



Equity market update and IPO compass

Capital Markets team

—

May 2025



Executive summary

25 bps ↓

The European Central Bank (ECB) cut rates by 25 bps in April, bringing its deposit rate to 2.25%, as policymakers grew more open to further easing amid slowing growth and tariff concerns.

Central bank outlook: expected rates¹ in 2025

Period	ECB	Fed	BoE
Apr-25	2.25%	4.50%	4.50%
Q2 25E	2.25%	4.25%	4.25%
Q3 25E	2.25%	4.00%	4.00%
Q4 25E	2.25%	3.75%	3.75%

Legend: ECB (blue), Fed (purple), BoE (pink), Estimated data (grey)

S&P & VIX: market trends and volatility L1M

The CBOE Volatility Index (VIX) climbed sharply in April, hitting 52.3—its highest point since the pandemic—and averaging 31.8 for the month. This surge signals heightened market uncertainty, with investors anticipating significant price fluctuations.

Legend: S&P 500 (purple), VIX (blue), VIX 'zones': >20 stress; <20 stability (pink)

“With high market volatility and ongoing trade tensions, both investors and companies are in ‘wait-and-see’ mode, highlighting the need for consistency in policy to restore confidence and enable a smoother path forward for IPOs and investments.”

Ralf Pfennig
Partner
Head of Deal & Capital Markets Services

	L3M	L6M	LTM
DAX	7.7%	19.9%	29.0%
STOXX 600	0.3%	5.0%	6.6%
S&P 500	(5.1%)	(0.7%)	12.3%

Despite recent volatility driven by trade tensions, the DAX and STOXX have held onto gains over the past three months, while the S&P 500 has logged a third consecutive monthly loss, down 5.1% in that period.

More than half of the initial public offerings (‘IPOs’) expected for 2025 and 2026 are from consumer cyclicals, information technology and financial companies (GICS² sectors).

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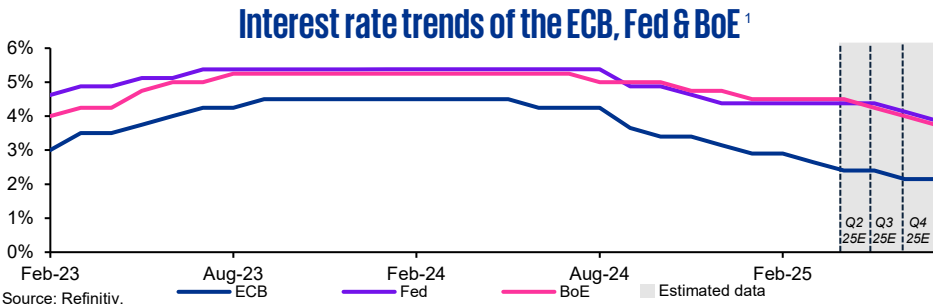
Macro environment and outlook

In April, global central banks grappled with the growing impact of trade tensions on inflation and growth. The European Central Bank (ECB) cut rates by 25 bps to 2.25%, signalling openness to further easing amid mounting downside risks, while the Bank of England (BoE) flagged similar concerns but remained cautious about inflation. Meanwhile, the Federal Reserve (Fed) acknowledged the policy challenge posed by tariffs, which were seen as inflationary yet growth-dampening.

On 2 April, sweeping US tariffs triggered the sharpest S&P 500 drop since March 2020, sparking retaliation from China and the EU. While a 90-day pause eased tensions with some partners, China was excluded, fuelling further escalation despite late-month signs of de-escalation and progress in selected trade talks.

Following the tariffs, US GDP shrank by 0.3% in Q1, mainly due to a surge in imports as businesses rushed to beat new tariffs. Since imports subtract from GDP, the 41.3% spike paired with weak export growth and reduced government spending made trade the biggest drag on the economy. As a result, US real GDP growth forecast for 2025 has been revised down from 2.1% to 1.9%.

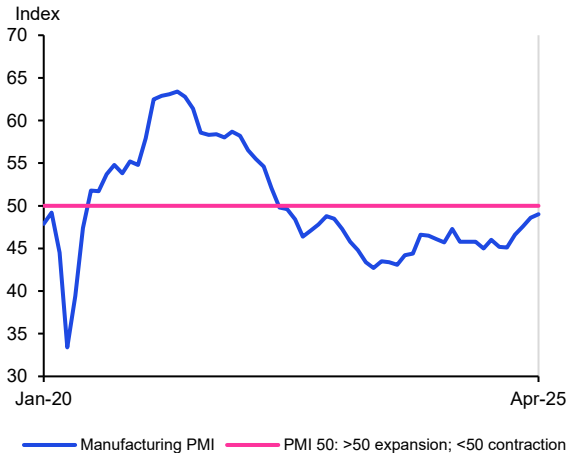
Source: FactSet. KPMG, Germany 2025.



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

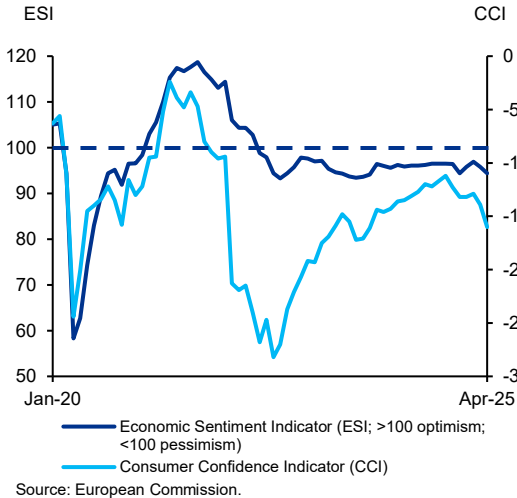


Real GDP growth in percent ²

%	2024	2025E	2026E
United States	2.8	1.9	1.8
Germany	(0.2)	0.2	1.3
United Kingdom	1.1	1.0	1.4
Eurozone	0.8	0.9	1.2
China	5.0	4.5	4.2
Japan	0.1	1.1	0.8

Source: FactSet. Closing prices as at 2 May 2025.

EU Economic Sentiment & Consumer Confidence ⁴



CPI inflation in percent ³

%	2024	2025E	2026E
United States	3.0	3.0	2.7
Germany	2.3	2.1	2.1
United Kingdom	2.5	3.0	2.3
Eurozone	2.4	2.1	2.0
China	0.2	0.6	1.2
Japan	2.7	2.7	1.8

Source: FactSet. Closing prices as at 2 May 2025.

Equity market overview

In April, the STOXX Europe 600 fell by 2.3% compared to the beginning of the month, but recovered from earlier declines driven by tariff concerns. In addition, sentiment saw a mild boost from trade de-escalation and the finalisation of a coalition agreement in Germany, though Germany's DAX still ended the month down by 0.2%.

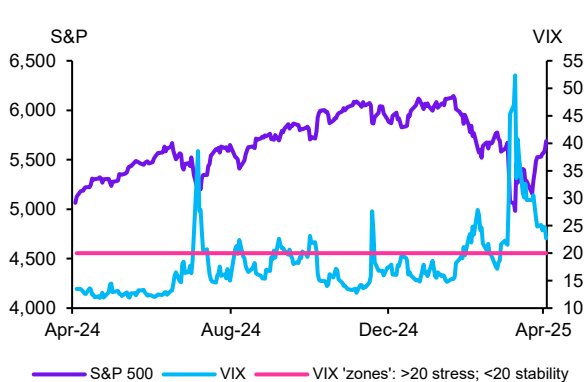
More specifically, Germany moved closer to resolving its political stalemate in April, as the two main political parties formally ratified a coalition agreement, paving the way for the formation of a new government. The agreement includes plans to increase spending on infrastructure and defence as well as the intention to initiate negotiations for a higher minimum wage—measures intended to bolster domestic resilience amid economic weakness and ongoing global trade tensions.

The S&P 500 ended April down by 1.1%, marking a third consecutive monthly decline, but the headline figure masked extreme volatility. The S&P dropped as much as 11.5% before rebounding by 13.8% from its previous low in April. This dramatic price movement caused the CBOE Volatility Index (VIX) to spike sharply to its highest level (52.3) since the pandemic. Throughout April, the VIX averaged 31.8, well above the historical benchmark of 20-point, indicating heightened market volatility. As the volatility index rises, it indicates that investors expect significant price fluctuations in the near future, reflecting uncertainty or fear in the market.

The imposition of tariffs by the US government, has had a substantial impact on the Automobiles & Parts sector (-23% LTM). Nonetheless, towards the end of the month, the sector gained some optimism following signs of easing tensions, such as exemptions of tariffs on automobiles and signals that the US and China might resume trade discussions.

Source: FactSet. KPMG, Germany, 2025

S&P & VIX: market trends and volatility LTM



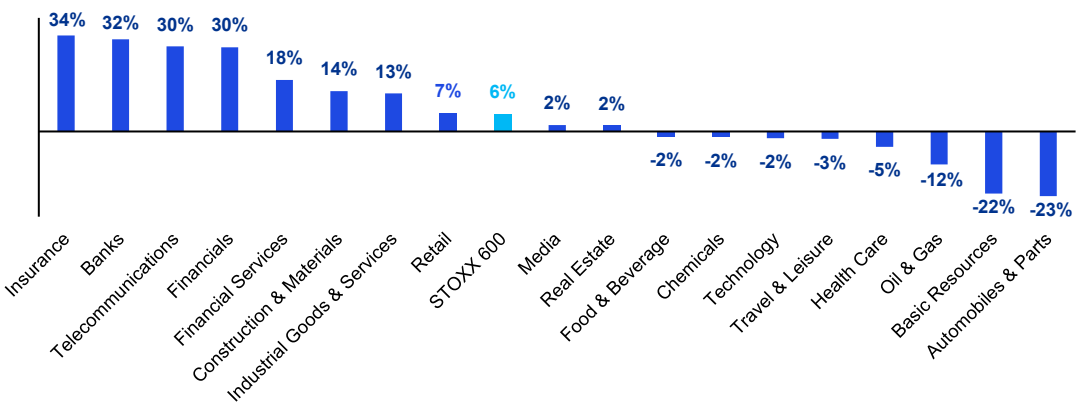
Source: FactSet. Closing prices as at 2 May 2025.

Performance of selected indices

	Value	L3M	L6M	LTM
DAX	23,087	7.7%	19.9%	29.0%
MDAX	29,327	11.1%	10.6%	11.7%
ATX	4,120	8.7%	16.8%	14.8%
SMI	12,254	(2.3%)	2.4%	9.3%
STOXX 600	536	0.3%	5.0%	6.6%
FTSE 100	8,596	0.1%	5.1%	5.2%
NASDAQ	17,978	(7.3%)	(1.4%)	13.5%
S&P 500	5,687	(5.1%)	(0.7%)	12.3%

Source: FactSet. Closing prices as at 2 May 2025.

STOXX Europe 600 sector performance LTM



Source: FactSet. Closing prices as at 2 May 2025.



Issuance activity

Ongoing trade tensions have caused a slowdown in major market activities, with numerous companies choosing to delay or reassess their planned mergers, acquisitions, and IPOs.

In the US, the IPO market has adopted a "wait-and-see" approach as businesses pause to assess the changing economic landscape. Notably, companies such as US ticket platform StubHub, Swedish payment firm Klarna, and US medical device company Medline have all postponed their planned IPOs in the US. This cautious stance is expected to continue until there is greater clarity on trade policies and market conditions.

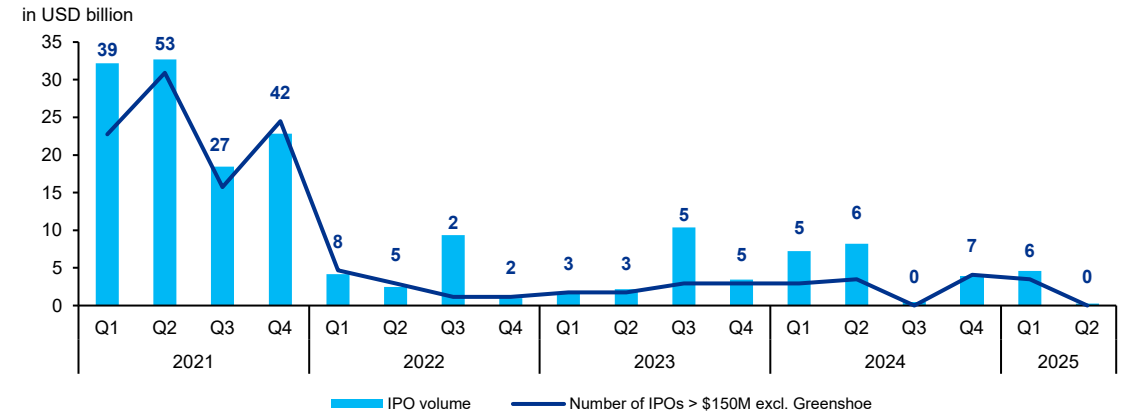
In Europe, the IPO market is also currently marked by high volatility, with many large-cap deals postponed until the traditional fall window due to ongoing uncertainties. For instance, Stada's planned IPO is likely to be delayed until fall due to recent market fluctuations. The pharmaceutical company had initially planned to go public before Easter.

Meantime, private equity firms are facing challenges as exit opportunities through the stock market and M&A transactions have dwindled. This has resulted in lower capital returns for institutional investors, with payouts falling to their lowest levels in a decade. To access liquidity, investors are increasingly turning to secondary markets to sell their fund shares.

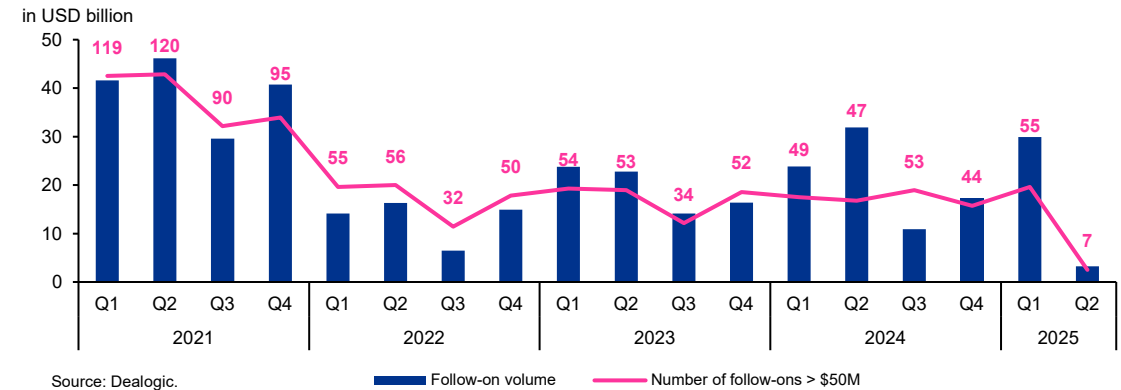
Despite broader caution, the market remains optimistic for smaller mid-cap IPOs with strong domestic demand. Niche listings in markets like the Nordics and Germany are seen as more viable, relying on the support of local investor. As an example of ongoing domestic IPO opportunities, the electrical engineering supplier Pfisterer started the bookbuilding of shares between €25 and €29 on 6 May and is aiming for a valuation of up to €525 million before its listing on the Scale segment in Frankfurt on 14 May.

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 the second half of 2025 is cautiously optimistic, with a well-filled pipeline, provided the macroeconomic environment remains favourable.

Since the start of 2025, markets have been navigating a delicate balance—capitalising on favourable interest rates and increased public and defence spending, while also grappling with the challenges of escalating tariffs and rising trade tensions between the US and its partners, which peaked in volatility in April 2025.

Amid these dynamics, the continued rate cuts by the central banks—after years of high interest rates—should help stimulate growth. Additionally, with many private equity firms having surpassed the average holding period for their assets, an increase in strategic exits could be anticipated, provided more political and regulatory stability is achieved.

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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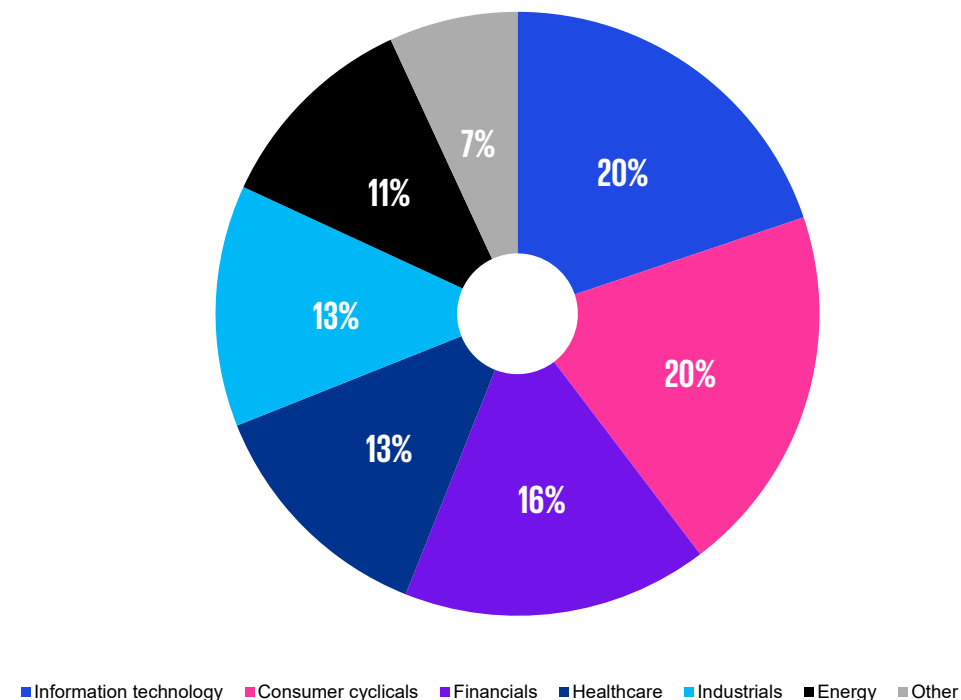
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Source: KPMG, Germany, 2025.

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.

Capital Markets team



Ralf Pfennig

Partner
Head of Deal & Capital Markets Services

T +49 221 2073 5801
M +49 173 576 4695
ralfpfennig@kpmg.com



Susanne Gatzweiler

Senior Manager

T +49 221 2073 1159
M +49 151 567 49271
sgatzweiler@kpmg.com



Philip Evermann

T +49 69 9587 0
M +49 151 414 06208
pevermann@kpmg.com



Till Karrer

Partner
Head of Debt Advisory

T +49 69 9587 4607
M +49 160 97891143
tkarrer@kpmg.com



Amin Qazi

Manager

T +49 69 9587 2395
M +49 160 948 36734
aminqazi1@kpmg.com



Legal notice:

Author:

Ralf Pfennig

Partner, Head of Deal & Capital Markets Services

T +49 221 2073 5801

ralfpfennig@kpmg.com

Publisher:

KPMG AG Wirtschaftsprüfungsgesellschaft

50674 Cologne

Germany



kpmg.de/socialmedia

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