

Month Overview

In the final days of July, countries rushed to secure tariff agreements with the U.S. ahead of the August 1 deadline. At the same time, the IMF released an upbeat update to its global economic outlook. The revised projections, raised from April's estimates, reflect renewed confidence in global growth despite ongoing trade uncertainties. The Fund also expects a broad decline in inflation, though U.S. inflation is likely to remain above the global average due to uncertainty around import tariffs.

In this environment, and in line with its previous stance, the Federal Reserve kept policy rates steady despite pressure from the White House to cut them. Most central banks, including the European Central Bank, also held rates unchanged, doing so after eight consecutive cuts since June 2024.

Equity markets performed well over the month, supported by optimism around trade deals. However, in the final days of July, they pulled back, likely in anticipation of the upcoming tariffs. Despite this dip, indices closed the month in positive territory.

On the bond side, yield curves rose in both the U.S. and the euro area, while Swiss yields declined after rising the previous month.

Economic Environment

The IMF raised its global growth projections to 3.0% for 2025 and 3.1% for 2026. Despite the upgrade, growth remains below pre-COVID levels and still falls short of the pre-April forecast due to ongoing trade-related disruptions. Several factors are supporting global resilience, including front-loaded exports to the U.S. that lifted early-year activity in Europe and Asia, improved financial conditions, and a weaker U.S. dollar that boosted competitiveness in some markets. However, downside risks remain. Trade tensions could re-emerge if current agreements break down, and firms may face weaker demand if stockpiled goods are not absorbed. In the U.S., inflationary pressures are building. Globally, high public debt and concerns over central bank independence increase the risk of instability amid potential future monetary tightening.

On July 4, the U.S. President signed the One Big Beautiful Bill Act, which cuts taxes, increases defense spending, reduces regulations, and reforms several government programs. While supportive of near-term growth, these measures may widen the fiscal deficit and strain social services. Later in July, the U.S. secured highly favorable trade agreements with Japan and Europe, establishing a 15% tariff rate and securing commitments for substantial investment in the U.S., along with unrestricted LNG exports to Europe. For countries without agreements, new tariffs are set to take effect on August 1, with specific rates yet to be announced.

Preliminary U.S. Q2 GDP growth exceeded expectations, likely driven by increased consumer spending ahead of anticipated

price hikes from upcoming tariffs. However, job growth slowed to approximately 100,000, the lowest monthly gain of the quarter, while the unemployment rate edged up from 4.1% to 4.2%. The Federal Reserve maintained its "wait-and-see" approach, keeping interest rates steady. Chair Powell noted that the unemployment rate will be the key indicator guiding future policy decisions, suggesting that rates may remain unchanged if labor market conditions hold steady.

In Europe, Q2 2025 data showed modest growth in the euro area, with GDP rising 0.1% quarter-on-quarter and 1.4% year-on-year. The results slightly exceeded expectations despite ongoing global trade uncertainty. The European Central Bank held interest rates steady, maintaining its current policy stance.

Equity

U.S. equity markets delivered another strong performance in July, driven primarily by high-capitalization companies. The markets outperformed most global peers and recorded some of the strongest gains since the April correction, despite elevated valuations across nearly all major metrics. As of today, NVIDIA, Microsoft, and Apple with market capitalizations of \$4.2 trillion, \$3.9 trillion, and \$3.0 trillion respectively, collectively surpass the combined value of the CAC 40, DAX, and FTSE indices, which total approximately \$5.6 trillion.

Fixed Income

While policy rates remained unchanged, yield curves in both the U.S. and Europe rose, reflecting investor concerns over fiscal expansion, record government bond issuance, and rising inflation risks in the U.S. However, regional dynamics diverged: the U.S. 10-year yield fell 25 basis points since year-end to 4.36%, while the European 10-year yield increased by a similar margin to 2.69%. Swiss 10-year yields stayed mostly flat, whereas Japan's 10-year yield rebounded, closing near its recent peak at 1.60%. Corporate credit spreads tightened, supported by a resilient U.S. economy and growing expectations of Fed rate cuts toward the end of 2025.

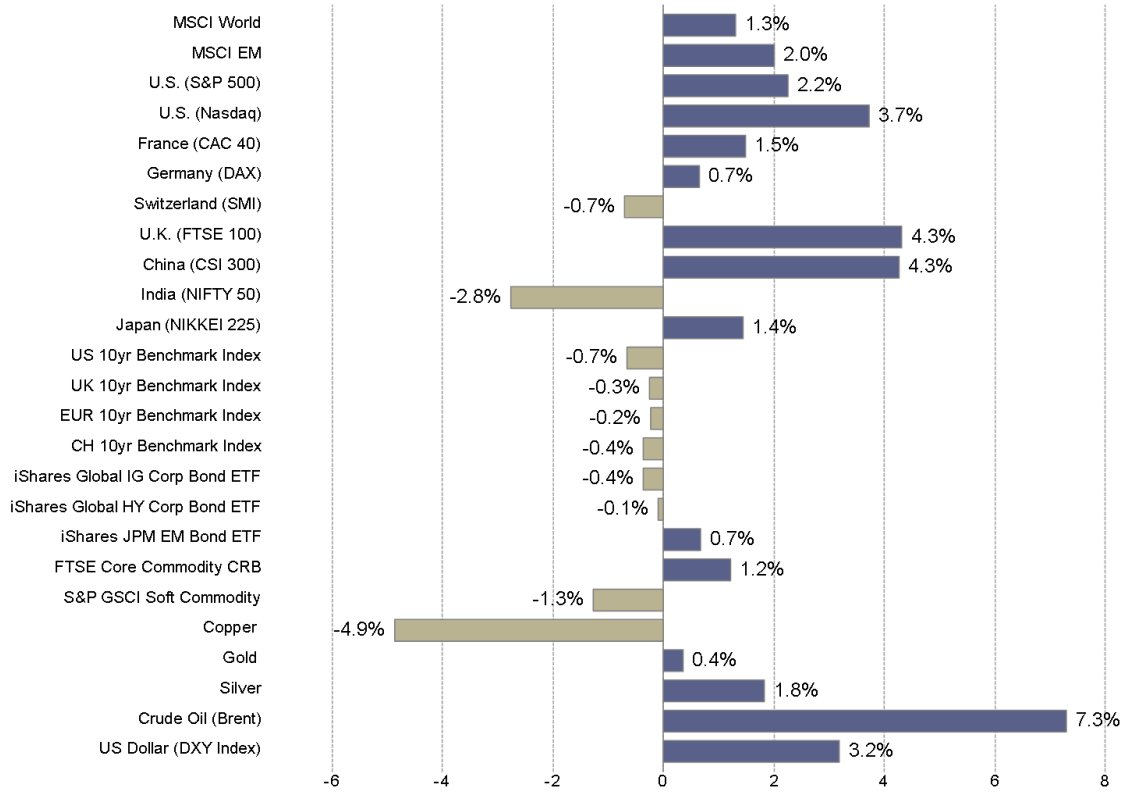
Commodity

Oil prices surged due to tightening supply and geopolitical tensions, although further gains may be limited by increasing OPEC+ output. Gold and silver traded within a narrow range as market risks eased, with silver maintaining long-term bullish potential. Copper experienced extreme volatility, spiking on early-month tariff fears before crashing following a surprise policy reversal.

Currency

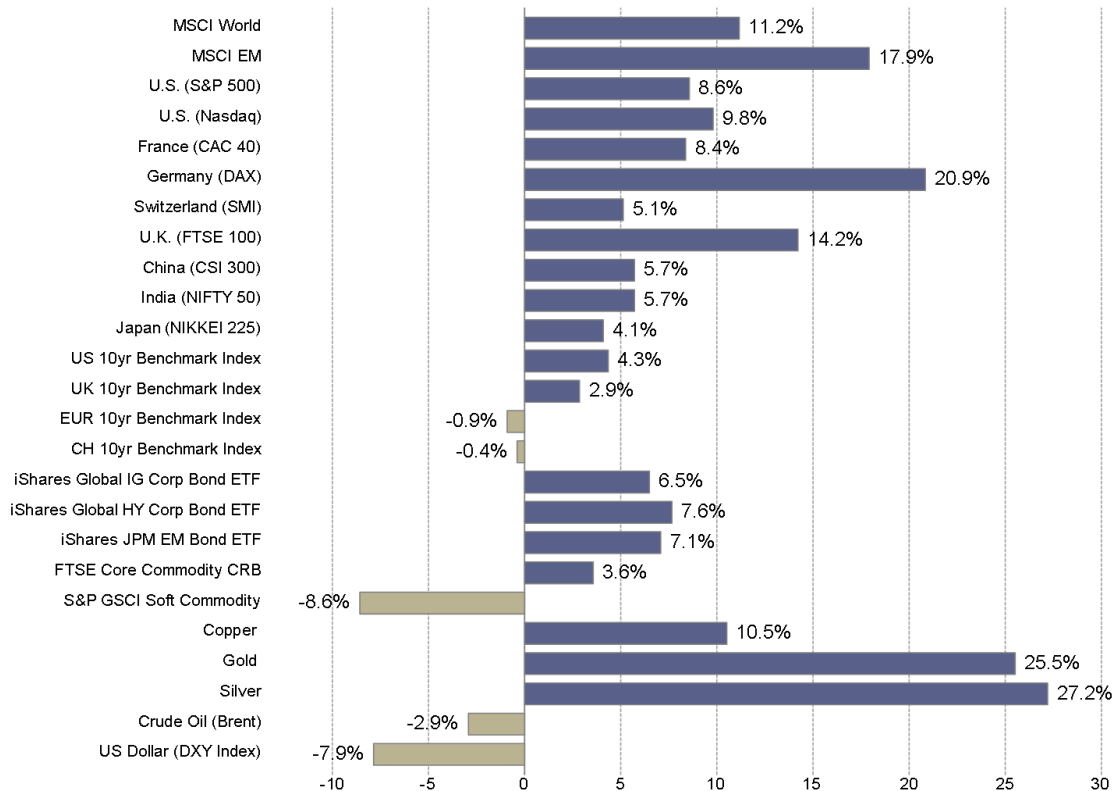
The U.S. Dollar Index, DXY, followed a U-shaped path in July, rising 3.2% on trade deals with Japan and the EU that supported exports. However, expected Fed rate cuts later this year may cap further gains.

July 2025 Performance



Source: LSEG Datastream, Anarosa Asset Management AG

Year-To-Date Performance (until 31.07.2025)



Source: LSEG Datastream, Anarosa Asset Management AG

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