

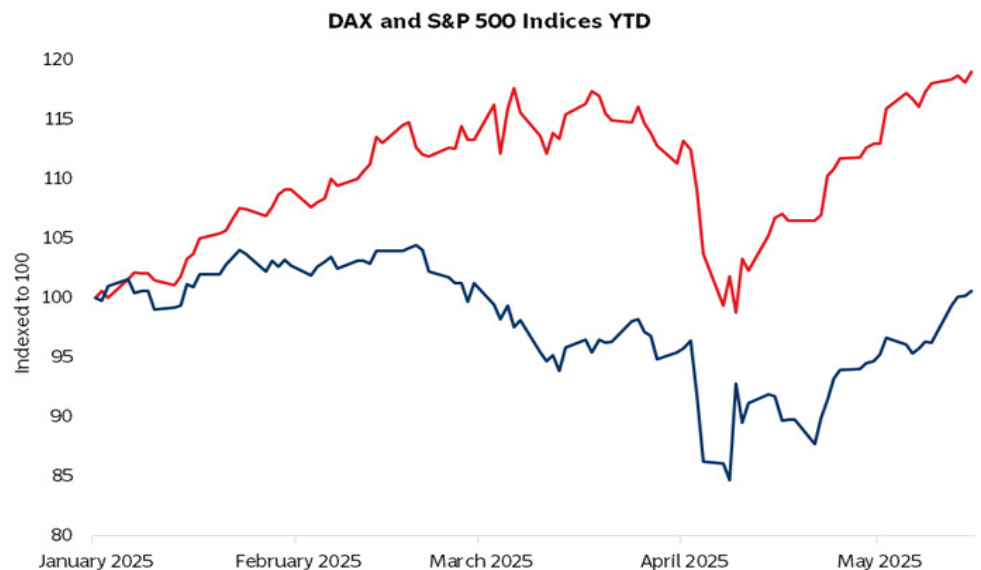
# Global Matters Weekly

19 May 2025

## Peak Pretzel

By Jonathan Nicholls

Chart of the Week



Source: Momentum Global Investment Management, Bloomberg Finance L.P., data to 15 May 2025

### What this chart shows

Salty twists as Germany's DAX index recovers the collapse from early April and surges into new territory.

On 15 May 2025 the DAX closed at a record high of 23,695.59, representing a 19.0% rise since the beginning of the year, compared to just 0.6% in the S&P 500. Germany has seen a boost from rising defence and infrastructure spending, as the government reorients fiscal priorities in response to geopolitical tensions.

In contrast, while US markets have managed to recoup their post-tariff losses (most major benchmarks share a similar profile in the last couple of months), there remains ongoing pessimism in the US around the impact of the trade war on their domestic economy.

### Why this is important

The DAX's ascent amidst global economic uncertainties offers a compelling visual narrative of resilience and progress. Newly appointed chancellor, Friedrich Merz, delivered his first speech on Wednesday 14 May, looking to make Europe's largest economy a "locomotive of growth" again. Prior to taking office, the new governing coalition had already advanced schemes through parliament to allow increased defence spending by easing strict long-standing debt rules and establishing a large infrastructure fund. Germany starts from a very low military base, since the end of WW2 Germany has (understandably) recoiled from military investments, maintaining only a minimal defence force with no significant land army. The Ukraine war and the US retreat as the "guardian" of Europe has caused a shock reversal of German political thinking. Added to this, much of Germany's limited military equipment has already been donated to the Ukrainian war effort. Together, these factors point to a multi-year cycle of substantial defence investment, boosting industrial output and supply chains across Europe and perhaps signalling a continued commitment upon which markets can thrive.

Germany has been spearheading a wider European charge, with spending announcements sparking economic optimism across the region. The European Central Bank (ECB) continues to cut interest rates as inflation approaches its 2% target, making the eurozone an attractive proposition.

Allocation within our Momentum GF Global Equity Fund has managed to capture these gains with our German equity exposure outperforming the DAX by approximately 10% year-to-date, highlighting the benefits of diversification and active management.



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