

# MARKET COMMENTARY

September 2025

## SNAPSHOT

- Equities were positive, led by Japan and the US.
- Global bonds were also positive, with credit noticeably strong.
- The dollar index fell back after last month's gains.

All percentages below are monthly returns for August 2025

## EQUITIES



## BOND MARKETS

### BONDS

Gilts were weak, credit strong

	UK GILTS	-0.9%
	US TREASURIES	1.1%
	GLOBAL CORPORATE BONDS	-0.7%
	GLOBAL HIGH YIELD BONDS	-0.6%



\*Values represent bond index returns

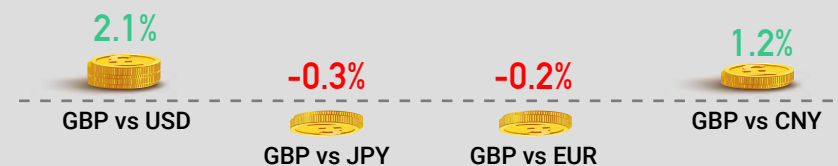
## CURRENCIES

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Sterling positive versus a weak US dollar



Pound vs Other Currencies



## KEY INDICATORS



GOLD – XAU/USD

5.4%



OIL – BRENT CRUDE

-6.1%



COMMODITIES

-2.3%



INFLATION – UK CPI (YOY)

3.8%



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# GLOBAL MARKETS

Global markets advanced, buoyed by further progress on trade deals and a positive earnings season. Japan and the US led the way, with Europe and the UK the laggards.



## US MARKETS

Equities still hitting all-time highs

US equities rose further in August, with the S&P500 hitting a new all-time high. Small caps were particularly strong, with the Russell 2000 rising 7.0%. It was a resilient performance from the 'Magnificent Seven', particularly Alphabet. Investors took comfort from a continued strong earnings season and robust economic data, with the 2nd revision for the 2Q25 GDP pointing to an economy regaining momentum. Gold Miners were particularly strong, with Newmont up 19.8% as investors focused on the improved cash flow outlook for the sector.

1.9%

US 500



## UK MARKETS

Muted returns on upcoming budget uncertainty

UK equities struggled somewhat over the month, with the FTSE100 barely ahead for the month and the FTSE250 in negative territory. Intra month, we did see a new all-time high for the FTSE100 (9,321), before a later month sell-off. Whilst headline data for 2Q25 GDP and government borrowing came in marginally ahead of expectations, the underlying picture for both remains weak. The November budget is coming into focus, with several tax raising suggestions doing the rounds. This sapped investor sentiment further, as did the rise in longer duration gilt yields.

0.3%

UK All Share



## EUROPEAN MARKETS

Mixed results on political risk

European equities saw the return of political risk, with the prospect of a vote of no confidence in the French government. Bond yields also rose as markets became more concerned over French fiscal discipline. This sapped some of the early month strength in European equity markets, with the Stoxx 600 peaking on 22nd August before retreating somewhat. Danish wind farm developer Orsted drew negative headlines, with an emergency fund raising and a major US project suspended just before completion. This double hit saw the shares fall -36% over the month.

0.9%

Euro 600 Index ex UK



## JAPAN MARKETS

Surged ahead on positive news

Japan was the best performing major developed equity market during August, with the Topix index surging 4.5%, reaching a new all-time high. This reflected further investor relief in the wake of the US-Japan trade deal. It was noticeable that value outperformed growth as an investment style, reflecting further positive sentiment for exporters, post the trade deal agreement. Equity markets seem to take the further rise in Japanese bond yields in their stride.

4.5%

Japan Index



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# THE WORLD AT A GLANCE

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

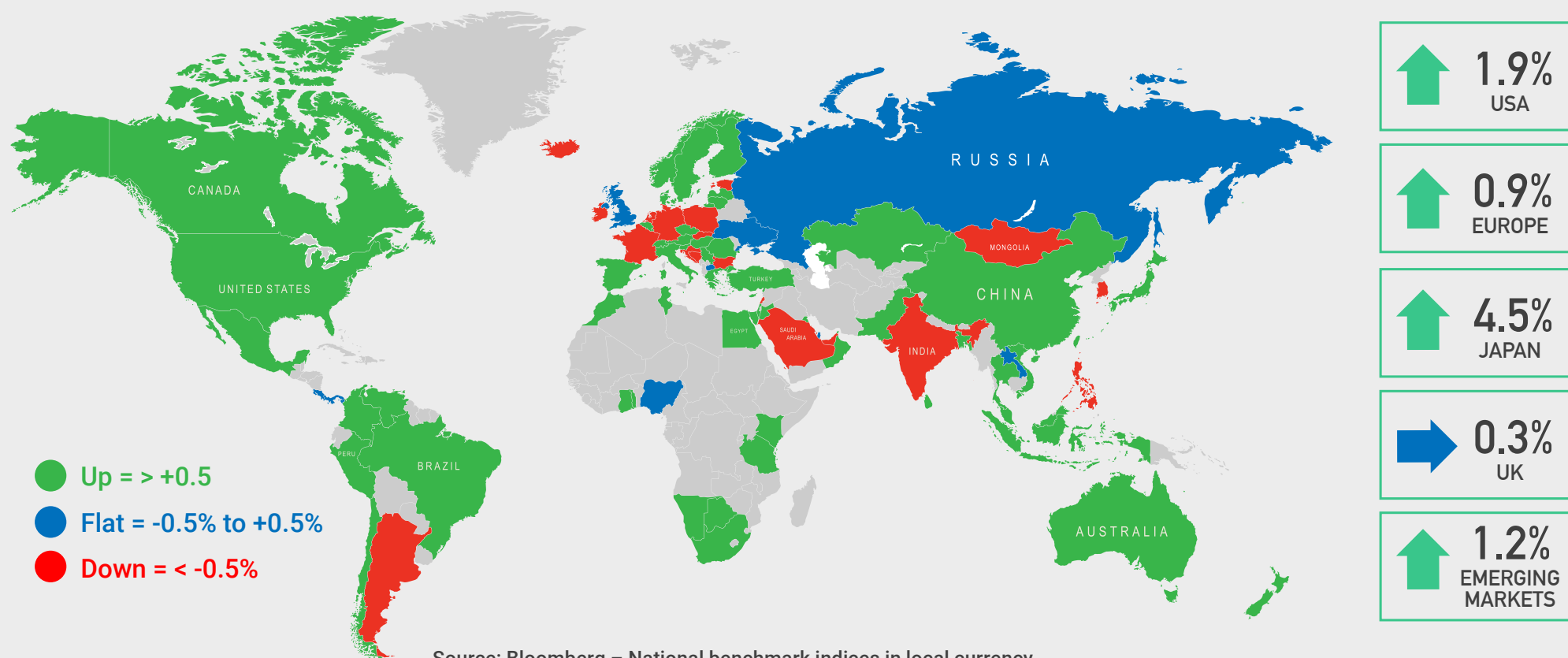
Aug 2025	Year to date
0.3	2.9
-2.2	-9.9
-0.9	1.2
1.1	4.5
-0.7	0.3
-0.6	0.9
1.9	9.8
0.3	11.3
0.9	8.8
4.5	10.4
1.4	16.7
1.2	17.0
-2.3	-2.3
5.4	31.0
1.1	3.7

Source: Bloomberg

Total Return – Local Currency

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# WORLD EQUITY MARKETS



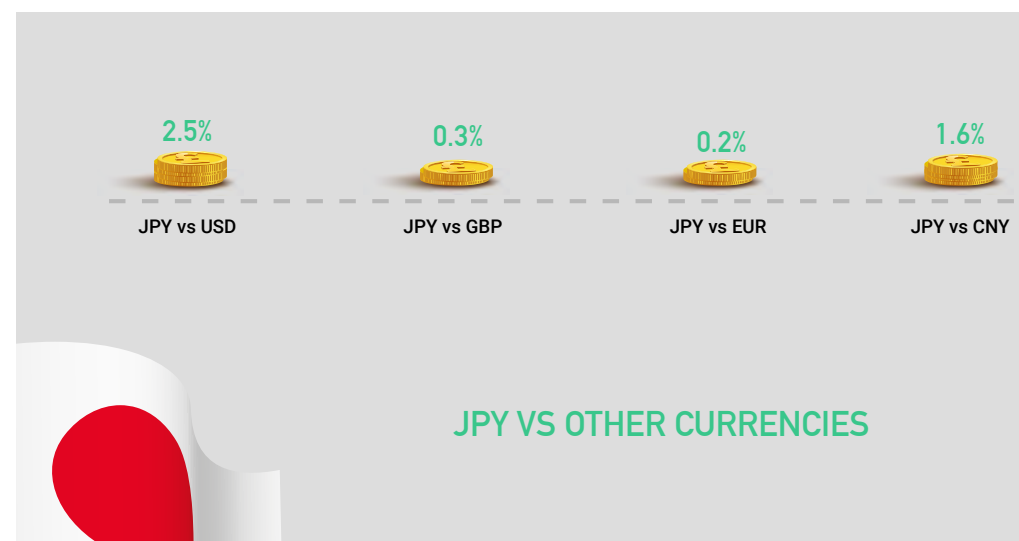
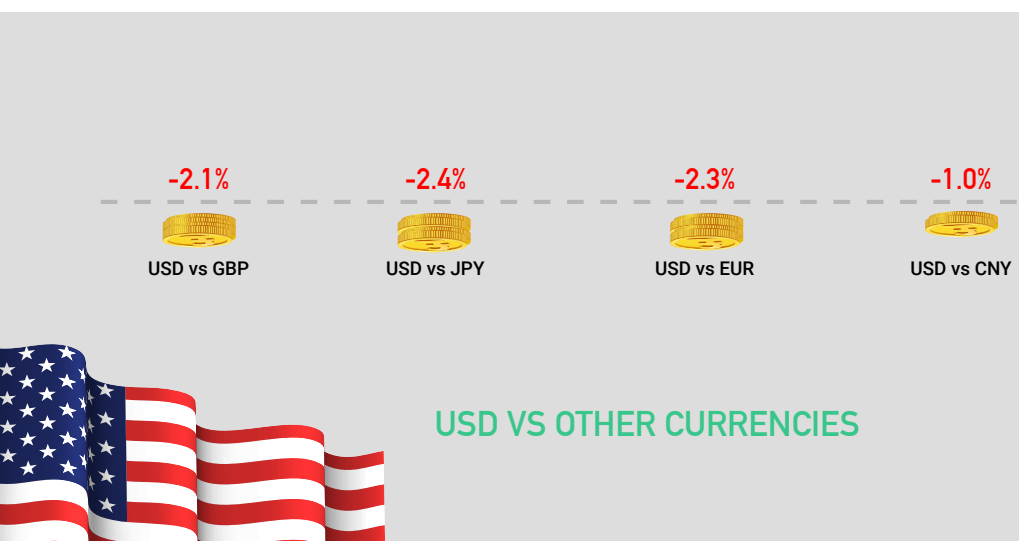
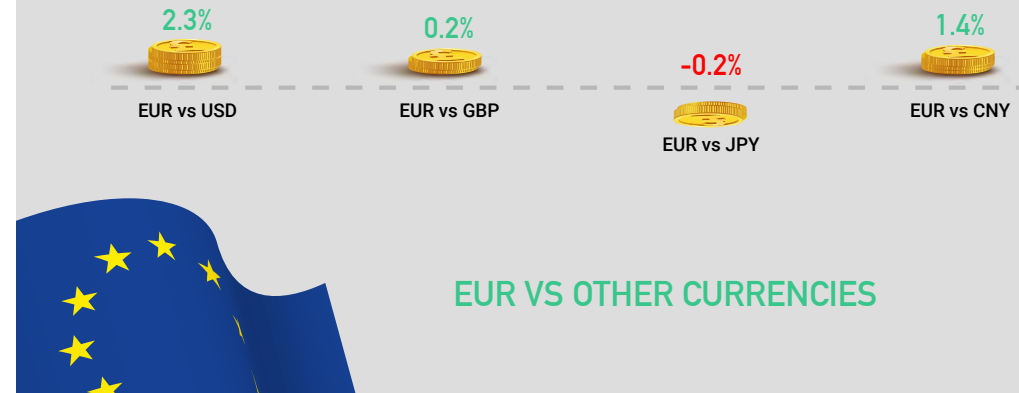
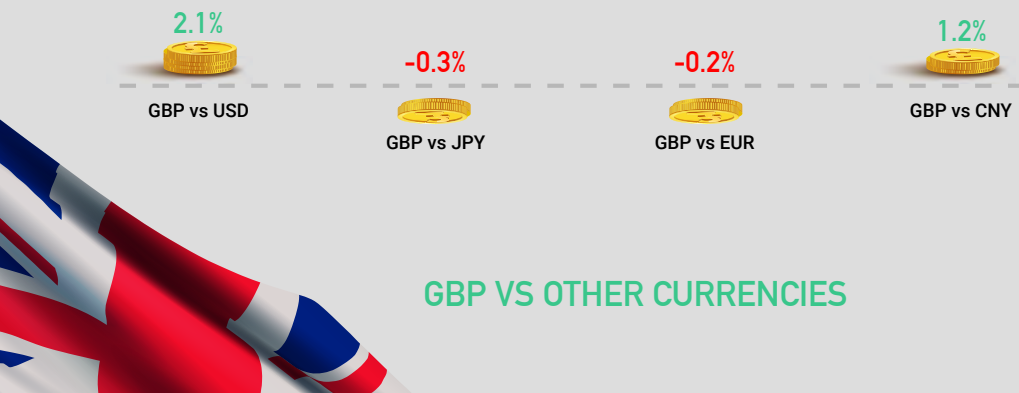
## Key Points

- Developed equities gained across the board in August, led by Japan and the US, while Europe and the UK had more modest gains. In emerging markets, China significantly outperformed India.
- US equities advanced for the fourth consecutive month in August, with small caps and gold miners particularly strong. A continuation of the strong earnings season and reasonably robust economic data saw the S&P500 hit a new all-time high.
- The UK also hit a new all-time high, but domestic sentiment was subdued, with the more domestically focused FTSE250 in negative territory.
- Rising bond yields and French political risk eroded some of Europe's early month gains.

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# CURRENCIES



## Key Points

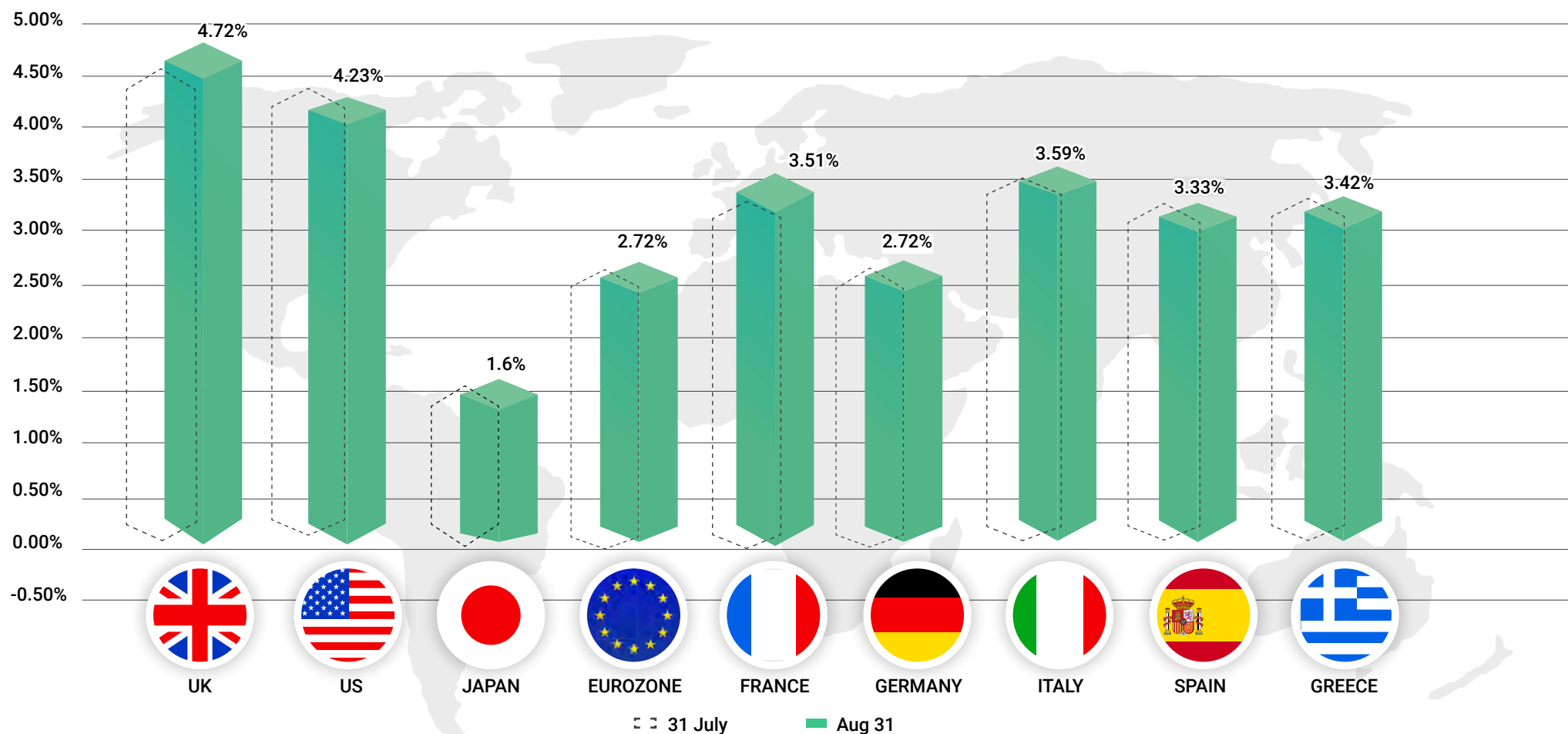
- The US dollar index fell -2.2% over the month and was particularly weak at the start of the month, reacting to a poor Non-Farm Payrolls jobs report.
- Sterling rose against the US dollar, moving up from US\$1.323 to close the month at US\$1.351. Against both the euro and the yen, it was broadly unchanged.

- The yen strengthened against the weak US dollar, finishing the month at 147 yen. There was minimal movement against either sterling or the euro.
- It was the same story with the euro, strong versus the US dollar, broadly unchanged elsewhere. In Asia, after several months of sustained strength, the Taiwanese dollar was noticeably weak.

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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

- Bonds overall were positive for the month, but this masked a huge variance in outcomes across the fixed interest space. High yield, corporate credit, and short duration sovereign were positive, but many long duration sovereign yields rose.
- UK gilts were weak, similar to the previous month. Inflation rose and was worse than expected, causing markets to cut back on rate cut expectations. Concerns over the fiscal situation saw the 30-year gilt yield hit 5.60% at month end, the highest since May 1998.
- Euro government bond yields rose steadily over the month, with French 10-yr yields closing at 3.51%. Political jitters and concerns over the inability of the French government to tackle the large budget deficit unnerved investors.
- US treasuries were caught between two conflicting emotions. Short duration treasury yields fell sharply, as weaker non-farm data offered scope for rate cuts, but 30-year yields reacted badly to mounting tension between the White House and the Federal Reserve.
- High yield and investment-grade corporate credit markets were again positive, particularly high yield. Resilient corporate fundamentals and positive investor sentiment combined to provide a healthy backdrop.

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# GLOSSARY OF TERMS

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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