

Global Market Strategy – June 2025

May not a month to go away !

(Individual stock mentions here are observations and not recommendations to buy.)

Individual stock purchases are highly speculative and strict 15% stop-loss limits should be observed.)

Like last year, May was not a month to sell and go away. **Equity markets rallied** strongly, having their best May since 1990 largely on TACO sentiment: ‘Trump Always Chickens Out’, in other words the tariffs will be nowhere near the levels initially announced as companies and countries push back against them. There is a feeling of relief, not only as there could soon be an end to the uncertainty but also an end to the belligerent rhetoric from the White House to the US’s allies.

There is enough retail evidence since tariffs were introduced that their inflationary cost is being passed onto consumers. US GDP moved negative by 0.2% for the first quarter; jobless claims are at their highest level for 3 years; US home sales have fallen their most for 3 years; and the May Chicago purchasing managers’ index (PMI) came in at 40.5 as against an expected 45.1 - both numbers indicating contraction but expectation was far less apocalyptic than reality.

Trump met with the Federal Reserve chairman Jerome Powell last month to discuss not interest rates per se but the state of the economy. Trump was hoping to hear Powell say he would make things better by lowering rates while he, Trump, was making things worse. No such appeasement was forthcoming because tariffs are contributing to stubborn inflation. Surely the whole idea in the first place was that tariffs would create US jobs, raise a lot of money for the federal deficit and allow companies to plan for the future? If that was the plan, it is a long way from meeting its objective at the moment.

Nvidia (NVDA) founder, chairman and CEO Jensen Huang (born 17/02/1963) believes Donald Trump’s attempted directional change could be the boldest vision for 100 years as the president seeks to make American great at manufacturing again, where manufacturing is not only about labour but it is equally about technology and maximising American technology.

Nvidia rebounded 24% in May, following the downturn it experienced in April when investors foresaw revenue dropping dramatically due to its forced withdrawal from China. In the event, when Nvidia reported earnings for the first quarter on May 28th, revenue was ‘up’ on analyst expectations (\$44 billion versus \$43bn expected) despite losing \$8bn from China trade and more impressively, earnings were well above expectations at \$0.81 per share vs \$0.73 expected. Not only that but guidance for the current quarter was strong with revenue forecast to be \$45.90 bn.

In discussion with CNBC’s Jim Cramer (<https://podcasts.apple.com/gb/podcast/mad-money-w-jim-cramer/id147247199?i=1000710355281>) Jensen Huang confirmed that technology ‘inferencing’ has taken off. “The amount of computation required for reasoning is 1000 times more than a couple of years ago. Demand [for it] is just incredible”, he said as he forecast robotics for reasoning would be available within the next five years.

Less optimistically, the CEO of Anthropic, Dario Amodei, developer of ClaudeAI, stated in an interview with CNN that he believes AI could wipe out half the entry level white collar jobs across America in tech, finance, law and consulting, and increase unemployment to 10-20% in the next 1-5 years(!). Robots are coming. They make hospital beds, they pack and stack and unload boxes. Presumably soon they will drive dustcarts and collect our rubbish bins, direct our traffic, clean our homes, tender our gardens, even write financial reports and make stock, sector and geographical investment selections(...).

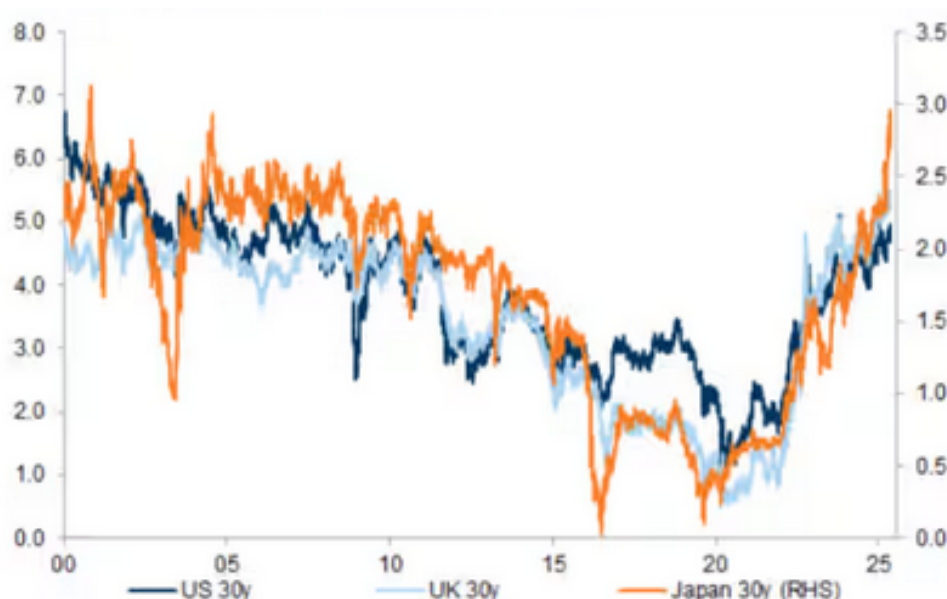
European markets’ equity advance continued apace during May. The German DAX was up over 6% and reached another closing high of 24,199.88. The DAX is up over 20% for the year to date (YTD). The FTSE100 gained 3.27% (up 6.57% YTD) and the IBEX was up 6.51% (22.67% YTD). The FTSE250 is up just 1.97% YTD.

Rotation out of the US and into European stocks has continued. There is no disputing the performance of Germany, Spain, Italy and France yet while the US’s S&P500 index is up only 0.51% YTD, it gained 6.15% in May and the Nasdaq tech index (down 1.02% YTD) gained 9.56% for May. US stocks’ capitalisation still represents 60% of the global market’s capitalisation as against for example the UK (3%) and the DAX which is the same size as Apple (AAPL). Motto: stay long US stocks for now.

Despite the need to stay long the US stockmarket and maintain exposure to leading companies with good growth, cashflow and prospects, equities face a headwind that is **the bond market**. Bonds have warned they are uneasy with what Trump is doing. International investors and central banks around the world have been selling US treasuries and buying gold instead. In the US the 30 year 'long' bond yield rose above 5% last month and the 10 year rose above 4.5% which is the level at which stock investors call into question whether they should move from the uncertain outcome of the stockmarket and into the theoretically more certain arena of government bonds. However, what if yields are rising not because of the risk of a inflation (and anticipation the central bank will have to increase rates, so bonds are sold to release cash to buy higher yielding bonds) but because the quality of the government bond is deteriorating and the market is beginning to question whether the US can actually honour its debt obligations?

The **US deficit** is now 120% of GDP. In 2024 government spending exceeded receipts by \$1.8 trillion. Trump is in the process of asking Congress to agree to 'raising the debt ceiling' so the US can borrow more to cover the increased interest it is having to pay on its debt. The real danger is that the bond market, more specifically the "bond vigilantes" as coined by Ed Yardeni in the 1980s, may sell *en masse* US debt because they no longer trust the government to control its spending or repay its debt. The last time the US balanced its books was under Clinton in the late 1990s. If there is a bond market rout due to a loss of confidence in the US, equities around the world would suffer a tremendous downturn, not because the quality of the underlying companies had deteriorated but purely out of panic that the richest country in the world was actually bankrupt.

It is worth remembering it was the bond market's loss of confidence in Liz Truss's gangbuster growth budget which brought her tenure as prime minister to a swift close.



Long-dated government bond yields rise to multi-decade highs (Source: GoldmanSachs / [marketwatch.com](https://www.marketwatch.com))



UK 10 year gilt yields now exceeding levels seen during the Truss prime ministership (Source: [tradingeconomics.com](https://www.tradingeconomics.com))

There have long been calls for **Jamie Dimon, CEO of JP Morgan** for the last 20 years, to run as the Democrat candidate for president of the US. Listening to his fluent diagnosis, cure and preventative action for the American economy in questioning from CNBC at the Reagan National Economic Forum on May 30th (click below), it is easy to understand why.

FIRESIDE CHAT



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May 29-30, 2025 | #RNEF



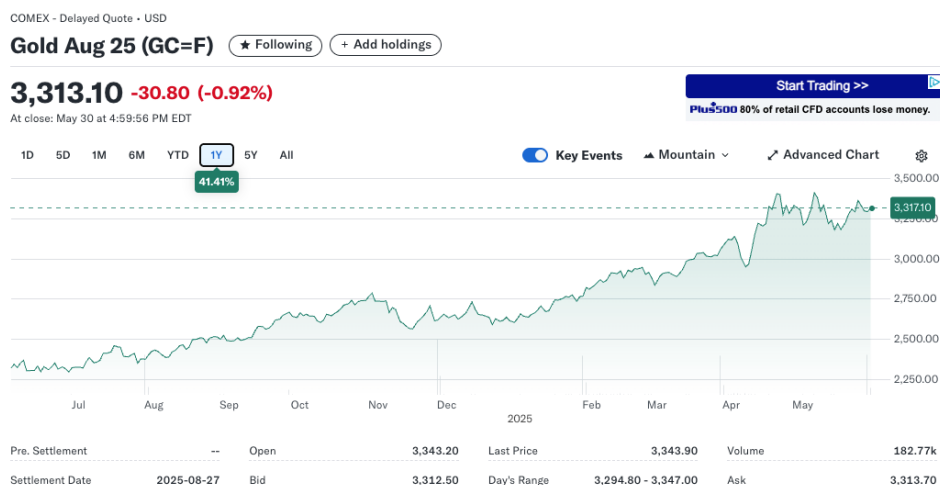
MR. JAMIE DIMON
Chairman and CEO
JPMorgan Chase

Panelist



MS. MORGAN BRENNAN
Moderator
CNBC

Moderator



Gold pausing for breath (Source: finance.yahoo.com)

Current favoured investment plays (in **Bold** immediate, **Non-bold** long term)

Cautious risk: Cash / National Savings Premium Bonds

Balanced risk: **Managed / Multi-asset funds**

Market risk: **Multi-asset funds**, UK equity

Adventurous risk: **Asia**, Europe, **US equity**

Speculative risk: **Technology**, **Healthcare/Biotech**, New Energy, **Emerging Markets**, **China**, India, US smaller companies, **Gold & Silver**

Disclosure:

Nicholas Chappell has the following personal investment exposure: Technology (all US, including fintech) 48%, Energy (including New/Green & NatGas/Propane) 3%, Crypto 6%, Pharmaceuticals (US) 1%, Global Multi-Asset 9%, UK Equity 4%, China 12%, Gold/Silver 17%

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