Market Overview – 20 Aug 2025

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01: U.S CPI 2.7%.

U.S CPI 2.7%.

■ **Headline CPI:**

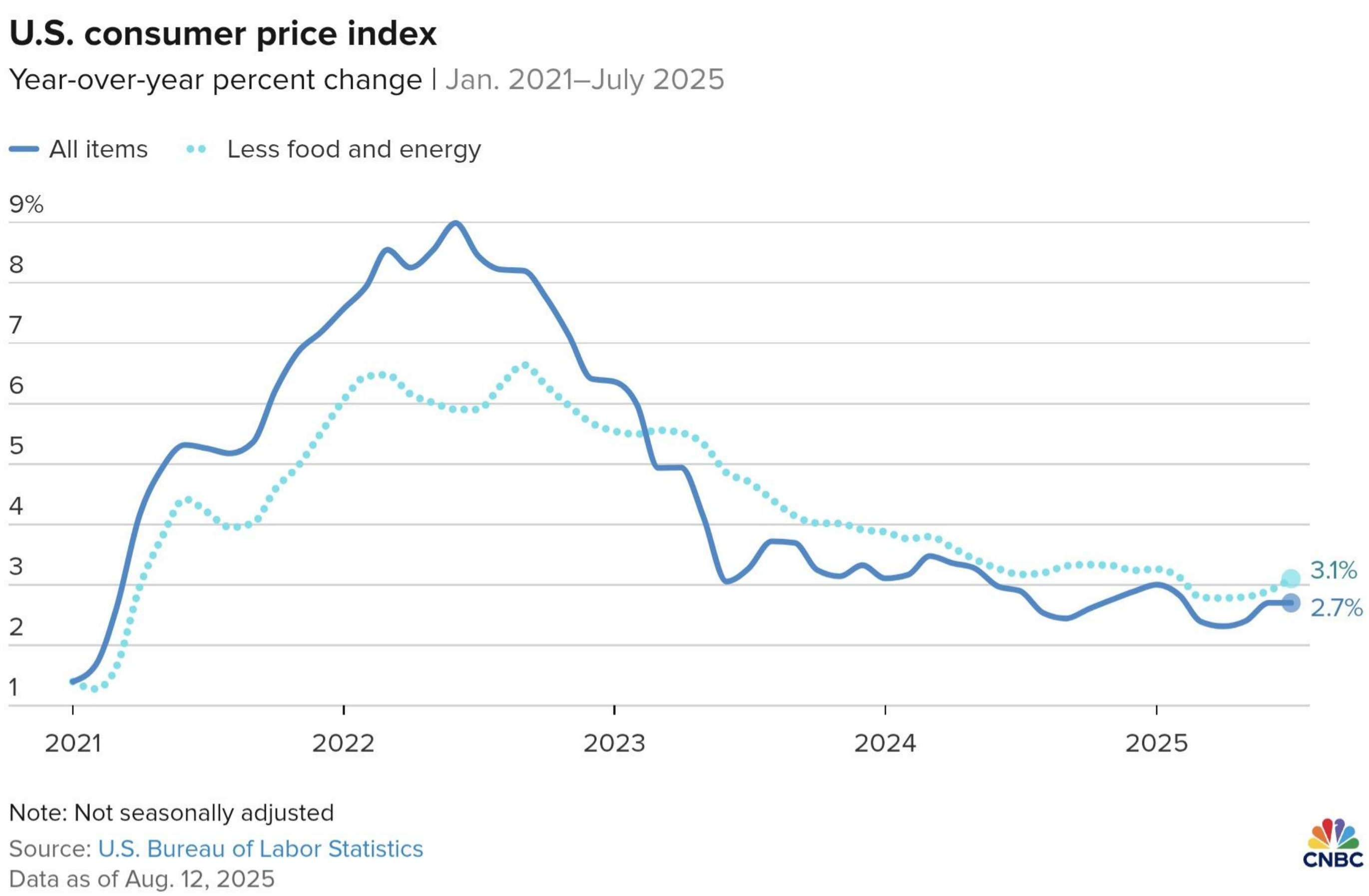
- The consumer price index (**CPI**) increased at 0.2% MoM and 2.7% YoY (Forecasted 2.8%).
- A 0.2% increase in shelter costs drove much of the rise.

■ **Core CPI:**

- Federal Reserve officials generally consider core inflation to be a better reading for longer-term trends.
- Excluding food and energy, the core CPI increased 0.3% MoM and 3.1% YoY – biggest gains since Jan and Feb, respectively.

■ **Morgan Stanley chief economic strategist, Ellen Zentner:**

- In longer term, we likely haven't seen the end of rising prices as tariffs continue to work their way through the economy.
- In short term, markets will likely embrace these numbers because they should allow the Fed to focus on labour-market weakness.



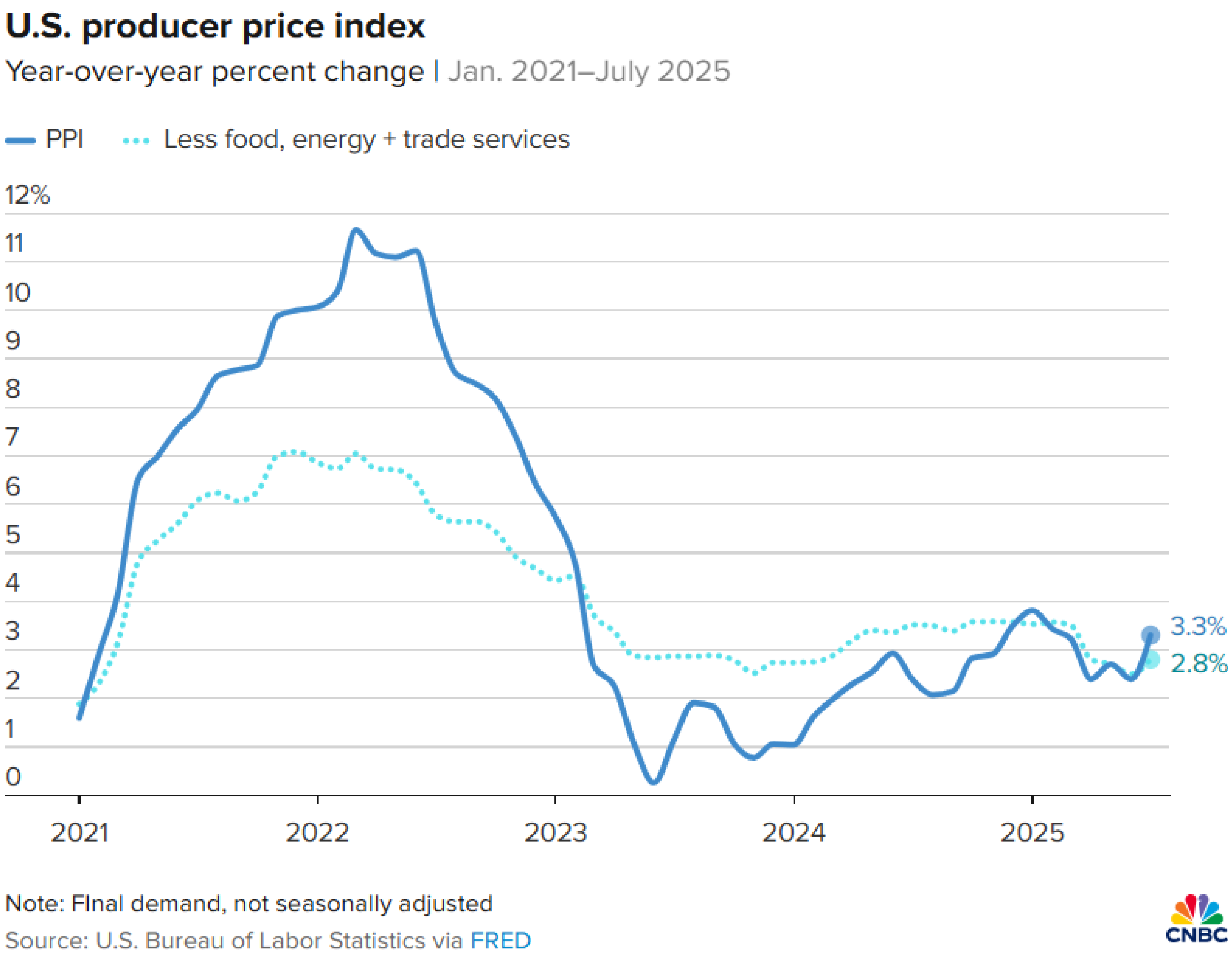
U.S CPI 2.7%.

■ **What happened:**

- Wholesale prices rose far more than expected in July (+3.3% YoY), providing a potential sign that inflation is still a threat to the U.S. economy.
- The producer price index (**PPI**), which measures final demand goods and services prices, jumped 0.9% MoM – biggest monthly increase since June 2022.

■ **Drivers:**

- Services inflation provided much of the push higher, rising 1.1% in July for the largest gain also since March 2022.
- Trade services margins climbed 2%, coming amid ongoing developments in President Trump's tariff implementations.



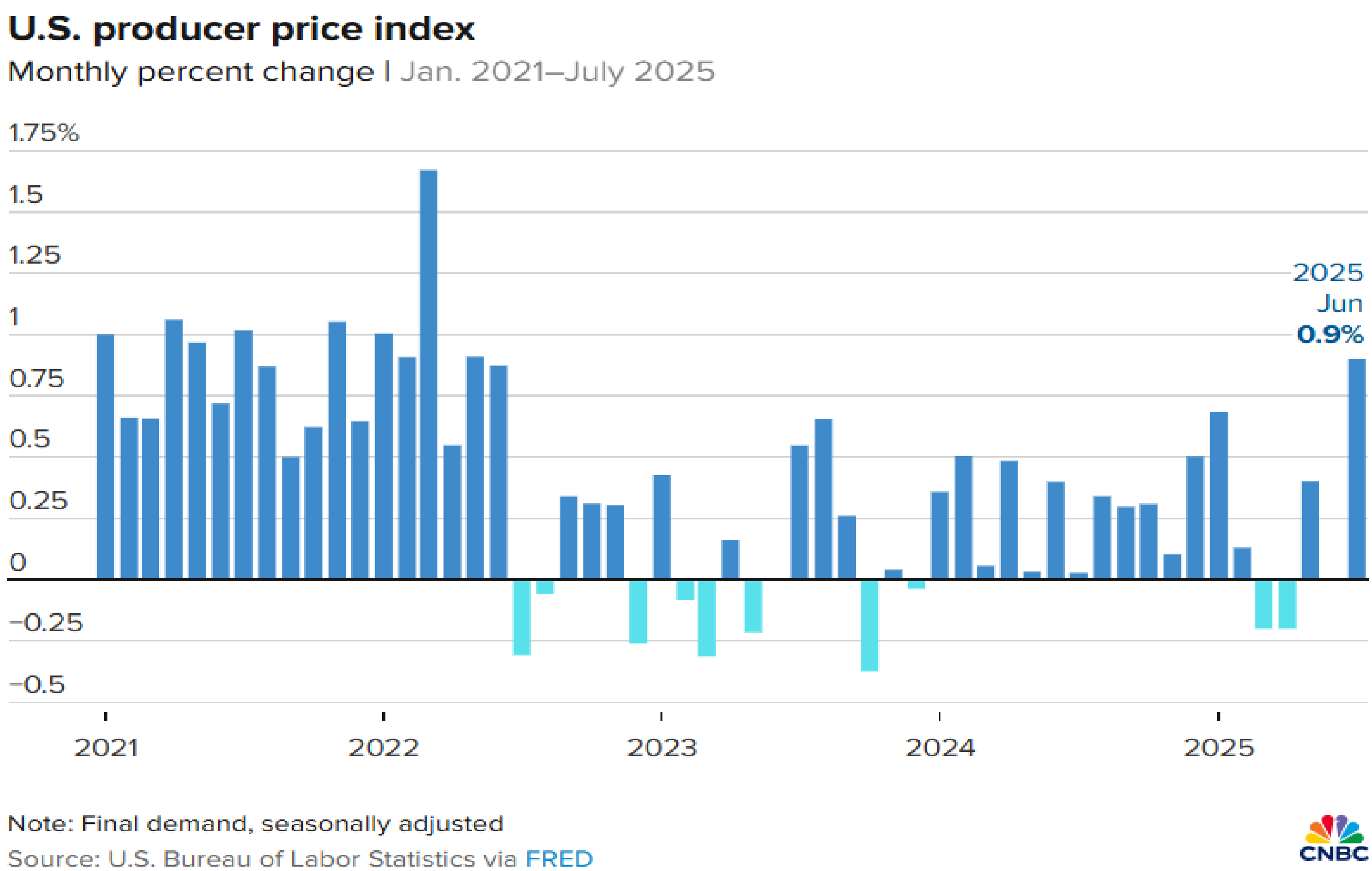
U.S CPI 2.7%.

■ **CalBay Investments chief market strategist, Clark Geranen:**

- The fact that PPI was stronger-than-expected and CPI has been relatively soft suggests that businesses are eating much of the tariff costs instead of passing them onto the consumer.
- Businesses may soon start to reverse course and start passing these costs to consumers.

■ **Northlight Asset Management CIO, Chris Zaccarelli:**

- The large spike in the Producer Price Index this morning shows inflation is coursing through the economy, even if it hasn't been felt by consumers yet.



02: Barclays General Overview.

Barclays General Overview.

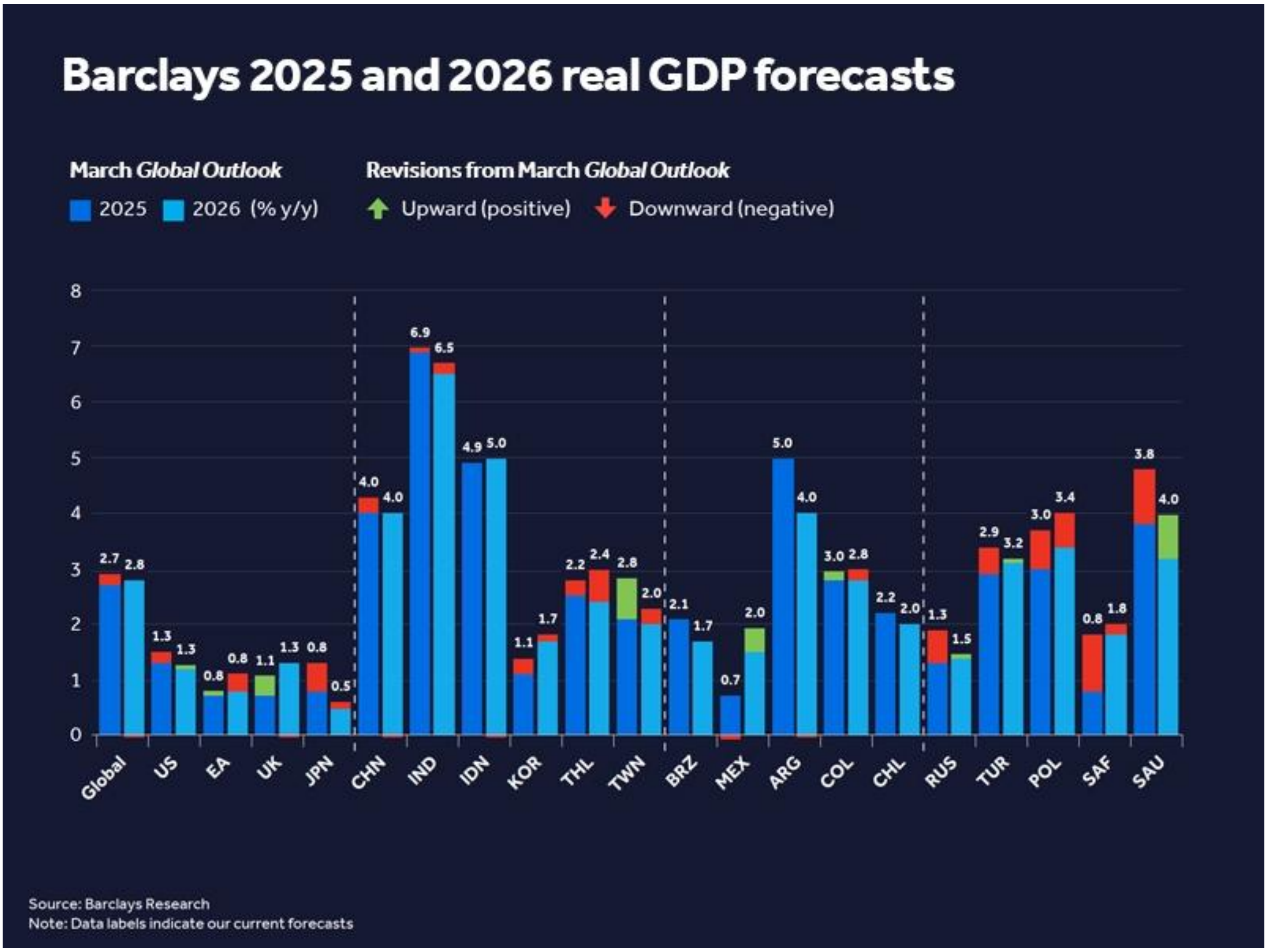
Our analysts see global growth dipping to 2.7% this year.

■ USA:

- The effects of U.S tariffs will work their way through the global economy in the 2H2025.
- The U.S should escape an outright recession, but our Research analysts see a big jump in goods prices coming, pushing core inflation in the U.S over 3%.
- That should keep the central bank on the sidelines until December 2025.

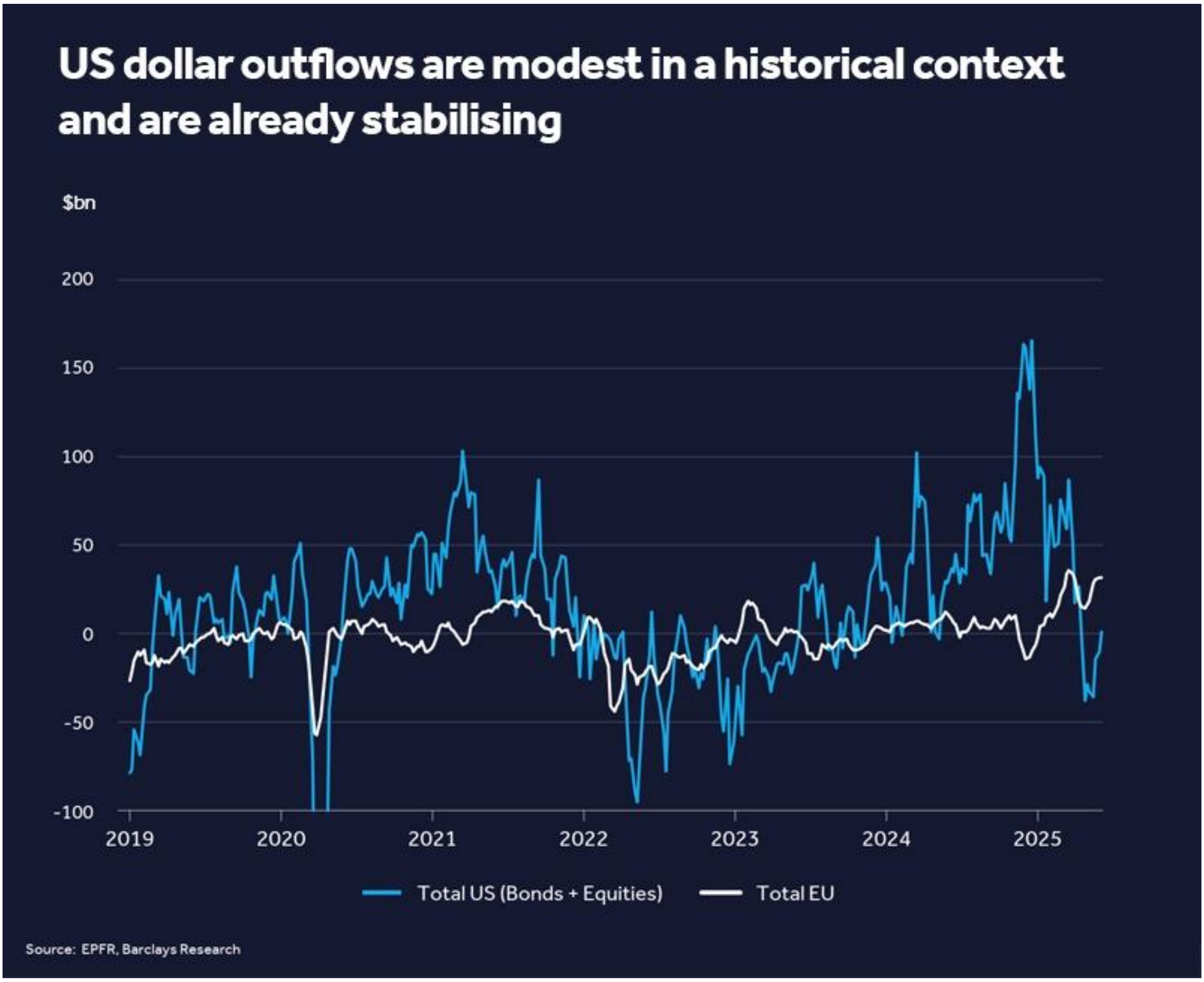
■ China:

- In China, there has been some good news on exports (Exports climbed 7.2% YoY), but the real-estate sector is yet to find a bottom.



■ **Bears, where?**

- Bears can point to conflict between Russia-Ukraine and in the Middle East as reasons to worry.
- Another concern is the idea that the world is losing confidence in assets denominated in the U.S dollar.
- Our Research analysts note that there is now more of a risk premium in U.S assets, likely prompted by constant pivots on policy from the current administration.
- However, our analysts believe that narrative is now too stretched.
- The fundamental advantages of the U.S have not suddenly vanished.
- The country is an energy superpower and the pre-eminent technology superpower.
- It also controls global financial architecture and has the deepest and most liquid financial markets.
- They do not see a spiral in U.S bonds or the currency itself.



Barclays General Overview.

■ **Prefer equities over bonds at this point:**

- This preference is perhaps a little grudging, given the rally in global stock markets since the middle of April.
- But much of that move has been driven by the AI theme, which should remain a tailwind for stocks for several quarters to come.
- In 2023/24, all eyes were on the “compute” side of AI: which company had the most powerful chips or the fastest models.
- Now, investors’ focus has shifted to ‘inference’: how AI can cut costs and improve efficiencies across a growing number of industries.
- The results are starting to show up, as company after company has announced earnings that show AI adoption helping the bottom-line.
- Markets clearly feel, rightly, that the story has room to run.
- Asset allocation is about choices, and while equities were clearly much more attractive a couple of months ago, our Research team still expects them to do better than bonds as the year progresses.

03: U.S Tariffs Already Denting EU Exports.

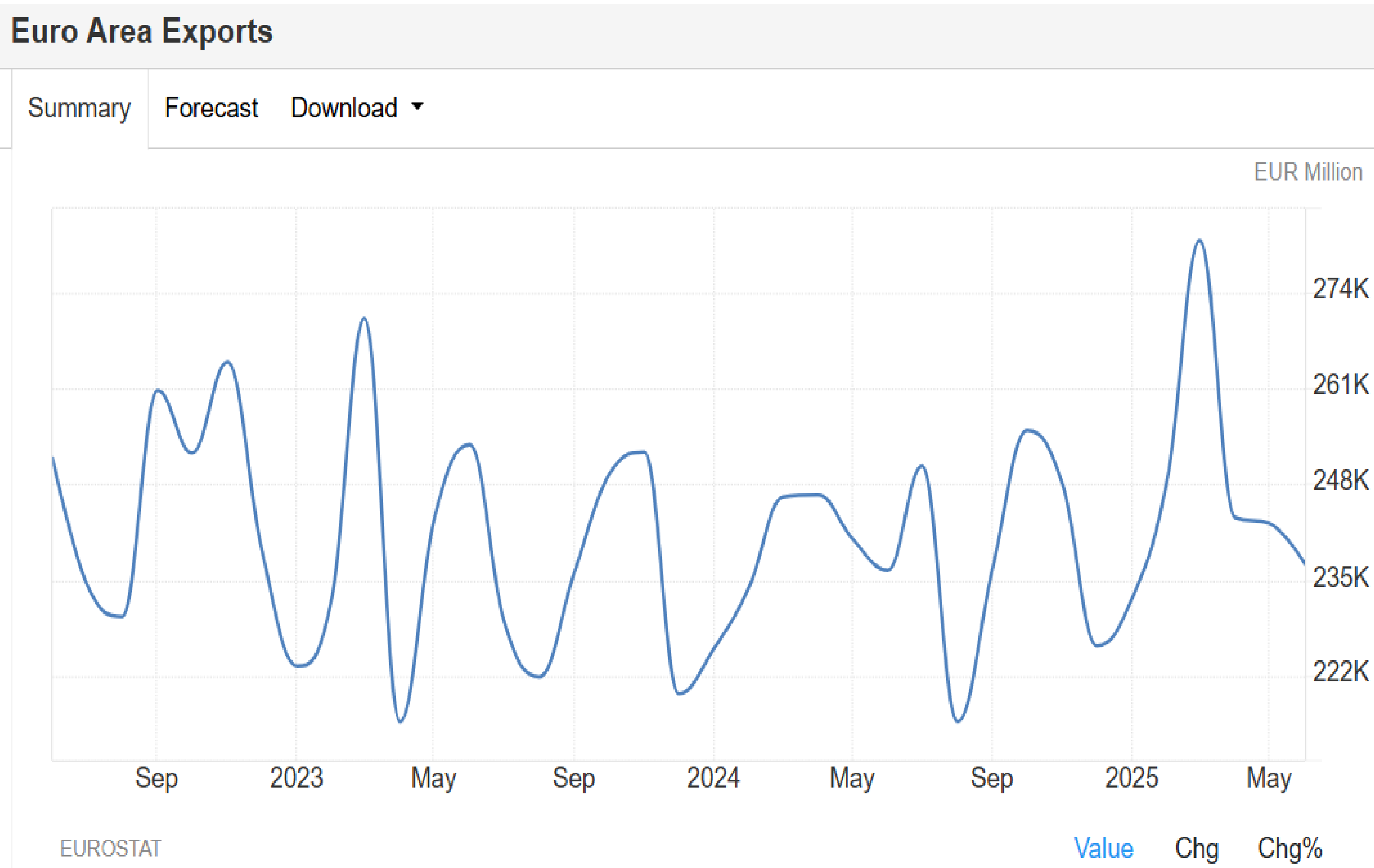
U.S Tariffs Already Denting EU Exports.

■ What happened:

- The June data shows the expected collapse of European exports to the U.S (-10% YoY) but also China (-12% YoY).
- Tariffs and, more structurally, the loss in international competitiveness are highly affecting European exports.
- Despite talks about finding new trading partners to make up for the potential loss of trade with the U.S, European exports to India and Brazil, for example, were down by some -5% YoY in June.

■ Background:

- More generally speaking, the first months of the year saw highly volatile industrial data in Europe.
- The up and down was mainly driven by frontloading of U.S exports ahead of looming tariffs and subsequent reversals.
- This week's June data provides a first impression of what could be left of European exports after the first tariff wave.
- The 15% tariffs agreed in July became effective on 1 August.



U.S Tariffs Already Denting EU Exports.

■ **Stronger currency:**

- The strengthening of the euro since the start of the year, U.S tariffs, as well as broader uncertainty regarding the future of global trade and fierce competition for European exporters in general, are likely to weigh on European exports moving forward.
- Note: More expensive for countries to import from EU area.
- Currently, it's hard to see how exports could soon return as a powerful engine of European growth.

04: China Overview.

China Overview.

■ What happened:

- China's economy lost momentum in July, with growth faltering across the board, as weak domestic demand persisted.

■ Retail sales:

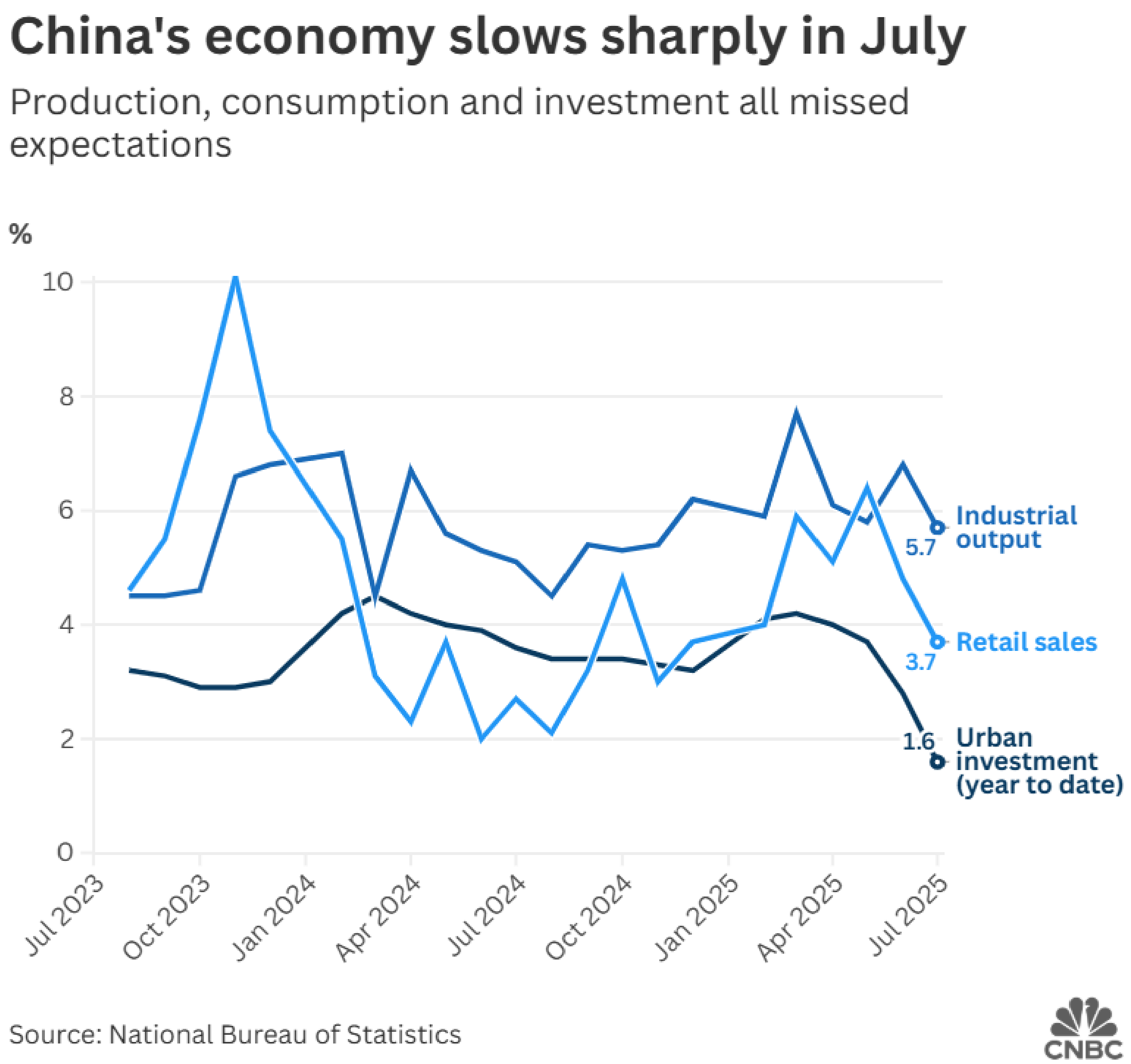
- July Retail sales rose 3.7% YoY (Jun: 4.8% YoY; 1H2025 average: 4.8%).

■ Industrial output:

- July Industrial output rose 5.7% YoY (Jun: 4.8% YoY; 1H2025 average: 5.4%), weakest level since November 2024.

■ Property investment:

- Contraction in property investment worsened, slumping -12% in the first 7 months.



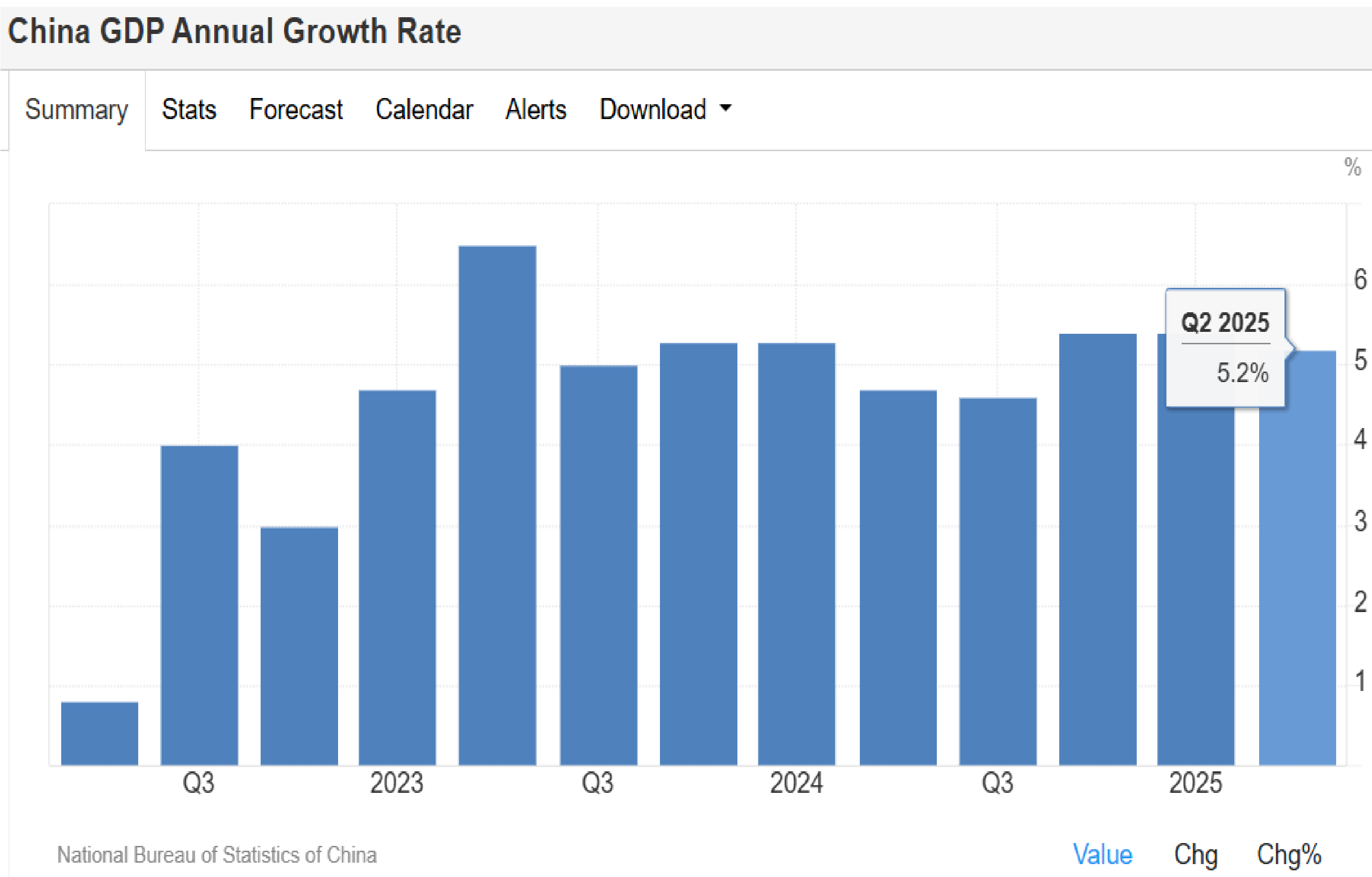
China Overview.

■ **Background:**

- China's economy expanded 5.3% in the first half of the year, on track to meet Beijing's growth target of 5%.
- However, economists warned that risks of full-year growth undershooting its target remain, calling for fresh policy support in the second half of the year.

■ **Economist Intelligence Unit senior economist, Tianchen Xu:**

- The latest slowdown was expected, as major contributors to the outperformance in the first half of the year, such as government stimulus and pre-emptive trade, are fading out.



China Overview.

■ **Apart from weak domestic demand:**

- The statistics bureau attributed the disappointing economic performance to the ongoing challenges from the complex and unpredictable external environment and extreme weather.
- High temperatures, heavy rains and flooding hit several regions across the country last month, forcing factories and construction sites to suspend operations.

■ **Beijing's recent push to control the excessive and unsustainable price wars among businesses:**

- This year, Chinese authorities intensified scrutiny over excessive production in sectors like steel and coal in a bid to curb cutthroat competition that has weighed on businesses' profitability and worsened deflation.

■ **Next:**

- Beijing and Washington extended the tariff pause for another 90 days until mid-November, averting the steep tariffs and allowing more time for both sides to negotiate a durable deal.

05: Japan Overview.

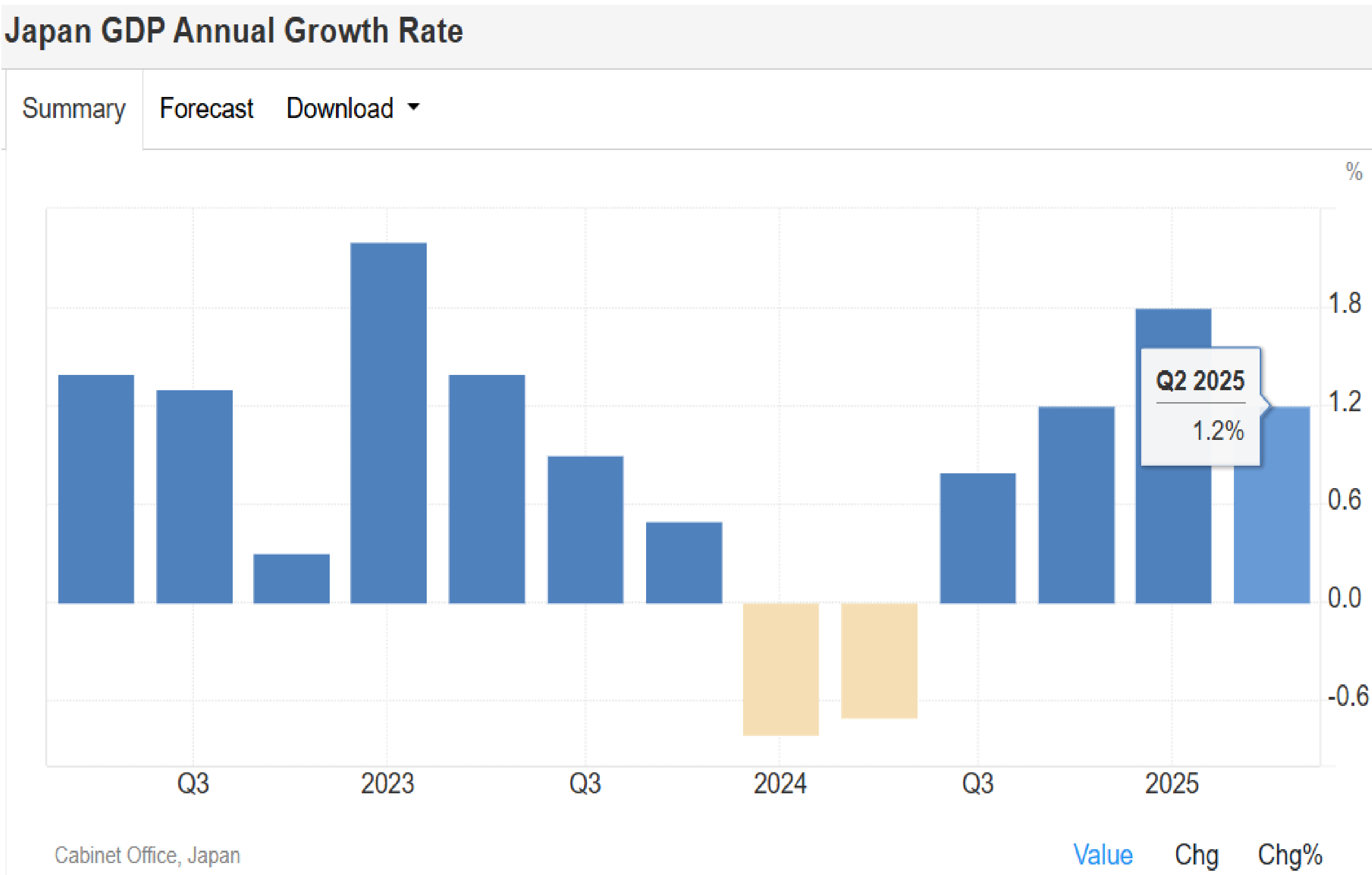
Japan Overview.

■ **What happened:**

- Japan's economy expanded +0.3% QoQ in 2Q2025 from Q1 (+0.1%), outpacing forecasts despite tariff headwinds out of the United States.
- Annualized growth came in at 1%, (forecast: 0.4%) – Nikkei 225 rose 0.59% on the news.
- The GDP growth was mainly attributed to resilience in exports, which added 0.3 percentage points to GDP growth, compared to the -0.8% contraction in the 1Q2025.
- Trade deficit narrowed from April to June compared to 1Q2025.

■ **Background:**

- The U.S deal sees Japan face a 15% blanket tariff on all exports to the U.S, including automobiles.
- Auto exports to the U.S are a cornerstone of Japan's economy, making up 28.3% of all shipments in 2024.



Japan Overview.

■ Sompo Institute Plus senior economist, Masato Koike:

- There is a strong sense of stagnation ahead for Japan.
- If the impact of tariffs affects bonuses and wage increases in 2026, personal consumption will dampen.
- The decline in corporate profits due to tariffs will likely exert strong downward pressure on capital investment.