



## Market Commentary

**Equity markets mostly maintained their momentum in October and bond markets remained resilient, although gold eventually lost some of its lustre after a strong run. Investors took comfort in the potential of a trade deal between the US and China to ease global tensions while the US central bank made a further interest rate reduction even as the rate of inflation proved sticky. The excitement in the technology sector continued with high expectations for artificial intelligence reflected in lofty valuations that might yet prove vulnerable and lead to some volatility.**

The economic outlook has seemed broadly encouraging, if mixed with the weakness in the US labour market a particular feature and with pressure on government finances that might limit the fiscal largesse many have shown. The US government shut-down added to the uncertainty with limited apparent prospect of a resolution in a deeply-divided political arena; the pay for active military personnel was covered mid-month via a raid on research budgets. The trade disputes continued with China restricting further the exports of rare earths and President Trump briefly threatening a tariff of 100% on China, which rattled markets; he relented and proceeded with his meeting with President Xi of China at the APEC summit in South Korea, which he hailed as a success over fentanyl, soya beans and rare earths. The plenum meeting of the key Chinese Central Committee announced a new five-year plan with an emphasis on advanced manufacturing; growth in the third quarter was reported at 4.8% over 2024, the slowest in a year. The eurozone economy exceeded expectations with expansion in the period at a more modest 0.3%. In the UK economic growth has also been subdued if positive; retail sales grew by 0.6% in September instead of the expected decline although the unemployment rate for the three months to August was at 4.8%, the highest for four years. Revised assumptions on low productivity and increased borrowing (the near £100bn taken on this year is the highest since the pandemic) will be factors that make the Budget on 26<sup>th</sup> November one that will need to increase tax revenues and limit spending.

In the UK the consumer price index (CPI) was unchanged at 3.8% in September for the third month in a row, which was better than forecast; supermarket discounting has eased the pressure on food prices. In the US the CPI was at an annualised level of 3%, up from 2.9% in August and the highest rate in 2025, although the core rate was down to 3%. In the eurozone the headline rate of consumer price inflation in September was up to 2.2% from the 2% level in the previous three months. In Japan the annual rate of inflation rose to 2.9% from 2.7% in August. Producer prices in China were lower by 2.3% in September on the prior year, continuing the downward trend.

The US Federal Reserve cut its interest rate again as widely expected, by twenty-five basis points to a new range of 3.75-4%; the chairman Jerome Powell suggested that there might be no change at the next meeting in December given an improved outlook for growth, although the five candidates announced on the list to replace him all favour further cuts. The European Central Bank held rates at 2% for the third meeting in a row. The Bank of England rate is at 4% for now, with expectations of a further cut by the end of the year, and the Bank of Japan rate is at 0.5%.

Russian attacks on Ukraine continued, targeting energy infrastructure ahead of the winter, while the US sanctions on the largest Russian oil producers, Rosneft and Lukoil, might impact revenues. A peace plan for Gaza came into effect, although the ceasefire proved fragile. In Japan Sanae Takaichi was confirmed as the new prime minister: the Liberal Democratic Party agreed a coalition with the Osaka-based Japan Innovation Party and she secured the appointment with 237 seats out of 465 in the lower house. Her new cabinet included the first female finance minister, Satsuki Katayama, and markets were stronger in anticipation of structural reforms and extra stimulus. In France the prime minister Sébastien Lecornu resigned after just 27 days in office but resumed his role four days later and made concessions on pension reforms intended to tackle the country's budget deficit. In Argentina Xavier Milei was bolstered by the success of his party in mid-term elections, helped by the economic support from the US. The Generation Z protests which had brought down leaders in Nepal and Madagascar featured in Peru, where the newly-appointed president José Jeri had limited support. President Trump endorsed the AUKUS programme for Australia to receive a fleet of US nuclear submarines to counter the threat from China and signed a deal on rare earths.

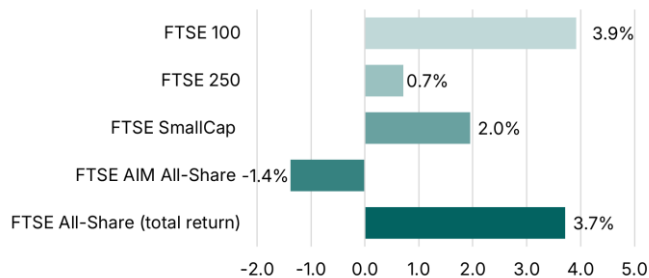
The excitement over artificial intelligence and the related heavy expenditure persisted. OpenAI signed a deal with another chip-maker, AMD, in which it plans to take a 10% stake and then with Broadcom; the firm has announced approx. \$1trn of deals to secure some 20 gigawatts of computing capacity while its capacity to finance this expansion is unproven. Nvidia, another manufacturer, passed \$5trn in market value. In the US earnings season the early indications were that more companies than usual were beating forecasts, which would seem to be needed to justify valuations that are well above long-term averages; European results also were ahead of estimates overall. The price of gold had reached historic highs, adjusted for inflation too, helped by the uncertainty over the US budget before seeing a sharp correction of a tenth. The disclosure of fraud at two US regional banks, Zions and Western Alliance, proved a concern.



### United Kingdom

The FTSE 100 index was up by 3.9% over the month to 9717 while the FTSE 250 index of mid-sized companies and the FTSE SmallCap index saw rises of 0.7% and 2% respectively; the FTSE AIM All-Share index was down by 1.4%.

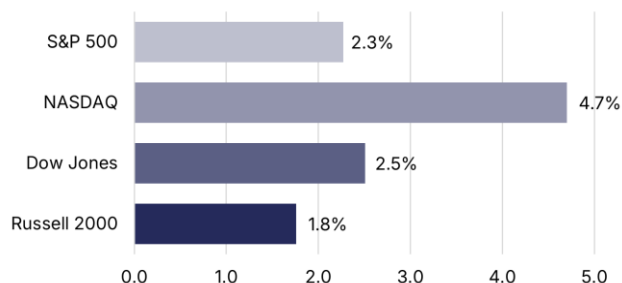
The total return for the FTSE All-Share index, including income, was 3.7% in the period.



### United States

In the US the S&P 500 index was up by 2.3% in the month, although an equal-weighted version was down; the technology-oriented NASDAQ index rose by 4.7% and the Dow Jones Industrials index gained by 2.5%.

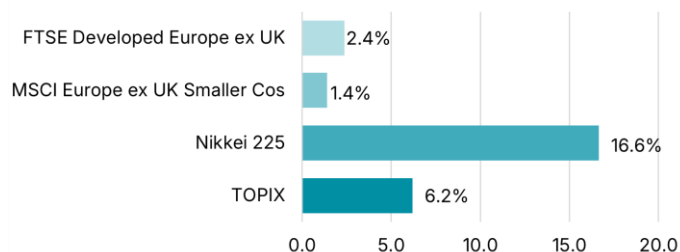
The Russell 2000 index of smaller companies was up by 1.8%.



### Europe & Japan

The FTSE Developed Europe ex UK index was up by 2.4% over the month, when the Spanish and French markets were stronger than those in Italy and Germany. The MSCI Europe ex UK Smaller Companies Index rose by 1.4%.

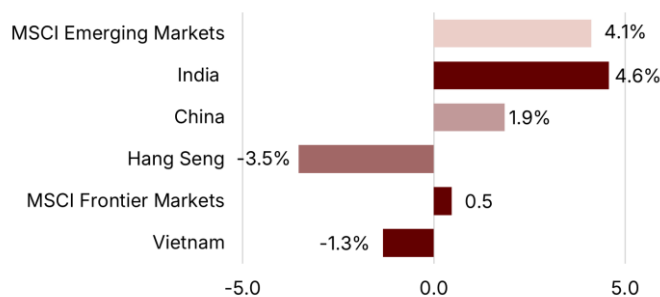
In Japan the Nikkei 225 index was up by a striking 16.6% and the TOPIX index by a more modest 6.2% in the period.



### Emerging Markets

The MSCI Emerging Markets index in US\$ rose by 4.1% in the month, helped by gains of 20% in Korea, AI-led, and 4.6% in India although the Mexican market was down; the Shanghai index was up by 1.9% while the Hang Seng index in Hong Kong fell 3.5%.

The MSCI Frontier Markets index was 0.5% higher although the Vietnamese market was off by 1.3%.

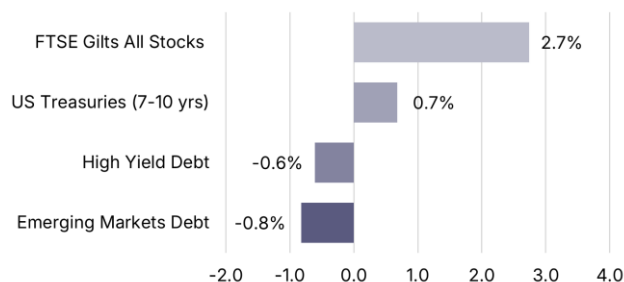




### Bond Markets

In bond markets the UK 10-year gilt yield was down from 4.70% to 4.41% and the total return for the FTSE Gilts All Stocks index in the month was 2.7%. In Germany the 10-year bund yield moved from 2.71% to 2.63% while in the US the ten-year yield was also lower at 4.08% from 4.15%.

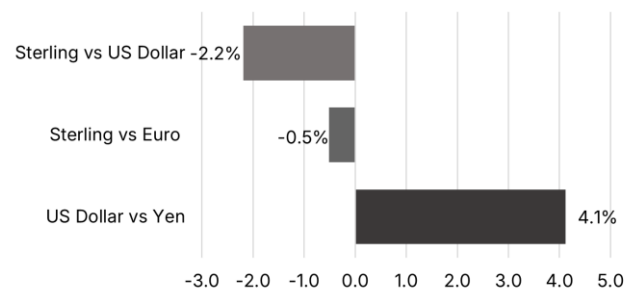
There were mixed returns in the major bond markets with index-linked gilts in the UK strong and high yield debt down.



### Currencies

Sterling was down by 2.2% against the US\$ in the month, ending at a rate of \$1.32:£, while against the euro Sterling was 0.5% lower to end at a rate of €1.14:£.

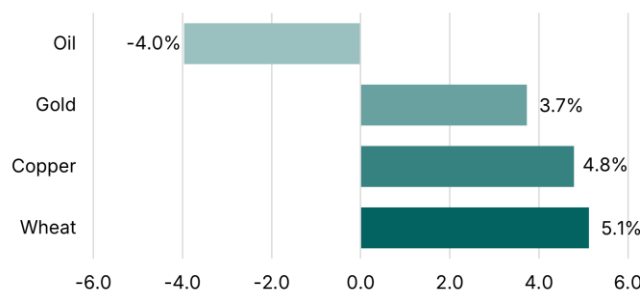
The US\$ was up by 4.1% at ¥154:\$ against the Japanese yen, which anticipated the expected approach of the new government.



### Commodities

The price of Brent crude oil eventually ended the month down by 4% at a level of \$65 per barrel. The price of gold still ended the month up by 3.7% at \$4003 per troy ounce, if below the high.

The main metals were mostly higher in the month, with the bellwether copper up by 4.8%, and the main agricultural commodities were mixed, with wheat up by 5.1%.



**IMPORTANT NOTICE:** Vintage Asset Management Limited (VAM) is registered in England and Wales under number 06694183 and its registered office is at: 7a Wyndham Place, London W1H 1PN. Vintage Asset Management is authorised and regulated by the Financial Conduct Authority, FCA number 489408. This document has been prepared for information purposes only and is not a solicitation or an offer to buy or sell any security. It does not purport to be a complete description of our investment policy, markets or any securities referred to in the material. The information on which the document is based is deemed to be reliable, but we have not independently verified such information and we do not guarantee its accuracy or completeness. You may not recover what you invest. Changes in exchange rates may have an adverse effect on the value, price or income of foreign currency denominated securities. The level of yield actually achieved on your investment will be dependent on the tax treatment of the product you have invested in and your personal tax circumstances. Levels and bases of taxation can change, investments or investment services referred to may not be suitable for all recipients. Real portfolio performance may vary from model performance due to the timing of investment. This factsheet does not provide individually tailored advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities discussed in this factsheet may not be suitable for all investors. VAM recommends that investors independently evaluate particular investments and strategies and encourages investors to seek the advice of a financial advisor. The appropriateness of a particular strategy will depend on an investor's individual circumstances and objectives.

