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INVESTMENT MANAGEMENT

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Market Snapshot

Published 6 June 2025

Global equities hit a record high, as signs of a resilient US economy overshadowed uncertainty around trade negotiations. The MSCI All-Country World Index rose to 888.24 points early in the week, surpassing the previous high of 887.72 hit in February. The index measures the performance of large and mid-cap equities in developed countries

US and UK fiscal policy garnered attention, as Donald Trump's One Big Beautiful Bill was criticised for its probable impact on the US deficit. Its supporters argue that the resulting growth dividend will sufficiently boost tax revenue.

In the UK, Chancellor Rachel Reeves is facing some difficult choices in the upcoming Spending Review, which sets the budgets for all government departments over the next few years. Are more Labour pension tax changes likely?

Markets were keenly awaiting US non-farm payrolls data, which was scheduled to be released on Friday afternoon.

The FTSE 100 was +0.5% over the week by mid-session on Friday, with the more UK-focused FTSE 250 also trading +0.2%.

Trump impact on markets

The deadline for countries to submit their "best offers" to avoid being hit with President Trump's sweeping new tariffs in July passed on 4 June. Mr Trump is using this deadline as leverage to pressure allies and rivals into bilateral trade deals more favourable to the US.

Donald Trump doubled tariffs on steel and aluminium to 50%, citing national security and unfair trade practices. The move triggered sharp responses from the European Union (EU) and China. The EU warned of countermeasures on US goods and China accused the US of violating a recent Geneva trade pact, especially after Washington imposed new export controls on advanced computer chips.

US auto suppliers urged the administration to act after China tightened controls on rare earth exports, which are critical for electric vehicles and defence technology. The industry fears production disruptions if the US doesn't secure alternative supply chains.

Donald Trump's so-called "One Big Beautiful" tax bill – a sweeping follow-up to the 2017 Tax Cuts and Jobs Act – has passed the House of Representatives and is now under Senate consideration. It is proving controversial. The estimated cost of the bill is $4.1 trillion in lost federal revenue over 10 years. Mr Trump's supporters argue that the growth dividend means its will be worth it. Long-run gross domestic product (GDP) is projected to rise by 0.8%, but the increase in national income is forecast at 0.4% due to higher interest payments to foreign debt holders. Critics, including some Republicans, warn it could push the US deficit to more than $2.5 trillion.

Section 899 of the tax bill is a retaliatory tax provision aimed at foreign governments that impose what the US deems "unfair foreign taxes" on American companies, particularly those arising from the OECD's global tax reform efforts. It imposes a surtax of up to 20% on US-taxable income earned by companies and individuals from countries that levy discriminatory taxes on US businesses. It is designed to deter foreign governments from taxing large US multinationals – especially in technology and pharmaceuticals – under global tax harmonization schemes. However, it could discourage foreign investment in US assets, as it raises the effective tax burden on investors from targeted countries.

Elon Musk is learning some harsh lessons about mixing politics and business

President Trump signed a sweeping order banning travel from 12 countries and restricting travel from seven others, reviving and expanding the travel bans from his first term. Nationals of Afghanistan, Myanmar, Chad, Republic of the Congo, Equatorial Guinea, Eritrea, Haiti, Iran, Libya, Somalia, Sudan and Yemen will be "fully" restricted from entering the US, according to the proclamation. Meanwhile, the entry of nationals of Burundi, Cuba, Laos, Sierra Leone, Togo, Turkmenistan and Venezuela will be partially restricted. The US president said that he "considered foreign policy, national security, and counterterrorism goals" in deciding the scope of the ban. Mr Trump cued up the ban in an executive order signed on 20 January, his first day back in the White House, instructing his administration to submit a list of candidates for a ban by 21 March.

Elon Musk is learning some harsh lessons about mixing politics and business. **Tesla's** market value suffered its biggest one-day drop on record on Thursday as an escalating feud between Donald Trump and chief executive Elon Musk triggered a sharp sell-off. The 14% fall erased $153bn from its market capitalisation, after the US president suggested he could terminate US government contracts with Musk's companies. The public feud between Donald Trump and Elon Musk erupted dramatically in June 2025, ending what had once been a close political alliance. The fallout began when Musk fiercely criticised Trump's flagship budget bill, calling it a "disgusting abomination" due to provisions that would cut electric vehicle subsidies directly impacting Tesla. Trump, initially restrained, responded by accusing Musk of betrayal and suggesting he suffered from "Trump derangement syndrome". Musk retaliated by claiming he was instrumental in Trump's election win and hinted at damaging allegations, including references to Jeffrey Epstein. Trump then threatened to revoke Musk's federal contracts, prompting Musk to announce the decommissioning of SpaceX's Dragon spacecraft. The spat, filled with personal attacks and political consequences, has shaken both the Republican Party and Musk's business empire.

Economics

The latest US Institute of Supply Management (ISM) Services PMI for May 2025 came in at 49.9, indicating a slight contraction in the services sector. This is notable because it's the first time the index has dipped below 50 – the threshold between expansion and contraction – since June 2024. This report suggests that while employment and supplier deliveries are holding up, demand is softening. Inflation remains elevated and some of Donald Trump's flagship policies could complicate the Federal Reserve's policy decisions going forward.

However, there was better news for the Federal Reserve in the April JOLTS (Job Openings and Labor Turnover Survey) report for April 2025. It showed the US labour market was cooling but still relatively stable.

The Beige Book – which compiles anecdotal information from businesses, economists, market experts, and community organisations across the 12 Federal Reserve districts – was released. It reported a slight decline in economic activity across the US since the last report. Uncertainty – both economic and policy-related – was a common theme, leading to cautious behaviour from businesses and households.

The European Central Bank (ECB) cut its key interest rates by 25 basis points, bringing the deposit facility rate down to 2%. This marks the ECB's seventh consecutive rate cut, continuing its pivot away from the aggressive tightening cycle of 2022–2023. Eurozone inflation fell to 1.9% in May, down from 2.2% in April, aligning closely with the ECB's 2% target. Core inflation also eased to 2.3%, supporting the case for looser monetary policy. While the ECB cut rates, it signalled a "meeting-by-meeting" approach going forward, avoiding firm commitments about future cuts. Some hawkish members urged a pause until September, citing uncertainty and potential new shocks.

UK Spending review

The UK Government Spending Review, set for Wednesday 11 June, will outline how Chancellor Rachel Reeves plans to allocate approximately £600 billion in public spending over the next few years. This review will cover day-to-day departmental budgets from 2026/27 to 2028/29, and investment spending through 2029/30. Departments are starting from scratch rather than building on previous budgets, meaning all spending must be justified. This could lead to policy shifts and reallocation of funds. This review is seen as a key test of the government's ability to balance fiscal discipline with public service investment, especially amid rising borrowing costs.

Companies

Wizz Air's shares dived after disappointing annual results, with weaker-than-expected profitability and rising debt levels. Investors were spooked by a sharp 62% drop in operating profit and a significant rise in costs – particularly a 19.9% increase in non-fuel expenses. The airline also faced ongoing disruptions from Pratt & Whitney GTF engine issues, which left 42 aircraft grounded and forced route cuts and operational adjustments.

Pennon Group's full-year results reflected a year of heavy investment and operational resilience, but also significant financial strain. The water company undertook record levels of capital investment, including infrastructure upgrades, storm overflow fixes, and reservoir development. A rights issue helped maintain a strong balance sheet, but profitability was hit by rising costs and regulatory pressures. Chief executive Susan Davy emphasised a "reset" of the cost base and a focus on long-term service improvements, even at the expense of shortterm earnings. Pennon is planning a £3.2 billion in investment by 2030, with two-thirds funded by investors and debt providers.

Wise, a British fintech company known for its low-cost international money transfers and multi-currency accounts, is moving its primary stock market listing from London to New York. The company, which debuted on the London Stock Exchange in 2021, says the shift will provide better access to the world's deepest and most liquid capital markets, helping it accelerate growth and attract a broader base of investors. The company plans to maintain a secondary listing in London.

Cobalt Holdings, a metals investment company focused on the battery supply chain, has scrapped its planned $230m initial public offering (IPO) on the London Stock Exchange, which would have been the UK's largest mining listing since 2022. The company, founded by commodities entrepreneur Jake Greenberg, had aimed to use the IPO proceeds to purchase 6,000 tonnes of physical cobalt from Glencore at a discount – representing a major bet on a rebound in cobalt prices after years of oversupply and price declines. Reports suggested this was due to insufficient investor demand.

B&M European Value Retail, a UK-based discount retailer, saw its shares plunge this week after reporting a sharp drop in profits, rising debt and job cuts in its latest annual results.

In a trading update ahead of its AGM, **Fever-Tree** reported solid momentum in the US, now its largest market, driven by a growing partnership with Molson Coors. The company maintained its full-year guidance despite facing a new 10% US import tariff on UK goods. Fever-Tree said the tariff impact would be shared with Molson Coors and mitigated over time through local US production and a profit guarantee mechanism.

In a trading update, **WH Smith** reported a 7% rise in total travel revenue (on a constant currency basis) for the 13 weeks to 31 May, driven by strong performance across its UK, North American, and Rest of World travel divisions. Like-for-like sales in the UK were up 6%, with particularly strong growth in airport and rail locations. North America saw more modest like-for-like growth of 2%, though total revenue rose 7% thanks to new store openings. The company reaffirmed its full-year guidance and said it is well positioned for the peak summer travel season. Meanwhile, the sale of its UK High Street business to Modella Capital is on track to complete by the end of June, marking a strategic shift to focus solely on its global travel retail operations.

Broadcom reported strong second-quarter results, with revenues reaching a record $15.0 billion, marking a 20% year-over-year increase. The company's GAAP net income was $4.97 billion. A key driver was Broadcom's artificial intelligence (AI) semiconductor business, which generated $4.4bn in revenue – up 46% year-over-year – thanks to robust demand for AI networking solutions. The software segment, including VMware, also performed well, growing 25% to $6.6bn. Broadcom provided an optimistic outlook for the third quarter, projecting $15.8bn in revenue and continued AI growth.

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