

Non-US Equity Markets in July: A Closer Look at Shifting Regional Dynamics

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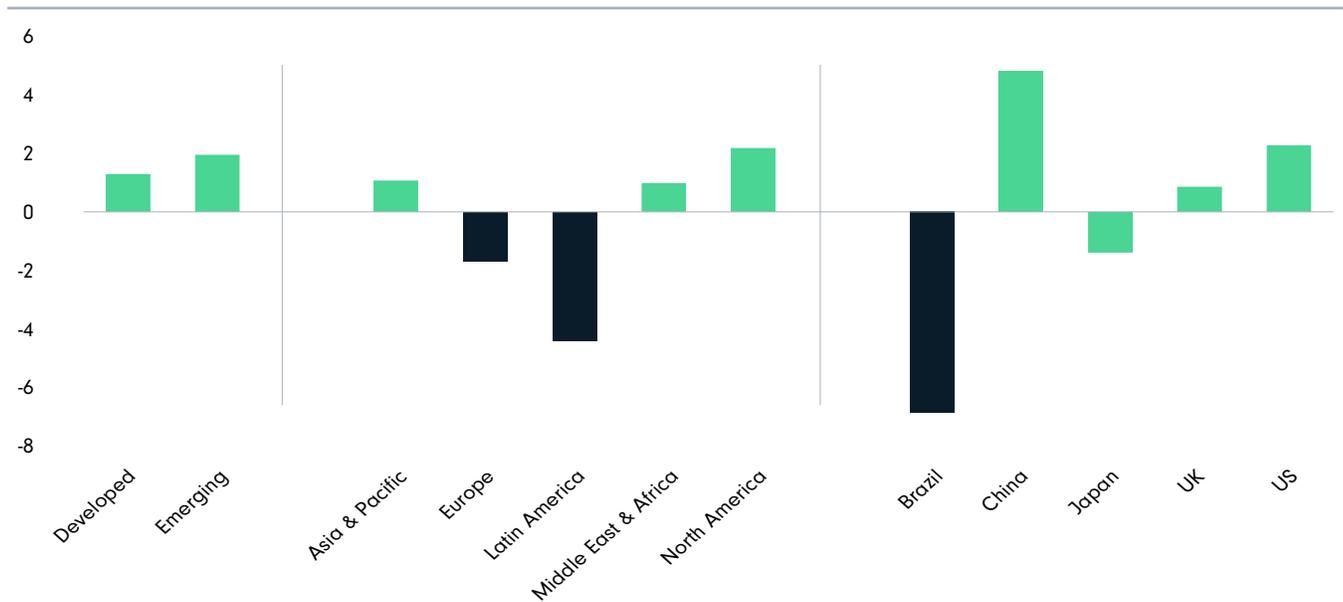
Global equities advanced modestly in July, though non-US markets followed a more mixed path. The MSCI ACWI Index ended the month up 1.36%, with much of the advance attributable to US stocks, as the MSCI ACWI ex-USA Index pulled back slightly, down -0.29%.

In Asia-Pacific, Taiwan stood out with a gain of 5.4%, bolstered by a resilient semiconductor sector and signs that global supply chains continue to normalize. Chinese equities also produced solid returns, climbing 4.8%, despite concerns over economic momentum as both private and official manufacturing surveys pointed toward continued contraction. Investor optimism for further policy support helped mitigate those growth worries. South Korea’s market advanced 4.0% on the back of strength in technology and electronics, while Japan saw a decline of 1.4% as yen depreciation continued to temper investor enthusiasm for local equities. India was among the region’s weakest links in July, falling over 5% amid tariff concerns and capital outflows.

Europe offered a patchwork of performance. The UK posted a modest 0.9% gain supported by the resilience of the health care and energy sectors, while Spain and Italy enjoyed steady progress, each up a little over 1%. Spain has been one of Europe’s bright spots on the back of domestic consumption and solid quarterly GDP growth. However, not all European markets fared as well: Denmark registered the steepest decline with a -16% drop, primarily due to earnings disappointments within its large-cap pharmaceutical sector. The Netherlands declined 6.0% on weakness among semiconductor companies, and Swiss equities slid 2.5% due to underperformance among key multinationals.

Latin America trended lower through the month. Brazil’s equity market fell 6.9% as political uncertainty and a weakening real put pressure on domestic sentiment. Chile was also down roughly 5%, a move attributed to a slowdown in copper prices and persistent economic headwinds across the region.

Exhibit 1 – Regional and Major Market Performance, July 2025 (%)



Source: FactSet, MSCI.

Macroeconomic and geopolitical developments

Beneath July's regional market movements lies a deeper current of macroeconomic divergence and geopolitical influences. Inflation, monetary policy posture and trade realignments are no longer just background variables — they are driving equity dispersion with increasing immediacy.

In the eurozone, relatively stable labor markets and a historically low unemployment rate (6.2%) have helped preserve consumer confidence, even as export risk intensifies. A preliminary trade agreement between the US and EU introduced baseline tariffs (15%) on most European exports, while sparing select strategic sectors. While countries like Spain — bolstered by domestic demand — have largely sidestepped the impact to date, export-oriented economies such as Ireland have begun to feel the pressure. This underscores how unevenly trade policy reverberates across a supposedly unified bloc.

China remains a wildcard. Weak manufacturing data highlighted a deceleration in factory activity, yet risk assets were buoyed — at least in part — by expectations for fresh stimulus and a stronger-than-expected GDP print. That divergence — between economic softness and market optimism — reflects a broader theme: policy speculation is playing a growing role in shaping sentiment, even in the absence of immediate outcomes.

Looking ahead

July's varied outcomes across non-US markets illuminate a deeper reality — global equities are quick to amplify even the faintest macroeconomic shifts and geopolitical undercurrents into tangible market reactions. As central banks hold their lines and trade tensions evolve into policy tools, regional winners and losers are shifting faster than in recent cycles. For investors, this reinforces a simple but often overlooked truth: broad exposure is no substitute for selectivity.

At Diamond Hill, we're not trying to time headlines or bet on momentum. Instead, we're leaning into dislocations — whether it's valuation gaps or overlooked quality. Volatility isn't something we avoid; it's what creates the mispricings we look for. And while the backdrop may remain noisy, our focus remains steady: identifying quality businesses trading below our estimates of intrinsic value, wherever they may be.

MSCI ACWI Index measures the performance of large- and mid-cap stocks in developed and emerging markets. **MSCI ACWI ex USA Index** measures the performance of large- and mid-cap stocks in developed (excluding the US) and emerging markets. The indexes are unmanaged, market capitalization weighted, include net reinvested dividends, do not reflect fees or expenses (which would lower the return) and are not available for direct investment. Index data source: MSCI, Inc. See diamond-hill.com/disclosures for a full copy of the disclaimer.

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