



October 2025

Market Commentary

Equity markets were again strong in September to make for a notably positive quarter and to continue the momentum of the year overall, which reflected encouraging prospects as well as a sense that investors feared missing out or were becoming a little complacent. The optimism is based on continued reductions in interest rates if inflation does moderate, on the expectation of resilient global economic growth and on robust company profits, although the forecasts for earnings growth are moderating, such that there might be a degree of volatility. The political landscape has been particularly busy.

The economic outlook has remained broadly encouraging, if certainly mixed. The US labour market has slowed significantly with only 22,000 new jobs created in August and with a further net loss of 12,000 manufacturing jobs in spite of the administration's encouragement of domestic production, which will take time to evolve. Statisticians struggled as the Bureau of Labour Statistics reported that it had miscalculated and that there had been 911,000 fewer jobs created in the year to end March than it had estimated. The full impact of President Trump's tariff broadsides has yet to become clear, particularly with the 50% levy on India's exports and 35% on Canada, while the suspension of retaliatory tariffs with China expires on 10th November. Even before that China's exports to the US were down by a third in August, if offset by increases elsewhere. Governments have been reluctant to cut back on their spending and there remained some concern over the level of debt across many developed nations, while the US readied for a government lock-down as Congress could not agree on a budget. There remained also a challenge on productivity, in the UK especially as that might limit economic growth and so the government's room for manoeuvre in the November budget, while Mario Draghi lamented that the European Union had done little to improve competitiveness following his insightful report a year before.

In the US the consumer price index (CPI) in August was at an annualised level of 2.9%, up from 2.7% in July; the key Personal Consumption Expenditure (PCE) price index rose by 2.7% on the prior year, up from 2.6% in the previous month, with the core rate also a little higher at 2.9%. In the UK the CPI was unchanged at 3.8% in August when food price inflation increased further to 5.1% from 4.9% in July. In the eurozone the headline rate of consumer price inflation in August was 2%, unchanged on the previous two months. In Japan the annual rate of inflation eased further to 2.7% in August from 3.1% in July, which was the lowest reading since October 2024. Deflation returned in China with a drop of 0.4% in the CPI reading.

The US Federal Reserve cut its interest rate for the first time in 2025, by twenty-five basis points to a new range of 4-4.25%, with the swiftly-appointed Trump nominee Stephen Miran calling for a fifty basis point reduction. The consensus in the central bank was that there would be two further cuts in the coming months, given the cooling in the labour market and the limited

threat of higher, more persistent inflation. The Bank of England held its interest rate at 4% with voting on the Monetary Policy Committee showing a 5:4 majority, reflecting the conflicting pressures of a subdued economy and the stubborn rate of inflation. The European Central Bank is seen to be at the end of its rate-cutting cycle with the current level at 2%. The Bank of Japan opted to keep its rate on hold at 0.5% for now and there was a rare dissenting minority of two who favoured an increase; the central bank also opted to start the sale of \$250bn of ETFs, which the bank governor Kazuo Ueda said might take a century to complete.

President Trump hailed his peace-making skills in a long speech at the United Nations; he made a second state visit to the UK, deplored the shooting dead of the conservative broadcaster Charlie Kirk, lauded free speech, won more money in a libel case and pressed for the revoking of broadcasting licences for ABC and NBC. Russian aircraft intruded into NATO countries and the attacks on Ukraine continued with a disdain for any discussions of a ceasefire, while Russia held its Zapad war games in Belarus and interfered again in the elections in Moldova, which the pro-EU party won nonetheless. The conflict in the Middle East included an attack on Qatar if also a peace proposal that Hamas was under pressure to consider, while Pakistan and Saudi Arabia signed a pact on mutual defence and there were continued jihadist acts of terrorism in Africa. In Japan Shigeru Ishiba finally resigned as leader of the Liberal Democrats following the party's electoral set-backs, with his successor due to be appointed in October as prime minister, the fifth in five years. In France François Bayrou lost a confidence vote as expected in the National Assembly and President Emmanuel Macron proposed in his place another ally, Sébastien Lecornu, who will face a similar struggle over the high level of debt as the fifth prime minister in two years. The UK government had to dismiss the deputy prime minister and its ambassador to the US. Norway's Labour party won a further term in an election in which the far-right Progress party doubled its seats while its German equivalent, the AfD, made progress as expected in local elections in North Rhine-Westphalia, coming third with an increase in its share of the vote from 5% to 14.5%. The former French president Nicolas Sarkozy was jailed for five years for criminal conspiracy over funding from Libya and the former Brazilian president Jair Bolsonaro was sentenced to twenty-seven years in prison for plotting a coup d'état. In Argentina Javier Milei struggled politically and received an economic lifeline from the US. Nepal saw the appointment of its first female prime minister, Sushila Karki, the country's chief justice, as demanded by youthful protestors following serious unrest, while Indonesia and then Madagascar also saw violent protests.

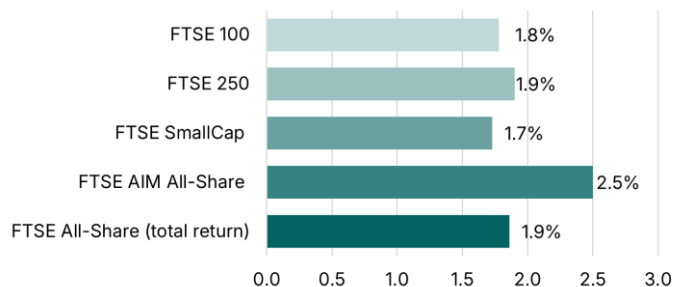
The excitement over artificial intelligence and the high spending on it was a feature; Nvidia looked to invest \$100bn in OpenAI and announced a partnership with Alibaba, boosting the latter's shares in Hong Kong. Corporate profits have seen increases to forecasts that appear to be moderating while valuations are broadly higher.



United Kingdom

The FTSE 100 index was up by 1.8% over the month to 9350 while the FTSE 250 index of mid-sized companies and the FTSE SmallCap index saw rises of 1.9% and 1.7% respectively; the FTSE AIM All-Share index rose by 2.5%.

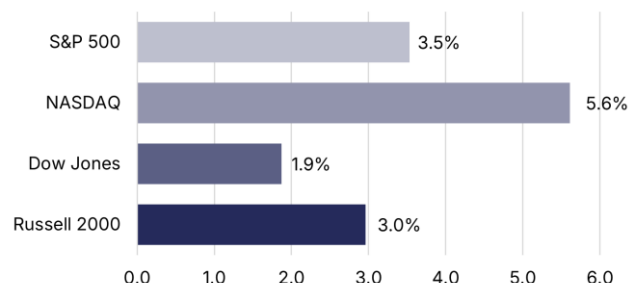
The total return for the FTSE All-Share index, including income, was 1.9% in the period.



United States

In the US the S&P 500 index was up by 3.5% in the month, the technology-oriented NASDAQ index rose by 5.6% and the Dow Jones Industrials index gained by 1.9%.

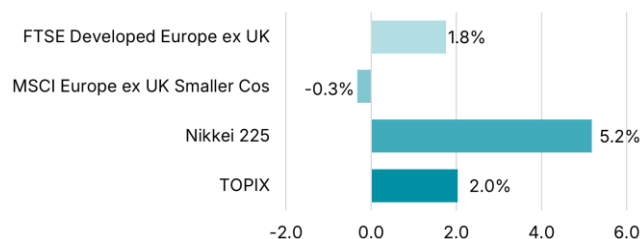
The Russell 2000 index of smaller companies was up 3%.



Europe & Japan

The FTSE Developed Europe ex UK index was up by 1.8% over the month, when the Spanish market did best although there was a further small decline in the German index. The MSCI Europe ex UK Smaller Companies Index was also down again, by 0.3%.

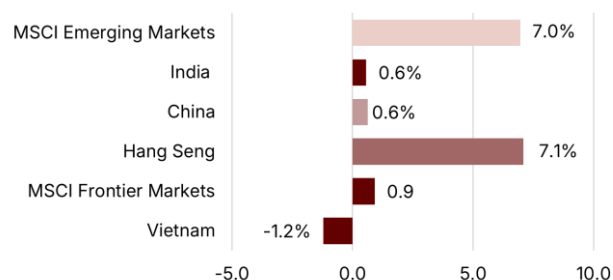
In Japan the Nikkei 225 index was up by 5.2% and the TOPIX index by a more modest 2% in the period.



Emerging Markets

The MSCI Emerging Markets index in US\$ rose by a strong 7% in the month, helped by gains of 7.5% in Korea, 7.2% in Mexico and 3.4% in Brazil; the Indian market was more subdued with a rise of 0.6% and the Shanghai index was up by 0.6%, while the Hang Seng index in Hong Kong gained 7.1%.

The MSCI Frontier Markets index was 0.9% higher although the Vietnamese market fell back by 1.2%.

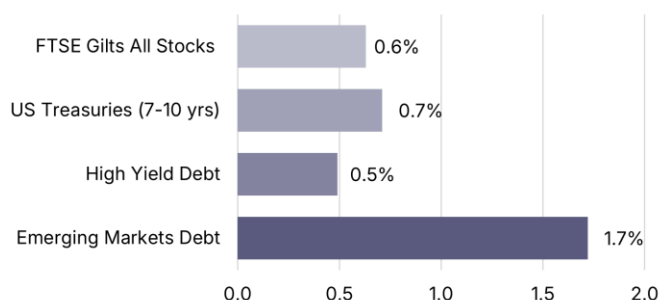




Bond Markets

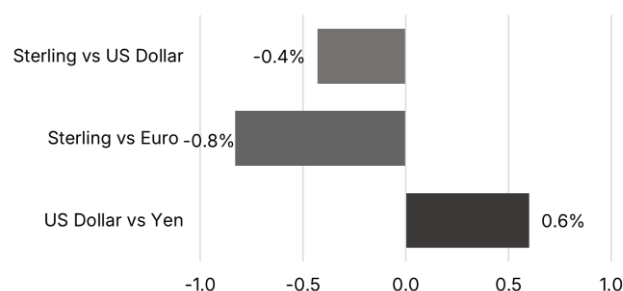
In bond markets the UK 10-year gilt yield was little changed at 4.70% from 4.72% and the total return for the FTSE Gilts All Stocks index in the month was 0.6%. In Germany too the 10-year bund yield was little changed at 2.71% from 2.72% while in the US the ten-year yield was down further to 4.15% from 4.23%.

There were positive returns in the major bond markets including index-linked gilts in the UK, with emerging market debt again performing well.



Currencies

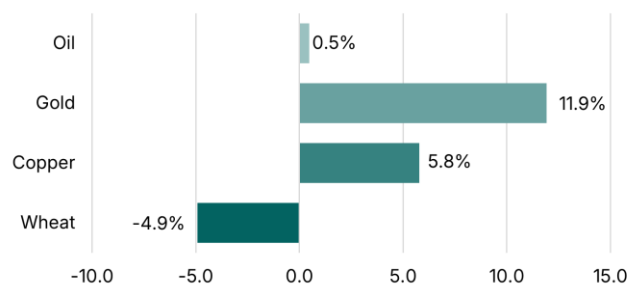
Sterling was down by 0.4% against the US\$ in the month, ending at a rate of \$1.34:£, while against the euro Sterling was 0.8% lower to end at a rate of €1.15:£. The US\$ was up by 0.6% against the Japanese yen to a level of ¥148:\$.



Commodities

The price of Brent crude oil ended the month up by 0.5% at a level of \$68 per barrel. The price of gold rose by a striking 11.9% to \$3859 per troy ounce and the shares of gold miners soared.

The main metals were all higher in the month, with the bellwether copper up by 5.8%, and the main agricultural commodities were all lower, with wheat down by 4.9%.



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