

Special Update

May 2025
www.roanncp.com

International Stock Market Update

The MSCI EAFE Index, tracking large- and mid-cap stocks across 21 developed markets in Europe, Australasia, and the Far East (excluding the U.S. and Canada), posted modest gains during the week of April 28 to May 2, 2025. The iShares MSCI EAFE ETF (EFA), a key proxy for the index, rose by approximately 1.2%, reflecting a positive but tempered performance compared to the U.S. market's stronger rally (1). European markets, which dominate the index, saw the STOXX 600 climb 0.8%, driven by optimism over potential U.S.-China trade de-escalation (2). Japan's Nikkei 225 gained 1.5%, bolstered by a weaker yen and strong corporate earnings, while Australia's ASX 200 advanced 0.6% (8). However, gains were uneven, with Hong Kong's Hang Seng dipping 0.3% amid concerns over China's economic recovery (8). Several factors contributed to last week's performance.

Positive U.S. economic data, including a stronger-than-expected April jobs report, signaled global economic resilience, supporting EAFE markets (3). Reports of China considering exemptions for \$40 billion in U.S. goods from tariffs lifted sentiment, particularly in export-heavy European and Japanese markets (3). Additionally, corporate earnings in Europe, with 70% of STOXX 600 companies reporting, showed 65% beating EPS estimates, though revenue surprises were weaker (5). Currency movements, notably a 2% depreciation of the yen, enhanced returns for Japanese equities in USD terms (8). Looking to the week of May 5–9, 2025, several factors will influence EAFE stock performance. The U.S. Federal Open Market Committee (FOMC) meeting on May 7 is critical, as Chair Jerome Powell's remarks on inflation and tariffs could impact global risk sentiment (7).

A hawkish stance may pressure EAFE markets, particularly in Europe, where the ECB is expected to hold rates steady (2). Key economic data, including Eurozone PMI (forecasted at 49.5) and Japan's services PMI, will provide insights into regional growth, potentially affecting investor confidence (4). Ongoing U.S.-China trade talks remain pivotal, with progress likely to benefit EAFE exporters, while setbacks could hit markets like Hong Kong and Singapore (3). Finally, currency fluctuations, especially the USD's strength, will continue to influence returns, given EAFE ETFs are USD-priced (6). Investors should expect volatility as these dynamics unfold.

References:

- [1] BlackRock. (2025, May 2). iShares MSCI EAFE ETF performance update. <https://www.blackrock.com>
- [2] CNBC. (2025, April 28). European stocks rise; FTSE 100 notches best winning streak in over 5 years. <https://www.cnbc.com> 17
- [3] Edward Jones. (2025, May 2). Stock market news today. <https://www.edwardjones.com>
- [4] @FiatElpis. (2025, May 5). US week ahead: May 5–11. <https://t.co/>
- [5] Lipper Alpha Insight. (2025, April 30). European Q1 2025 earnings review. <https://lipperalpha.refinitiv.com>
- [6] QuantPedia. (2024, January 5). Why do US stocks outperform EM and EAFE regions? <https://quantpedia.com> 15 1
- [7] Charles Schwab. (2025, May 3). Weekly trader's stock market outlook. <https://www.schwab.com>
- [8] Yahoo Finance. (2025, May 2). MSCI EAFE ETF (EFA) performance history. <https://finance.yahoo.com>

Disclosures:

Adviser believes that the content provided by third parties and/or linked content is reasonably reliable and does not contain untrue statements of material fact, or misleading information. This content may be dated.

The opinions expressed herein are those of the firm and are subject to change without notice. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Any opinions, projections, or forward-looking statements expressed herein are solely those of author, may differ from the views or opinions expressed by other areas of the firm, and are only for general informational purposes as of the date indicated.

Roan Capital Partners is a registered investment advisor located in the State of Tennessee. The information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.