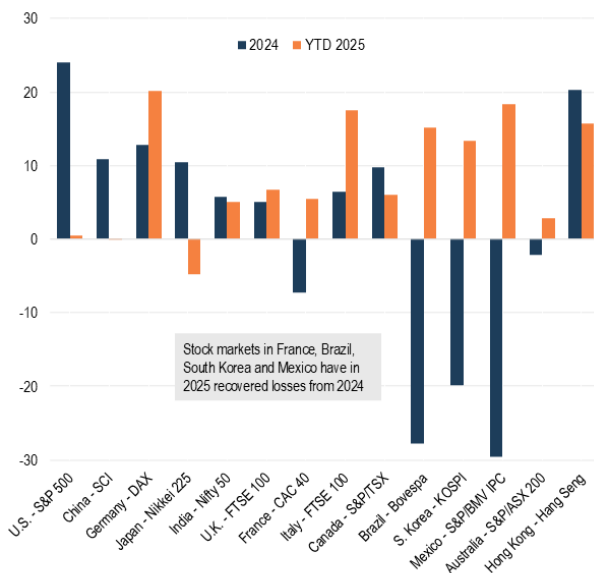


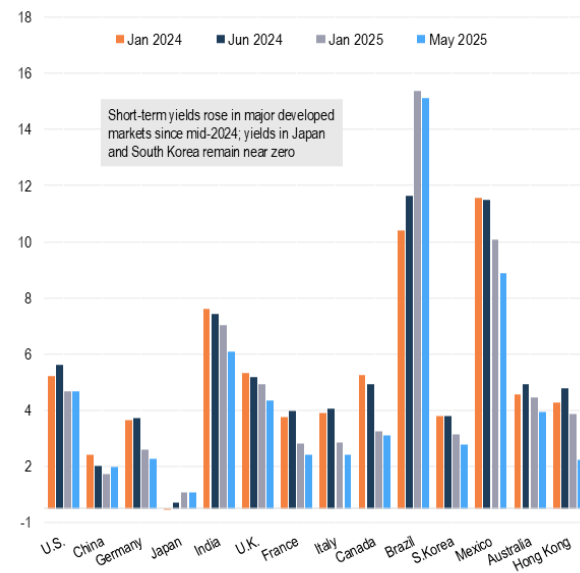
## Turbulence in the Stock and Bond Markets Is Impacting Real Economies

*Amid trade war threats, U.S. and Chinese stock markets are down in 2025, while those in Europe and elsewhere are up. Bond yields are rising in major economies, and the gold price reached a record high, illustrating how the threat of tariffs and trade wars is impacting real economies.*

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



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



Source: Investing.com, ANDAMAN PARTNERS Analysis. Note: Stock Indices data as of 30 May 2025 & 1-Year Bond Yield as of first day of displayed months.

Of all the major stock markets, the S&P 500 has experienced the sharpest decline in 2025, and as of May 30, the index is trading barely above 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 trade 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 tariff impositions raised the stakes in an evolving trade war that could potentially ignite a global recession. The threat of various additional tariffs 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 30, Germany's DAX is up by about 21% 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 30, Brazil's Bovespa is up by around 15%, boosted by a robust banking sector and the country's strong commodity exports. Mexico's S&P/BMV IPC is up around 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 12%, 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. As of May 30, the gold price stood at just under USD 3,300.

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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