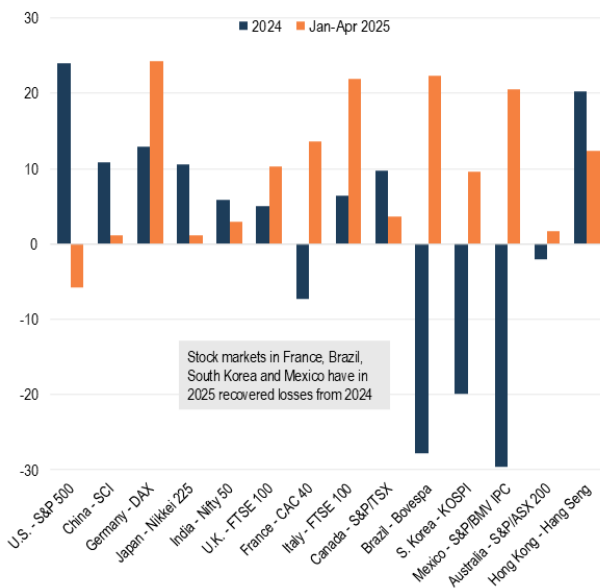


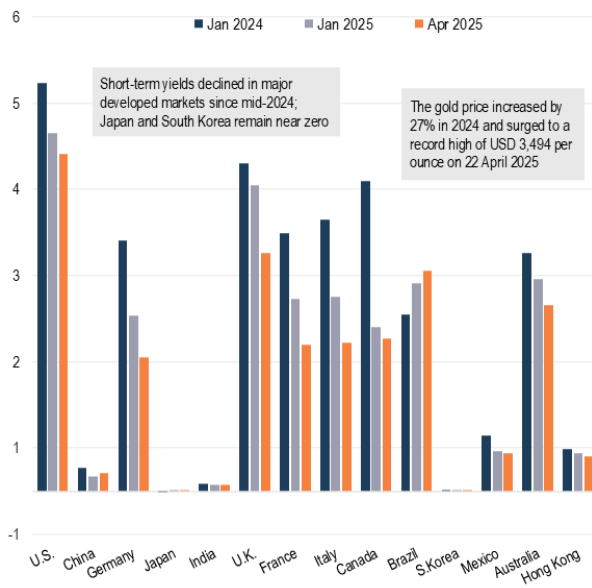
Turbulence in the Stock and Bond Markets Is Impacting Real Economies

Amid trade war threats, U.S. and Chinese stock markets have lagged in 2025, while those in Europe, Brazil, South Korea and Mexico are on the rise. Bond yields are up, and the gold price is up, illustrating how the threat of tariffs and trade wars is impacting real economies.

Stock Indices Returns, Selected Economies, % (2024-April 2025)



1-Year Bond Yields, Selected Economies, % (Jan. & Jun. 2024 vs Jan. & Apr. 2025)



Source: Investing.com, ANDAMAN PARTNERS Analysis. Note: Data as of 30 April 2025. All data U.S. dollar-adjusted.

Of all the major stock markets, the S&P 500 has experienced the sharpest decline in 2025, and as of May 23, the index remains below its 2024 close. Much of the S&P 500’s recent losses [occurred directly](#) after U.S. President Trump’s several announcements on the imposition of tariffs and after China announced retaliatory tariffs. China’s Shanghai Composite Index (SCI) has not made any gains either on its 2024 close.

In April, the U.S. and China’s spate of tit-for-tat tariff impositions dramatically raised the stakes in an evolving trade war that could ignite a global recession. The threat of a tariff glut injects [uncertainty into global trade patterns](#), which could become more complex, fragmented and regionalised in 2025.

In contrast to the U.S. and Chinese markets, many other markets have performed substantially better in 2025. In Europe, as of May 23, Germany’s DAX is up just under 20% and France’s CAC 40 is up more than 5%, boosted by attractive valuations and increased defence spending and infrastructure investments.

Brazil, Mexico and South Korea seem to benefit from the trade war between the U.S. and China. As of May 23, Brazil's Bovespa is up by around 14%, boosted by a robust banking sector and the country's strong commodity exports. Mexico's S&P/BMV IPC is up 18% due to the country's status as a nearshoring destination, causing companies relocating manufacturing closer to the U.S. to boost investments in real estate and construction. South Korea's KOSPI is up by over 8%, driven by a significant increase in the country's semiconductor exports.

Bonds and Gold

Bond yields across major economies, including the U.S., Japan, the U.K. and Germany, increased in 2024 and 2025 due to a range of factors. Expanded fiscal spending and higher budget deficits led to a surge in the supply of government bonds, leading to lower bond prices and higher yields.

In addition, inflationary pressures caused investors to demand higher bond yields, and geopolitical tensions and concerns over global economic stability heightened market volatility, contributing to rising yields. This trend tells a clear story: The growth outlook is deteriorating, investors expect higher inflation and market volatility, and central banks are expected to raise interest rates.

In this context of increasing market volatility and uncertainty, the international price of gold, traditionally considered a safe-haven asset, reached a record high of nearly USD 3,494 per ounce on 22 April. This reinforces the reality that investors are increasingly risk-averse in a global economy marked by elevated risk and uncertainty.

These trends in the stock and bond markets and gold point to an inescapable reality: Tariffs and the threat of trade wars are impacting real economies. Global supply chains are shifting, and the real economy is under pressure from hesitant investors, cautious consumers and fragmented global trade patterns.

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