

Source: investing.com, July-end data as of 31 August 2025, SGA Research

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