Global Markets

A Fragile Calm: Navigating the Second Half

As we enter the second half of 2025, investor sentiment is marked less by optimism and more by a sense of fatigue. While a global economic collapse is not imminent, growing strains—economic, geopolitical, and structural—are beginning to weigh more heavily on global markets. What's emerging is not a classic soft landing, but rather a slower, more fragile growth cycle shaped by heightened risks and shifting global dynamics.

Among the key drivers of this environment is the unresolved trade tension between the U.S. and its global partners, with the looming expiration of tariff postponements creating fresh uncertainty. Meanwhile, China continues to solidify its strategic position across essential supply chains—not only in rare earths and magnets, but also in areas like drone production, electric vehicle components, and clean tech inputs. These developments are intensifying the rivalry between the world's two largest economies and exposing vulnerabilities in global dependencies.

At the same time, the global macro picture remains uneven. In the U.S., early signs of a manufacturing recovery have faded, while the services sector remains relatively stable. Consumer spending is beginning to moderate amid rising caution, even as the passage of the "One Big Beautiful Bill" brings greater fiscal clarity. Still, the persistent federal deficit casts a long shadow over longer-term stability. Europe continues to grapple with sluggish growth, weighed down by weak industrial output and soft consumer demand. While fiscal easing—particularly in Germany—may provide short-term relief, ongoing trade and tariff-related headwinds are keeping the outlook muted. In Asia, recent trade agreements with the U.S. have helped ease some near-term uncertainty, but the region remains exposed to a slowing China, where efforts to stimulate domestic demand have yet to gain meaningful traction.

Q2 Tech Earnings: AI Spending Soars, but Cloud and Tariff Risks Loom

The Q2 2025 earnings season underscored the continued dominance of US mega-cap tech, with six of the Magnificent 7 reporting solid results—Nvidia being the lone holdout. Meta's stock surged 11% on strong ad monetization, increased user engagement, and a sharp hike in AI-related capex. Microsoft impressed with Azure growing 39% year-over-year, highlighting meaningful enterprise AI adoption and monetization, while Alphabet delivered steady performance, buoyed by resilient Search revenue and improved margins. Amazon, though beating on overall revenue, saw Amazon Web Services (AWS) growth slow to just 17%, lagging behind peers and raising concerns over cloud market share.

Apple's 2.5% post-earnings gain reflected investor skepticism over its lagging AI narrative despite solid beats across all segments, while Tesla flagged supply chain and tariff headwinds, with little guidance on vehicle sales and only modest innovation through a reworked Model Y.

AI infrastructure spending was a standout theme, with capital expenditure guidance jumping across major platforms—Meta, Alphabet, Amazon, and Microsoft are projected to collectively spend over $170 billion in 2025, up from $140 billion. This massive investment sets a high bar for execution, placing Nvidia in the spotlight ahead of its late-August results. With sustained demand for advanced AI chips and the strength of its developer ecosystem, Nvidia is expected to benefit directly—but investor expectations are already elevated following multiple quarters of outperformance. As the AI story broadens beyond hardware to software, cloud, and application layers, the earnings season reinforced that monetization, not just hype, will define future winners. While tariff risks dominated headlines, their immediate impact was limited—though forward-looking remarks, particularly from Tesla, signaled potential supply chain and demand headwinds later in the year.

Regional Markets

PIF Assets Cross $1 Trillion Despite Profit Decline

Saudi Arabia's sovereign wealth fund, the Public Investment Fund (PIF), reported that its assets surpassed USD 1 trillion in 2024. However, net profit declined sharply, falling 60% year-on-year to SAR 25.8 billion (USD 6.9 billion), impacted by high interest rates, inflation, and impairments on certain projects. According to the fund's statement, these impairments were mainly due to changes in operational plans and increased budgeted costs. Total assets under management rose 18% to SAR 4.321 trillion. Some of the impairments are likely linked to the reprioritization and phasing of select projects, in line with a broader recalibration effort across the Kingdom. This includes initiatives such as NEOM, where development has recently shifted to focus on a single phase while others have been delayed.

Unlocking Growth: Saudi Property Market Welcomes Global Investors

The Saudi Cabinet has approved a new framework allowing non-Saudis to own property in the Kingdom, effective January 2026. Minister of Municipal and Rural Affairs and Housing, Majid bin Abdullah Al-Hogail, welcomed the move, calling it a natural progression of ongoing real estate reforms. The updated system is expected to boost sector growth and attract foreign direct investment by increasing property supply and encouraging participation from international investors and developers, according to the Saudi Press Agency.

Global Market Indices

Global Data: As End Of:	**31-Jul-25**
Saudi Market Data: As End Of:	**30-Jul-25**

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2022 (%)	2023 (%)	2024 (%)
World	DJIM World TR	11,804.97	2.2	8.2	12.2	14.9	14.5	11.5	11.5	(24.2)	27.0	18.0
Developed	DJIDEV TR	6,800.33	2.3	8.0	11.9	15.3	15.1	12.5	12.0	(24.2)	29.4	18.5
Emerging Markets	DJIEMG TR	5,820.17	2.1	10.5	16.0	11.3	8.6	2.5	6.8	(24.2)	6.4	13.3
Saudi	TASI	10,914.38	(2.2)	(9.3)	(9.5)	(3.8)	(3.5)	7.9	1.8	(6.4)	14.2	0.6
NAREIT	All REITS (EM Inc) TR	3,162.66	(1.0)	5.9	5.2	5.9	1.6	4.4	3.4	(23.6)	9.8	1.6
GSCI	All Commodities	553.99	2.0	0.8	0.5	(3.4)	(7.2)	10.3	3.9	8.7	(12.2)	2.6
Currencies	Euro	1.14	(3.2)	10.2	5.4	1.9	3.8	(0.6)	0.4	(5.8)	3.1	(6.2)
	Yen	150.75	(4.5)	4.3	(0.5)	(2.8)	(4.0)	(6.8)	(1.9)	(12.2)	(7.0)	(10.3)
	GBP	1.32	(3.8)	5.5	2.7	1.4	2.8	2.4	1.8	(10.7)	5.4	(1.7)