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EQUITIESFIRST® Progressive Capital

2025 MID-YEAR REVIEW AND OUTLOOK

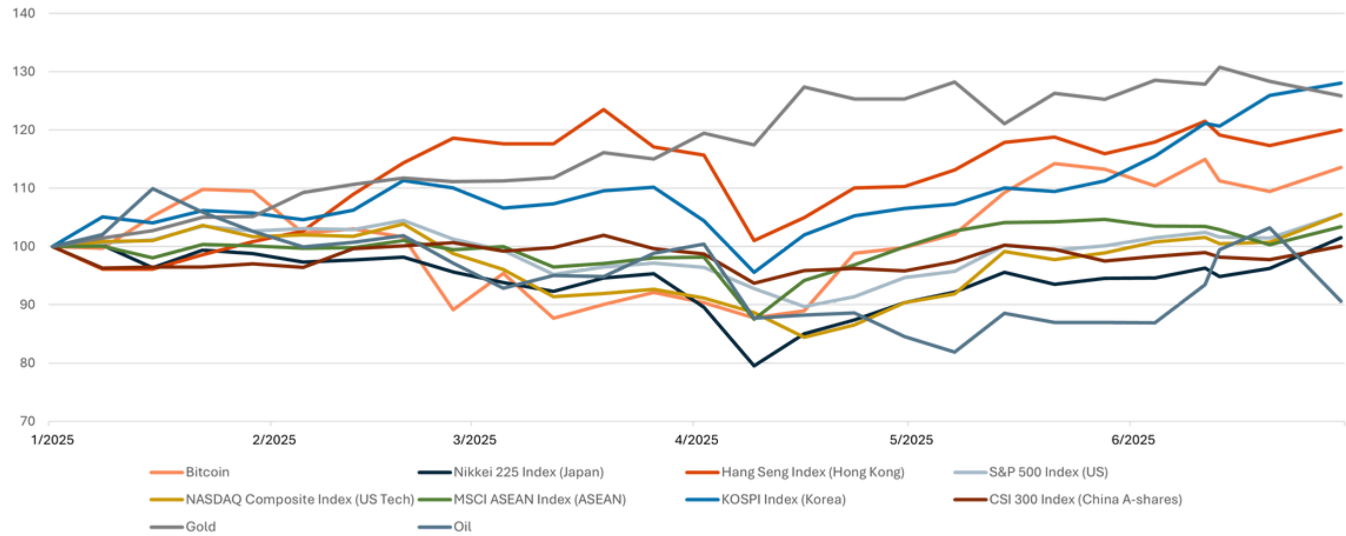
EXECUTIVE SUMMARY

At we pass the mid-point of 2025, this report examines market performance over the past six months and the outlook for the second half, covering major equity markets in the US, China and Japan, as well as crypto and gold.

- **2025 Mid-Year Review**
    - **US:** US equities have recorded modest gains, having rebounded from heavy losses following the announcement of new trade tariffs in April.
    - **China:** China equities have rallied strongly, driven by the DeepSeek-led tech surge and renewed investor confidence in internet and technology names.
    - **Japan:** Japan stocks have been slightly down, hampered by worries over rising rates and stubborn inflation.
    - **Crypto:** Bitcoin has moved upward, buoyed by expectations of pro-crypto policies and continued institutional interest.
    - **Gold:** The gold price has climbed noticeably, as investors have sought safety amid tariff uncertainty and geopolitical tensions.

- **2025 Mid-Year Outlook**
    - **US:** The market expects US growth to moderate as tariff uncertainty weighs on business investment and consumer spending.
    - **China:** Investors anticipate China will keep monetary policy loose to support its around 5% GDP target amid uncertain global demand.
    - **Japan:** The market sees Japan contending with export headwinds and softer external demand, which may limit growth even as policy stays steady.
    - **Crypto:** Market participants expect clearer crypto regulations and a wave of blockchain firm listings in the US to attract fresh capital and drive sector expansion.

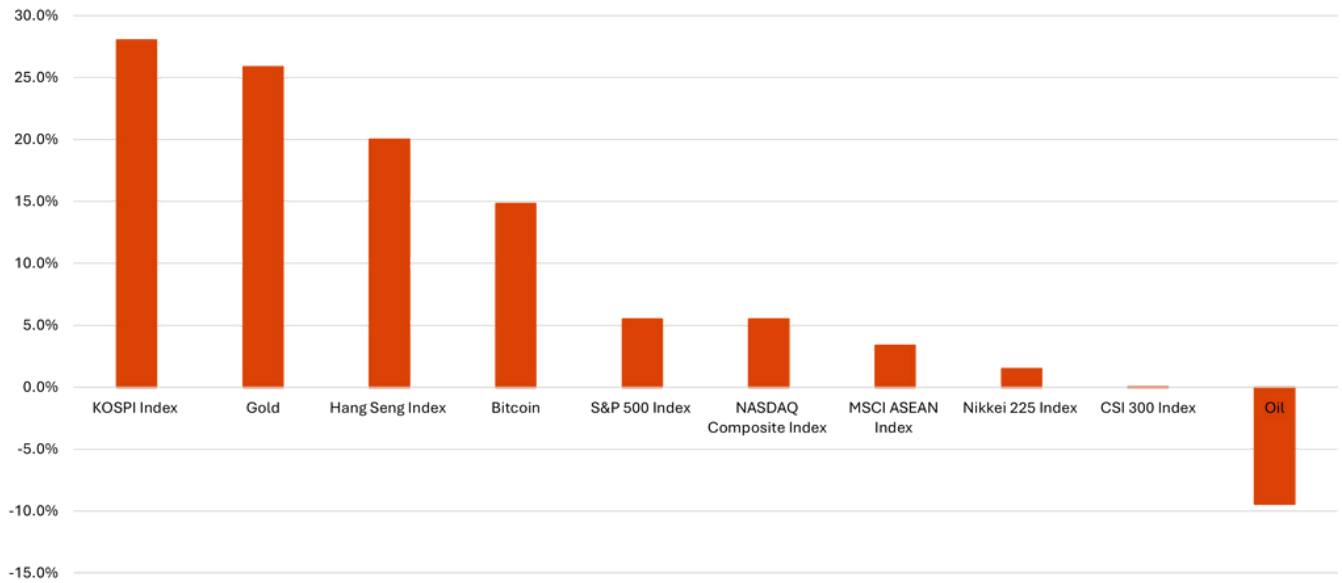
2025 YEAR-TO-DATE ASSET PRICE PERFORMANCE (%) (REBASED)



MARKET REVIEW

As of June 30, 2025, different asset classes exhibited contrasting price performance trends in 2025 year-to-date.

2025 YEAR-TO-DATE PRICE PERFORMANCE COMPARISON (%)



Gold has been the year's top winner, as investors have flocked to safe assets over worries about trade disputes and global tensions.

The Hang Seng Index has also beaten many benchmarks, including the S&P 500 and Nikkei 225, boosted by gains at China's AI firm DeepSeek, which re-rated the broader the internet and technology sector.

Bitcoin remains higher after its strong rally in 2023 and 2024, with high expectations for crypto-friendly moves from US President Trump.

US stocks have been choppy. They dipped in April on tariff fears but bounced back when talks looked hopeful.

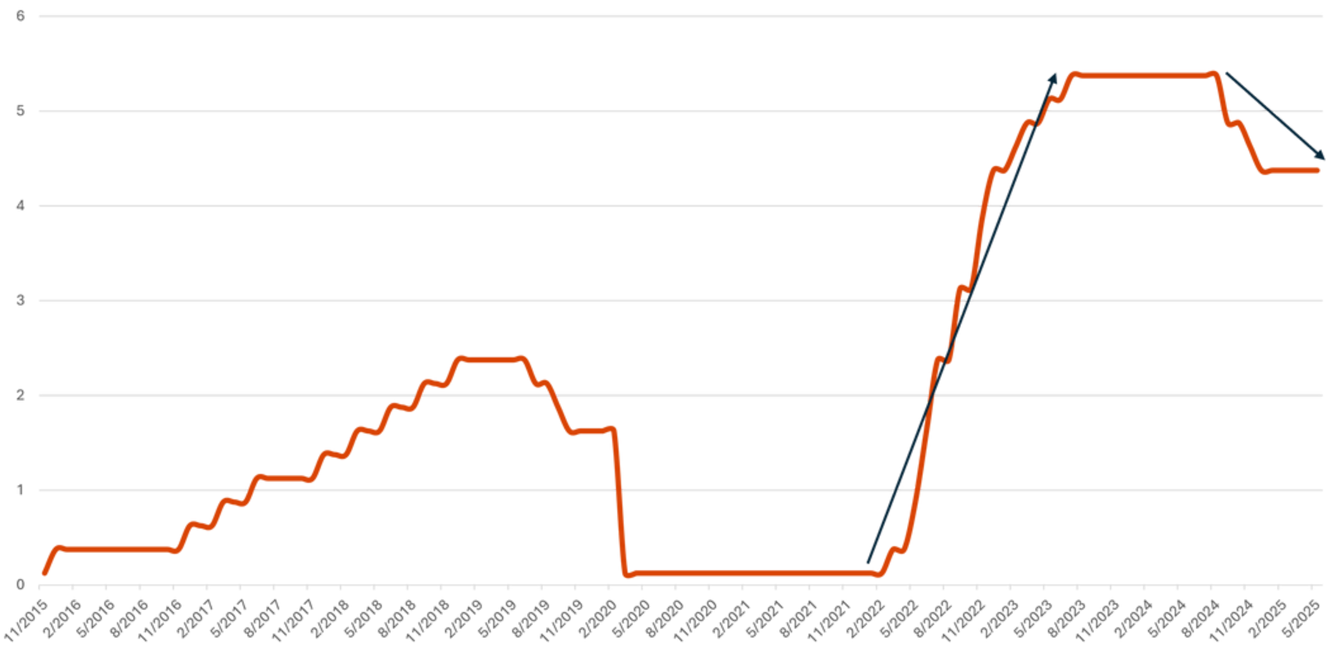
Japan's Nikkei 225 underperformed with concerns about rising rates and inflation.

Oil prices initially dipped slightly on concerns about slower global economic growth. Later in June, rising tensions between Israel and Iran pushed oil prices higher, but oil prices eventually declined.

Source: Bloomberg

UNITED STATES

US FED TARGET RATE MID POINT OF RANGE (%)



Since September 2024, the US Federal Reserve has eased policy by cutting the target federal-funds rate in three 25-basis-point steps, taking it down from 5.25%–5.50% to 4.25%–4.50% by December 2024. No further reductions have been made through May 2025, as inflation remains above the 2% goal and the job market continues to show strength.

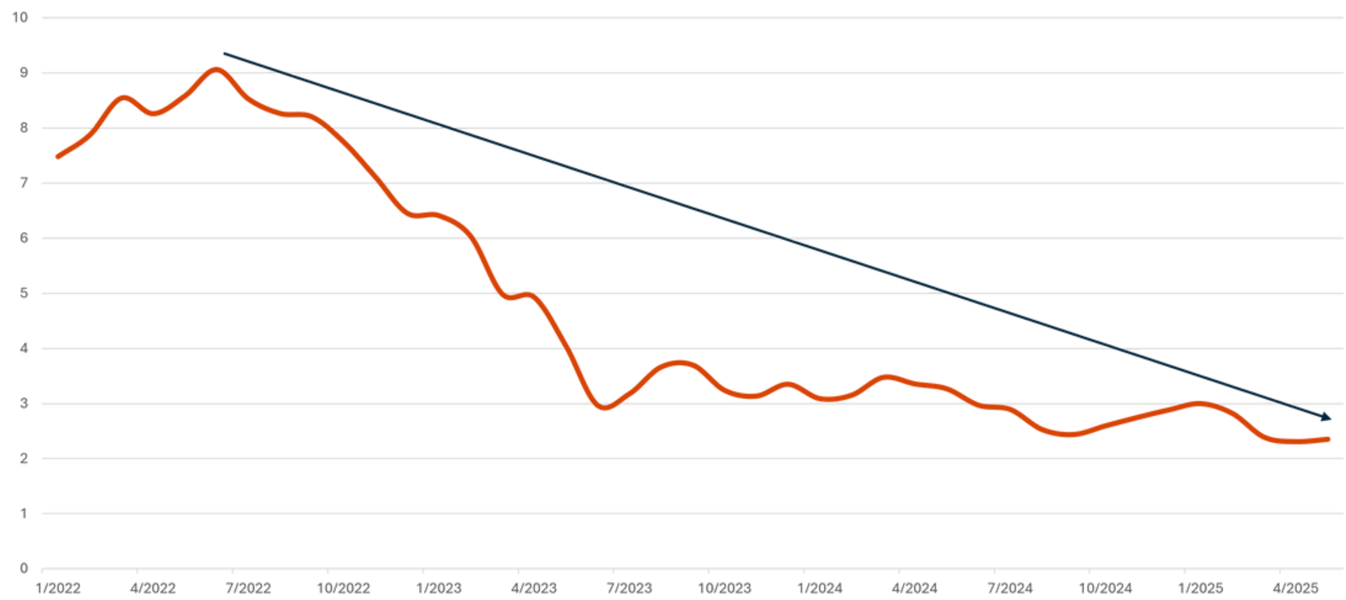
US FED FUNDS RATE TABLE

Date	Rate Change (Basis Points)	US Federal Funds Rate
Dec 2024	-25	4.25% - 4.50%
Nov 2024	-25	4.50% - 4.75%
Sep 2024	-25	4.75% - 5.00%
Jul 2023	+25	5.25% - 5.50%
May 2023	+25	5.00% - 5.25%
Mar 2023	+25	4.75% - 5.00%
Feb 2023	+25	4.50% - 4.75%
Dec 2022	+50	4.25% - 4.50%
Nov 2022	+75	3.75% - 4.00%
Sep 2022	+75	3.00% - 3.25%
July 2022	+75	2.25% - 2.50%
June 2022	+75	1.50% - 1.75%
May 2022	+50	0.75% - 1.00%
Mar 2022	+25	0.25% - 0.50%

Facing fresh uncertainty, especially around potential trade tariffs, the US Fed has chosen a “wait and see” approach. The policymakers are monitoring incoming data on prices, hiring and global trade before committing to any additional rate cuts.

Source: Bloomberg, Forbes

US CPI YOY (%)



High interest rates have steadily cooled the US inflation rate, so the CPI has been drifting lower. Since inflation now sits below the Fed's interest rate, the market expects consumer-price growth to keep easing.

S&P 500 INDEX

On April 2, 2025, dubbed "Liberation Day", US President Trump announced reciprocal trade tariffs on all major economies, ranging from 10% to 49%. This announcement came as a major negative surprise to the market, causing sharp declines in both US equities and Treasury bonds. Investors feared the onset of a new global trade war that would extend beyond the United States and China to include potential disputes with Europe. Many were concerned that this escalation could trigger a global economic recession.

The US implemented a 34% reciprocal tariff on Chinese imports. Later that, after China announced its own retaliatory tariffs, the US raised its rate to 125%. These abrupt hikes shook both equity markets. The US stock indices dropped as fears of an escalating trade war returned, while Chinese share prices tumbled under the weight of the heftier levies.

The S&P 500 Index fell approximately 19% from its February 2025 high to its April 2025 low.

However, President Trump on April 10 announced the suspension of most reciprocal tariffs, pausing the country-specific rates (except for China) for a 90-day period. This action left only a baseline 10% tariff on most countries. On May 12, 2025, the United States and China announced a tariff de-escalation, suspending reciprocal measures and allowing for 90 days of further negotiations.

The US stock market has gradually recovered from its low on April 8, 2025, when the S&P 500 Index fell to 4,982. Remarkably, the S&P 500 ended the first half of the year at a record 6,204.95 points, up 5.5% since the start of the year.

Source: Bloomberg

CHINA

HANG SENG INDEX

The Hang Seng Index climbed 20% in the first half of 2025, outpacing the S&P 500 (+5.5%), the Nasdaq (+5.5%) and the Nikkei 225 (+1.5%).

This surge can be attributed to China's booming AI sector, driven by DeepSeek. AI was the driving force behind the US stock market rally in 2023–2024, and the same AI momentum finally arrived in China in early 2025, lifting investor confidence and re-rating valuations in internet and technology stocks.

In January 2025, High-Flyer, a top Chinese hedge fund, unveiled DeepSeek, an AI system developed in 2023 that has already drawn worldwide interest. In head-to-head tests of language understanding, problem solving and data analysis, DeepSeek matches or even outperforms leading US models, a clear sign that Chinese developers are closing the gap.

DeepSeek R1 uses a lean training process to cut both compute time and hardware costs. It learns reasoning through large-scale reinforcement learning with a custom rule-based reward system instead of off-the-shelf neural rewards. Once trained, the model is distilled into smaller versions while keeping its core reasoning strengths. DeepSeek's debut marks a new phase in the global AI race and highlights China's growing role in this AI field. (Source: Tech Target)

As mentioned above, on April 2, 2025, the US imposed a 34% "reciprocal" tariff on imports from China. After China hit back, the US then ramped its rate up to 125%. Those sudden hikes shook both markets, the Hang Seng Index plunged from a March high of 24,771 down to 19,828 in early April, a drop of about 20%.

By May 12, 2025, the two sides agreed to pause the tariffs and opened a 90-day window for talks. In June, the US and China finalized a trade agreement that set new tariff guidelines. Under the deal, China will drop its export limits on rare-earth minerals and Chinese students will regain access to US universities. (Source: Reuters)

That deal gave markets breathing room and the Hang Seng Index rebounded strongly as tariff fears eased.

Source: Bloomberg

JAPAN

NIKKEI 225 INDEX

The Nikkei 225 underperformed other developed markets in the first half, finishing narrowly in positive territory with a gain of 1.5%.

In February 2025, concerns about the impact of US trade tariffs on the global economy were once again brought to the forefront. This was particularly significant for Japan stocks, which have a high export-related ratio, and they were heavily influenced by market conditions, leading to substantial declines, especially in automotive-related stocks.

In April 2025, after the US announced additional tariffs on imports from Japan, the dollar-yen exchange rate declined dramatically from over 150 to reach 140 yen per dollar, reminiscent of the significant selling of the dollar-yen in anticipation of a Bank of Japan interest rate hike in 2024. Consequently, the Japan stock market significantly underperformed compared to other markets. Japan stocks hit their lowest levels in approximately a year, with the Nikkei 225 index dropping to the 30,000 point range, resulting in a highly volatile market.

In the first half of 2025, the Bank of Japan raised interest rates, and increasing expectations for further hikes have led the foreign exchange market to lean towards a stronger yen since the beginning of the year. However, during the monetary policy meeting held by the Bank of Japan from April 30 to May 1, the policy interest rate was kept unchanged. This cautious stance regarding future rate hikes led to a depreciation of the yen, which in turn contributed to a rise in the Japan stock market. Additionally, an agreement between the US and Chinese governments to significantly reduce tariffs eased concerns over US tariff policies, allowing the Japan stock market to recover to levels seen in March 2025.

Bank of Japan Governor Kazuo Ueda stated in a press conference following the meeting that if the economic and price outlook materializes, the policy interest rate will be raised and the degree of monetary easing will be adjusted. This has led to expectations of rising interest rates, which are likely to result in capital inflows into financial stocks. Additionally, there are ongoing efforts to improve corporate capital efficiency, suggesting a resilient market outlook. However, it is essential to closely monitor the developments in US economic policy, particularly regarding trade negotiations with the US administration.

Source: Bloomberg

CRYPTO

BITCOIN PRICE (USD)

Bitcoin has continued to record resilient price performance year-to-date after its strong gains in 2023 and 2024.

In January 2025, just after US President Trump took office, Bitcoin's price surged past USD106,000, driven by optimism from the previous year's halving and hopes that the new administration would favour crypto. Institutional players, hedge funds and large asset managers, continued buying Bitcoin, amplifying the rally.

In early February, Senator Bill Hagerty introduced the Guiding and Establishing National Innovation for US Stablecoins ("GENIUS") Act to regulate major USD-backed stablecoins like USDT and USDC, and by mid-March the bill's amendments tightened anti–money laundering rules, reserve requirements and liquidity standards. Because these stablecoins are backed by US bank deposits and Treasury bills, they help bolster demand for the US dollar and government bonds. In fact, issuers have become some of the largest buyers of US Treasuries.

On March 7, 2025, President Trump signed an executive order to create a Strategic Bitcoin Reserve using tokens the government already held, signalling that blockchain could play a bigger role in US monetary policy.

By March 10, Bitcoin retraced sharply to about USD 79 000, a roughly 26% drop from its January high. That pullback might reflect profit-taking by investors after the 2023–2025 bull run, unease over when clear crypto regulations would materialize and broader economic headwinds, tariff tensions, inflation worries and the Fed's policy stance.

On May 21, 2025, Hong Kong's Legislative Council approved the Stablecoins bill, creating a regulatory regime for issuers of fiat-referenced tokens such as those pegged to the Hong Kong dollar. By mandating licensed operations, reserve audits and anti-money laundering controls, the law transforms a once-unclear competitive landscape into clear one where stablecoin projects can launch legally with well-defined guidelines. This development not only reinforces Hong Kong's status as a leading Asian financial centre for crypto assets but also signals to global markets that clear rules now govern stablecoins issuers, reducing risks for investors and paving the way for broader institutional participation. (Source: SCMP)

On May 22, 2025, Bitcoin once again achieved a new all-time high, reaching USD 111,092. It was driven primarily by a surge in large-scale institutional investments, notably those by US-listed MicroStrategy, which continued to accumulate significant amounts of BTC, enhanced Bitcoin ETF inflows and an improving regulatory backdrop, including a more crypto-friendly tone from the US administration under President Trump, which together amplified market confidence and bullish sentiment.

Source: Bloomberg

GOLD

Heightened uncertainty around global trade policies, particularly the question of escalating tariffs, has pushed investors into a defensive stance, directing capital into traditional safe havens such as gold. As a result, gold has emerged as this year's standout performer, appreciating significantly (+25.9% in the first half of 2025), while major equity benchmarks have struggled, with some posting negative returns. This underscore gold's role as a reliable store of value when broader economic and trade tensions affect the outlook.

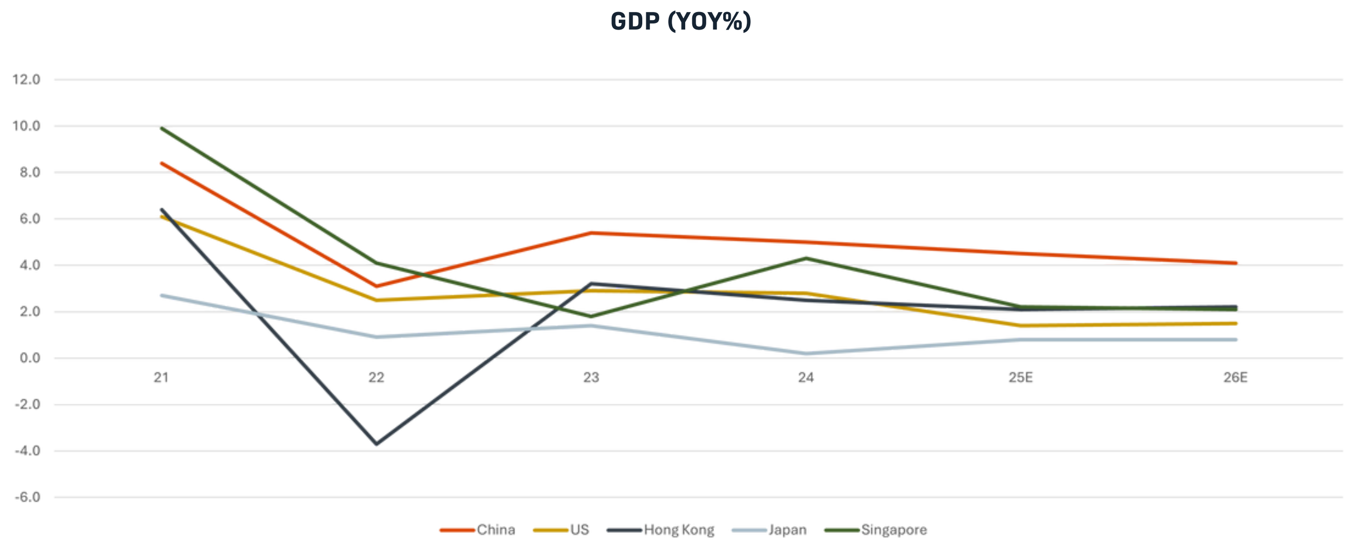
OIL

Amid global uncertainty in 2025, especially over potential tariffs, the market fears an economic slowdown will weaken oil demand. After a down year in 2024, oil prices continued to slide early this year. However, in June, rising tensions between Israel and Iran caused a brief rebound amid intense volatility. As of the end of June, crude prices were down 9.2% since the start of the year.

Source: Bloomberg

MARKET OUTLOOK

GDP



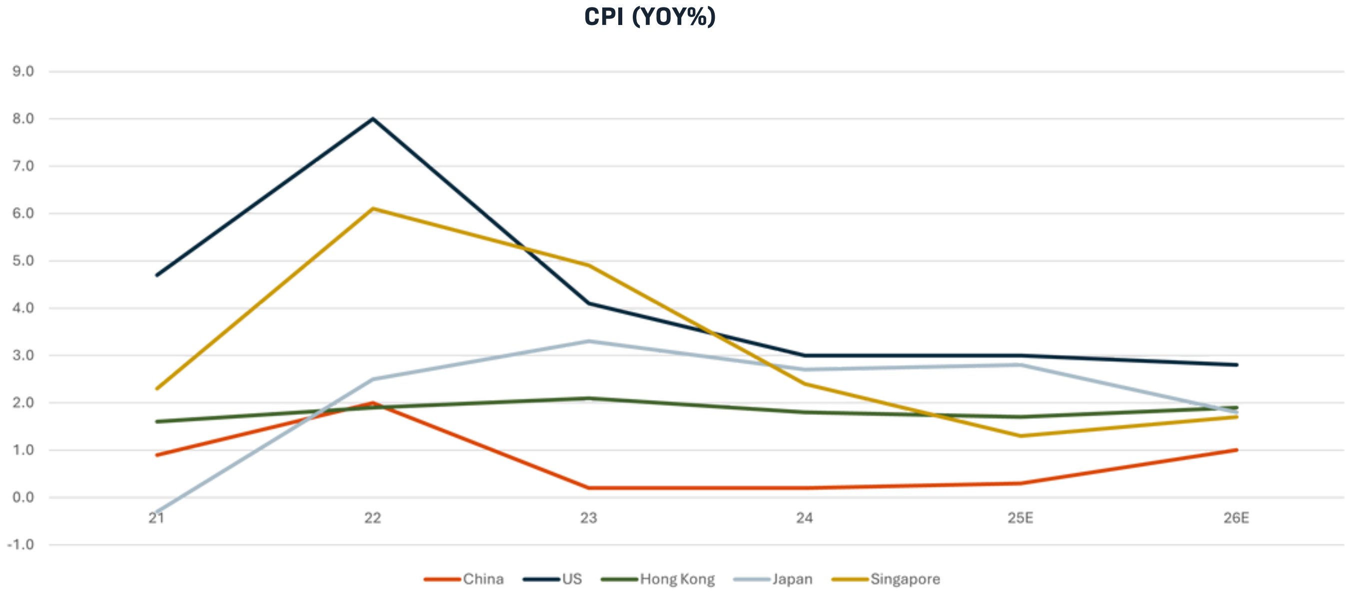
Market forecasts for 2025 suggest the US economic expansion will slow to roughly 1-2%, as ongoing uncertainty over trade tariffs threatens to dampen business investment and consumer confidence. Companies may delay hiring and capital expenditures until clarity on duties and import costs emerges, while consumers could pull back on consumption if trade tensions stoke fears of higher prices.

Meanwhile, the Chinese government has set a 2025 GDP growth target of around 5%, maintaining the same benchmark it achieved in 2024. Against a backdrop of uneven global demand, particularly as a result of the tariff issue, the Chinese government is widely expected to keep monetary policy accommodative.

In Japan, the market expects the 2025 GDP growth rate will be around 0.8%, marking five consecutive years of growth. However, the real GDP growth rate for 1Q 2025 is -0.2% YoY, indicating a downturn. The negative impact of tariff increases will take time to manifest, thus remaining an uncertain factor. If the US economy, along with the global economy, deteriorates and the decline in external demand affects domestic consumption and capital investment, there is a risk of a significant downturn in the domestic economy.

Source: Bloomberg

CPI



US inflation is widely forecast to remain subdued throughout 2025, thanks in large part to the Federal Reserve's elevated interest-rate stance, which has kept borrowing costs high and curbed excess spending. Yet trade negotiations remain unpredictable, and any fresh levies on imported goods could inject new price pressures, especially if higher duties on consumer products or industrial inputs are passed through to end-users. In other words, a sudden tariff increase might briefly increase inflation.

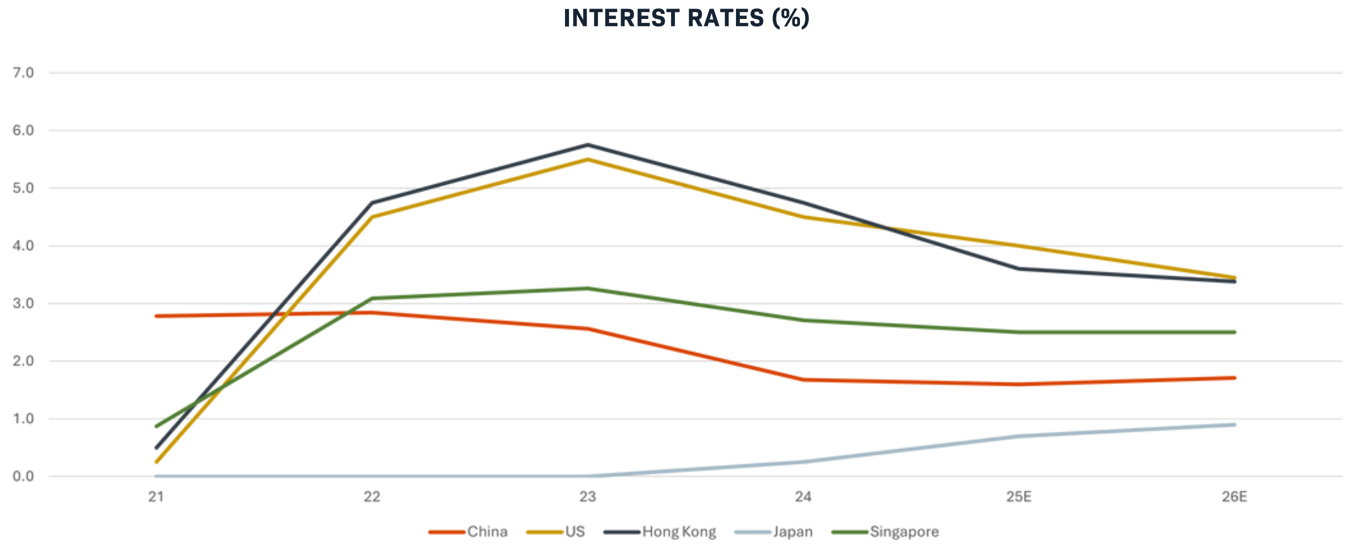
China continues to struggle with weak demand and the risk of deflation. Sluggish consumer spending, as a result of lingering pandemic-era caution and soft wage growth, has kept overall price growth near zero. This subdued inflation environment gives the Chinese govrenment ample room to keep monetary policy loose.

The Chinese government has set a CPI target of around 2% for 2025. Given the current risk of deflation, this leaves room for the government to introduce stimulus measures to support the economy.

In Japan, the Bank of Japan has lowered its CPI forecast for 2025 by 0.2 percentage points to +2.2% and has lowered its 2026 projection by 0.3 percentage points to +1.7%. The timing for achieving the inflation target has effectively been pushed back, resulting in an overall tone that is more dovish than anticipated. The decision to keep the policy interest rate unchanged at the May and June meetings was mostly expected, but the timing of a long-anticipated additional rate hike remains uncertain.

Source: Bloomberg

INTEREST RATES



Market consensus holds that the Fed will continue trimming its policy rate in the second half of 2025, as headline and core inflation remain firmly within target ranges. With price pressures cooling and consumer-goods inflation stabilizing, the Fed has room to pivot toward easing without affecting its price-stability mandate. As a result, investors anticipate a gradual rate-cut cycle throughout the year, which should support borrowing, encourage business investment and sustain household spending.

In contrast, China is grappling with deflation pressures and sluggish demand, giving the PBOC flexibility to further reduce borrowing costs. With consumer price inflation near or below zero in some sectors, the PBOC can safely lower benchmark lending rates and trim reserve requirement ratios for banks. Such measures would inject fresh liquidity into the financial system, incentivize lending to enterprises and shore up consumer confidence, key steps to lessen the deflationary pressure and propel an economic recovery.

The Bank of Japan is closely monitoring economic, price and financial conditions and it is anticipated that short-term interest rates will be raised to 0.75% in the October to December quarter of 2025. Following this, additional increases of 0.25% are expected approximately every six months. At this moment, it is clear that the timing of the rate hikes has become uncertain. The BOJ's outlook report maintains the fundamental policy of "continuing to raise the policy interest rate," but due to the increasing uncertainty surrounding the realization of the Bank of Japan's economic and price forecasts, it emphasizes the importance of making decisions without preconceived notions, thus incorporating a cautious message regarding rate hikes at this time.

Source: Bloomberg

CRYPTO OUTLOOK

Investor sentiment around Bitcoin remains strongly positive, bolstered by the Trump administration's support for crypto assets. With key cabinet members signalling a willingness to craft and enact crypto-friendly regulations, market participants anticipate a steady stream of policies designed to strengthen the US's status as the world's preeminent crypto hub.

Driven by this favourable regulatory backdrop, several prominent blockchain firms are preparing to list in the US stock market. Circle, the issuer behind the USDC stablecoin, successfully launched its IPO in June of this year. Observers expect that additional crypto companies will follow suit, thereby establishing a distinct "crypto" sub-sector within the US stock market.

This emerging segment promises to funnel fresh investment dollars into the broader crypto asset ecosystem. As more crypto-focused stocks reach public markets, institutional and retail investors alike will gain diverse entry points beyond owning Bitcoin directly, ranging from trading stablecoin issuers to crypto exchanges and backing blockchain infrastructure providers. In aggregate, these developments should spur significant capital inflows into the crypto space, reinforcing the sector's growth and solidifying the US's leadership.

Source: Bloomberg

SUMMARY

By mid-2025, gold led returns as investors sought safety amid tariff worries and market swings. The Hang Seng Index jumped on DeepSeek's debut and a tech-led rally, while Bitcoin built on its strong gains from 2023–2024. US stocks fell in April on trade tensions but bounced back by June and Japan's Nikkei 225 lagged behind on rate and inflation concerns.

Looking ahead to the second half of 2025, the market expects US growth to slow to about 1–2%, giving the Fed room to trim rates if inflation stays low. China aims for roughly 5% GDP growth and will likely keep policy loose to support activity, while Japan faces modest gains and uncertainty over central-bank moves. US inflation should remain subdued, though fresh tariffs could push prices up briefly, and China's soft price trends leave space for more easing. Crypto markets look set to benefit from clearer rules and a wave of listings from blockchain firms, drawing new capital into the sector.

ADVANTAGES OF EQUITIESFIRST'S LENDING MODEL

EquitiesFirst provides financing backed by stocks listed on major stock exchanges, including those in Hong Kong, Japan, US, Singapore and others. Our terms feature attractive interest rates with an average of 3.5%, a loan-to-value ratio of 60-70% and a typical margin call threshold set at 50%. Additionally, EquitiesFirst offers several benefits with its financing model, including non-recourse terms which do not require personal guarantees. Importantly, EquitiesFirst voluntarily waives the right to seek repayment if the counterparty chooses to default on their repayment obligations.

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