

Commentary on the Financial Markets

08/25



Stock markets hit new all-time highs in July, 2025

The S&P 500 US stock index gained 2.2% in July, and the more diversified MSCI World rose 1.3%. Both indices reached new all-time highs at the end of July. Stock market volatility gradually decreased, with the VIX index below its long-term average at the end of July. Stock markets were positively influenced by the economic results of companies for the 2nd quarter of this year, which were better than analysts' expectations.

The main drivers of growth were technology companies such as Microsoft, Meta and Apple, which exceeded analysts' expectations. While Amazon also presented better results, its worse outlook for the next quarter led to a decline in the stock after the release of this information.

Among the sectors, technology (3.8%) and utilities (4.9%) were the best performers in July. On the other hand, the worst performing sectors were consumer goods (-1.5%) and healthcare (-3.2%).

In July, an agreement on the level of tariffs was negotiated between Europe and the US. Tariffs on imports of most goods from Europe, Japan and South Korea have been set at 15% and will come into force on 7 August 2025. An agreement on tariffs between China and the US is still pending, which should be concluded by 12 August 2025. On the other hand, the US president announced high tariffs on countries that have not come to an agreement with the US. For example, imports from Brazil to the USA will be subject to a 50% burden.

The Fed has reaffirmed its key interest rate at 4.5% p.a., although pressures to reduce it are growing. The market expects that the Fed could cut the interest rate by 0.50% by the end of the year (source: Bloomberg). The problem for rate cuts may be tariffs, which may increase inflation in the US. At the end of July, the yield on the 10-year "treasury" was around 4.3% p.a. This year's weakening of the USD against the CZK seems to have stopped during July, when the USD started to strengthen slightly against the CZK and the EUR.

Analysts have raised their estimates for growth in corporate aggregate profits and sales of S&P 500 companies for this year. New estimates speak of a 9.6% increase in profits and a 5.3% increase in sales (source: FactSet 25/07/2025). This earnings gains, along with an expected interest rate cutting cycle, could support stock markets, although more volatility is expected, which often comes with the end of the summer holidays. The S&P 500 is now trading with a P/E of around 22.4, up from the 5-year average of 19.9 and the ten-year average of 18.4 (source: FactSet from 25/07/2025).

Among the risks for the further development of stock markets remains the possibility of introducing high tariff barriers for China. The risk is that even as a result of higher tariffs, inflation may rise and future corporate margins may fall.

Transactions in RIS Funds

The first holiday month was marked by reaching new all-time highs of stock markets in the US. Therefore, there was no need to significantly change or adjust the current strategy of RIS funds. This means a slight predominance of the equity parts of the portfolios by approximately 3 to 5 percentage points. Growth sectors – information technology, industry, finance and communications – are given priority. After a very long time, Czech government bonds now offer an annual yield higher than most savings accounts and term deposits, even with shorter maturities (up to 3 years). Therefore, on the bond side of the portfolios, not only Czech government bonds with maturity in 2033, but also bonds maturing in 2028 were purchased in selected funds.

Investment strategy

The holiday season is usually characterized by relatively lower trading volumes, so even slightly negative news can change market sentiment very quickly. Even in this calmer period, it is therefore important to continue to monitor the markets, as interesting opportunities to take advantage of short-term movements may appear. In terms of investment strategies, we continue to outweigh stocks over bonds. Regionally, we overweight North America, we overweight Europe and Emerging Markets, and we slightly underweight the Pacific. In sectors, we overweight growth sectors such as technology, communications, industrials, financials and the dividend stock segment. In bond strategies, we maintain a slightly overweighted duration on koruna and euro bonds and an underweighted duration on US dollars.

We wish you a lot of success in the next period!



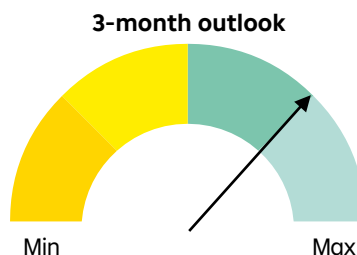
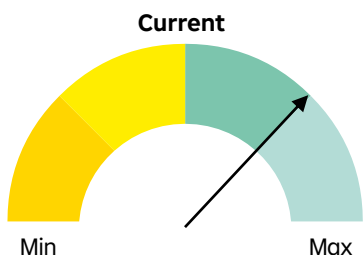
Michal Ondruška
CIO, Member of the Board



Investment Strategy Summary

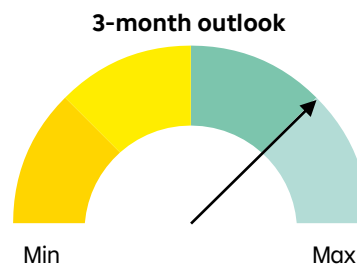
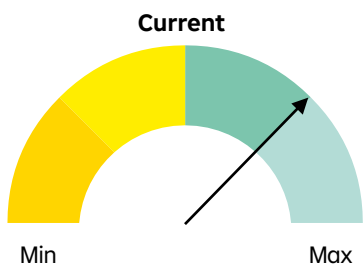
Tactical Allocation

Overweighting of stocks in portfolios



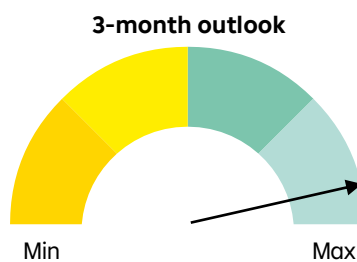
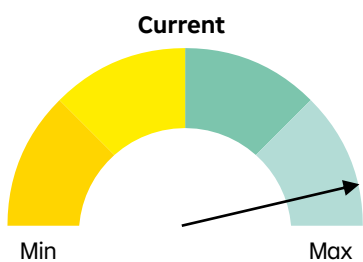
Interest Rate Risk

Average duration of bonds



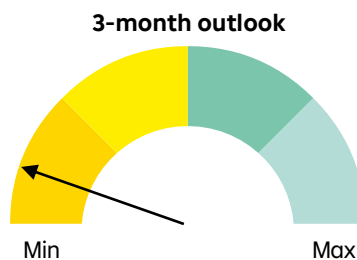
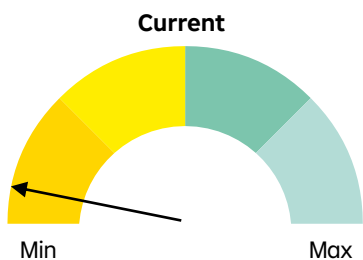
Credit Risk

Share of corporate bonds



Currency Risk

Unhedged positions in foreign currency



**Disclaimer:**

All opinions, information, and any other data contained in this document are for informational purposes only, non-binding, and represent the opinion of Raiffeisen Investment Company a.s. ("RIS"). Unless otherwise stated, the source of information is the Bloomberg system or RIS.

The information in this document is based on publicly available sources that RIS considers reliable, but the information has not been verified by independent third parties. Despite taking all due care to ensure the accuracy of the information provided, impartiality, and appropriateness of the statements, RIS does not guarantee or assume responsibility for the timeliness, completeness, and accuracy of the content of this document.

References to documents of other entities do not imply that RIS endorses, recommends, or approves of these documents. The statements in this document are the author's opinion as of the date of issuance of this document, may not necessarily reflect the views of RIS, and may be changed without prior notice.

RIS is not responsible for any losses or damages that may arise in connection with the use of this publication. This document does not constitute an offer to buy or sell any financial asset or other financial instrument.

Before making any investment decision, it is the responsibility of each investor to obtain detailed information about the intended investment or trade. RIS is not responsible for any

damages or lost profits caused by any third parties' use of the information and data contained in this document.

RIS points out that providing of the investment service Asset Management of RIS funds, is associated with a number of risk factors that may affect the profitability or loss of the investment. Investments are not bank deposits and are not insured under the deposit insurance fund. The higher the expected return, the higher the potential risk. The duration of the investment also affects the level of risk. The return also fluctuates due to fluctuations in exchange rates and interest rates.

The value of the invested amount and the return on it may increase or decrease, and the return of the originally invested amount is not guaranteed. Past or expected performance does not guarantee future performance. Due to unpredictable fluctuations and events in financial markets and the risk of investment instruments, the achievement of the client's investment goal may not be guaranteed.

The returns from investments must be reduced by the remuneration and costs of RIS agreed upon in the contractual documentation, or by the remuneration and fees specified in the RIS remuneration and fees schedule. The taxation of client's assets always depends on the client's personal circumstances and may change. RIS does not provide tax advice, and therefore, the responsibility associated with the tax consequences of investments remains fully with the client. The offer of investment services may not be presented to a client defined as a US person.

Information about Raiffeisen investiční společnost a.s.

Raiffeisen investiční společnost a.s. is an investment company based at Hvězdova 1716/2b, Prague 4, with registration number (IČO) 29146739. It is registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File No. 18837. The supervisory authority overseeing Raiffeisen investiční společnost a.s. is the Czech National Bank.

The information provided in the document is accurate as of August 1st, 2025. However, please note that this information may change in the future, and Raiffeisen investiční společnost a.s. is not obligated to inform the recipients of the document about such changes.

Raiffeisen investiční společnost a.s. reserves the right to act based on the information or conclusions contained in this publication even before the publication is distributed to others.

This publication is protected by copyright owned by Raiffeisen investiční společnost a.s. It may not be copied, distributed, partially or in full, provided, or transmitted to unauthorized recipients. By accepting this publication, the recipient agrees to comply with the aforementioned restrictions.

