

GENERAL INVESTMENT CLIMATE

Economy

The second quarter of 2025 marked a sharp shift in global trade as the US implemented broad import tariffs under Donald Trump's so-called "Liberation Day" policy presented on April 2nd. These tariffs targeted nearly all US trading partners in an effort to leverage the size of the US consumer market. However, instead of boosting domestic production or foreign direct investment, the short-term impact was predominantly uncertainty about economic growth and inflation. Consumer sentiment weakened, and companies turned to a wait-and-see stance, holding back investments. As a result of the expected upward pressure on inflation, the Fed also decided to keep the rate steady at the 4.25-4.5% range. GDP growth is now projected to slow from 2.8% in 2024 to 1.8% in 2025 and further to 1.7% in 2026. The first quarter of 2025 experienced a 0.3% contraction, mainly due to a pre-buying surge of imports as companies stocked up ahead of tariffs. Business confidence deteriorated, with the PMI falling below the 50 mark, signalling contraction. Retaliatory tariffs from key partners like China and Canada have further strained trade relations and suppressed trade volumes. Meanwhile, Trump has largely suspended these measures while negotiations are ongoing.

In the eurozone, headline inflation eased to 1.9% in May, dipping below the ECB's 2% target, but a June flash estimate showed a slight rebound to 2.0%. Core inflation fell to 2.3% in May, largely due to a decline in persistent services inflation, which dropped to 3.2%. Economic sentiment weakened as the Eurozone Economic Sentiment Indicator (ESI) fell to 94.0 in June, down 0.8 points, reflecting concerns over US tariff threats. Manufacturing sentiment stagnated, while services and retail sectors showed signs of contraction, with the PMI indicating a downturn. Investment decisions remained cautious amid ongoing trade uncertainties. Consumer confidence held steady but remained subdued in June. The ECB adopted a cautious stance amid slowing growth and trade uncertainties. By June 2025, the ECB had cut its deposit rate to 2.0%, following a 25bps cut in May. This marked the eighth consecutive rate reduction since the prior tightening cycle began.

China remained under intense pressure as Trump's primary target in the ongoing trade war, with domestic economic challenges weighing heavily on growth prospects. Consumer confidence therefore stayed subdued throughout Q2. Retail sales growth decelerated, increasing by only 3.2% year-over-year in Q2, down from 4.1% in Q1, indicating weaker domestic consumption. Despite these headwinds, industrial activity showed tentative signs of stabilization. The Caixin/S&P Global Manufacturing PMI improved from 48.3 in May to 50.4 in June, marking a return to modest expansion in the manufacturing sector, fueled by a pickup in new orders. Exports contracted by 7.5% year-over-year in Q2, amid weakening global trade, further pressuring industrial output and employment. Meanwhile, urban unemployment edged up to 5.6%, up from 5.3% in Q1, adding to consumer caution.

Foreign exchange and money markets

Money markets were highly volatile in Q2 amid rising geopolitical tensions and a shift away from the US dollar as a safe haven. The dollar weakened materially, with EUR/USD moving from 1.08 to 1.17 by the end of June. On the European side, the ECB president signaled ambitions for the euro to play a larger role in global FX markets, though recent concerns about the eurozone's economic outlook and external competitiveness have raised doubts about the currency strength's durability. The PBOC expressed similar aspirations for the renminbi, but structural barriers remain, particularly capital controls and the dominance of USD in global commodity pricing.

Stock markets

Table 1.1 - General

	30-Jun-25	31-Mar-25	31-Dec-24	30-Sep-24	30-Jun-24
		- 3 mnth	- 6 mnth	- 9 mnth	- 12 mnth
AEX	913,28	1,61%	3,94%	0,35%	-1,14%
BEL20	4476,02	3,24%	4,96%	4,10%	15,15%
DAX40	23909,61	7,88%	20,09%	23,72%	31,12%
EU50	5303,24	1,05%	8,32%	6,06%	8,36%
DJ	44094,77	4,98%	3,64%	4,17%	12,72%
SP500	6204,95	10,57%	5,50%	7,68%	13,63%
Nasdaq	20369,73	17,75%	5,48%	11,99%	14,87%
EUR/USD	1,1787	8,98%	13,85%	5,86%	10,03%
Euribor 3 maanden	1,94	-0,39	-0,77	-1,34	-1,77
NL govt 10 jaar	2,81	-0,15	0,21	0,39	-0,03

After a profound drop in the first week of April on the back of the tariff announcement, global stock markets saw a major recovery. While European stocks profited from investors shunning US markets after the tariff announcements, European equities underperformed US stocks amid persistent economic uncertainties and slower growth prospects in the eurozone. Notably, within both regions, a rotation occurred from large-cap to small-cap stocks as investors sought higher growth potential and domestic exposure amid geopolitical risks.

Other markets

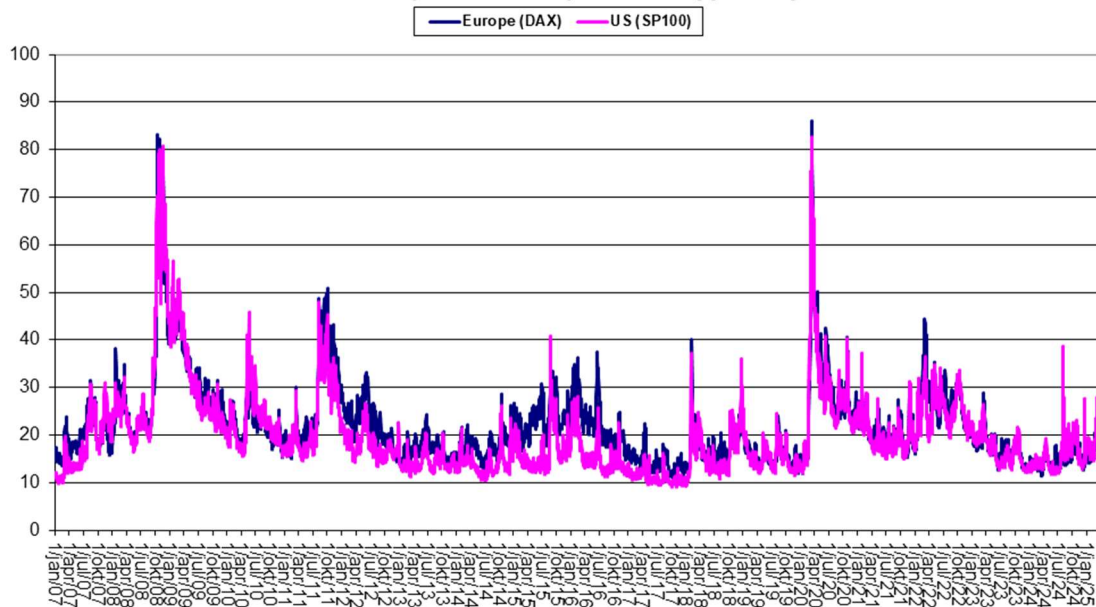
In Q2, oil prices came under pressure due to sluggish global economic activity but rebounded late in the quarter following joint airstrikes by the US and Israel on Iran's nuclear facilities. Concerns were raised about Iran's potential retaliation that could significantly impact oil supply. Gold benefited from the elevated market uncertainty, briefly reaching an all-time-high of around \$3,500 in April before coming down to around \$3,300 by the end of the quarter.

Uncertainty also caused a sharp slowdown in global M&A activity. This marked the third major disruption to dealmaking in five years, following the Covid-19 pandemic and the inflation-driven rate hikes of 2022. It remains unclear whether US isolationist policies will ultimately spur renewed deal activity from firms targeting increased presence in the US.

Implied volatility

The resulting drop from the tariff announcements caused a short-lived spike in implied volatility, especially in the US. As the effects on the European stocks were more gradual and dampened by a lack of clarity, implied volatility did not spike to the same extent as was the case for US stocks.

Table 1.2 Development of the implied volatility jan 07 - jun 25



The long term

Halfway through the year, the 200-day moving average continues its positive development. Yet, it's clear that the momentum starts to cool down after a period of rapid expansion. Due to the volatile development in Q2, prices are hovering around the 200-day average. This, again, illustrates the sensitivity of the AEX to developments in the US. The most prominent European index, the German DAX, on the other hand shows a clear upward trend.

Table 1.3 Long-term development AEX jan 03 - jun 25

