

Global market sentiment remains positive: Is there too much optimism?

7 August 2025

Our Global Market Performance Indicator (GMPI) remains firmly in positive territory. In all, 49 of 60 markets are currently above their 50-dma. Our short-term GMPI is at 77.5% — the 10-dma of the share of markets that are above their 50-dma. While elevated, the short-term GMPI is not quite as high (broadly bullish) as it was in mid-June. Since that time, we have seen upward market momentum in some markets slow, which has allowed 50-dma to catch up, or modest pull backs, with indexes dropping below their 50-dma.

Regarding other GMPI indicators, we note that the share of firms that are above their 200-dma is 88.3%, highest since mid-2024. Another indicator of positive market sentiment is that the share of markets where the 50-dma is above the 200-dma has risen to 80%, highest since September 2024.

Global market sentiment is very positive.

Market highlights

We first highlight that the **US Russell 2000** has just had its 50-dma move back above its 200-dma. While most other US markets had already either reached new highs or had the 50-dma move above the 200-dma, the small cap index had lagged, having suffered a particularly heavy blow from the change in US trade policy in early 2025 that culminated in Trump47's Liberation Day tariff announcements. Though having not reached new highs, that the Russell 2000 has observed the 50-dma move above the 200-dma highlights the improved momentum in small cap stocks. This has unfolded as the worst-case scenarios of the potential impact of tariffs on the US economy have failed to materialize. The apparent resiliency of the US economy has helped lift stocks, including small caps.

Another market grabbing attention is the **S&P/TSX**. While the S&P/TSX had seemed to be losing some momentum recently, in the last few days it has jumped. This seems to be

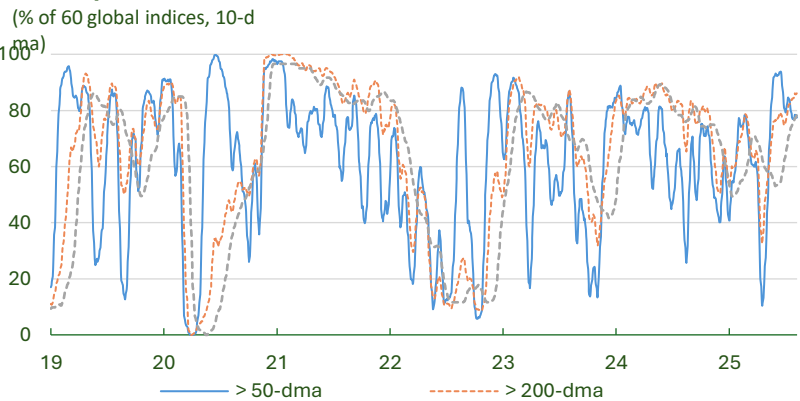
largely the result of a surge in two sectors: Information technology (notably Shopify) and Materials (notably gold producers). No matter. The S&P/TSX has been on a solid upswing since late May. This is remarkable given the heightened economic uncertainty due to the spike in US trade policy uncertainty. However, the Canadian economy, overall, has remained resilient, and given that, due to the USMCA/CUSMA, the vast majority of US imports from Canada are not subject to duties. Thus, the impact of US trade policy uncertainty has not been as severe as had been feared.

Lastly, the **S&P/ASX 200** also posted a sharp gain in recent days. From here we cast a gaze at Asian stock markets, such as Vietnam, Thailand, Singapore, and Shanghai. All of these markets slumped post-Liberation Day, but have recovered, with South Korea and Vietnam the stand-outs.

The overall story is that global market sentiment is still very positive. However, there are a few underperformers where sentiment is less ebullient. For example, in Europe, markets in some major European countries have lost upward momentum (Germany and Italy) or pulled back (France, Netherlands, Switzerland). Even so, there are still some good news stories, such as the UK and Belgium, and in Emerging Europe markets such as Czechia, Poland, and Turkey.

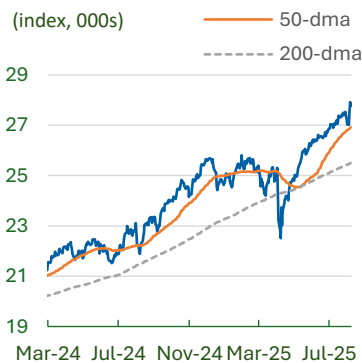
A Big Question right now is whether global market sentiment is set to face a stern test. One might have imagined that sentiment would suffer after the US employment report for July amid heightened concerns about the momentum of the US economy and recent tariff increases. However, market sentiment does not seem to be wavering. One recent development is that Federal Reserve rate cut in September has gone from improbable to likely. A broad market correction does not seem likely, but that could all change with one social media post.

Market performance indicator



Source: Macrobond

Canada:S&P/TSX



Source: Macrobond

US: S&P 500



Source: Macrobond

US: Russell 2000



Source: Macrobond

US: Nasdaq Composite



Source: Macrobond

US: PHLX SOX



Source: Macrobond

UK: FTSE 100



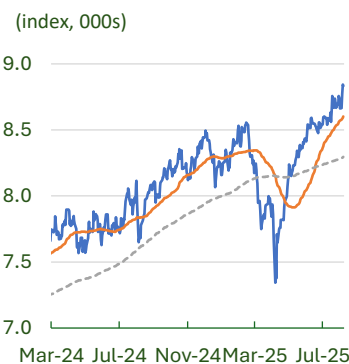
Source: Macrobond

Germany: DAX

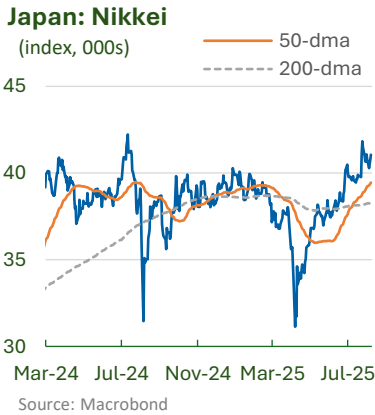
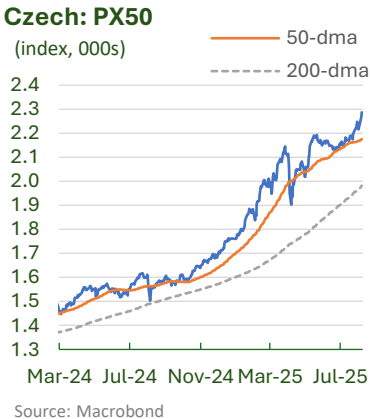


Source: Macrobond

Australia: S&P/ASX 200



Source: Macrobond



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