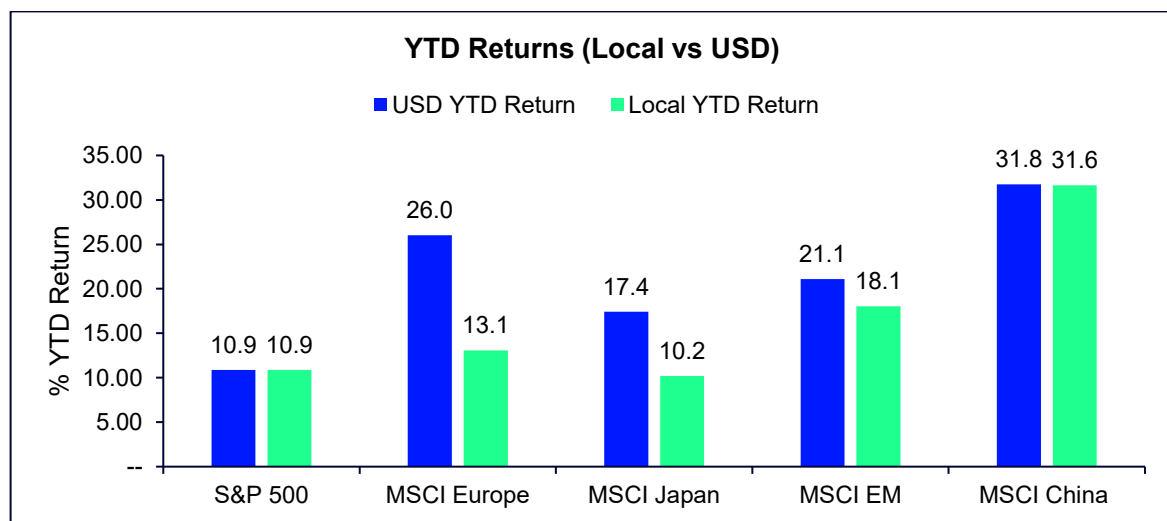


COMMENTARY
August 28, 2025

Mind on the Market

Chart of the Week



Source: FactSet, S&P, and MSCI. As of 8/26/2025.

The U.S. Dollar Index (DXY) has declined over 9% year-to-date, returning to levels last seen before the COVID-19 pandemic. This broad-based depreciation has had varying impacts across global markets, but for U.S.-based investors, it has served as a meaningful tailwind for international equity performance. A weaker dollar increases the value of foreign prices when translated back into U.S. dollars, enhancing returns on non-U.S. holdings. Among global regions, Europe has emerged as the most significant beneficiary from a currency translation perspective, with the euro's relative strength amplifying equity gains. While currency movements can be volatile, they remain an important factor in portfolio construction and global asset allocation.

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Weekly Highlights

Top 3 DM and EM Index Returns YTD in USD

Spain

56.47%

Data as of August 26, 2025

Austria

52.63%

Data as of August 26, 2025

Italy

46.39%

Data as of August 26, 2025

Greece

80.03%

Data as of August 26, 2025

Columbia

74.63%

Data as of August 26, 2025

Czech Republic

57.37%

Data as of August 26, 2025

Year-to-Date Regional Equity Recap

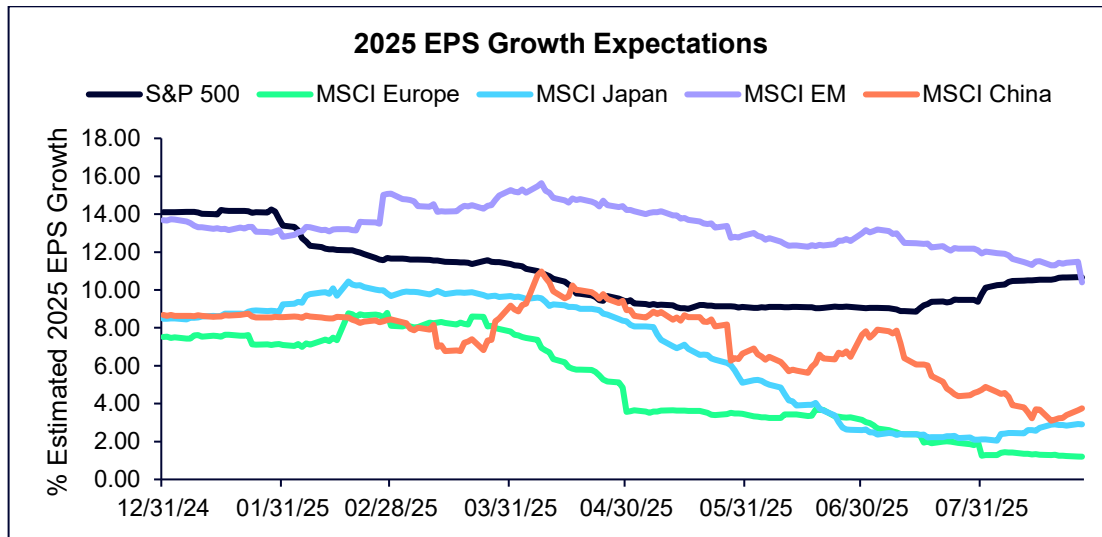
As of late August 2025, global equity markets have delivered a wide range of returns, shaped by monetary policy shifts, geopolitical developments, and sector-specific trends. While earnings have generally held up, market performance has often diverged from fundamentals, underscoring the importance of regional diversification.



Source: FactSet, S&P, and MSCI. Data as of 8/26/2025. Returns in local currency.

In the chart above, we compare each of the major equity regions expected EPS growth for 2025 with its YTD local currency return. We used local currency returns to neutralize currency effects and gain a clearer sense of global sentiment. We've sorted this chart by YTD performance and what stands out is that there isn't a linear relationship between earnings growth and performance. In fact, some of the better performance has come from China and Europe whose earnings growth expectations are less than 5%.

Then perhaps the strong performance is due to increasing EPS growth expectations:



Source: FactSet, S&P, MSCI. Data as of 8/26/2025.

That doesn't seem to be the case either. The path of 2025 EPS expectations has generally trended downward since the beginning of the year. Over the past couple of months, both China and Europe have seen continued downward pressure on earnings expectations. Let's take a closer look at each region.

United States: (+10.87% YTD USD)

U.S. equities have staged a notable recovery from the sharp April selloff triggered by tariff shocks. The S&P 500 is up approximately 11% YTD thanks to strength in mega-cap tech stocks. Q2 earnings season is just wrapping up and the S&P 500 has seen +10% earnings growth compared to the same quarter a year ago, impressive given the tariff related consternation. Further clarity surrounding tariffs along with the passage of the "One Big Beautiful Bill" (OB BB) have removed some of the uncertainty priced in the US market. Whether lower tax rates are enough to offset tariffs effects will continue to be seen, but in the meantime, we've seen 2025 earnings expectations turn northward since July as some unknowns have become more known.

Europe: (+26.01 YTD USD)

European equities have seen strong 2025 performance. The MSCI Europe Index is up 26% YTD in USD terms, with several countries delivering standout returns. Broad geopolitical tensions and the continued path of protectionist policies have initiated further fiscal spending, particularly on defense and infrastructure. This has boosted sentiment, but it will take some time for broad based earnings to be effected. Earnings growth expectations for 2025 has been softening and currently sits at a mere 1.2%. Additionally, falling inflation has allowed the European Central Bank (ECB) to cut interest rates, which has been a tailwind for equities. From a sector perspective, Financials have been a standout for the region and is up 53% YTD in USD terms. A steeper yield curve has improved profitability of banks and regulatory reforms have been key drivers of performance. Financials are the highest sector weight within the MSCI Europe Index, so coupled with their performance, they have been the largest contributor to the overall index's return. See last week's Mind on the Markets for a deeper look at the changing regulatory landscape for the sector.

Japan: (+17.41% YTD USD)

In Japan, the path of interest rates is opposite most other developed central banks. Continued and persistent inflation has kept them closer to hiking policy rates and 10 year yields are the highest they've been in over 15 years. Despite this, strength in their Industrial and Financial sectors have been strong contributors to performance. Corporate governance reforms and shareholder-friendly policies continue to attract long-term investors. While earnings growth has been steady, Japan's sensitivity to global trade dynamics remains a key risk.

Emerging Markets: (+21.11 YTD USD)

Given concerns of escalating tariffs on Chinese exports, China has been a relative surprise this year and is up more than 31% in USD terms. This surge has generally been fueled by domestic policy support along with continued strength across the technology landscape. A weakening dollar has been a tailwind across emerging markets and can at least partially offset some of the effects from tariffs. Expected Q2 earnings for the MSCI Emerging Markets Index are around 2.68% compared to the same quarter a year ago, however they are expected to be closer to 10% over the full year 2025.

Conclusion:

So far, 2025 has been marked by heightened geopolitical tensions. In that context, the resilience of equity markets is notable, given the complex path they've navigated to date. Earnings growth has remained positive and is expected to continue through the year. Governments around the world have generally shown a willingness to increase spending in support of their local economies, which should continue to be supportive for equities.

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*This figure is presented as of June 30, 2025 and includes ETF AUM of \$1,689.83 billion USD of which approximately \$116.05 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

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