Crystal Wealth Partners Market Commentary – July 2025

Please find our commentary on investment markets to 31st July 2025.

July 2025 marked a cautiously optimistic chapter in global markets, as investors navigated easing trade tensions and ongoing geopolitical uncertainty. Equity markets extended their second quarter rally, with several indices reaching fresh highs mid month. The announcement of a major U.S.–EU trade agreement helped prevent more severe tariff scenarios. Under the deal, U.S. import tariffs on most EU goods were capped at 15%, offering temporary relief to investors concerned about escalating trade frictions.

Separately, U.S. and Chinese negotiators met in Stockholm and agreed to pursue an extension of their 90 day tariff truce, due to expire on 12 August. While no breakthroughs were announced, the talks were described as "constructive," helping ease immediate trade concerns. The final decision on extending the truce now rests with President Trump.

Geopolitical developments remained mixed. In Eastern Europe, the conflict in Ukraine continued to dominate headlines. President Trump unexpectedly shortened Russia's deadline to end hostilities, from 50 days to just 10 to 12, warning of harsher sanctions if Moscow fails to comply. This development temporarily lifted oil prices to multi week highs due to renewed geopolitical risk.

Meanwhile, the International Monetary Fund (IMF) slightly upgraded its global growth forecast, citing better than expected resilience in the first half of the year. Solid U.S. activity and easing trade concerns supported the revision, although the IMF warned that renewed tariff escalation remains a key downside risk. Across major economies, inflation continued to ease, allowing central banks to keep policy settings accommodative.

Overall, July delivered a calmer market tone compared to the volatility of early 2025. Equities and credit markets were buoyed by signs that extreme trade war outcomes may be avoided, at least in the near term. Volatility indices retreated, and capital rotated back into risk assets. However, investor caution persists. Key risks into August include U.S. and China trade decisions, the outcome of Russia sanctions, and a heavy calendar of central bank meetings and data releases. While sentiment has improved, it remains measured, with markets cautiously optimistic but attuned to the geopolitical uncertainties still ahead.

US Markets

July in the U.S. was defined by active trade diplomacy and resilient corporate earnings. President Trump's announcement of a 30% tariff on EU and Mexican goods initially triggered market concerns. However, subsequent negotiations and a finalized EU deal helped reassure investors. The agreement signalled a willingness to avoid escalation, supporting risk sentiment throughout the month.

Economic data pointed to continued resilience. The U.S. consumer remained a key pillar of stability, and the Federal Reserve stayed on hold, signalling openness to rate cuts later in the year. Yields on 10 year Treasuries hovered around 4.35%, supported by steady demand. Equities moved higher, led by strong tech earnings. Alphabet, Microsoft, and Tesla outperformed, while energy and utilities underperformed. Commerce Secretary Howard Lutnick reaffirmed the 1 August tariff deadline, though allowed for potential adjustments, offering further reassurance to markets.

The S&P 500 rose 2.17% in July, its fifth consecutive monthly gain. The Nasdaq added 3.7% and 21.07% over the three month period. In contrast, the Dow Jones Industrial Average rose only 0.08%, reflecting mixed performance in cyclical sectors. By late July, 80% of S&P 500 companies had exceeded profit expectations, helping offset concerns about a slowing macro backdrop and trade related risks.

Economic data continued to show steady, if uneven, momentum. Consumer spending held up, while June manufacturing surprised on the upside, supported by defence and aerospace orders. The labour market remained firm, with payrolls exceeding forecasts and unemployment rising to 4.20% from 4.10% in June. Headline CPI rose to 2.7% in June, up from previous months, partly due to import related price pressures. Core inflation remained more subdued, helping the Fed maintain its cautious approach.

At its late July meeting, the Federal Reserve kept the benchmark interest rate at 4.25%–4.50% for a fifth straight time. Chair Jerome Powell reiterated the Fed's data dependent stance. While inflation has moderated from its 2022 peaks, the Fed judged that it has not fallen far enough to justify cutting rates immediately. Two Fed governors dissented in favour of a cut, revealing internal divisions, but Powell stressed the importance of policy flexibility and Fed independence amid political pressure from the White House.

Financial markets broadly welcomed the Fed's steady hand and improved trade sentiment. Tech remained dominant, but industrials and financials gained ground. Treasury yields edged higher, reflecting both improving sentiment and reduced expectations of near term rate cuts. Credit spreads tightened slightly on the back of better earnings and lower trade risks.

Fiscal policy returned to focus as President Trump's proposed tax and infrastructure package gained initial traction in Congress. The prospect of additional government stimulus added to optimism, though longer term budget concerns resurfaced, including potential for higher long-term bond rates.

U.S. markets in July benefited from a mix of earnings strength, improving trade dynamics, and stable policy settings. While the tone has shifted toward cautious optimism, uncertainty around tariffs and the Fed's next move continues to shape investor positioning. The jobs market will also be a key factor to watch for any sign of economic weakness.

World Markets

Global equity markets advanced in July, supported by trade de-escalation and accommodative central bank policy.

European markets rose modestly despite internal tensions around the U.S.–EU trade agreement. Germany's DAX gained 0.65%, recovering from a soft June. Relief that a trade war had been averted offset concerns about the deal's impact on EU exporters. France labelled the agreement a "submission," while Germany flagged risks to autos and chemicals. Weak Chinese demand and elevated energy costs continued to pressure exporters.

Eurozone growth remained stable, and headline annualised inflation moderated to around 2.0–2.2%. On 24 July, the European Central Bank held its deposit rate at 2.0% and reaffirmed plans to taper stimulus gradually. President Lagarde maintained a cautious tone, underscoring the ECB's readiness to act if growth falters.

The FTSE 100 gained 4.24%, led by oil and mining sectors. With annualised UK inflation falling to 3.6% in June, markets widely expect the Bank of England to cut rates by 25 basis points at its 7 August meeting. However, growth remains tepid, with the annualised 2025 forecast at around 1.1%.

Japan's Nikkei 225 rose 1.44%, aided by strong earnings and a weaker yen. A late July U.S.–Japan "mini-deal" removed tariffs on autos, lifting exporter sentiment. The Bank of Japan kept its cash rate at 0.50% but suggested that further hikes may be possible later this year, given persistent inflation and rising wages.

China Q2 GDP came in at 5.2% year-on-year, slightly ahead of expectations. Growth was supported by policy stimulus and a temporary U.S. tariff pause that encouraged delivery of exports to be 'front loaded' now rather than wait for further tariffs to apply. Nonetheless, consumer confidence remains weak, deflation risks persist, and the property sector continues to drag. Negotiations with the U.S. advanced marginally, with potential extensions to the tariff truce under discussion. Late month PBoC actions helped stabilise the yuan, and Chinese equities responded positively.

Australia

Australian markets outperformed in July, underpinned by easing inflation, a resilient policy backdrop, and improving global sentiment. The S&P/ASX 200 rose 2.35%, while the All Ordinaries gained 2.58%, marking an approximate 11% gain over the past three months. Resources and energy led the rally, supported by firmer commodity prices, while investors continued to favour yield oriented sectors.

The Reserve Bank of Australia surprised markets by holding the cash rate steady at 3.85% on 8 July, despite widespread expectations of a cut. Governor Michele Bullock described the decision as one of timing, not direction, indicating further easing may still come, but the Board preferred to wait for additional data to be sure.

Inflation fell meaningfully. Q2 trimmed mean annual inflation was 2.7 per cent (year on year to the June quarter), down from 2.9 per cent to the March quarter. This placed inflation within the RBA's 2–3% target range. The unemployment rate edged up to 4.3%, attributed to data noise following the federal election. Wages remained steady, with no signs of inflationary pressure, and expectations remained anchored.

Bond markets initially sold off on the RBA's pause but stabilised by month end. Yields on 10 year government bonds ended slightly higher (increasing by 2.93% for the month), but still well below their early 2025 highs. Mortgage rates fell modestly, and housing credit growth picked up. Market expectations now suggest the RBA could resume cutting in August or later in the year, but in a gradual fashion.

The Australian dollar traded in a narrow range. While rate cut expectations initially weighed on the AUD, the RBA's decision to hold sent the currency higher, briefly reaching USD$0.66 before settling at USD$0.6427. A softer U.S. dollar and improved global risk appetite also supported the move.

Financials lagged in July as investors rotated into resource stocks, with names like BHP and Rio Tinto rising mid single digits on stronger iron ore and oil prices. Healthcare also attracted interest, benefiting from its defensive appeal. Retail sales remained soft as households continued to manage cost of living pressures, but consumer confidence improved on prospects for falling inflation and clearer policy direction.

The federal government's early July budget included infrastructure spending and targeted cost of living relief, offering a modest boost to domestic activity into the second half of 2025.

Looking ahead, Australia enters August on solid ground, but not without external risks. The 12 August RBA meeting will be pivotal, with markets anticipating a rate cut. Domestically, wage and labour market data will be closely watched. Externally, Australia's outlook remains closely tied to China's growth trajectory and global trade dynamics. Nonetheless, the mix of falling inflation, political stability, and resilient demand places Australia in a relatively strong position among developed markets.

Other Markets

Commodities bounced back in July, reversing some of the sharp falls from earlier in the year. This recovery was supported by improving global trade sentiment, reduced geopolitical tensions, and consistent messaging from central banks.

Oil prices saw a meaningful lift. After falling heavily in the second quarter, West Texas Intermediate (WTI) crude climbed around 6% in July, finishing near USD$67/barrel. A key boost came on 28 July, when a new U.S.–EU trade deal pushed prices up over 2% in a single day. The agreement avoided tariffs on European car exports and included a major commitment from the EU to buy USD$750 billion of U.S. energy over time, strengthening expectations for future oil demand. Meanwhile, geopolitical tensions flared briefly when the U.S. unexpectedly pressured Russia to speed up its withdrawal from Ukraine, adding a short lived risk premium to oil markets.

OPEC+ stuck to its plan to keep supply in check. In late July, the group reinforced the importance of sticking to existing output cuts. While countries like Russia and Iran have been exceeding their quotas, a broader group is due to meet on 3 August to decide production levels for September. Some analysts expect the group to gradually bring more supply back online later this quarter, which has helped limit further price rises for now, despite strong demand.

Gold prices held up but moved within a narrow range. After a strong run in the first half of 2025, gold mostly moved sideways in July, trading between US$3,300 and US$3,400 an ounce. It ended the month slightly lower at US$3,290, down just 0.39%. Gold briefly rallied early in the month on hopes for interest rate cuts, but that faded as investor demand for safe haven assets eased. Positive news from U.S.–China trade talks, a ceasefire in the Middle East, and the Federal Reserve's decision to keep rates on hold (without signalling cuts soon) all reduced the urgency to hedge against extreme risks. A slightly stronger U.S. dollar mid month also weighed on gold. Even so, strong central bank buying, particularly from emerging markets, helped keep gold well supported. Looking ahead, shifts in interest rates and global risk appetite will remain key drivers of future price moves.

Industrial metals and bulk commodities also firmed. Iron ore, a major Australian export, rose 4.92% in July, its first monthly gain since January. This rebound came from both rising demand and tighter supply. Chinese steel producers ramped up activity ahead of possible stimulus, while port stockpiles declined, hinting at restocking. On the supply side, seasonal shutdowns in Australia and cuts from higher cost miners reduced availability. Optimism also picked up on signs that China may loosen credit conditions for property developers. Still, iron ore fundamentals remain delicate. Prices are down 7% compared to this time last year, weighed by ongoing weakness in China's property sector and global steel oversupply. Unless China launches a major rescue plan, iron ore could struggle to hold above US$100, but for now, fears of a fall toward US$80 have eased.

Currency markets saw the Australian and New Zealand dollars edge higher. The Australian dollar ended the month between USD$0.65 and USD$0.66, supported by a firmer tone from the Reserve Bank and generally upbeat market sentiment. The New Zealand dollar followed a similar path, finishing around US$0.61 after the central bank left rates unchanged and signalled that its rate hiking phase is likely over.

Index*	1 Month	3 Months
US – Dow Jones	0.08%	8.51%
US – Nasdaq (100)	3.70%	21.07%
US – S&P 500	2.17%	13.83%
Germany – DAX	0.65%	6.97%
UK – FTSE 100	4.24%	7.51%
Shanghai Composite – SSE	3.74%	8.97%
Hong Kong – Hang Seng	2.91%	12.00%
Japan – Nikkei 225	1.44%	13.94%
S&P/ASX 200	2.35%	7.59%
All Ordinaries Index	2.58%	7.89%
Gold (USD)	-0.39%	0.05%
Oil (USD) – WTI	6.37%	18.98%
Iron Ore (USD)	4.92%	-0.64%
Δ 10 Year Aus Gov't Bonds (Yield)	2.93%	4.28%

Δ 10 Year US Gov't Bonds (Yield)	3.05%	4.64%
AUD/USD	-2.34%	0.37%

* Percentage change in local currency unless stated otherwise

If you have any questions in relation to the above, or require any additional portfolio or investment information, please do not hesitate to contact your Adviser to discuss your particular circumstances.