

## Month Overview

At the start of August 2025, the Trump administration introduced its long-awaited “reciprocal tariff regime,” raising U.S. trade barriers to their highest effective level in nearly a century and ending months of policy uncertainty. While the long-term consequences of this framework remain unclear, markets signaled confidence in the economy’s ability to adjust. Even a weaker-than-expected U.S. jobs report failed to dampen sentiment, as investors interpreted the softer data as adding pressure on the Federal Reserve to deliver its first rate cut of the year. The conclusion of the annual Jackson Hole Symposium reinforced that view, offering further reassurance to markets.

## Economic Environment

As in every August, central bankers, policymakers, and academics gathered at the Jackson Hole Economic Symposium to debate the most pressing challenges facing the global economy. In his final address, Fed Chair Jerome Powell emphasized that while the U.S. economy has demonstrated resilience, the balance of risks is shifting. Inflation remains above target, partly due to the impact of tariffs, while job growth has slowed amid tighter immigration, leaving the labor market in a fragile and unusual equilibrium. Powell signaled that the Federal Reserve may soon ease its restrictive stance, hinting at a possible September rate cut, while also unveiling a revised policy framework. The update abandons the strategy of “average inflation targeting,” reaffirms the Fed’s 2 percent inflation goal, and underscores a commitment to data-dependent flexibility in navigating uncertain conditions.

Beyond these immediate policy signals, the symposium also highlighted deeper structural forces—aging demographics, rising fiscal pressures, and advances in artificial intelligence—that are expected to shape the trajectory of global growth and investment outcomes far more than any single rate decision. In this sense, Jackson Hole once again offered markets both near-term guidance and a reminder of the broader transformations redefining the economic landscape.

Another major event at the end of August was the Shanghai Cooperation Organization (SCO) Summit in Tianjin, China. Over two days, the gathering brought together leaders from more than 20 countries, including China, Russia, India, Iran, and Belarus. The bloc signaled a move beyond security toward broader economic cooperation. President Xi Jinping promoted a multipolar world, pledged \$1.6 billion in aid and loans, and announced plans for an SCO development bank to boost collaboration in infrastructure, energy, technology, and AI. He urged members to avoid Cold War-style confrontations.

Indian Prime Minister Narendra Modi proposed an “S, C, O” framework—Security, Connectivity, and Opportunity—focused on counterterrorism, trust-based growth, and stronger ties. Alongside BRICS, the SCO’s expansion highlights momentum

toward a multipolar economic order, deeper regional integration, and alternative trade systems.

## Equity

Global equities showed clear regional divergence in August, with emerging markets generally aligning with U.S. strength. In the U.S., the S&P 500 closed up 2%, marking its fourth consecutive monthly gain, while the Nasdaq rose 1.6%, driven by enthusiasm over a likely September Fed rate cut.

China led with a gain of about 10%, supported by government stimulus, a rebound in technology and consumer names, and optimism over renewed U.S. trade dialogue. India, by contrast, slipped again as stretched valuations, weak earnings, and concerns about U.S. tariffs kept investors cautious.

Japan advanced 4.1%, benefiting from strong corporate earnings in autos and industrials, alongside steady foreign inflows tied to governance reforms. Switzerland added 3%, reflecting its defensive appeal, while Germany and France declined as weak sentiment, higher bond yields, and sluggish consumer demand weighed on cyclical and export-oriented equities.

## Fixed Income

Expectations of a near-certain Fed rate cut in September pushed short-term interest rates lower, while long-term Treasury yields rose a few basis points. This trend may persist if the Fed eases policy to support the labor market, while elevated Treasury issuance finances the Trump administration’s budget. Despite macro uncertainties, Treasury market volatility remains subdued. Credit spreads in both investment-grade and high-yield bonds remain tight on strong demand.

In Europe and Japan, government yield curves edged slightly higher, reflecting perceptions of fiscal vulnerabilities. Emerging market debt, particularly in local currency, posted strong gains thanks to the ongoing weakening of the dollar.

## Commodity

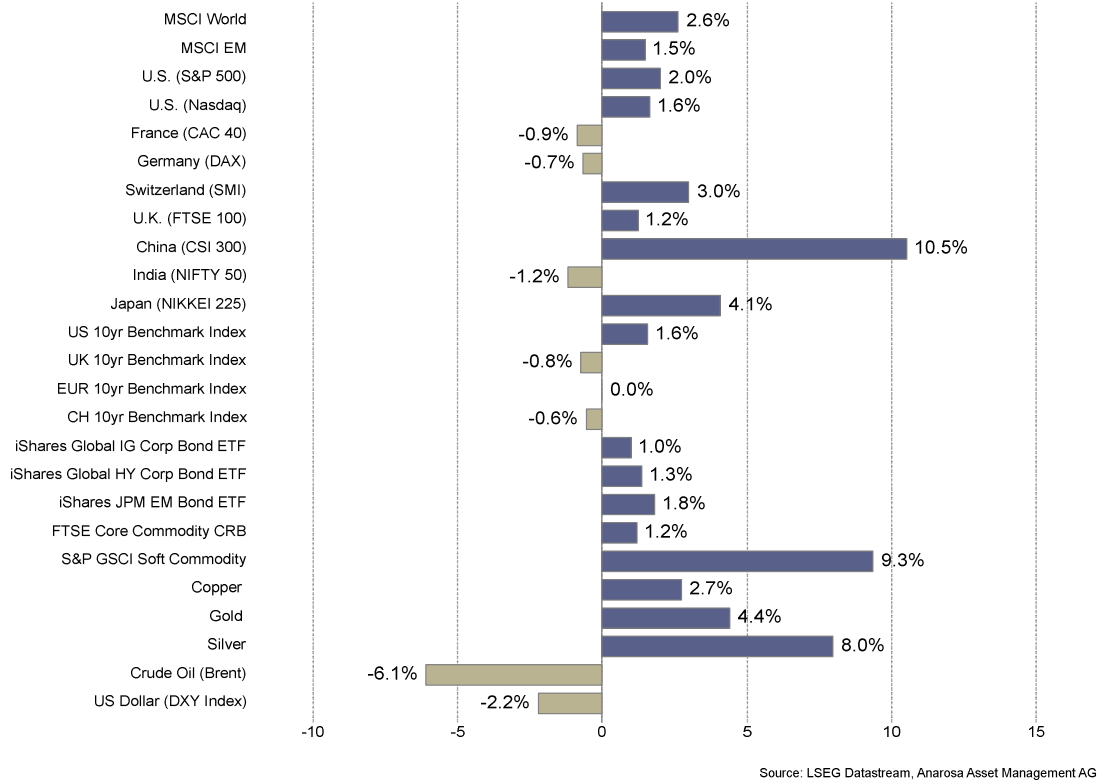
Gold edged higher, supported by declining U.S. yields and sustained dollar weakness. The move also reflected safe-haven demand, as investors weighed expectations of Fed easing against geopolitical and fiscal uncertainties.

By contrast, oil prices ended lower despite temporary support from OPEC+ production cuts.

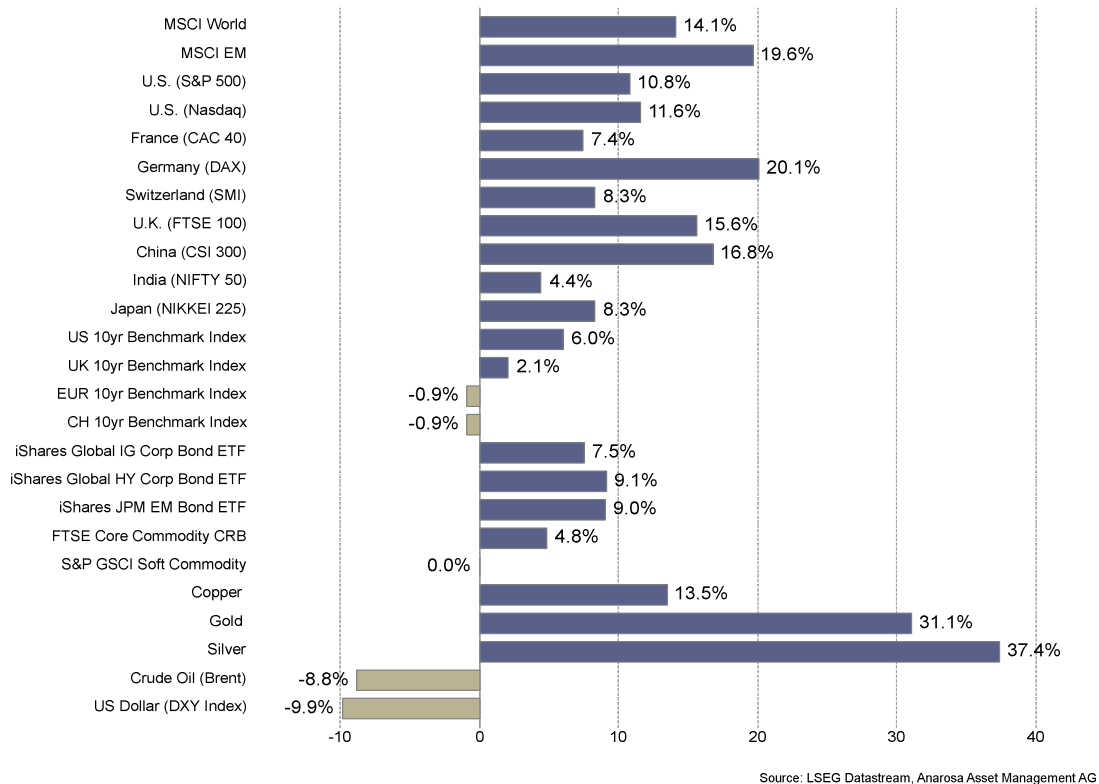
## Currency

The U.S. dollar weakened notably, with the DXY index falling 2.2%, pressured by lower yields and rising expectations of a Fed cut in September. The softer dollar provided broad support to both major and emerging market currencies. The euro and yen gained modestly, helped by higher yields in Europe and Japan, while commodity-linked currencies such as the Australian and Canadian dollars benefited from improved risk sentiment.

August 2025 Performance



Year-To-Date Performance (until 31.08.2025)



## **General Disclosure**

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