



Equity market update and IPO compass

Capital Markets team

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April 2025



Executive summary

25 bps ↓

Amid weak growth forecasts, the ECB cut rates to 2.50% in March to support growth, while the BoE and Fed held rates steady, with the Fed still projecting two cuts in 2025 despite a more hawkish tone.

Outlook: expected rates¹ in 2025

Quarter	ECB	Fed	BoE
Q1 25	2.50%	4.50%	4.50%
Q2 25E	2.25%	4.25%	4.25%
Q3 25E	2.00%	4.00%	4.00%
Q4 25E	2.00%	3.75%	3.75%

20/25% tariffs

Uncertainty over both universal and sector-specific tariffs added pressure to the broader market in March and Q1 of 2025, leading to increased market volatility.

HCOB Eurozone Manufacturing Purchasing Managers' Index (PMI)²

26-month high

Month	Manufacturing PMI
Jan-23	48.0
Mar-23	44.0
May-23	46.0
Jul-23	47.0
Sep-23	45.0
Nov-23	46.0
Jan-24	47.0
Mar-24	46.0
May-24	45.0
Jul-24	46.0
Sep-24	45.0
Nov-24	46.0
Jan-25	47.0
Mar-25	48.6

“The global IPO market balances risks from geopolitical tensions and tariff uncertainty with opportunities from monetary easing and fiscal stimuli, creating a dynamic investment landscape.

Ralf Pfennig
Partner
Head of Deal & Capital Markets Services

	L3M	L6M	LTM
DAX	11.3%	14.7%	21.2%
STOXX 600	6.0%	1.1%	5.0%
NASDAQ	(11.2%)	(4.9%)	6.5%
S&P 500	(5.0%)	(2.6%)	7.8%

In Q1 2025, European equity markets performed well, driven by defence initiatives and fiscal stimulus, while US stock markets struggled amid tariff concerns and growth uncertainty, despite the expected Fed's rate cuts.

56%

More than half of the initial public offerings (“IPOs”) scheduled for 2025 and 2026 are consumer cyclicals, information technology and financial companies (GICS² sectors).

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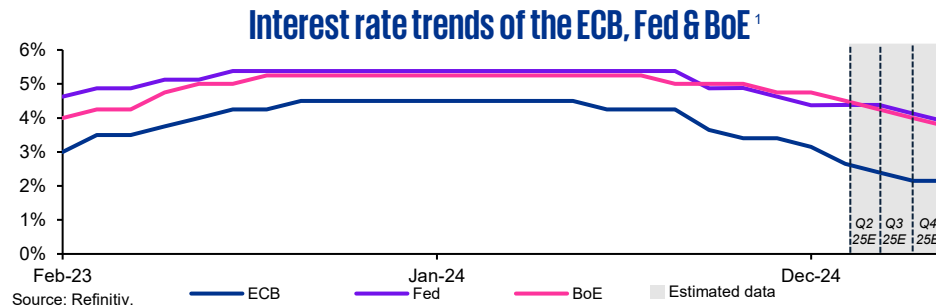
Macro environment and outlook

Amid persistent weak growth forecasts, the European Central Bank (ECB) lowered its deposit facility rate by 25 bps to 2.50% on 12 March, reinforcing its pro-growth stance in Q1. Meanwhile, the Bank of England (BoE) remained cautious, keeping rates unchanged after February's cut while emphasizing inflation risks and leaving room for further pauses. The Federal Reserve (Fed) followed suit, holding rates at 4.25%-4.50% in March, extending the pause as widely expected. However, despite the Fed's increasingly hawkish rhetoric, the latest economic projections still predict two rate cuts this year.

March reflected a delicate balance at the macroeconomic level in Q1, where supportive interest rates and increased public and defence spending were countered by rising trade tensions. This uncertainty is set to intensify, as the proposed universal US tariffs could be up to 20%—including a 25% levy on foreign-made automobiles—may take effect on 2 April, adding to market concerns.

The EU has been working to avoid retaliation, but countries like Germany and France could face notable economic challenges. For instance, sectors like automotive and pharmaceuticals are at risk due to their export-dependent nature, with analysts estimating a potential hit to Eurozone GDP of up to 0.7%.

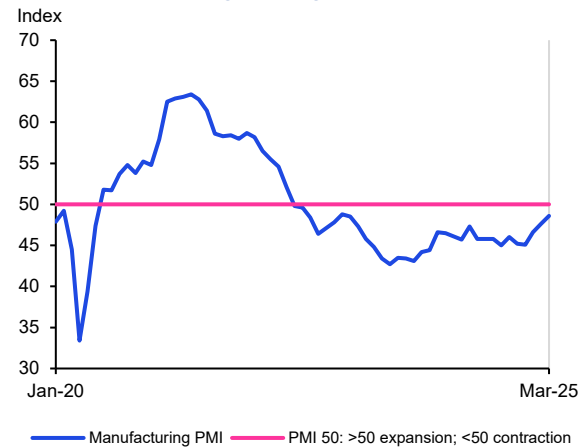
Source: FactSet. KPMG, Germany 2025.



Notes: 1) ECB: refinancing rate, Fed: funds rate, BoE: bank rate; 2) GDP growth: annual percentage growth rate of gross domestic products (GDP) at market prices based on constant local currency;

3) The CPI inflation measures the year-over-year change in prices paid by consumers and is calculated as a weighted average of prices for a basket of goods and services representative of aggregate consumer spending; 4) See slide 7 for index definitions.

HCOB Eurozone Manufacturing Purchasing Managers' Index (PMI) ⁴



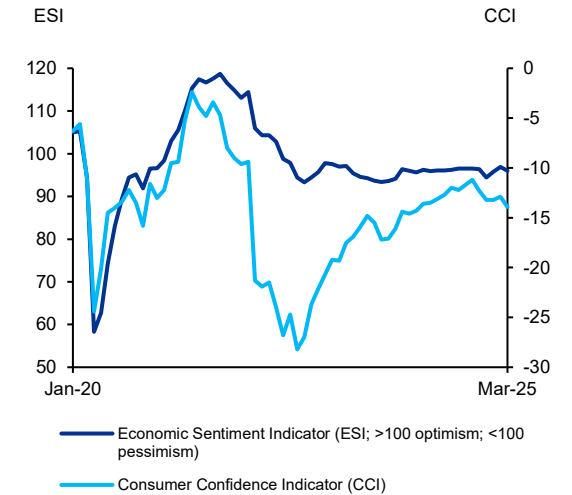
Source: S&P Global.

Real GDP growth ²

	2024	2025E	2026E
United States	2.8%	2.1%	1.9%
Germany	-0.2%	0.3%	1.2%
United Kingdom	1.1%	1.1%	1.4%
Eurozone	0.8%	1.0%	1.3%
China	5.0%	4.5%	4.2%
Japan	0.1%	1.2%	0.9%

Source: FactSet. Closing prices as at 31 March 2025.

EU Economic Sentiment & Consumer Confidence ⁴



Source: European Commission.

CPI inflation ³

	2024	2025E	2026E
United States	3.0%	2.8%	2.5%
Germany	2.5%	2.4%	2.1%
United Kingdom	2.5%	2.9%	2.3%
Eurozone	2.4%	2.2%	2.0%
China	0.2%	0.8%	1.3%
Japan	2.7%	2.6%	1.9%

Source: FactSet. Closing prices as at 31 March 2025.

Equity market overview

European equity markets performed well in Q1 2025, with the STOXX 600 rising 6.0% overall, despite a 3.7% dip in March, driven by concerns over trade tensions affecting key sectors like Automobiles & Parts. The positive performance in the first quarter was primarily attributed to defence initiatives in Europe and the fiscal stimulus packages launched by Germany and France.

Germany's approval of a €500bn infrastructure fund and increased defence spending under the reformed debt brake had a particularly positive impact on markets. While economists warned that the benefits will be delayed due to bureaucratic challenges and skilled labour shortages, the rise in business sentiment and consumer confidence helped to bolster market resilience amid ongoing concerns over tariffs.

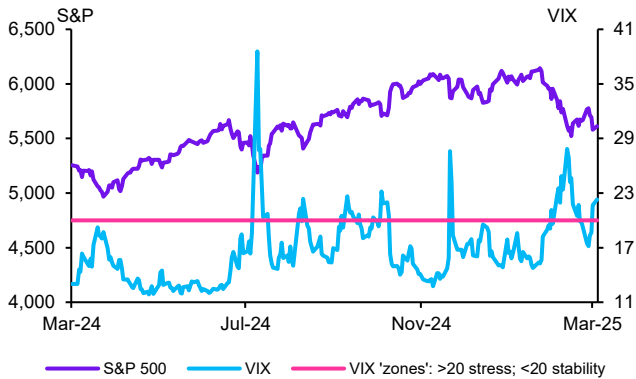
In contrast, US stocks started initially strong in Q1, with the S&P 500 hitting a record in February, but ended the quarter with a performance of -5.0% over the last three months, and the Nasdaq dropped -11.2% over the same period. Growth concerns, tariff uncertainty, and scepticism about the growth of Artificial Intelligence (AI) have all contributed to the decline, despite the Fed's projections for two rate cuts this year.

As US equity prices declined, the VIX averaged 21.8 in March, up from 17.8 in February. The VIX remains above the 20 mark, a key threshold, which usually indicates potential market turmoil ahead. A sustained rise in VIX (usually over several months) is often seen as a sign of a bear market. However, if the tariff situation becomes clear, volatility may stabilize.

The potential imposition of tariffs, particularly by the US government, has had a substantial impact on the Automobiles & Parts sector (-27% LTM). Export-dependent companies such as BMW and Porsche are especially exposed to the risks of elevated costs and the disruption in trade flows, which could negatively affect their profitability and market competitiveness.

Source: FactSet. KPMG, Germany, 2025

S&P & VIX: market trends and volatility LTM



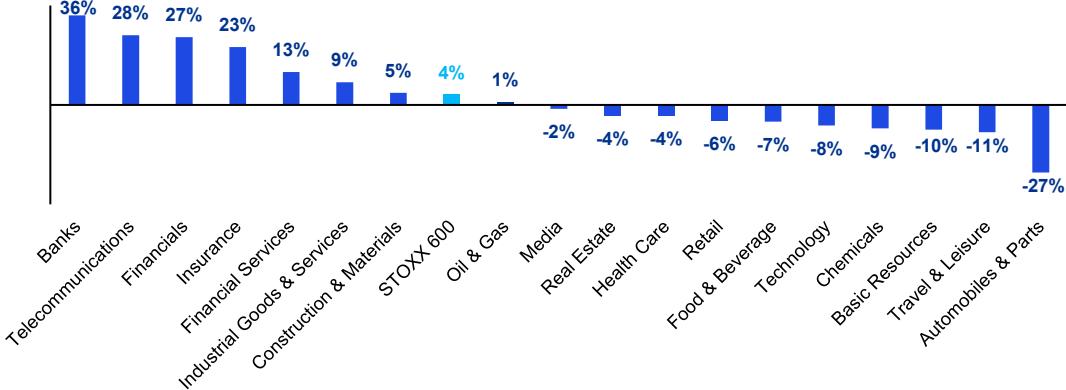
Source: FactSet. Closing prices as at 31 March 2025.

Performance of selected indices

	Value	L3M	L6M	LTM
DAX	22,163	11.3%	14.7%	21.2%
MDAX	27,393	7.1%	2.0%	2.3%
ATX	4,076	11.3%	11.5%	15.2%
SMI	12,598	8.6%	3.5%	8.7%
STOXX 600	534	6.0%	1.1%	5.0%
FTSE 100	8,583	5.7%	4.2%	8.2%
NASDAQ	17,299	(11.2%)	(4.9%)	6.5%
S&P 500	5,612	(5.0%)	(2.6%)	7.8%

Source: FactSet. Closing prices as at 31 March 2025.

STOXX Europe 600 sector performance LTM



Source: FactSet. Closing prices as at 31 March 2025.



Issuance activity

The global initial public offering (“IPO”) market continues to navigate a complex landscape caught between geopolitical tensions, economic uncertainty and trade conflicts, while also facing expectations of further monetary policy easing and public spending. These conflicting factors create a delicate balance of risks and opportunities, shaping investor sentiment and market conditions.

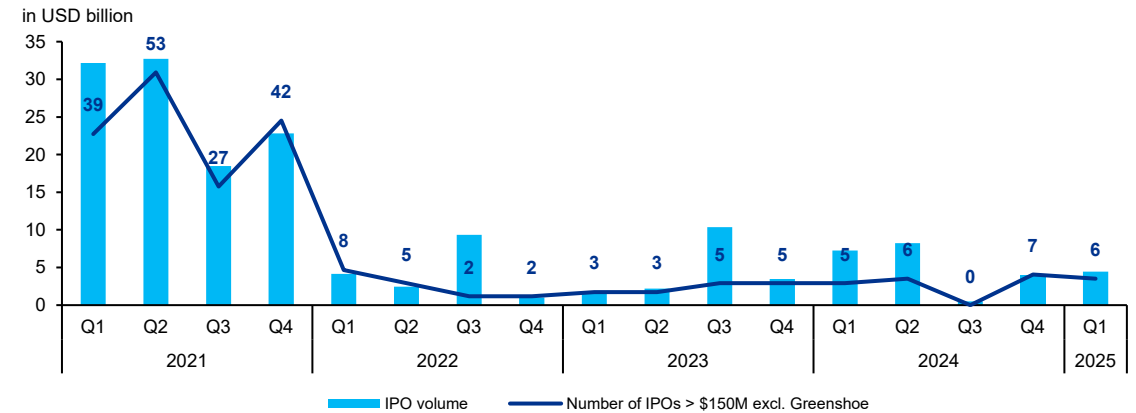
On 27 March, CoreWeave, a cloud platform provider specializing in AI and data centre computing, raised USD1.5bn in an IPO on the NASDAQ. The company priced its shares at USD40, below its initial target range of USD47 to USD55, and reduced its offering from 49 million to 37.5 million shares. Despite the adjusted pricing, the stock opened at -2.5% and ended its debut flat at USD40.

The weak performance of one of the year's biggest tech IPOs has raised concerns among investors about upcoming listings, especially in the US. The rising concerns can also be witnessed in Germany, where the pharmaceutical manufacturer STADA postponed its IPO due to the high market volatility and uncertainty. Fintech firms Klarna and Chime, trading platform eToro, and ticketing provider StubHub have all filed for IPOs, but they face a challenging market environment, with aggressive US trade policies weighing on sentiment, particularly in the highly valued tech sector. Volatile equity markets further complicate IPO prospects, as heightened fluctuations reduce the likelihood of success, especially when volatility exceeds 20 points. A swift resolution of the trade conflict is crucial to stabilise the market. Yet, uncertainty remains, as worries about a bumpy implementation and likely follow-up negotiations raise doubts about whether the 2 April announcement will bring real clarity.

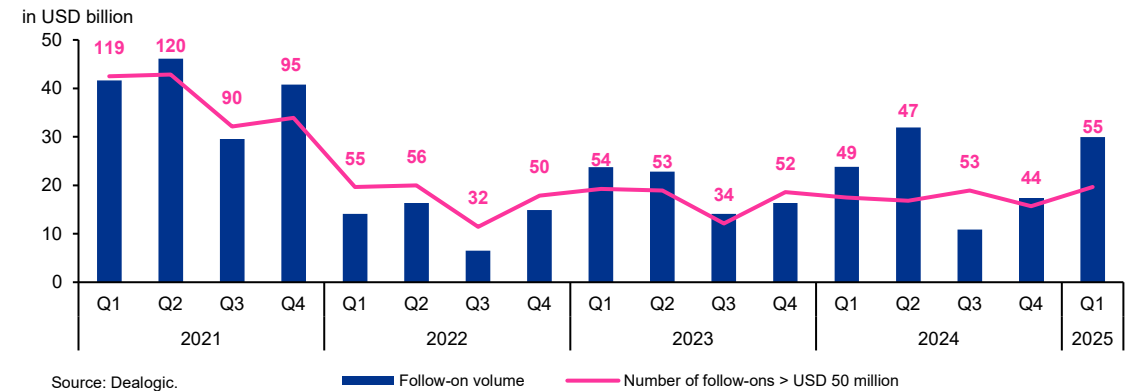
Against this backdrop, analysts remain cautiously optimistic about German issuance activity in 2025. Recent signs of a potential pickup include Thyssenkrupp's plan to list its marine division (TKMS) and reports that prosthetics specialist Ottobock may restart its shelved 2022 IPO plan in the second half of the year.

Source: Dealogic, KPMG, Germany, 2025.

European IPO emission volume (in USD billion) and no. of offerings per quarter



European follow-on emission volume (in USD billion) and no. of offerings per quarter



IPO outlook by GICS sectors

The outlook for the IPO market in 2025 is cautiously optimistic, with a well-filled pipeline driving a significant increase in IPO activity compared to 2024, provided the macroeconomic environment remains favourable.

Since the beginning of 2025, markets have been navigating a delicate balancing act—benefiting from favourable interest rates and increased public and defence spending on the one hand, while dealing with the challenges posed by escalating tariffs and rising trade tensions between the US and its trade partners on the other.

Amid these dynamics, the continued rate cuts by the ECB- after years of high interest rates - are expected to boost the recovery by lowering borrowing costs, improving valuations and alleviating financial pressures - especially for smaller companies affected by floating-rate debt. In addition, many private equity firms have exceeded the average holding period for their assets, suggesting that an increase in strategic exits could be expected.

Should these conditions align, the stage will be set for a strong resurgence in IPO activity.

The US and European IPO pipeline includes a large number of potential IPO candidates headquartered in continental Europe and the US. More than half of the potential targets can be categorised to the GICS¹ sectors of consumer cyclicals, information technology and financials.

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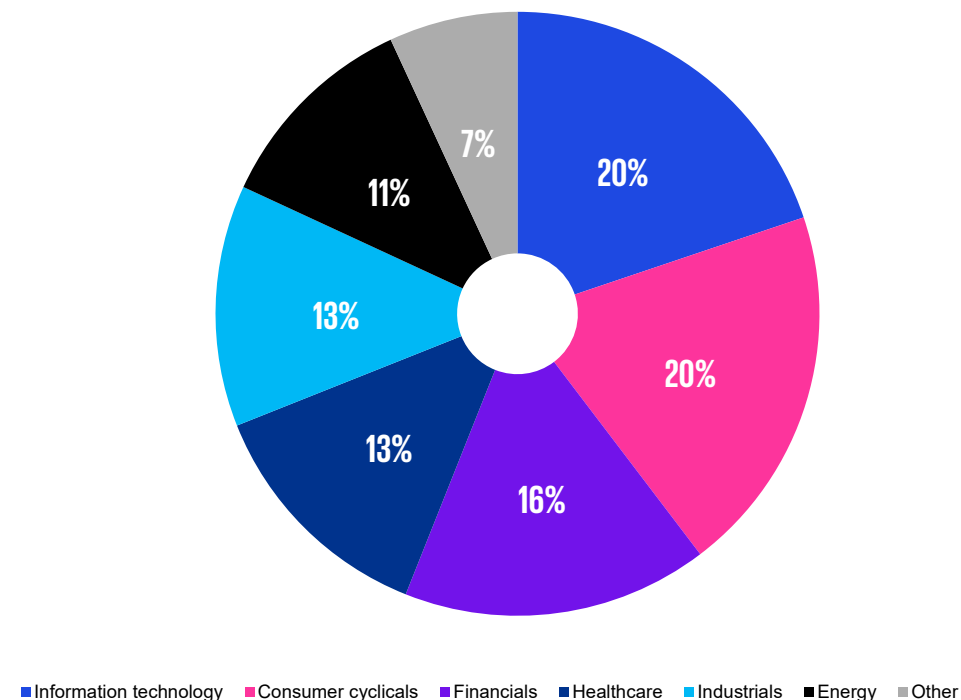
[Initial Public Offering \(IPO\) | KPMG Atlas](#)



Source: KPMG, Germany, 2025.

Note: 1) See slide 7 for sector definitions.

US & European IPO pipeline by sector based on public information



Source: KPMG, Germany, 2025.

Appendix - definitions

Definitions and methodologies of referenced survey data indices

Purchasing Managers' Index (PMI)

The PMI is an economic indicator that measures the health of the manufacturing and service sectors through surveys of purchasing managers, focusing on factors like new orders, production and employment. The PMI ranges from 0 to 100, with a value above 50 indicating expansion and below 50 indicating contraction. Hamburg Commercial Bank (HCOB) and S&P Global collaborated to calculate the PMI in the Eurozone (Germany, France, Italy, Spain, the Netherlands, Austria, Ireland and Greece). The PMI is based on a representative sample of around 5,000 industrial and service companies.

Economic Sentiment Indicator (ESI)

The ESI reflects overall economic confidence, particularly in the European Union, based on surveys of various sectors such as industry, services and consumers. Expressed as an index with a long-term mean of 100, an ESI above 100 indicates optimism and stronger confidence, while a value below 100 suggests pessimism and weaker confidence. The ESI helps gauge economic trends and outlooks.

Consumer Confidence Index (CCI)

The CCI is the arithmetic average of the balances (in percentage points) of the answers to the questions on the past and expected financial situation of households, the expected general economic situation and the intentions to make major purchases over the next 12 months. It is used as an economic indicator to gauge consumer spending behaviour. Values above zero percent (percentage points) indicate positive views of the economy, whereas values below zero percent (percentage points) indicate negative views, and a value of zero reflects an equal balance of positive and negative views.

Source: European Commission, S&P Global, MSCI.

Sector definition

The Global Industry Classification Standard (GICS)

The GICS categorises companies into distinct sectors and industries based on their primary business activities. It includes 11 sectors, which are further divided into industry groups, industries and sub-industries.

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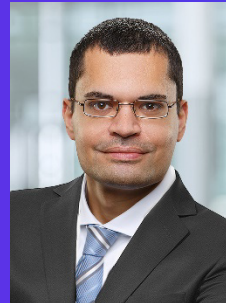
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