SPARKASSE
Bank Malta plc

Private Banking
Market Update
Q2 2025

Global Equity Index	Q2 | YTD
S&P500 (US)	+10.57% | +5.50%
Nasdaq (US)	+17.75% | +5.48%
EuroStoxx50 (EU)	+1.05% | +8.91%
FTSE 100 (UK)	+2.08% | +7.19%
MSCI Emerging Markets	+10.39% | +13.70%
Commodities	**Q2 | YTD**
Crude Oil WTI	-8.91% | -9.22%
Gold	+5.49% | +24.66%
World Government Bonds	**YTM 2 Yrs | 10 Yrs**
USD 2-Year Bond Yield	3.73% | 4.23%
Germany 2-Year Bond Yield	1.85% | 2.60%
UK 2-Year Bond Yield	3.81% | 4.48%
Currencies	**Rates of Exchange**
EUR/USD	1.0355 | 1.1787
EUR/GBP	0.8272 | 0.8582

The above calculations have been done based on data sourced from Reuters. Prospective customers should not base their decision on investing solely on the indicated rate of return.

Important information

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Markets in the second quarter were heavily influenced by uncertainty around U.S. trade tariffs. While initial tariff announcements triggered concerns, investor sentiment improved once those measures were suspended. Recession fears eased, and equity markets posted gains. Meanwhile, the focus in fixed income markets began shifting from interest rate cuts to rising concerns over debt sustainability.

U.S. equities saw strong performance in Q2. The S&P 500 rose by 10.57%, while the tech-heavy Nasdaq surged 17.75%. Gains were primarily driven by renewed enthusiasm for key technology and communication services stocks, especially among the so-called “Magnificent 7.” Artificial intelligence-related stocks also rebounded after a weak start to the year. Solid Q1 corporate earnings further supported the rally.

However, not all sectors performed as strongly. Healthcare and energy lagged behind. In particular, healthcare stocks came under pressure due to the Trump administration’s ongoing efforts to reduce drug prices.

Economic data from the U.S. remained generally resilient. Although the third estimate of Q1 GDP showed a 0.5% decline, this was attributed to a rise in imports likely prompted by concerns over potential future tariffs. Employment indicators stayed strong.

A significant policy development came in June, when President Trump introduced a major tax and spending package. The legislation, which passed the House of Representatives, extends the 2017 tax cuts, boosts defense spending, and reduces funding for programs like Medicaid.

Eurozone equities also advanced, although more modestly than their U.S. counterparts. The Eurostoxx 50 gained 1.05%, led by the industrials and real estate sectors. Within industrials, defense stocks continued to perform well, supported by commitments at the NATO summit for increased military spending. In contrast, consumer discretionary, healthcare, and energy stocks under-performed.

The European Central Bank (ECB) cut interest rates twice during the quarter, each time by 25 basis points. ECB President Christine Lagarde suggested that the rate-cutting cycle was nearly complete. Inflation in the Eurozone eased slightly to 1.9% in May, down from 2.2% in April, according to Eurostat.

UK markets also posted gains, with the FTSE 100 rising 2.08%. Top-performing sectors included industrials, telecommunications, utilities, and real estate. Energy and healthcare lagged. The mid-cap FTSE 250 outperformed the FTSE 100, partly due to its lower exposure to the under-performing sectors.

The Bank of England cut interest rates by 25 basis points in May, bringing the base rate to 4.25%. Inflation in the UK remained above target, with a May reading of 3.4% according to the Office for National Statistics.

The quarter was marked by a rise in geopolitical tensions, driven by U.S. trade policy and ongoing instability in the Middle East. Recession concerns peaked around the “Liberation Day” tariff announcements in the U.S., but later eased as a softer stance was adopted. With central banks nearing the end of their rate-cutting cycles, the market’s attention began shifting towards fiscal policy and its implications for long-term debt sustainability.

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