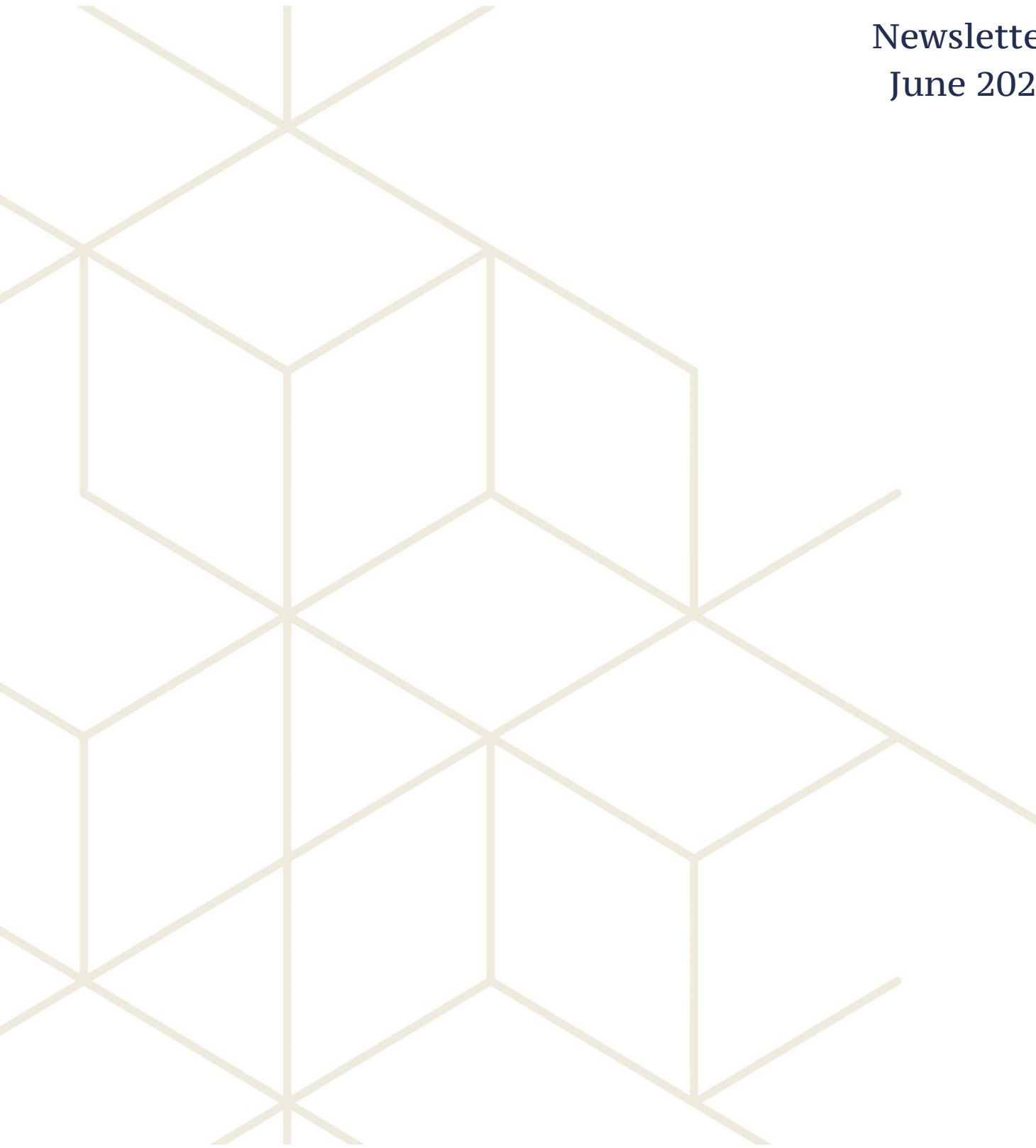
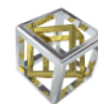




**3D Financial Planning**  
Independent Financial Advisors

**Newsletter**  
**June 2025**





## Market Update

As we navigate through a summer heatwave here in the UK, global equity markets have similarly heated up, showing positive performance in May. Driven by easing trade tensions, solid economic data, and strong corporate earnings, markets are currently experiencing robust growth. US equities rebounded notably, with significant gains in information technology, communication services, and consumer discretionary sectors.

UK and Eurozone equities also advanced, bolstered by strong sector performances and improved economic indicators. Emerging and Asian markets benefited from optimistic sentiment around trade developments. Despite this overall warmth in equity markets, global government bonds cooled slightly, facing challenges from rising interest rates in the US, UK, and Japan. Commodities edged higher, although gold experienced a slight decline.

### US Equities

US equities recorded strong gains in May, recovering from previous weakness due to easing tariff concerns and robust first-quarter corporate earnings. The information technology sector spearheaded this recovery, with significant contributions from communication services and consumer discretionary sectors. However, the healthcare sector lagged behind, impacted by President Trump's announcement of drug pricing reforms.

### Eurozone Equities

Eurozone equities moved higher in May, benefiting particularly from strength in the industrials, information technology, and financial sectors. Conversely, the healthcare sector underperformed, reflecting investor preference towards sectors benefiting directly from economic improvements and easing trade tensions.

### UK Equities

The UK equity market advanced during the month, with notable gains in industrials and basic materials sectors. UK inflation rose to 3.6% in April, its highest level in 15 months, prompting markets to adjust expectations regarding potential interest rate cuts. Despite this, overall market sentiment remained positive, driven by solid economic data.

### Emerging Market Equities

Emerging market equities advanced during May, although overall performance was slightly behind the MSCI World index. Market sentiment was bolstered by easing trade tensions following a temporary tariff agreement between the US and China. Taiwan, Indonesia, and Hong Kong were among the strongest markets, while Malaysia and Thailand underperformed.

### Government Bonds

Global bond markets experienced turbulence in May, primarily driven by rising concerns over US fiscal sustainability. The proposed US Reconciliation Bill heightened fears about debt dynamics, further exacerbated by Moody's downgrade of the US sovereign credit rating to Aa1. A ruling against the previous administration's use of tariffs by the US Court of International Trade also complicated trade negotiations. These factors led to a broad sell-off in global government bonds, with yields rising significantly in the US, UK, and Japan. European bond yields, however, remained relatively stable.



## Commodities

Commodities posted modest gains in May, with the Goldman Sachs Commodity Index (S&P GSCI) showing slight improvement. While overall commodities edged higher, gold prices fell slightly as investor appetite for defensive assets waned amid improved risk sentiment across equity markets.

*Source: Schroder Investment Solutions – Monthly Update May 2025*

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## Oil Prices and the Middle East: Why Markets Remain Calm

The recent escalation in the Middle East has understandably caused concern among investors, especially with headlines around US involvement and potential oil supply risks. Yet, markets have remained relatively calm – and oil prices, while briefly spiking, have already settled back down.

So what's going on – and why hasn't there been more of a reaction?

### A Brief Spike, Then Stability

Oil prices briefly rose above \$81 a barrel after the exchange of fire between Israel and Iran, but quickly fell back into their previous range. That's a sign that, despite the drama, markets aren't currently pricing in major long-term disruption to oil supply.

### What's Keeping Prices in Check?

1. Global oil supply remains strong.  
There is currently a healthy global surplus of oil, which is helping to keep prices in the mid to low \$70s. So far, there's been no significant disruption to the flow of oil from the region.
2. Markets had already priced in risk.  
Oil prices today already reflect a "risk premium" – in other words, they've built in some expectation of further tensions. Our analysis suggests this premium is around 20%, which helps explain why prices didn't spike further after recent events.
3. The threat to shipping may be overstated.  
Much has been made of the risk that Iran could block the Strait of Hormuz – a key route for oil exports. But the Strait is a wide, shared international waterway and very difficult to shut down in practice. Any attempt to disrupt it would carry major consequences, including international legal breaches and wider escalation – something all parties are likely keen to avoid.



## **When Do Oil Prices Impact Inflation?**

It's worth remembering that while oil is a key contributor to inflation, we don't tend to see a meaningful impact unless prices rise significantly. Historically, inflation pressures only become pronounced if oil prices rise by 50% or more – taking them above \$100 a barrel. At current levels, even after the recent rise, the effect on overall inflation remains limited.

In fact, for every 10% rise in oil prices, broader inflation tends to increase by just 0.1%.

### **In Summary**

While the Middle East situation remains tense, oil markets – and by extension, global inflation – are showing resilience. With a strong supply backdrop, risk already factored into prices, and no immediate threat to major shipping routes, we believe the current situation, though serious, does not yet pose a significant threat to markets.

As ever, we continue to monitor developments closely, and we're here to talk through any concerns you may have.

*Source: Schroder Investment Solutions – 2025*

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### **New Pension Drawdown Process**

We would like to inform you about an update to our pension drawdown process. If you are already in drawdown and looking to amend existing withdrawals or take ad-hoc lump sums, a new streamlined process is now in place. This new procedure involves additional paperwork and verification steps to comply with regulatory requirements, which may introduce some extra processing time.

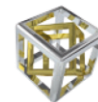
However, if you are accessing your pension funds for the first time, a full advice process will continue to be required as normal. We will keep you informed of progress at every step and prioritise urgent requests where possible.

Thank you for your understanding and cooperation as we maintain high standards of compliance and security for your financial transactions.

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### **Accessible Communication Options**

As part of our ongoing commitment to ensuring that all our clients receive the highest level of service, we are pleased to announce the introduction of a dyslexia-friendly font option for all our communications. This new option complements our existing large font service for clients with visual impairments.



If you have any additional or specific communication needs, please contact us. We would be happy to note these preferences on file and ensure that all future communications are tailored to meet your requirements. We remain dedicated to exploring further ways to make our communications accessible and convenient for everyone.

**Important Information:** 3D Financial are not responsible for the accuracy of any information recorded on the websites referenced in this newsletter. This does not constitute advice. Professional advice should be taken prior to acting on any part of it.