

Ai

Global Matters | Viewpoint

Market review & outlook

October 2025

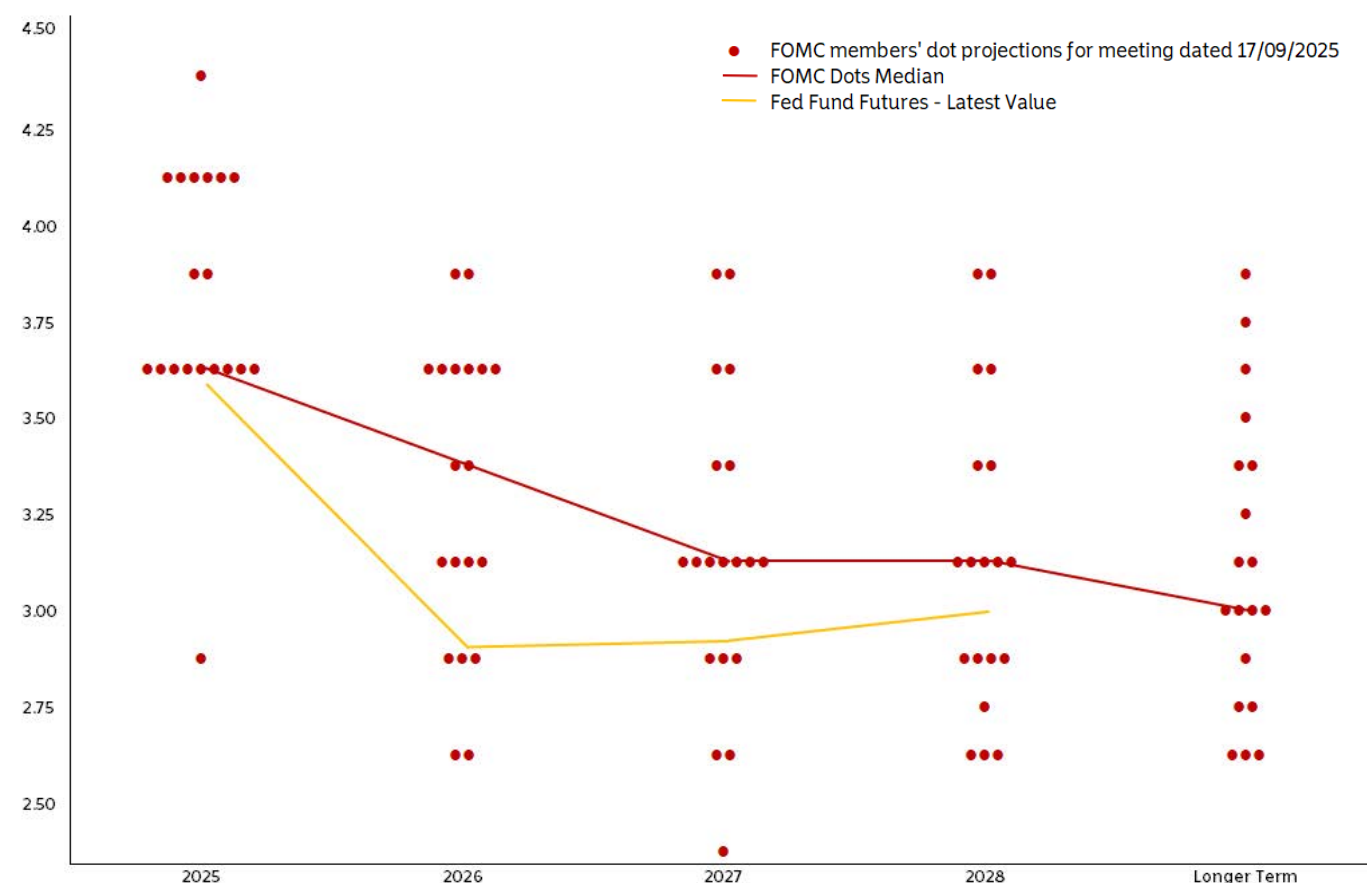
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Global market review & outlook

Global markets enjoyed strong returns in Q3, driven by 3 main factors:

- Worst-case outcomes on tariffs were avoided; key deals were agreed with the EU and Japan, the US-China trade truce was extended by a further 90 days with rising optimism that a deal would be concluded, and the impact of tariffs to date on growth and inflation has been considerably less than feared.
- Following soft labour market data in the US the Fed shifted its focus to the 'maximum employment' side of its mandate and took a more dovish stance on rates. It cut its policy rate by 25bps in September, the first cut since December 2024, while flagging further cuts ahead, albeit with uncertainty around the pace and timing. While Fed chair Powell described the cut as 'risk management', with the rate-setting committee in a 'meeting-by-meeting situation', the dot plot of Fed governors' projections indicated a dovish tilt through the next year, with the median projection for the end of 2025 showing a further 50bps of cuts, and 25bps more in 2026.

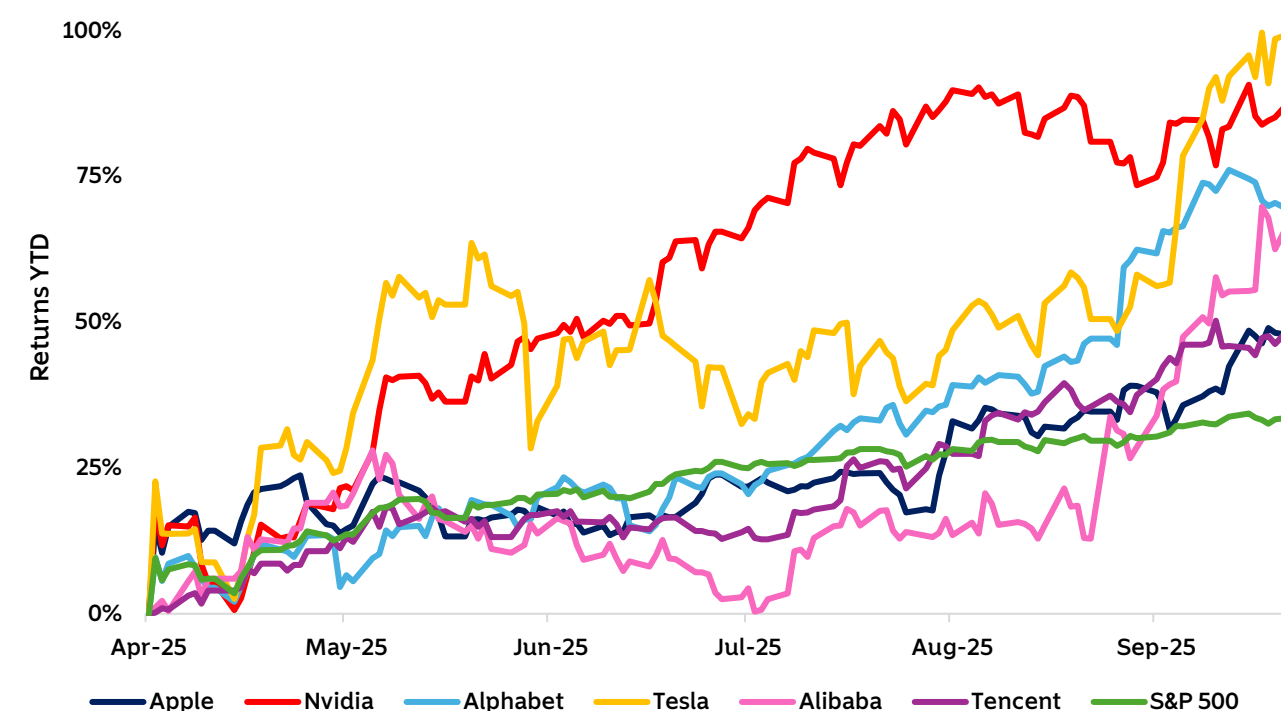
Fed turns more dovish - rate projections move lower



Source: Bloomberg Finance L.P., as at 17 September 2025, each dot represents one member's projection.

- A further leg up in the AI driven bull market in technology stocks, as corporate earnings in the sector remained strong, the unprecedented surge in capital investment continues apace, and stock-specific factors drove several of the mega-cap tech stocks higher. Nvidia gained 18% in the quarter, supported by a \$100bn deal with OpenAI to build new data centres and AI infrastructure, and a \$5bn investment in Intel in a collaboration to design and develop AI infrastructure; Apple gained 24%, boosted by its commitment to invest \$100bn in the US to secure exemptions from US tariffs; Alphabet rose 37%, helped by the outcome of an anti-trust case that it will not be required to divest Chrome or Android; and Elon Musk's \$1bn investment in Tesla stock helped to drive the shares higher by 40%. These 4 stocks alone accounted for over half of the 8% return in the S&P 500 index in Q3.

Megacap AI/tech stocks in US & China lead markets



Source: Bloomberg Finance L.P., as at 1 October 2025.

The continuing fall in the oil price, with Brent crude oil down from a peak for the year of \$83 in January to \$64 at the end of September, is also benefitting markets, helping to contain inflation and boost disposable incomes. Slowing demand and rising supply, as the OPEC+ group of oil producers continues to increase output, will lead to a record oil surplus of almost 3m bpd in 2026 according to the International Energy Agency.

This combination of favourable factors, along with accommodating financial conditions, reflected in historically tight credit spreads and low levels of volatility, underpinned equity markets. Global developed world equities returned 7.3% in the quarter, led by US megacap tech stocks, with the Magnificent 7 index +15.5%, driving the 8% return on the S&P 500. There were also notable gains in Japan, the Topix index +11% in yen terms, and China, MSCI China index +20.7%, which responded to further moves by the authorities to stimulate the sluggish economy and support the beleaguered property development industry, as well as strong results and sharp share price rises in its big tech stocks, benefitting from AI related revenues, with Alibaba +58% and Tencent +32% in Q3.

It wasn't all plain sailing. Concerns about fiscal sustainability and continuing huge issuance of government debt in the US led to a steepening in the yield curve, although some of this was unwound in September as inflation data came in at or below expectations, easing concerns about the impact of tariffs on prices. Fed independence was also called into question, and investors worried that monetary policy could become politically influenced, with implications for inflation longer term. However, the move in market-implied inflation expectations was modest, with the 10-year breakeven inflation rate moving up to 2.37% at the end of September from 2.29% 3 months earlier, and was more than offset by a fall in the 10-year real yield from 1.93% to 1.78%, underpinning a return of 1.5% in US Treasuries over the quarter.

The US was not the only source of unease around deficits and debt. Fiscal concerns continued to build in the UK and France: both are living beyond their means, suffering from low growth, bloated public spending and unsustainable fiscal deficits. The concerns were reflected in bond markets, with 10-Y yields in the UK rising from 4.5% to 4.69% over the quarter and in France from 3.29% to 3.53%, in contrast to the US where yields fell slightly to 4.15%. Eurozone government bonds were broadly flat in Q3 while UK gilts delivered a return of -0.9%. In an extraordinary turn of events, the seemingly intractable fiscal and political problems in France, where another PM has been forced to resign, have led to French bond yields moving above those of the PIIGS (Portugal, Italy, Ireland, Greece, Spain) whose debt problems in 2012 almost triggered a collapse in the euro.

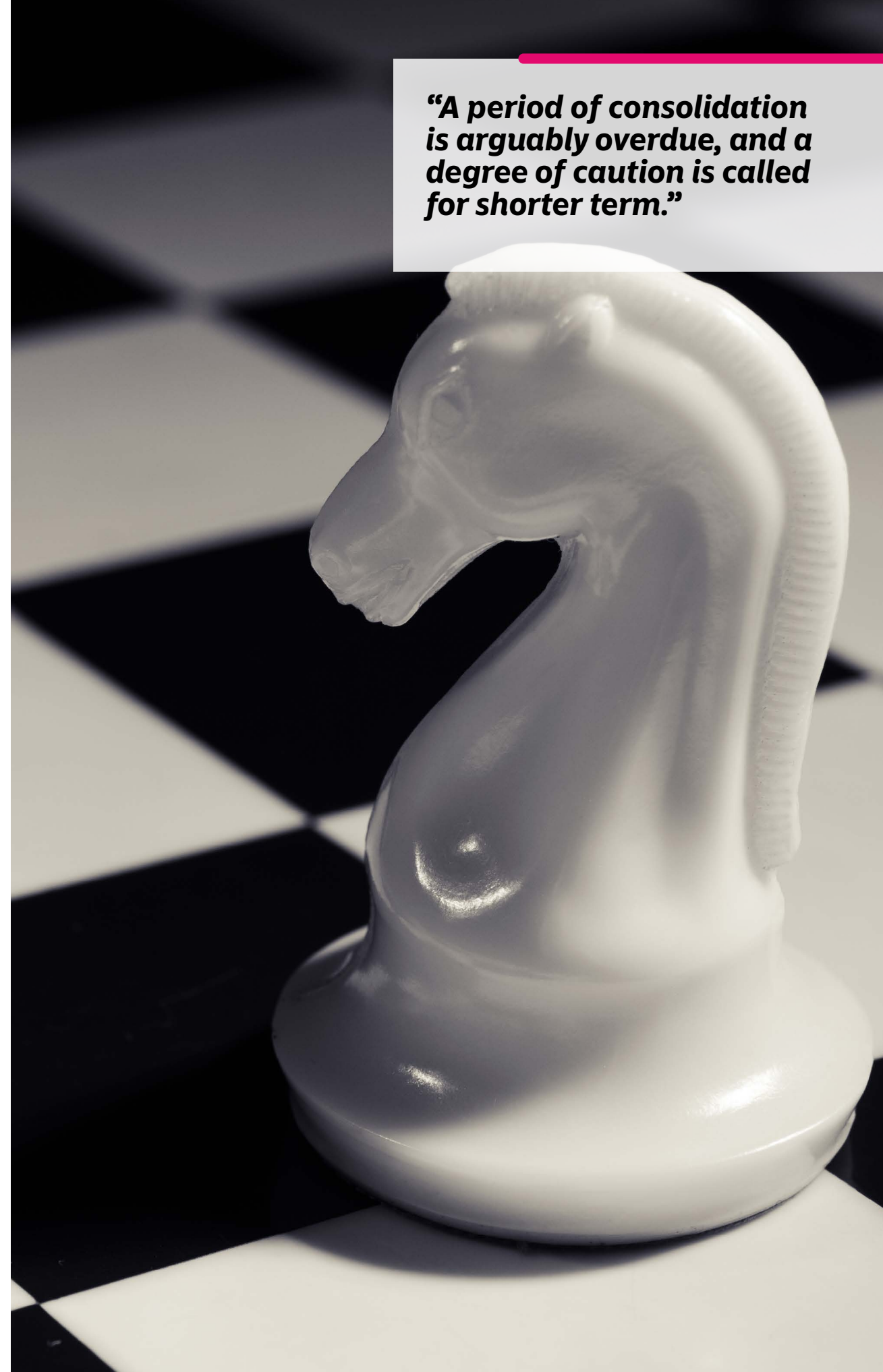
The Bank of England faces difficult policy decisions. The economy is struggling, productivity growth remains anaemic, and last year's massive tax rises on business have weakened the labour market and confidence, damaged further by the inevitability of another round of tax rises in the forthcoming budget in November as the government seeks to fill a 'black hole' in its fiscal deficit. Yet inflation is close to 4%, double the Bank's target of 2%. It cut rates in August, the fifth cut of 25bps in this cycle, but with a hawkish bias because inflation is proving to be sticky and essentially domestically produced. The UK risks falling into a stagflationary trap, and sterling is increasingly vulnerable after a rise of 7.4% so far this year.

Following sharp falls in the first half of the year, the US dollar was more stable in Q3, gaining 0.9% on a trade weighted basis over the quarter. The gold price, which had been trading in a narrow range since mid April, moved sharply ahead in September to reach new all-time highs, gaining 16.8% over the quarter (and 47% year-to-date). The prospect of rate cuts, concerns about the sustainability of government debt, and intensifying geopolitical tensions in the Russia-Ukraine and Israel-Gaza conflicts led to sustained safe-haven buying of gold by investors and central banks.

Some of the clouds that overhung markets in the early months of this year have cleared. Most key tariff deals have been concluded, economic activity, both in the US and elsewhere, has proved to be resilient, inflation has shown some signs of tariff-induced price rises but has been broadly within expectations, and the Fed has re-started its easing policy and set out the likelihood of significant further cuts to come. Together with the rapidly evolving impact of AI on productivity and the ongoing strength of earnings across the AI sector, this remains a good foundation for further gains in equity markets.

After a strong Q2 in the US, with GDP growth of 3.8% annualised, some slowdown to below trend levels in the US is anticipated, but the AI driven investment spending boom along with cuts in interest rates, taxes and regulations should ensure continuing growth. But there remains considerable uncertainty about when and where the costs of the tariffs will ultimately fall, and their impact on growth and inflation. There are also questions about the sustainability of the AI boom and the return on capital from the huge investment spending underway. Debt sustainability in several major economies creates longer term concerns about the cost of debt and the constraint this imposes on fiscal spending, while the geopolitical situation remains a threat to stability. This all comes when valuations of equity markets have risen significantly after the strong rally since April, in some cases to levels which leave little room for disappointment and require continuing strong earnings growth to be justified. Furthermore, the Fed's anticipated rate cuts are largely discounted in markets, leaving some risk of negative surprises. A period of consolidation is arguably overdue, and a degree of caution is called for shorter term. But the foundations are firm enough for us to remain constructive about markets in the medium term, and to seek opportunities to add to risk, albeit with a degree of patience in the short term.

“A period of consolidation is arguably overdue, and a degree of caution is called for shorter term.”



Market performance - Global as at 30 September 2025 (local currency terms)

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Developed Markets Equities						
United States	S&P 500 NR	USD	3.6%	8.0%	14.5%	17.1%
United Kingdom	MSCI UK NR	GBP	1.6%	7.9%	17.5%	17.2%
Continental Europe	MSCI Europe ex UK NR	EUR	1.8%	2.9%	12.7%	8.6%
Japan	Topix TR	JPY	3.0%	11.0%	15.3%*	21.5%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	5.8%	9.7%	25.1%	14.9%
Global	MSCI World NR	USD	3.2%	7.3%	17.4%	17.2%
Emerging Markets Equities						
Emerging Europe	MSCI EM Europe NR	USD	1.5%	5.4%	43.4%	34.0%
Emerging Asia	MSCI EM Asia NR	USD	7.5%	10.9%	26.4%	16.4%
Emerging Latin America	MSCI EM Latin America NR	USD	6.5%	10.2%	43.1%	20.4%
BRICs	MSCI BRIC NR	USD	6.4%	9.5%	24.8%	12.2%
China	MSCI China NR	USD	9.8%	20.7%	41.6%	30.8%
Global emerging markets	MSCI Emerging Markets NR	USD	7.2%	10.6%	27.5%	17.3%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	0.9%	1.5%	5.3%	2.1%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	0.5%	2.1%	6.8%	3.6%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	1.5%	2.6%	6.9%	3.6%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.8%	2.5%	7.2%	7.4%
UK Gilts	JP Morgan UK Government Bond TR	GBP	0.7%	-0.7%	1.7%	-1.6%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	0.8%	0.7%	4.2%	3.7%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	0.5%	-0.2%	0.4%	0.2%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	0.4%	0.9%	2.8%	3.6%
Euro High Yield	BBgBarc European HY 3% Constrained TR	EUR	0.5%	1.9%	4.7%	6.6%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	-0.1%	-1.4%	-4.1%	-5.4%
Australian Government	JP Morgan Australia GBI TR	AUD	0.0%	0.1%	3.9%	3.1%
Global Government Bonds	JP Morgan Global GBI	USD	0.6%	0.0%	7.1%	0.8%
Global Bonds	ICE BofAML Global Broad Market	USD	0.8%	0.8%	8.1%	2.4%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	4.5%	9.1%	21.2%	22.2%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	0.7%	3.2%	9.6%	8.0%

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	0.9%	4.5%	3.7%	-2.9%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	-3.2%	4.0%	8.4%	0.8%
Global Property Securities	S&P Global Property USD TR	USD	1.2%	4.5%	11.7%	1.8%
Currencies						
Euro		USD	0.4%	-0.4%	13.3%	5.4%
UK Pound Sterling		USD	-0.4%	-2.1%	7.4%	0.5%
Japanese Yen		USD	-0.6%	-2.6%	6.3%	-2.9%
Australian Dollar		USD	1.1%	0.5%	6.9%	-4.3%
South African Rand		USD	2.2%	2.6%	9.1%	0.0%
Commodities & Alternatives						
Commodities	RICI TR	USD	0.4%	2.2%	4.2%	5.1%
Agricultural Commodities	RICI Agriculture TR	USD	-3.3%	-1.8%	-5.0%	-6.7%
Oil	Brent Crude Oil	USD	-1.6%	-0.9%	-10.2%	-6.6%
Gold	Gold Spot	USD	11.9%	16.8%	47.0%	46.5%
Interest Rates						
			Current Rate			
United States		4.25%				
United Kingdom		4.00%				
Eurozone		2.15%				
Japan		0.50%				
Australia		3.60%				
South Africa		7.00%				

Source: Bloomberg Finance L.P. , Momentum Global Investment Management. Past performance is not indicative of future returns.
*estimated figures.

Market performance - UK as at 30 September 2025 (all returns GBP)

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Equities						
UK - All Cap	MSCI UK NR	GBP	1.6%	7.9%	17.5%	17.2%
UK - Large Cap	MSCI UK Large Cap NR	GBP	1.6%	8.4%	18.7%	18.9%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	1.7%	3.2%	7.9%	5.1%
UK - Small Cap	MSCI Small Cap NR	GBP	3.1%	1.6%	12.3%	8.9%
United States	S&P 500 NR	USD	4.0%	10.1%	6.5%	16.6%
Continental Europe	MSCI Europe ex UK NR	EUR	2.6%	4.8%	19.1%	14.0%
Japan	Topix TR	JPY	2.8%	10.5%	14.3%*	17.3%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	6.2%	11.7%	16.4%	14.4%
Global developed markets	MSCI World NR	USD	3.6%	9.3%	9.2%	16.8%
Global emerging markets	MSCI Emerging Markets NR	USD	7.5%	12.7%	18.6%	16.8%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	0.7%	-0.8%	1.7%	-1.9%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	0.2%	0.6%	3.7%	3.9%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	0.4%	-0.4%	3.0%	-0.3%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	1.5%	-2.4%	-2.0%	-9.0%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	1.7%	-1.4%	-2.0%	-7.9%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	0.6%	-0.4%	0.4%	-2.9%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	3.5%	-3.2%	-6.4%	-15.8%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	0.8%	0.7%	4.2%	3.7%
US Treasuries	JP Morgan US Government Bond TR	USD	1.2%	3.4%	-2.1%	1.7%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	1.9%	4.4%	-0.6%	3.3%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	0.8%	2.5%	7.2%	7.4%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	0.5%	-0.2%	0.4%	0.2%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	0.4%	0.9%	2.8%	3.6%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	0.5%	1.9%	4.7%	6.6%
Global Government Bonds	JP Morgan Global GBI	GBP	0.9%	1.9%	-0.4%	0.4%
Global Bonds	ICE BofAML Global Broad Market	GBP	0.8%	0.8%	8.1%	2.4%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	4.5%	9.1%	21.2%	22.2%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	1.1%	5.2%	2.0%	7.6%

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Property						
Global Property Securities	S&P Global Property TR	GBP	1.5%	6.5%	3.9%	1.3%
Currencies						
Euro		GBP	0.8%	1.7%	5.5%	4.8%
US Dollar		GBP	0.4%	2.1%	-6.9%	-0.5%
Japanese Yen		GBP	-0.2%	-0.6%	-1.1%	-3.4%
Commodities & Alternatives						
Commodities	Rogers International Commodity (RICI) TR	GBP	0.8%	4.1%	-3.1%	4.7%
Agricultural Commodities	Rogers International Commodity (RICI) Agriculture TR	GBP	-3.0%	0.0%	-11.6%	-7.1%
Oil	Brent Crude Oil	GBP	-1.3%	1.0%	-16.5%	-7.0%
Gold	Gold Spot	GBP	12.3%	19.0%	36.8%	45.9%
Interest Rates			Current Rate			
United Kingdom			4.00%			

Source: Bloomberg Finance L.P. , Momentum Global Investment Management. Past performance is not indicative of future returns.
*estimated figures.

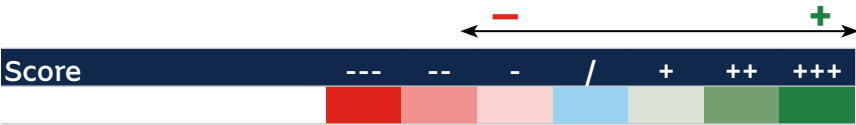
Asset allocation views

Score	Change	---	--	-	/	+	++	+++
MAIN ASSET CLASSES	▲/▼/—							
Equities	—							
Fixed Income	—							
Alternatives	—							
Cash	—							

Score	Change	---	--	-	/	+	++	+++
EQUITIES	▲/▼/—							
Developed Equities	—							
UK Equities	—							
European Equities	▲							
US Equities	—							
Japanese Equities	▼							
Emerging Market Equities	—							

Score	Change	---	--	-	/	+	++	+++
FIXED INCOME	▲/▼/—							
Government	▲							
Index-Linked	▲							
Investment Grade Corporate	—							
High Yield Corporate	—							
Emerging Market Debt	▲							

The asset allocation views are updated at the end of each quarter unless otherwise stated.



Score	Change	---	--	-	/	+	++	+++
SPECIALIST ASSETS/ALTERNATIVES	▲/▼/—							
Global Listed Property	—							
Global Listed Infrastructure	—							
Specialist Assets	—							
Liquid Alternatives	—							
Gold	—							

Score	Change	---	--	-	/	+	++	+++
CURRENCIES vs. USD	▲/▼/—							
GBP	—							
EUR	—							
JPY	—							



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