20 June 2025

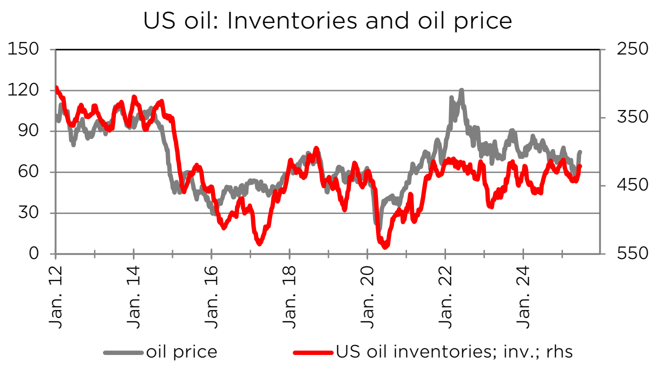
Wars, crises, chaos: knock-out for the global economy?

In the summer of 2025, the global economy finds itself in a phase of heightened uncertainty, shaped by geopolitical tensions, volatile commodity markets, and diverging economic forecasts. While international institutions have revised their global growth projections downward and the recent escalation of the Israel-Iran conflict has fueled fears of a broader conflagration in the Middle East with further negative repercussions for the economy, several factors nevertheless argue for a less pessimistic assessment of the global economic situation.

Israel-Iran conflict: a geopolitical turning point …

Since June 13, 2025, "Operation Rising Lion" has marked a turning point in the decades-long tensions between Israel and Iran. The Israeli airstrikes on over 100 strategic targets – including nuclear facilities in Natanz and Isfahan as well as IRGC command centers – prompted an immediate Iranian retaliation with ballistic missiles and drones. This direct military confrontation between the two regional powers represents the most severe escalation in decades.

Nevertheless, the global economic impact of the conflict is likely to remain limited, as both countries are only marginally integrated into international value chains. This holds true at least as long as the oil price does not rise significantly and, above all, not for an extended period. Iran exports around 1.7 million barrels of crude oil per day, which accounts for less than two percent of global demand. More than 90 percent of Iranian oil exports now go to China. Since there are few alternative buyers for Iranian oil, Chinese refineries hold a strong bargaining position. Because the sanctioned oil is paid in Renminbi rather than US dollars, Iran has little choice but to spend its oil revenues on Chinese goods – further reinforcing its dependence on China.



source: LSEG Datastream

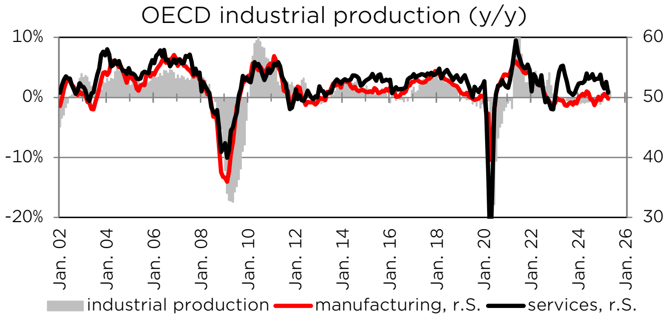
… with limited economic impact

If Israel's goal is regime change in Iran, it might try to cut off Tehran's oil revenues. Should Iran's oil exports be brought to a halt, this would at least temporarily shake the oil market. Wars, however, are unpredictable, and an Iranian attack on Saudi oil fields or a closure of the Strait of Hormuz – which handles around 20 percent of global oil shipments – cannot be entirely ruled out. Such scenarios could drive oil prices up sharply, at least for a certain period. However, the OPEC+ countries possess significant reserves that could be brought to market relatively quickly. Saudi Arabia and the United Arab Emirates alone have more than four million barrels per day in reserve. This safety valve could help ease tensions in the oil market if necessary. It is therefore not surprising that capital markets have shown remarkable resilience, suggesting that many investors' risk assessments may be somewhat exaggerated. Nevertheless, China – Iran's most important customer – would feel the impact if energy exports were disrupted. For the first time in years, China's private refineries would have to pay the full price for a barrel of oil, a situation that could cause considerable harm to the Chinese economy.

Economic forecasts: Is growth pessimism exaggerated?

The latest forecasts from major international economic organizations paint a subdued picture of global economic development. The OECD expects global growth of 2.9 percent for 2025, while the World Bank is more pessimistic with a projection of just 2.3 percent. The IMF positions itself in the middle with a forecast of 2.8 percent. These projections primarily reflect uncertainty regarding US trade policy and its potential impacts. Crucially, however, all institutions explicitly rule out a recession and already project a recovery to between 2.5 and 3.0 percent in 2026. In contrast to the pessimistic assessments of many institutions and economists, several factors point to a more resilient global economy than widely feared. Global uncertainty indicators, which are currently at record highs, are expected to decline again in the second half of 2025 as political and economic tensions ease.

Global Purchasing Managers indices and OECD industrial production (y/y)



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US growth forecasts for this year have been revised downward particularly sharply. These reductions mainly reflect the assumption that persistently high tariffs will dampen corporate investment and consumer spending. While many leading US indicators have weakened significantly in recent months, the hard data so far contradicts the thesis of a marked slowdown in growth. The labor market remains robust, and while foreign trade weighed heavily on growth in the first quarter due to front-loading effects on imports, it is providing a tailwind again in the second quarter. Forecasts for the Eurozone and Germany have also been adjusted downward, though to a lesser extent. In contrast to the US, growth momentum in the Eurozone and Germany was surprisingly strong in the first quarter of 2025, largely due to front-loading effects ahead of tariffs announced by Trump for early April (which were then largely postponed). Now that these front-loading effects have ended, economic growth in the US is expected to accelerate again in the second quarter, while it will slow in the Eurozone and Germany.

Equity markets: European outperformance and US potential

The performance of global equity markets in the first half of 2025 surprised many observers. While US markets have barely gained since the beginning of the year, European indices – led by the DAX – have delivered double-digit percentage gains in some cases. This European outperformance is based on several factors: lower valuations, higher dividend yields, and expectations of more expansive German fiscal policy and significantly increased spending on domestic and, especially, external security. Additionally, European markets have benefited from international investors temporarily turning away from the US due to political developments.

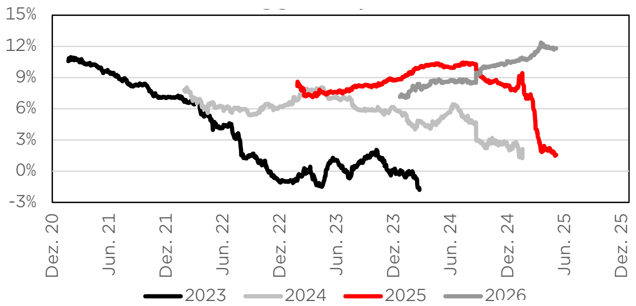
In the first four months of 2025, international stock markets saw a remarkable development: Unlike previous years, when US equities typically led the way, European stocks have outperformed so far in 2025. The main reason is the erratic and sometimes chaotic policies of Donald Trump, particularly his tariff and trade agenda, which is causing significant uncertainty. Following the announcements on April 2, known as "Liberation Day," many banks and investment houses lowered their US growth forecasts, raised inflation expectations, and revised their price targets for US indices such as the S&P 500, Dow Jones, and Nasdaq downward. Some economists are already calling this the end of the US era of exceptionalism. In contrast, Europe is expected to enter a new era of stability and growing significance, as it presents itself – unlike the US – as a reliable partner in foreign and security policy.

Despite the impressive European performance so far, US markets offer attractive opportunities for the second half of 2025. The recovery of US markets since the lows in April, driven in particular by a strong Q1 earnings season, demonstrates the resilience of American companies. Particularly promising for the second half of the year are prospects for stabilization in trade policy and potential tax relief. Economic history shows that markets tend to overshoot – both upward and downward. The current uncertainty primarily reflects a lack of clarity about new political paradigms, not fundamental economic weaknesses. Once trade policy stabilizes and companies have adjusted their supply chains, growth momentum is likely to return.

Opportunities in the crisis

The current phase of global uncertainty, despite all its challenges, offers considerable opportunities for informed investors. While European markets have already advanced further than fundamental conditions would suggest, new opportunities are emerging in the US after the recent correction. The combination of improved valuations, potential policy stabilization, and structural economic strength makes US equities particularly attractive for the second half of 2025. Not only is US economic growth expected to outpace that of Europe despite ongoing uncertainties and issues, but American companies also maintain a significant lead in profitability. This becomes clear when comparing the expected earnings growth rates for this year: DAX earnings are projected to increase by nearly seven percent, driven mainly by Adidas, Siemens Energy, Rheinmetall, SAP, and Airbus. This figure is solid, especially in a European context. By comparison, projected growth rates for the Euro Stoxx 50 (3.2 percent), Stoxx 50 (0.5 percent), and Stoxx 600 (1.6 percent) have been sharply revised downward in recent months.

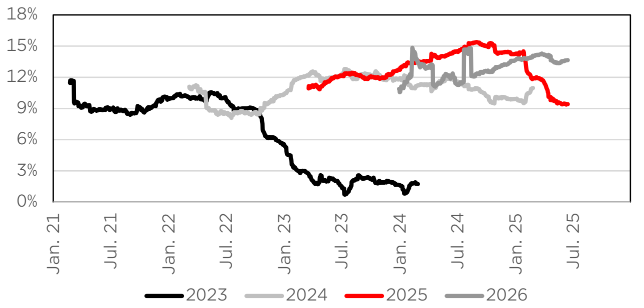
Stoxx 600: (expected) earnings growth (y/y)



source: Factset

While earnings forecasts for US indices have also been revised downward by company analysts for 2025, the adjustments have been less pronounced, and the expected growth rates remain significantly more attractive compared to European indices. For the S&P 500, an increase of just over nine percent is expected; for the Nasdaq 100, nearly 16 percent; for the Nasdaq Composite, almost 19 percent; and for the Philadelphia Semiconductor Index (SOX), as much as 28 percent.

S&P 500: (expected) earnings growth (y/y)



source: Factset

As dramatic as the geopolitical tensions may seem, they will not fundamentally undermine the long-term growth dynamics of the US or the global economy. Rather, they force necessary adjustments that, in the medium term, will lead to a more resilient and diversified economy. In this context, we believe a more optimistic outlook is justified – contrary to the prevailing narratives of pessimism, but in line with the fundamental strengths of the global economy.

Carsten Klude

Market data

Stock marktes	As of 20.06.2025 09:33	Change versus 13.06.2025 -1 week	19.05.2025 -1 month	19.03.2025 -3 months	19.06.2024 -1 year	31.12.2024 YTD
Dow Jones	42172	-0,1%	-1,4%	0,5%	8,6%	-0,9%
S&P 500	6025	0,8%	1,0%	6,2%	9,8%	2,4%
Nasdaq	19546	0,7%	1,7%	10,1%	9,4%	1,2%
DAX	23237	-1,2%	-2,9%	-0,2%	28,6%	16,7%
MDAX	29380	-1,2%	-2,5%	-0,9%	15,3%	14,8%
TecDAX	3763	-1,3%	-2,3%	-1,7%	15,1%	10,1%
EuroStoxx 50	5237	-1,0%	-3,5%	-4,9%	7,2%	7,0%
Stoxx 50	4461	-1,4%	-2,0%	-5,5%	-1,0%	3,5%
SMI (Swiss Market Index)	11932	-1,8%	-3,4%	-8,5%	-1,1%	2,9%
Nikkei 225	38403	1,5%	2,4%	1,7%	-0,4%	-3,7%
Brasilien BOVESPA	138717	1,1%	-0,7%	4,7%	15,3%	15,3%
Indien BSE 30	82106	1,2%	0,1%	8,8%	6,2%	5,1%
China CSI 300	3847	-0,5%	-0,8%	-4,1%	9,0%	-2,2%
MSCI Welt	3887	-0,4%	0,3%	5,0%	10,3%	4,8%
MSCI Emerging Markets	1177	-1,1%	0,9%	3,0%	7,5%	9,5%
Bond markets						
Bund-Future	130,96	18	42	285	-159	-248
Bobl-Future	118,03	21	-80	93	126	17
Schatz-Future	107,31	5	2	64	154	32
3 Monats Euribor	2,01	1	-6	-40	-170	-70
3M Euribor Future, Dec 2025	1,82	1	4	-27	-83	-8
3 Monats $ Libor	4,42	-3	3	9	-108	5
Fed Funds Future, Dec 2025	3,91	3	5	19	-3	0
10 year US Treasuries	4,38	-2	-8	13	16	-19
10 year Bunds	2,50	-4	-8	-27	12	14
10 year JGB	1,40	0	-8	-10	48	32
10 year Swiss Government	0,33	6	1	-42	-37	6
US Treas 10Y Performance	613,48	0,3%	1,0%	0,1%	3,0%	3,7%
Bund 10Y Performance	564,09	0,2%	0,7%	2,9%	1,6%	-0,1%
REX Performance Index	459,60	-0,1%	0,7%	2,1%	3,5%	1,5%
IBOXX AA, €	3,08	0	1	-15	-34	5
IBOXX BBB, €	3,44	0	-7	-22	-56	-2
ML US High Yield	7,60	-6	-13	-2	-40	-5
Commodities						
MG Base Metal Index	421,50	1,2%	1,3%	-4,8%	-2,6%	3,9%
Crude oil Brent	76,77	3,2%	17,1%	7,7%	-10,2%	2,7%
Gold	3350,13	-2,2%	3,5%	10,4%	44,1%	27,6%
Silver	32,54	0,0%	0,0%	-2,9%	10,7%	9,6%
Aluminium	2521,47	0,8%	2,9%	-6,1%	3,0%	-0,2%
Copper	9748,36	0,3%	2,2%	-2,0%	1,0%	12,7%
Iron ore	94,71	-0,7%	-5,3%	-7,2%	-11,6%	-8,6%
Freight rates Baltic Dry Index	1751	-11,0%	30,0%	7,0%	-9,9%	75,6%
Currencies						
EUR/ USD	1,1515	0,0%	2,2%	5,7%	7,1%	10,8%
EUR/ GBP	0,8541	0,5%	1,5%	1,8%	1,2%	3,3%
EUR/ JPY	167,29	0,8%	2,5%	2,5%	-1,5%	2,6%
EUR/ CHF	0,9396	0,4%	0,0%	-2,0%	-1,2%	-0,2%
USD/ CNY	7,1835	0,0%	-0,5%	-0,7%	-1,1%	-1,7%
USD/ JPY	145,47	1,0%	0,4%	-2,2%	-8,0%	-7,5%
USD/ GBP	0,74	0,7%	-0,8%	-3,8%	-5,6%	-7,1%

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