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GLOBAL ECONOMY

US

The US economy showed signs of moderation while maintaining resilience. Headline CPI inflation softened month-on-month as core services inflation eased. Retail sales and imports declined, primarily due to a weaker auto demand and the payback of demand frontloaded ahead of new tariffs; however, a recent uptick in consumer sentiment complicated the big picture and led to a mixed consumption outlook. Labor market conditions stayed solid, with nonfarm payrolls expanding more than anticipated and the unemployment rate holding steady. Against such macro backdrop, Fed kept interest rates on hold as market expected while reiterating a cautious stance concerning potential tariff impacts.

EUROPE

U.S. President Donald Trump announced on June 24 that a ceasefire between Iran and Israel had come into effect, following the U.S. strikes on Iranian nuclear facilities and retaliatory attack on U.S. military base in Qatar. Concerns are mounting that the European's ambitious plans to inject trillions of Euros into defence spending may fall short of delivering long-term economic benefits. During the month, Swiss National Bank cut interest rate by a further 25 basis point to 0%, while Bank of England kept its key interest rate on hold at 4.25%. With respect to economic sentiment, the latest consumer confidence index came in at -15.3 in June from -15.1 the previous month. Latest Eurozone Manufacturing PMI arrived at 49.5 in June, up from 49.4 in the previous month.

GLOBAL ECONOMY

UK

In June 2025, the UK's preliminary Composite PMI increased from 50.3 to 50.7, signaling a continued recovery in private sector output following a temporary decline in April. New business volumes resumed growth, marking the end of a six-month contraction period. However, consumer sentiment weakened, with retail sales (excluding auto fuel) falling by 2.8% month-on-month, driven primarily by a 5% decline in food store sales. Headline inflation eased slightly from 3.5% to 3.4% in May, influenced by lower airfares and petrol prices, though this was partly offset by rising food costs. On the policy front, the Bank of England maintained interest rates at 4.25% in June, a widely anticipated decision announced the day after the report that May's inflation rate remained high. Moving forward, the trajectory of inflation and consumer confidence will be critical in assessing the resilience of the UK economy.

JAPAN

Japan’s first quarter GDP dropped less than preliminary estimation due to higher-than-expected private consumption and inventory. Recent economic data remained soft, downtrend in labour real cash earnings dragged on household spending and consumption, while US tariffs on cars and auto parts impacted exports. BoJ kept the interest rate unchanged in its latest meeting, citing below target inflation and uncertain global outlook. US and Japan leaders failed to reach a consensus during the G7 summit as diverging views on the auto industry persisted. With Japan emphasizing the protection of national interest, the likelihood of concluding a deal before the resumption of reciprocal tariffs in July is diminishing.

GLOBAL ECONOMY

ASIA

Economic resilience extended in Asia despite tariffs headwinds. Tariff volatility has led to distortions in US- Mainland China trade as data show increased rerouting of trade from Mainland China to the US through other countries. However, the resilience could be challenged in the second half of the year as emerging signs of “paying back" the front-loaded exports and manufacturing are intensifying. While a surge in oil prices has added more concerns over inflation outlook, headline inflation continued to recede across the region due to currency appreciation and domestic subsidies. Against a backdrop of slowing growth, moderating inflation and relaxation of FX stability constraints given USD weakness, several regional central banks including India and the Philippines further eased monetary policy to support the economy.

AUSTRALIA

In Australia, macro data suggested that domestic economy showed some signs of moderation, while labour market remained tight. GDP growth slowed in Q1, missing market expectations. The downside surprise was attributed to weaker investment in machinery and equipment, along with a negative impact from net exports. Meanwhile, consumer spending stayed restrained amid severe weather conditions in Queensland. Goods trade surplus shrank in April as exports dropped and imports picked up. The fall in exports was driven by declines of key commodities, such as metal ores and coal products. Meanwhile, imports rose amid strong consumer demand and business spending on fixed assets. Latest consumer sentiment picked up slightly in June, but it still stayed below 100 suggesting a more pessimistic outlook among consumers. Even though the RBA’s May interest rate cut provided some support to consumer sentiment, ongoing global trade uncertainty weighed on the outlook. On the other hand, labour market continued to show resilience. Despite employment falling short of expectations in May, the unemployment rate held steady and remained below the RBA projection of 4.2% for Q2. Looking ahead, labour market conditions and consumer sentiment should be monitored closely to assess the strength of economy.

MAINLAND CHINA

In Mainland China, May macro activity data showed improving retail sales while industrial production and investment activities softened. Nominal retail sales growth rose to 6.4% yoy in May (vs 5.1% yoy in April), driven by growth acceleration of home appliance and communication equipment sales, in addition to an earlier-than-usual "618" online shopping festival. Industrial production growth decelerated to 5.8% yoy in May (vs 6.1% yoy in April), which was led by slower output growth in electric machinery and chemical manufacturing. Fixed asset investment (FAI) fell to 2.9% yoy in May (vs 3.6% yoy in April), mainly driven by softening of infrastructure and property investment. Property-related activity remained under pressure in May. Property sales contracted by 3.3% yoy in volume terms (vs -2.1% in April), while new home starts growth stayed depressed at -19% in May. The NBS manufacturing PMI rose to 49.7 in June (vs 49.5 in May) thanks to fiscal support. The NBS non-manufacturing PMI edged up to 50.5 in June (vs 50.3 in May), partly driven by financial services.

GLOBAL ECONOMY

HONG KONG, CHINA

For the three months ending in May, the unemployment rate rose slightly to 3.5% in Hong Kong, China. Retail sales continued their decline in April, marking a fourteenth consecutive month of contraction. The official home price index posted a modest gain in May, while rental levels continued to increase. Despite the Hong Kong Monetary Authority intervention triggered by the weak-side Convertibility Undertaking, the Hong Kong interbank offered rate (HIBOR) remained low in June. The Hong Kong Special Administrative Region Government gazetted a notice appointing August 1, 2025, as the effective date for the Stablecoins Ordinance, an important step in virtual asset regulation.

BOND

US

The U.S. Treasury market recovered in June, with bond yields retreating as market focus shifted to monetary policy outlook and tariff negotiations. Nonfarm payrolls in May rose more than market had expected but it was accompanied by negative revisions to prior months' figures. Meanwhile, the latest retail sales report and Conference Board consumer confidence data were both weaker than expected. Both of the May CPI and PPI reports came in cooler than expected, just as the resumption of trade negotiations between the U.S. and Mainland China eased concerns over the potential inflationary impact of President Trump's tariff policies. The Federal Reserve held its policy rate unchanged at the June FOMC meeting, with the updated dot plot suggesting that officials expected fewer cuts than in the previous version. While Chair Powell reiterated the wait-and-see approach to rate-cuts, some officials have voiced support for considering rate-cuts as soon as in July. All these factors collectively contributed to the decline in yields, with the 10-year benchmark U.S. Treasury note decreasing by 17 basis points to end the month at 4.23%, while the 2-year yield fell by 18 basis points to 3.72%.

EUROPE

In the Eurozone, bond yields rose in June, led by longer maturities, as concerns over fiscal policy and higher German borrowing needs weighed on sentiment. The June preliminary composite PMI held steady at 50.2, with manufacturing showing continued strength, while preliminary CPI figures came in below expectations due to lower energy prices and a stronger euro. As widely anticipated, the European Central Bank (ECB) lowered its benchmark deposit facility rate by 25 basis points to 2.00% at its June meeting, with President Lagarde characterizing the current rate trajectory as "well-positioned," which markets viewed as a cautiously hawkish signal for a potential policy pause in the near term. To close the month, yield on the 10-year benchmark German Bunds rose by 11 basis points to 2.61%, while the 2-year yield traded up by 9 basis points to 1.86%.

UK

UK government bond yields declined modestly in June, led by shorter tenors, amid shifting monetary policy expectations and global rate trends. Economic indicators overall painted a mixed picture. While the preliminary Composite PMI ticked up to 50.7, retail sales (excluding auto fuel) fell 2.8% month-on-month, reflecting softening consumer sentiment. Headline inflation eased marginally from 3.5% to 3.4% in May, driven by lower airfares and petrol prices, though rising food costs provided some offset. In line with expectations, the Bank of England held its benchmark rate steady at 4.25% in June, reflecting caution amid lingering inflationary pressures. To close the month, yield on the 10-year benchmark U.K. Gilts dropped by 16 basis points to 4.49%, while the 2-year yield down 21 basis points to 3.81%, mirroring declines in U.S. Treasury yields.

BOND

JAPAN

The Japan Government Bond (JGB) market stabilized in June, as investor interest shifted towards carry trades and lower volatility hinted at a calmer summer. Short-term yields were steady, while the longer tenors dipped. Initial concerns over U.S. pressure on Japan to boost defense spending weighed on sentiment, but were offset by the Ministry of Finance's (MoF) larger-than-expected cuts to super-long JGB issuance. A slightly dovish tone from the Bank of Japan's (BoJ) June meeting also lent support. Meanwhile, inflation data was mixed, with May's national CPI surprising to the upside, while Tokyo's June CPI was distorted lower by temporary water bill subsidies. To close the month, yield on the 10-year benchmark JGB fell by 7 basis points to 1.43% while that for the 30-year tenor dropped by 5 basis points to 1.92%. Meanwhile, the shorter-dated yields were seen little changed, resulting in a slightly flattened curve.

AUSTRALIA

The Australian Government Bond (ACGB) yield curve experienced a bull steepening in June, driven by shifting monetary policy expectations. On the macroeconomic front, headline CPI eased to 2.1% in May, while the trimmed mean declined sharply to 2.4%—the lowest reading since November 2021. The labour market remained resilient, with the unemployment rate holding steady at 4.06%, slightly outperforming the Reserve Bank of Australia's (RBA) 4.2% forecast in its May Statement on Monetary Policy. By month-end, the 3-year benchmark ACGB yield declined 8 basis points to 3.29%, while the 10-year yield fell by 10 basis points to 4.16%, reflecting recalibrated market expectations around the policy outlook.

BOND

MAINLAND CHINA

The offshore Renminbi (CNH) bond market remained broadly stable in June. Despite a continued slowdown in housing transactions—driven by fading policy support and softer income expectations—retail sales held up well. In response, policymakers introduced new measures aimed at boosting consumption, with a particular emphasis on services as the key driver of household spending. These initiatives included a RMB500 billion relending facility for service and elderly care providers, the expansion of REITs targeting consumption-related infrastructure, and regulatory approval for equity financing by consumer-oriented firms. Against this backdrop, the Markit iBoxx ALBI China Offshore Bond Index (investment grade overall) posted a modest gain of 0.58% in local currency terms for the month.

HONG KONG, CHINA

The Hong Kong dollar bond market remained resilient in June, with yields declining steadily across the curve. Ample liquidity continued to underpin investor sentiment and support bond demand, even as the Hong Kong dollar weakened toward the lower end of its convertibility band at 7.85 per U.S. dollar, which prompted interventions by the Hong Kong Monetary Authority (HKMA), resulting in a modest decline in the aggregate balance to HKD164.1 billion by month-end. Notably, these currency pressures had limited impact on the bond market, where yields continued to trend lower. Meanwhile, front-end HIBORs held near recent lows, rising only modestly at month-end due to seasonal influences.

GLOBAL EQUITIES

US

US equities navigated geopolitical crosscurrents to post another monthly gain. Optimism on positive high-level trade talks between the US and Mainland China that fueled an extended rally faded when direct military exchanges between Israel and Iran prompted a broad-based risk-off sentiment. Tensions escalated following US strikes on Iranian nuclear facilities, raising concerns over possible retaliatory actions that could lead to the closure of the Strait of Hormuz, a major sea passage for fuel, triggering a spike in oil prices. The market soon stabilized and resumed its upward trajectory after a temporary ceasefire was agreed. Information Technology led gains, while Consumer Staples underperformed. Looking ahead, uncertainty around Fed's rates path, geopolitics and changes in trade policy would raise market volatility in the near term.

EUROPE

Finland equities added value while Denmark equities subtracted value among the European markets. Regarding sector-wise performance in HKD terms, investments in Energy added value while Consumer Staples detracted value during the period.

UK

In June 2025, the UK equity market experienced a modest decline, primarily driven by weakened consumer confidence and persistent inflationary pressures. The Industrial sector

GLOBAL EQUITIES

outperformed, buoyed by improving economic indicators and optimism around global trade. Conversely, the Consumer Non-Cyclical sector underperformed due to weakened consumer sentiment, rising food prices squeezing margins, and investor preference for cyclical sectors. Looking ahead, the Bank of England's monetary policy decisions and corporate earnings will remain pivotal in shaping the UK equity market's performance.

JAPAN

Building on May's strong performance, Japan equity market continued its upward trend in June but underperformed most major markets due to a weaker Yen. Tension in US – Mainland China trade relations eased while positive earnings from Telecom fuelled investor optimism. However, discussions about reducing Japan's consumption tax raised questions about government revenue and fiscal stability. Concerns over US tariffs and further Yen appreciation also created uncertainties. In the near term, Japanese equities may experience volatility driven by possible monetary policy adjustments, and geopolitical developments. Investors focus will likely be on inflation and global market conditions.

ASIA

Asia equities advanced for a third consecutive month. Stocks built on gains driven by optimism surrounding high-level trade discussions between Mainland China and the US. Geopolitical tensions eroded gains into the middle of the month as the conflict between Israel and Iran escalated. However, markets gradually recovered the lost ground on calming geopolitical concerns and increased expectations for Federal Reserve cutting rates this year. In the short term, market volatility is likely to prevail as investors continue to contend with the uncertainty on tariffs and geopolitics.

GLOBAL EQUITIES

AUSTRALIA

Australian equity market rose last month as easing domestic inflation figures and reduced geopolitical risks bolstered investors' sentiment. Energy related sectors performed well as crude oil prices rose during the month despite easing supply disruption fears due to the ceasefire between Iran and Israel. Interest rate sensitive sectors also outperformed the broader market as softer-than-expected economic data bolstered the case for rate cuts by the RBA. Meanwhile, Basic Materials sector fell as iron ore prices remained subdued amid concerns of the decline of Mainland China's steel production. Gold miners retreated sharply as demand for safe-haven assets diminished. Going forward, growth prospect of Mainland China economy and US trade policy towards Mainland China would be the key risk to Australian equities.

MAINLAND CHINA

In June, Mainland China equity markets extended gains thanks to further progress on US-Mainland China trade talks, ample market liquidity supported by low HIBORs and further collaborative efforts to reduce price competition intensity in sectors such as automobile. US and Mainland China concluded the 2-day trade talks in London and agreed to implement the truce reached in Geneva, with potential further progress in Mainland China rare earth exports and the US tech restrictions. CSRC announced it would loosen IPO restrictions for unprofitable start-ups on STAR Board. The HKMA and the PBoC launched the Mainland China – Hong Kong, China Payment Connect. "618" shopping festival concluded and generated around 10-11% gross GMV growth and 15% parcel volume growth, thanks to

earlier start of the promotion period. Mainland China Auto Dealers Chamber Of Commerce issued an initiative to oppose 'vicious' price competition and promote high-quality development. Chinese automakers pledged to reduce supplier payment terms to 60 days. The NBS manufacturing PMI rose to 49.7 in June (vs 49.5 in May) thanks to fiscal support. In June, Mainland China indices extended gains for both onshore and offshore markets. Shanghai Composite, Shenzhen Composite and CSI 300 rose by 2.9%, 5.2% and 2.5% respectively. Meanwhile, Hang Seng China Enterprise Index and Tech Index rose by 2.9% and 2.6% respectively. Sector wise, Information Technology, Financials and Basic Materials outperformed while Consumption related, Utilities and Property underperformed.

HONG KONG, CHINA

The Hang Seng Index extended its gains in June, supported by positive developments in U.S. – Mainland China trade negotiations. On the other hand, continued low HIBOR levels and enthusiasm surrounding the Stablecoins legislation further drove gains in the Financials & Properties sectors. Externally, de-escalation in the Middle East eased concerns of an oil shock, bolstering investor sentiment. The Properties sub-index outperformed, driven by low HIBORs and attractive dividend yields, while the Utilities sub-index underperformed as risk-off sentiment waned.

CURRENCY

USD 

The U.S. Dollar (USD) continued its downward trajectory in June, weighed down by declining U.S. Treasury yields and policy uncertainty. The U.S. Dollar Index (DXY) declined by 2.5% in June to end the month at 96.875. Narrowing yield differential between the U.S. and Europe, driven by the European Central Bank's (ECB) signal of nearing the end of its rate-cut cycle and Germany's spending plans, has supported the Euro (EUR) to become the best performing G10 currencies in June, appreciating close to 4% against the greenback. Meanwhile, larger-than-expected cut to super-long bond issuances weighed on the performance of the Japanese Yen (JPY), which ended the month basically unchanged.

EURO 

The Euro (EUR) maintained its upward momentum against the U.S. dollar (USD) in June, supported by a combination of factors. Expectations of Federal Reserve rate cuts and mixed U.S. economic data exerted downward pressure on the dollar, while easing geopolitical tensions in the Middle East and narrowing interest rate differentials further underpinned the euro's strength. As a result, the common currency appreciated to 1.1787 USD, registering a notable monthly gain of 3.88%.

CURRENCY

STERLING

Similarly, the British Pound (GBP) advanced, driven by continued dollar softness and diverging monetary policy. Uncertainty over Trump's policies and global trade tensions pressured USD, while the Bank of England's (BoE) hawkish tone underpinned GBP, where the currency rose to 1.137, posting a 2.03% monthly gain.

YEN

The Japanese Yen (JPY) traded in range against the U.S. Dollar (USD) throughout the month of June, as market sentiment grappled with a mix of influences. Geopolitical developments in the Middle East, ongoing debates over Japan's defense spending, and the Bank of Japan's relatively dovish tone contrasting with the Federal Reserve's cautious but steady stance, highlight persistent yield differentials. Despite bouts of volatility during the month, the JPY finally closed the period unchanged at 144.0/USD.

RMB

The Chinese Renminbi (RMB) posted a modest appreciation in June. Speaking at the Lujiazui Forum, People's Bank of China (PBoC) Governor Pan outlined a series of initiatives to advance financial system liberalization and enhance the RMB's internationalization. Key proposals included refining the special drawing rights (SDR) mechanism, expanding RMB currency swap arrangements, promoting digital currency use, and, for the first time, incorporating stablecoins. By month-end, the onshore Renminbi (CNY) and offshore Renminbi (CNH) strengthened by 0.49% and 0.67% against USD, respectively.

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