The big, beautiful bond market

US treasury yields opened the week higher after Moody's downgraded the US credit rating by one notch to Aa1, citing the growing deficit. Moody's was the last of the big-three credit rating agencies to do so, having held the US at the top Aaa level since 1919. The timing couldn't have been more problematic for US President Donald Trump, who appeared in person before House Republicans in Capitol Hill on Tuesday to have his budget passed. Reports that his efforts were successful preceded a treasury note auction on Wednesday that was met with weaker than expected demand.

30-year treasury yields spiked above 5.1% while 10-year yields moved above 4.6% as the market priced in fiscal worries surrounding the new spending bill that was officially passed by the House on Thursday. Bonds spoke and stocks listened - a dip in prices on Wednesday helped US equities to finish the week -4.2% in the red in EUR terms.

Tariffs returned to the headlines on Friday when Trump recommended a 50% levy on all imports from the EU after saying "Our discussions with them [the EU] are going nowhere" in a social media post. This would represent a sharp uptick from the 20% tariff imposed on the EU on 'Liberation Day'. Revived trade worries led European stocks to fall, ending the week down -0.6%.

There were PMI releases across several of the major economies on Thursday. The US PMI expanded in May, exceeding expectations that it would contract slightly. The Eurozone fared worse, with the composite PMI figure for May dropping to 49.5, below forecasts of 50.7. In the UK, manufacturing activity declined while the services PMI rebounded upwards. Meanwhile, UK inflation for April accelerated to 3.5% ahead of the 3.3% consensus estimate, and Japan's core CPI inflation rate jumped to 3.5%, its highest in over 2 years.

Fact of the week

The US government currently owes approximately $36.2 trillion, and 16% of all federal spending in FY 2025 goes to servicing the debt, making it the second largest source of expenditure.

Our regular market information continues on the next page.

Snapshot

Up:
- Corporate Bonds
- Gold

Down:
- World Equities
- Sovereign Bonds
- Oil
- Copper

The week ahead

27 May	US consumer confidence for May is reported.
28 May	German unemployment data for May is released.
30 May	US PCE price index for April goes to print.

	1 Week Return 16.05.25 to 23.05.25		Year to Date Return 31.12.24 to 23.05.25	
	Local Currency	Euro	Local Currency	Euro
World	-1.5%	-3.2%	3.3%	-5.7%
U.S.	-2.6%	-4.2%	-0.9%	-9.6%
Europe	-0.9%	-0.9%	9.9%	9.9%
Ireland	-0.2%	-0.2%	16.6%	16.6%
U.K.	0.4%	0.5%	8.5%	6.7%
Japan	-0.2%	0.4%	-1.6%	-1.1%
Hong Kong	0.1%	-1.8%	13.4%	2.7%
Corporate Bonds	0.3%	0.3%	0.5%	0.5%
Sovereign Bonds	-0.2%	-0.2%	-0.8%	-0.8%

Warning: Past performance is not a reliable guide to future performance.
Warning: The value of your investment may go down as well as up.
Warning: Benefits may be affected by changes in currency exchange rates.
Warning: If you invest in this product, you may lose some or all of the money you invest.

Equities

- Global stocks finished down -3.2% in euro terms and down -1.5% in local terms last week.
- Year-to-date global markets are down by -5.7% in euro terms and up by 3.3% in local terms.
- The U.S. market, the largest in the world, finished down -4.2% in euro terms and down -2.6% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 4.5% last week. The German equivalent finished at 2.6%. The Irish 10-year bond yield finished at 2.9%.
- The Euro/U.S. Dollar exchange rate finished at 1.14, whilst Euro/GBP finished at 0.84.

Commodities

- Oil finished the week at $62 per barrel and is down -21.8% year-to-date in euro terms.
- Gold finished the week at $3,358 per troy ounce and is up 16.6% year-to-date in euro terms.
- Copper finished the week at $9,641 per tonne and is up 1.5% year-to-date in euro terms.

Zurich Life Assurance plc
Zurich House, Frascati Road, Blackrock, Co. Dublin, A94 X9Y3, Ireland.
Telephone: 01 283 1301 Fax: 01 283 1578 Website: www.zurich.ie

ZURICH