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Accountants & Financial Advisors

Market Commentary

October 2025

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SNAPSHOT

- US Fed cuts rates for the first time in 2025, buoying investor sentiment.
- Stock markets globally reached new highs.
- Gold and silver shone, hitting all-time highs.

All percentages below are monthly returns for September 2025

EQUITIES

US MARKETS
'Magnificent 7' led the way

3.5%
US 500

UK MARKETS
Near highs despite budget concerns

1.8%
UK ALL SHARE

EMERGING MARKETS
Surged ahead

7.0%
EM

BOND MARKETS

BONDS
Fed supported the market, supply concerns linger

UK GILTS	0.6%
US TREASURIES	0.8%
GLOBAL CORPORATE BONDS	1.5%
GLOBAL HIGH YIELD BONDS	1.0%

*Values represent bond index returns

CURRENCIES

CURRENCIES
Sterling softened amid budget speculation

Pound vs Other Currencies

GBP vs USD	GBP vs JPY	GBP vs EUR	GBP vs CNY
-0.3%	0.1%	-0.9%	-0.6%

KEY INDICATORS

GOLD – XAU/USD
10.5%

OIL – BRENT CRUDE
-1.6%

COMMODITIES
1.0%

INFLATION – UK CPI (YOY)
3.8%

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GLOBAL MARKETS

Global equities closed near the new record highs they set late in the month, as investors navigated a week of key central bank decisions, mixed economic data, and renewed geopolitical and trade tensions.

US MARKETS

Fed decision helped power the markets

US stocks hit record highs as the Federal Reserve delivered its first interest rate cut of the year and signalled more easing ahead amid a cooling labour market. A 25bps cut was widely expected, and the Fed's projections pointed to another 50bps of reductions by year-end. However, stronger-than-expected data on retail sales, industrial production, and GDP growth tempered expectations for an aggressive easing cycle. Fed Chair Powell struck a cautious tone, calling the cut a "risk management" move. New tariffs on pharmaceuticals and other goods added uncertainty.

Up 3.5% (US 500)

UK MARKETS

All eyes on the November budget

UK markets contended with mounting fiscal pressures and signs of a slowing economy. Public sector borrowing in August surged to a five-year high, well above forecasts, highlighting fiscal strain ahead of the Autumn Budget where tax hikes are expected. The Bank of England held its policy rate at 4% and slowed its quantitative tightening program, citing inflation risks despite subdued GDP growth and a weakening labour market. Data showed the economy stalled in July, while flash PMIs for September pointed to the slowest private sector expansion since May.

Up 1.8% (UK All Share)

EUROPEAN MARKETS

Moved forward despite political uncertainty

European stocks saw volatile trading as investors digested the European Central Bank's decision to hold rates steady, signalling a possible end to its easing cycle. ECB President Lagarde noted growth risks were now more balanced. Political turmoil intensified in France after Prime Minister François Bayrou was ousted in a confidence vote, leading Fitch to downgrade the country's credit rating. Flash PMIs showed Eurozone private sector growth hit a 16-month high in September, though manufacturing slipped back into contraction.

Up 1.6% (Euro 600 Index ex UK)

JAPAN MARKETS

Gained on BOJ's decision

Japanese equities reached new record highs, buoyed by the Bank of Japan's decision to maintain its policy rate at 0.5%. The BOJ signalled a move toward further 'policy normalisation' by announcing plans to unwind its ETF and REIT holdings. The resignation of Prime Minister Shigeru Ishiba added political uncertainty, that was ultimately brushed off by the stock market. Economic data was mixed; Q2 GDP was revised higher, but manufacturing activity contracted for the 14th time in 15 months, and exports fell amid ongoing tariff headwinds.

Up 2.0% (Japan Index)

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THE WORLD AT A GLANCE

	2020	2021	2022	2023	2024	Sept 2025	Year to date
UK CASH	0.2%	0.0%	1.4%	4.7%	5.2%	0.3	3.3
US DOLLAR INDEX	-6.7%	6.4%	8.2%	-2.1%	7.1%	0.0	-9.9
UK GILTS	8.3%	-5.2%	-23.8%	3.7%	-3.3%	0.6	1.9
US TREASURIES	8.0%	-2.3%	-12.5%	4.1%	0.6%	0.8	5.4
GLOBAL CORPORATE BONDS	7.1%	-1.9%	-6.8%	4.0%	2.8%	1.5	1.8
GLOBAL HIGH YIELD BONDS	3.8%	2.0%	-2.3%	8.2%	11.0%	1.0	1.9
US 500	16.3%	26.9%	-19.4%	24.2%	23.3%	3.5	13.7
UK ALL SHARE INDEX	-12.5%	14.5%	-3.2%	3.8%	5.6%	1.8	13.3
EURO 600 INDEX EX UK	1.0%	22.5%	-15.0%	14.9%	4.5%	1.6	10.6
JAPAN INDEX	4.8%	10.4%	-5.1%	25.1%	17.7%	2.0	12.7
ASIA EX JAPAN	22.4%	-3.1%	-15.4%	6.4%	16.2%	7.0	24.8
EMERGING MARKETS	15.8%	-4.6%	-22.4%	7.0%	5.1%	7.0	25.2
COMMODITIES	-26.1%	41.6%	41.9%	-9.7%	11.2%	1.0	-1.3
GOLD	20.9%	-4.3%	-0.7%	12.8%	26.6%	10.5	44.8
HEDGE FUNDS	5.8%	3.0%	-4.4%	2.7%	5.3%	1.5	5.2

Source: Bloomberg

Total Return – Local Currency

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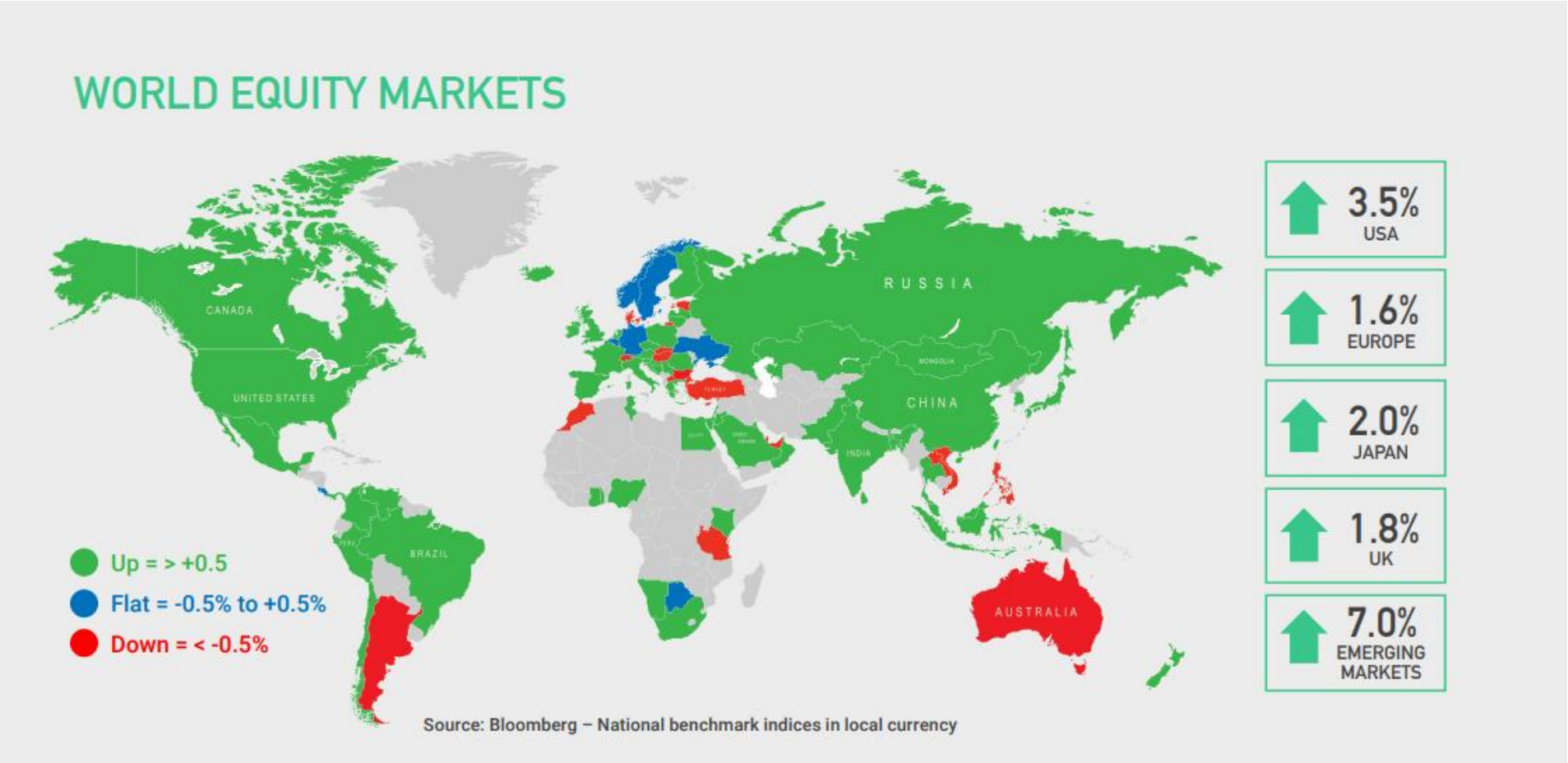

Key Points

- US equities reached new all-time highs after the Federal Reserve cut interest rates by 25 basis points and signalled more easing to come, though a cautious tone from Chair Powell and some more resilient economic data tempered the rally.
- European stocks were volatile amid political turmoil in France, which saw its credit rating downgraded by Fitch, and the ECB's decision to hold rates steady, potentially signalling the end of its cutting cycle.
- Japanese markets hit record levels despite the resignation of Prime Minister Shigeru Ishiba, the Bank of Japan's move to start unwinding its ETF holdings, and weak trade data, which highlighted tariff-related risks.
- Chinese shares closed near multi-year highs driven by tech stocks. The Shanghai Stock Exchange hit levels last seen in 2015 despite weak economic data on industrial production and retail sales, while the PBoC kept key lending rates unchanged.
- Gold, silver, and platinum were boosted by the fiscal backdrop and positive sector sentiment with supply concerns helping the commodity prices and those of associated mining stocks.

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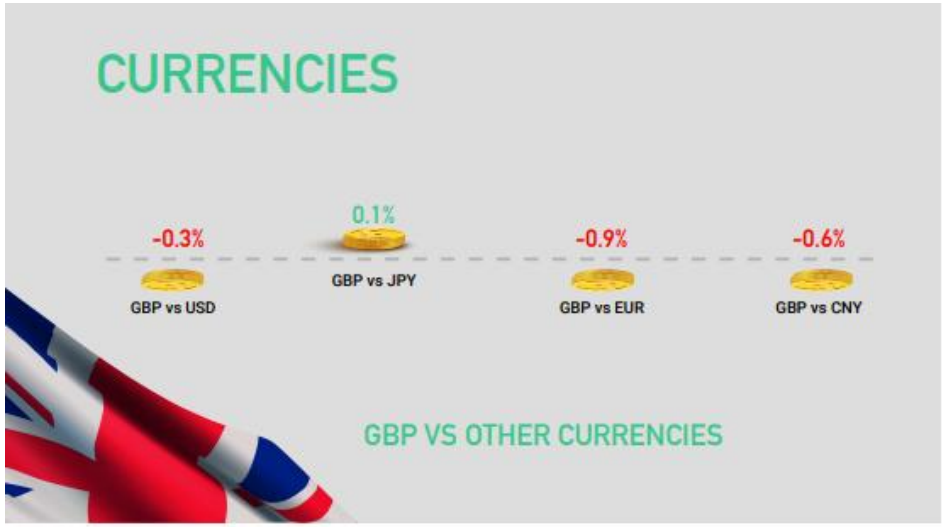

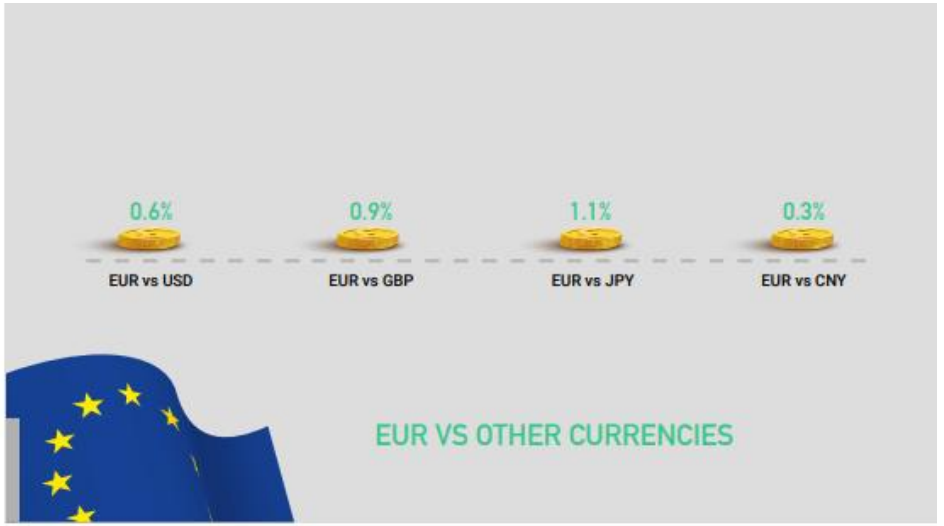

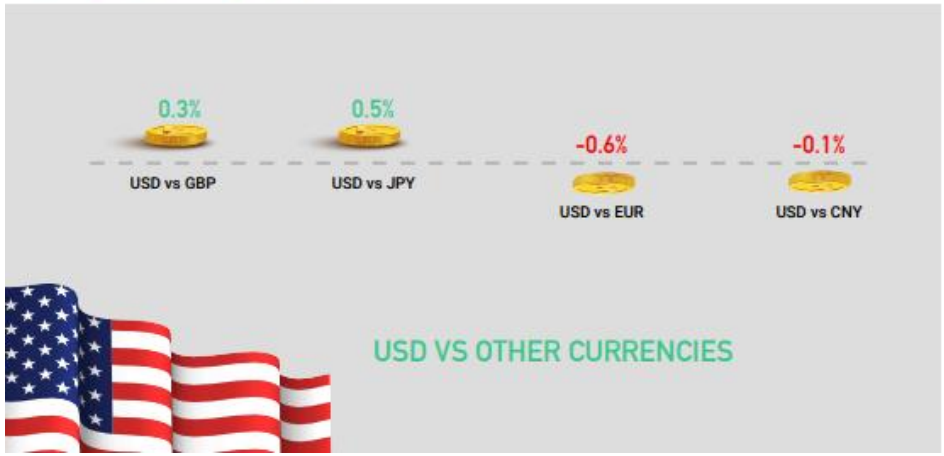

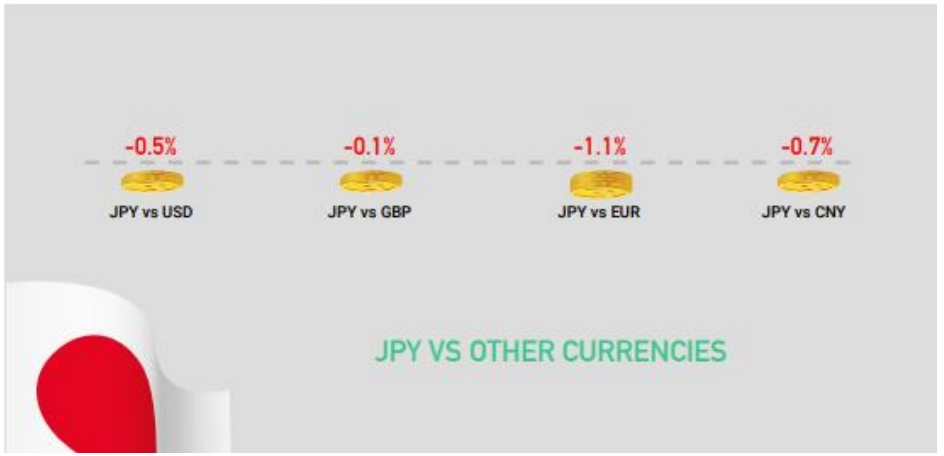

Key Points

- The US dollar weakened to a multi-month low after the Federal Reserve's rate cut but rebounded as stronger economic data and cautious commentary from Fed officials tempered expectations for aggressive easing.
- The euro climbed to its highest level since 2021 against the dollar, supported by a hawkish shift from the ECB which signalled its rate-cutting cycle was likely over, and better-than-expected Eurozone PMI data.
- The British pound fell to a two-week low as surging public sector borrowing fuelled fiscal concerns ahead of the budget. Weak economic data reinforced concerns, but expectations are that the Bank of England will remain on hold with inflation above target at 3.8%.
- The Japanese yen strengthened despite political uncertainty following the prime minister's resignation as the BOJ signalled further policy normalisation (higher rates), attracting safe-haven flows, although a firming dollar later capped gains.

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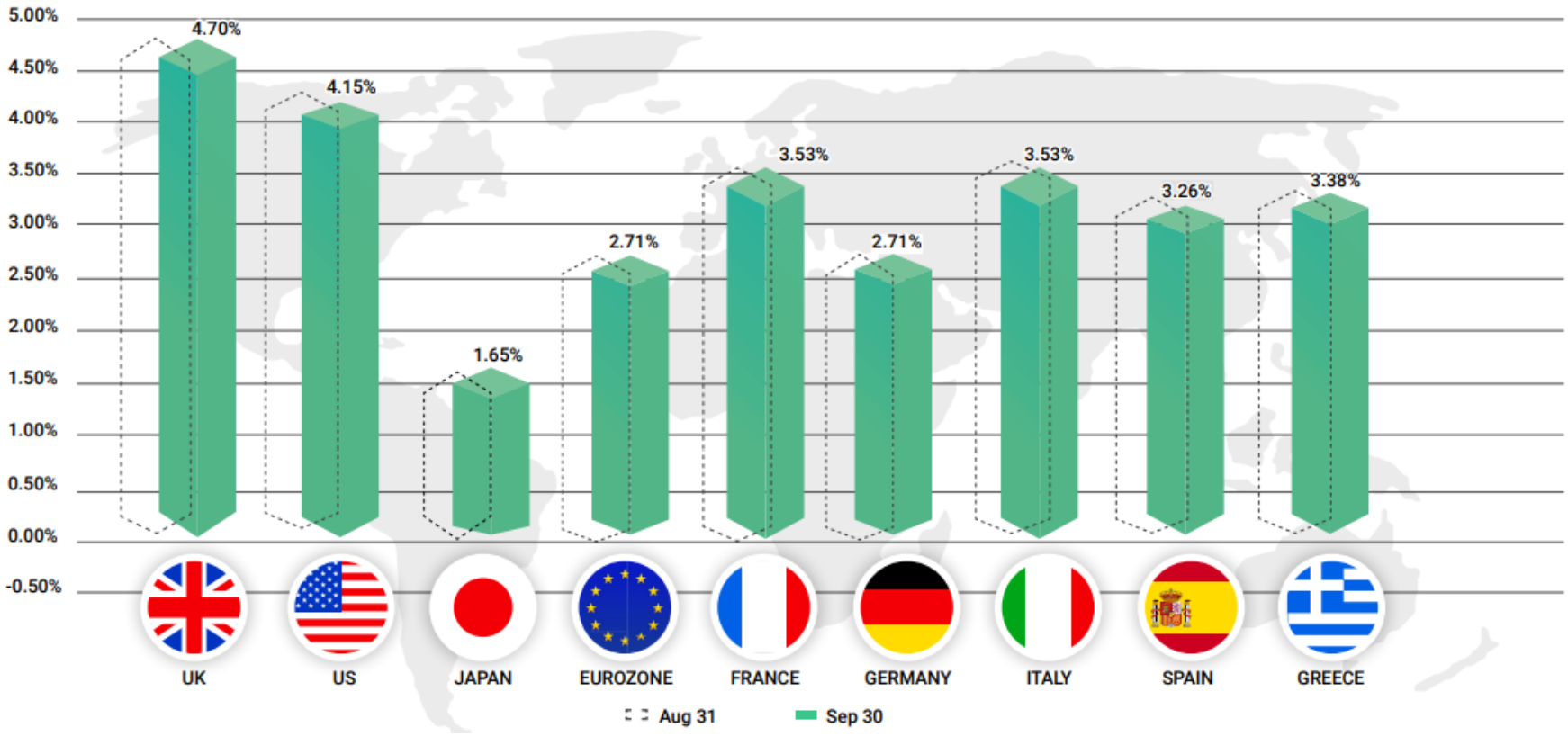
GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- US Treasury yields fell to five-month lows after the Fed's rate cut and weak labour market data but rebounded a little as resilient consumer spending and strong GDP figures reduced bets on aggressive easing.
- UK gilt yields rose to multi-week highs amid mounting fiscal concerns after borrowing data surged past forecasts, adding pressure on the government ahead of the Autumn budget and limiting the Bank of England's room to manoeuvre.
- German 10-year Bund yields climbed toward March highs as investors weighed increased government borrowing plans for defence and infrastructure, political turmoil in France, and the ECB's signal that its rate-cutting cycle is over.
- Japanese government bond yields rose to 17-year highs after the Bank of Japan held rates steady and announced plans to reduce its ETF holdings. The BoJ signalled continuing moves toward higher rates despite the ongoing economic and political uncertainty.

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BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People's Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy "loose" or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency.
The 'Fed'	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks.
GBP	British Pound – sometimes referred to as 'sterling'

GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries
Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends.
Hawkish	The approach in which central banks are likely to keep monetary policy "tight" or restrictive
JPY	Japanese Yen – currency of Japan
Macro	or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole
PMI	Purchasing Managers' Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
YoY	Year over year

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Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK.