Centricity
Together Forward

Global Equity Divergence: Why Some Markets Outperformed This Year?

Global equity markets have delivered a mixed performance over the past year, shaped by shifting macroeconomic conditions, evolving policy stances, and sectoral divergences.

The table below highlights the one-year performance of major global indices, ranked by YoY returns:

Country	Indices	YoY	Country	Indices	YoY	Country	Indices	YoY
Hong Kong	HK50	53.79%	Japan	JP225	22.95%	Russia	MOEX	9.90%
China	SHANGHAI	40.21%	Singapore	STI	22.91%	Brazil	IBOVESPA	5.43%
Spain	ES35	34.10%	Mexico	IPC	19.04%	New Zealand	NZX 50	5.10%
Germany	DE40	29.91%	U.S.A	US500	17.60%	France	FR40	4.61%
Italy	IT40	26.48%	Eurozone	EU50	13.06%	Netherlands	NL25	2.93%
South Africa	SAALL	26.44%	United Kingdom	GB100	12.63%	Switzerland	CH20	2.64%
Canada	TSX	26.34%	U.S.A	US30	11.82%	India	SENSEX	0.04%
U.S.A	US100	24.26%	Australia	ASX200	10.01%			

Source: TradingEconomics.com, (As on 10th September 2025)

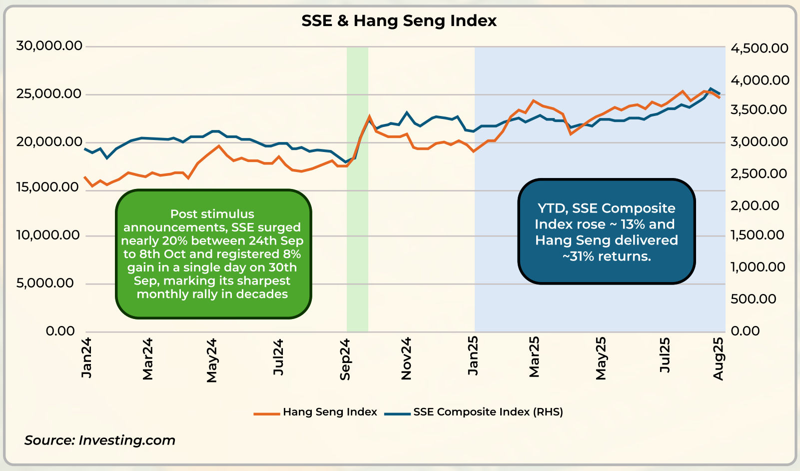
What stands out is the clear outperformance of select Asian and European markets, particularly China, Spain, Germany and Italy.

So, what explains the strong momentum behind the top four performers?

China

Hang Seng Index has been the star performer amongst other global indices and has surged by ~53%, while Shanghai Composite has advanced by ~40%.

In September 2024, both the SSE and the HK50 surged sharply, mainly because of strong policy support from Beijing. China's central bank and government announced large stimulus measures such as special lending programs, liquidity support, and easing in the property market, **which injected fresh money into the financial system and boosted confidence.**



Investors, including global hedge funds, responded with record levels of buying, bringing billions of dollars into Chinese equities in just a few days.

REPLETE EQUITIES
+91-7229945555 | hello@repleteequities.com
Vaishali Nagar, Jaipur, Rajasthan, 302021

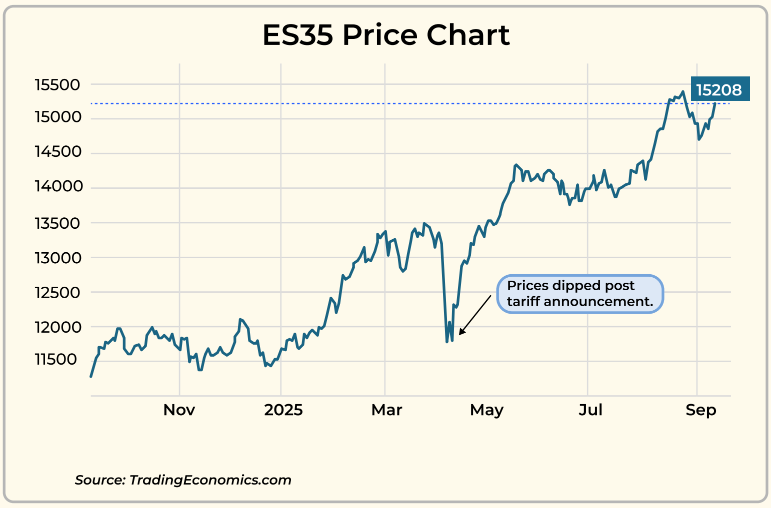
Along with this, sectoral tailwinds provided a powerful push. Hang Seng Index, with its heavy weighting toward tech giants like Tencent, Alibaba, and Meituan, rebounded strongly as **regulatory pressures on the tech sector eased and global enthusiasm for AI and digital growth surged**. At the same time, the SSE benefited from China's structural shift toward new-economy sectors such as electric vehicles, semiconductors, and clean energy. In 2024, EV sales soared to 11 million and major players like BYD experiencing over 40% growth in sales. Meanwhile, the country crossed the **1-terawatt mark in solar capacity by mid-2025 and now accounts for 67% of global solar expansion in early 2025.**

Finally, valuations played a decisive role. **Both indices were trading at cheap valuations as compared to global peers, with HK50 at a P/E of around 12.4 and the SSE near 14.2.** At a time when investors globally are showing a clear preference for value investing, these markets became especially attractive destinations for capital.

Spain

Spain has emerged as one of Europe's fastest-growing major economies and its stock market has emerged as one of Europe's standout performers, **with the ES35 index delivering roughly ~34% gains in a year.**

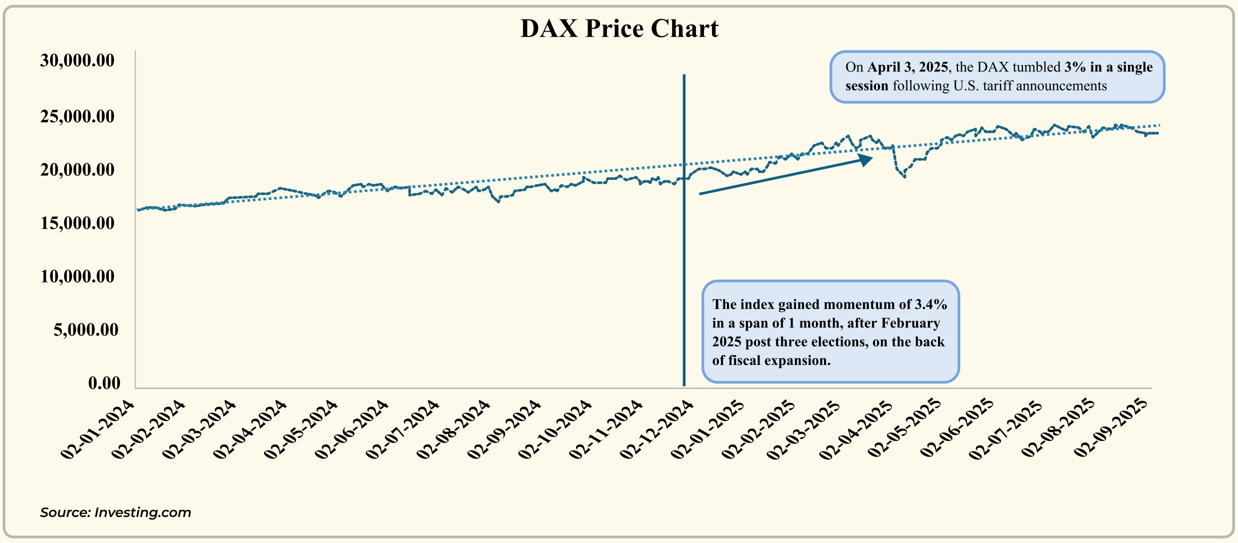
A key shift has been toward high value-added services which now contribute more to GDP than before the pandemic and give Spain an edge over much of the euro area. At the same time, household demand is resilient with wages rising about 4% a year. Inflation is easing and the labor market remains solid.



Immigration has also expanded the workforce and lifted consumption across sectors. Together these trends have built a strong base for growth. On the market side, the IBEX 35 is tilted toward banks, retail and utilities, so gains in these sectors have had an outsized impact. Santander, BBVA and Caixa Bank rose on the back of higher rates. Inditex, the owner of Zara, jumped about 26% on strong retail demand.

Germany

As of Sept 2025, **Germany's benchmark DAX index reached a new high marking a 40% gain so far from start of 2024 and 18.4% since start from 2025, significantly outperforming the STOXX Europe 600.** However, volatility has remained a feature of the rally. On April 3, 2025, the DAX tumbled 3% in a single session following U.S. tariff announcements, underscoring Germany's vulnerability to trade tensions, especially in automobiles and industrial exports.



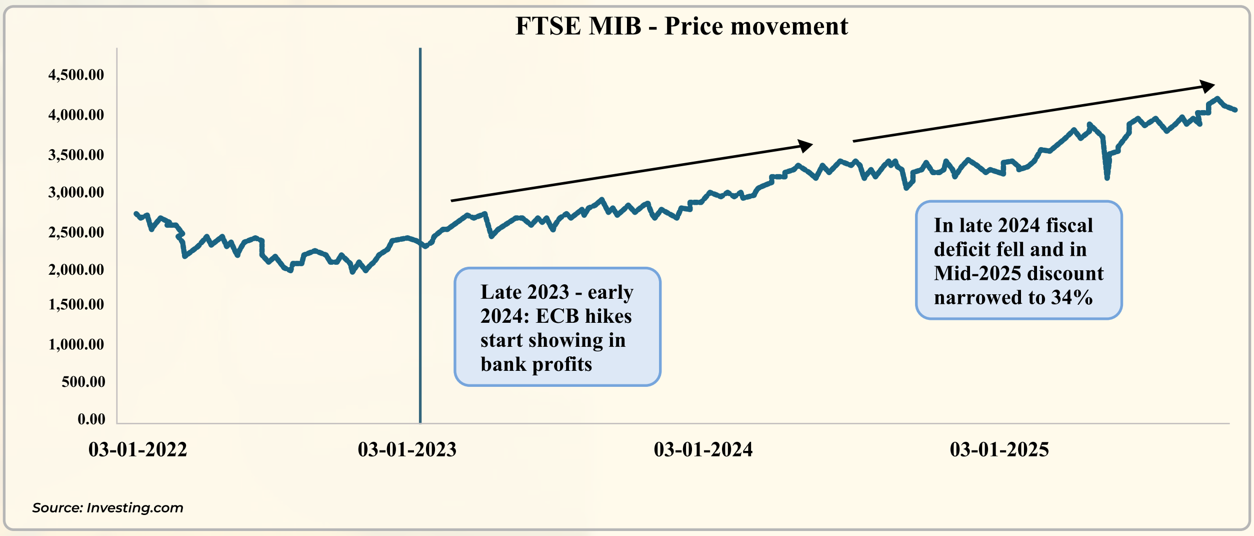
REPLETE EQUITIES

+91-7229945555 | hello@repleteequities.com

Vaishali Nagar, Jaipur, Rajasthan, 302021

GDP grew just **0.2% in Q1 2025** after two years of contraction, while consumer sentiment remains depressed and industrial output is sluggish. The DAX surged despite these conditions because its companies are **globally exposed:** only 20% of revenues stem from Germany, with 26% from the eurozone, 24% from the U.S., and 18% from China (Deutsche Bank). A **weaker euro** boosted competitiveness abroad, amplifying the benefits of this global revenue mix

The F**ebruary 2025 elections** ended decades of fiscal restraint, with the new government launching a **€500 billion infrastructure and defence program,** the largest since reunification. SAP drove nearly 40% of index returns on strong cloud growth (Q1 2025), Rheinmetall more than doubled on record defence orders, and Siemens Energy surprised with back-to-back quarterly profits. Insurers Allianz and Munich Re added resilience through higher earnings, while Deutsche Telekom and Merck also supported the rally. In contrast, autos lagged under Chinese EV pressure and new U.S. tariffs, with Porsche even exiting the DAX.



Italy

Italian equities staged a sharp rebound after hitting a 35-year low in 2023, when the market traded at a 50% discount to global peers amid investor pessimism over sluggish growth, political volatility, and debt above 130% of GDP. By mid-2025, this discount had narrowed to around 34% as improved corporate earnings and fiscal consolidation efforts restored confidence. The rally was led by banks, which benefited from the European Central Bank's rate hikes since mid-2022. Wider net interest margins turned years of weak returns into record profits. Strength was also visible in select corporates: defence giant Leonardo surged more than 130% on NATO-driven demand, Ferrari rose 35% in 2024.

Growth forecasts were repeatedly cut, with the government in April 2025 revising projections down to 0.6% for 2025 and 0.8% for 2026, while debt hovered around 135% of GDP. **The fiscal picture, however, improved markedly, with the deficit narrowing from 7.2% in 2023 to 3.8% in 2024 and projected at 3.3% in 2025, close to the EU's 3% threshold.**

REPLETE EQUITIES
+91-7229945555 | hello@repleteequities.com
Vaishali Nagar, Jaipur, Rajasthan, 302021