globalmatters

momentum
global investment management

Global Matters | Viewpoint

Market review & outlook

September 2025

BLUESTAR AMG

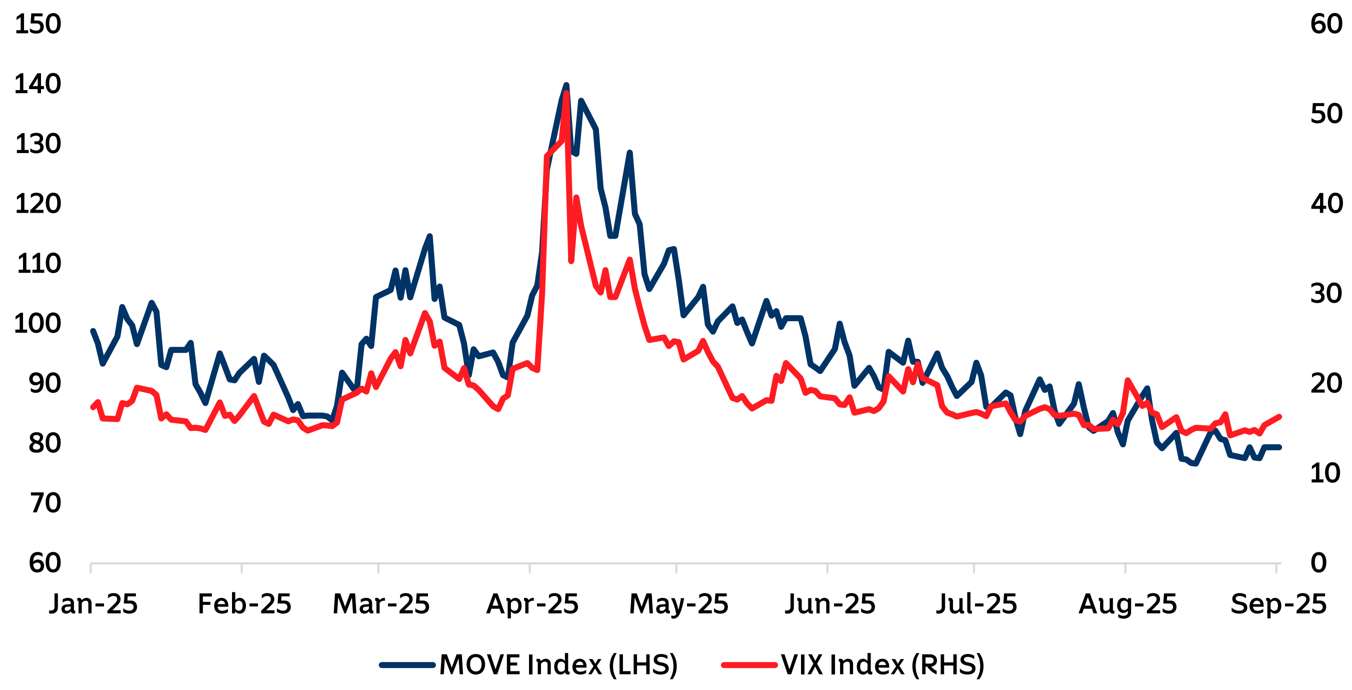
Stewards of your investment **success**

Contents

Global market review & outlook

The benign markets of July continued into August, with financial conditions remaining accommodating, reflected in historically tight credit spreads and low levels of volatility, the MOVE and VIX indices of bond and equity market volatility bumping along lows for the year. Global developed world equities returned 2.6% in August and global government bonds 1.4%, in USD terms. The US market returned 2.0%, with the S&P 500 index reaching new all-time highs, but was notable for a broadening out of returns. Megacap tech stocks underperformed slightly (Mag 7 index +1.4%) as investors questioned returns from their huge AI-driven investments, whereas the Russell 2000 index of small cap stocks returned 7%, taking it close to its all-time high of November 2024. There were also notable gains in Japan, the Topix index +4.5% in yen terms, and China, MSCI China index +4.9%, taking its return over 3 months to 14%, well ahead of developed markets. The more domestically focussed Chinese mainland index of 'A' shares, CSI 300, was considerably stronger, +10.3% in August, responding to further moves by the authorities to support the beleaguered property development industry. In contrast, European markets were subdued, MSCI Europe ex-UK +1.1% and MSCI UK +1.5%, both in local currency terms. After a storming start to the year, Europe ex-UK has been flat over the past 3 months.

Market volatility falls to lows for the year



Source: Bloomberg Finance L.P., as at 29 August 2025

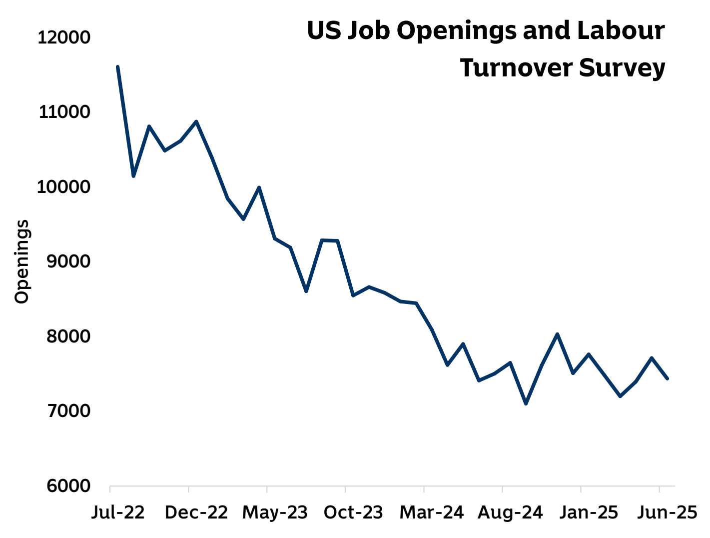
Following a strong month in July, the US dollar lost ground again in August, with the euro, sterling and yen all up by close to 2.5%, boosting returns of non-US markets measured in dollar terms. Dollar weakness was a factor in helping to push gold to new highs, with a gain of 4.8% in the month.

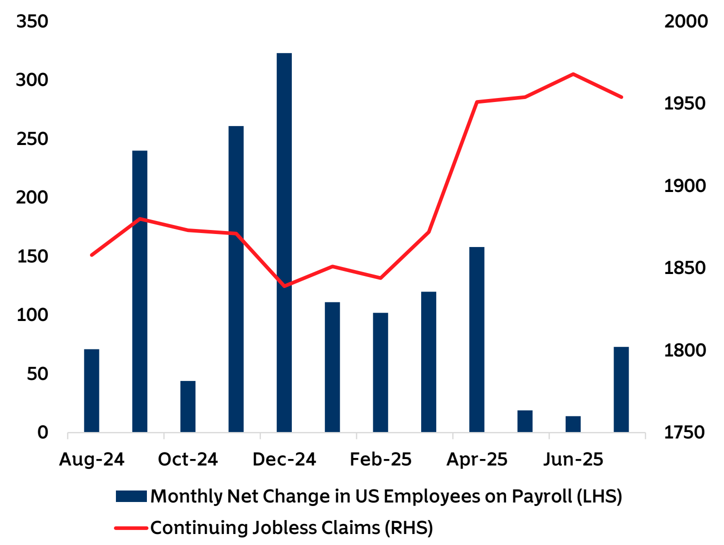
Markets were supported by broadly resilient economic data in the US and elsewhere, inflation remained within expected levels, and the Fed signalled a dovish shift with the likelihood of rate cuts ahead when Chair Powell at his annual Jackson Hole address noted that 'downside risks to employment' were rising and a 'shifting balance of risks may warrant adjusting our policy stance'. Market expectations have moved significantly and are building in two cuts of 25bps by the end of this year and a further three by the end of 2026, taking the Fed Funds rate down to 3%.

Also supporting markets was the Q2 earnings results season in the US, with over 80% of S&P 500 companies reporting earnings above consensus according to FactSet.

However, there was a growing sense of investor unease as the month progressed. Although most key tariff deals have been concluded, and the US-China trade truce has been extended by a further 90 days, suggesting that a deal can ultimately be concluded, there remains considerable uncertainty about where the costs of the tariffs will ultimately fall, and their impact on growth and inflation. Labour market data in the US showed signs of softening, with nonfarm payrolls slowing sharply in July, along with sizeable downward revisions for May and June; job vacancies declined, and continuing jobless claims have risen significantly since April. Inflation indicators suggest there is some flow through of tariffs into prices, with the ISM manufacturing prices paid index pointing to price pressures, reflected also in the sharpest monthly rise in the Producer Price index, 0.9% mom, in three years. Core PCE inflation, closely watched by the Fed, has moved up from 2.6% in April to 2.9% in July.

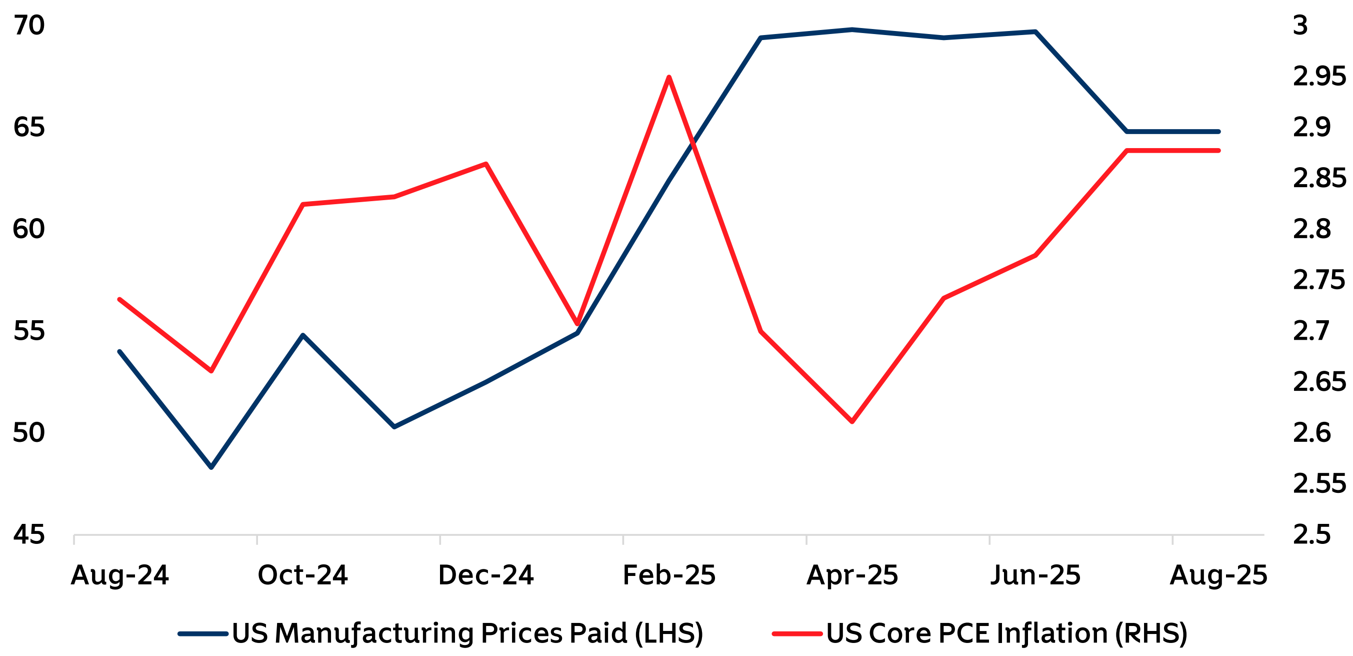
US jobs market softening





Source: Bloomberg Finance L.P., as at 29 August 2025

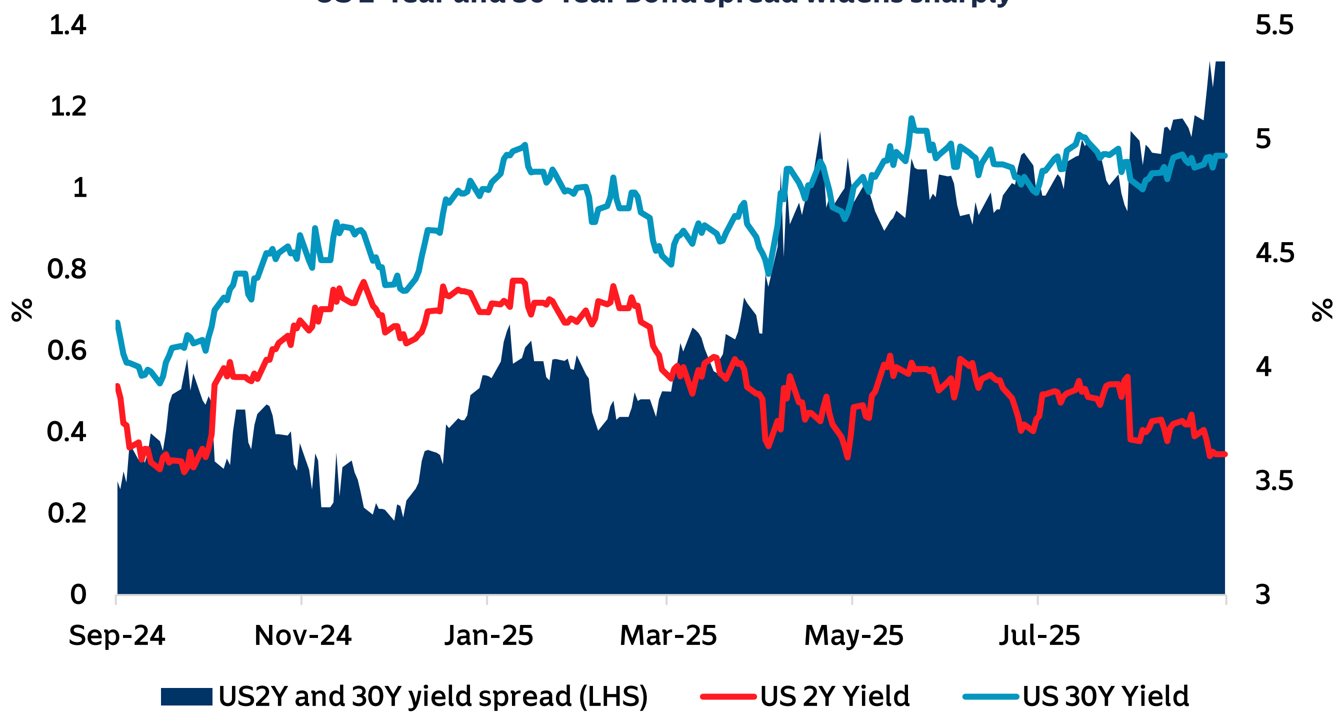
Some signs of tariffs impacting on inflation



Concerns were also raised by the increasing pressure that the Trump administration is placing on the Fed to cut rates, heightened by Trump's dismissal of Fed governor Cook, a Biden appointee, for alleged mortgage fraud. Although the dismissal is being challenged in the courts, investors are becoming increasingly nervous that the Fed's independence will be permanently compromised, and monetary policy would become politically influenced – with inflationary implications.

After a strong Q2, with GDP growth of 3.3% 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 and taxes should ensure a soft landing. However, worries about inflation, along with rising concerns about fiscal sustainability and continuing huge issuance of government debt, resulted in a significant steepening in the yield curve: the spread between 2-Y and 30-Y Treasury bonds has moved from 0.28% a year ago to 1.31% at the end of August, with 37bps of that move in the past month.

US 2-Year and 30-Year Bond spread widens sharply



Source of all charts: Bloomberg Finance L.P., as at 29 August 2025

The US was not the only source of investor unease. Fiscal concerns continued to build in the UK and France, both of which are living beyond their means, suffering from low growth, bloated public spending and unsustainable fiscal deficits, but seemingly without the political capital or will to cut spending, resulting in a vicious circle of tax rises dampening growth, adding to inflationary pressures and worsening the debt problem.

Because of its fiscal deficit of 5.5% of GDP, France is already subject to a Eurozone excessive debt procedure. In an attempt to push through fiscal reforms, French PM Bayrou called a no confidence vote in his government for 8 September, a vote which he is widely expected to lose, so a leaderless and paralysed stalemate is likely to continue. French bond yields are now higher than those of Greece, Portugal and Spain, and very close to Italian bonds.

In the UK the market's confidence in government policy is weakening after U-turns on welfare spending cuts and the effects of last year's massive tax rises now showing through in lower growth, higher inflation, and a worsening debt position. The UK, like France, does not face a solvency crisis but is increasingly exposed to event risk triggering sharp further rises in bond yields (the 30-Y government bond yield has already risen to a 27-year high of 5.6%) and a fall in the pound. The Bank of England cut policy rates by 25bps in August, but accompanied it with a hawkish statement as it struggles with an inflation rate forecast to reach 4% this year and an economy with particularly weak productivity growth, especially in the public sector.

The combination of uncertainty around the impact of tariffs, weaker growth but still sticky inflation, debt sustainability in several major economies, and fragmented geopolitics overhanging markets, comes when valuations of equity markets have risen significantly after the strong rally since early April, in some cases to levels which require continuing strong earnings growth to be justified. With bond yields rising, and the risk of further rises ahead, a period of consolidation is likely, and a degree of caution is called for shorter term. But the economic damage from tariffs will become clearer in the months ahead, and a resumption of rate cuts in the US, together with the rapidly evolving impact of AI on productivity, will help to underpin markets. We therefore remain constructive about markets in the medium term, albeit with a degree of caution and patience in the short term.

"Tariffs may bite in the months ahead, but US rate cuts and AI-driven productivity gains will help underpin markets"

Market performance - Global as at 29 August 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	2.0%	9.5%	10.5%	15.4%
United Kingdom	MSCI UK NR	GBP	1.5%	5.7%	15.6%	13.1%
Continental Europe	MSCI Europe ex UK NR	EUR	1.1%	-0.1%	10.7%	6.3%
Japan	Topix TR	JPY	4.5%	9.9%	12.0%*	16.2%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	1.5%	9.5%	18.3%	17.2%
Global	MSCI World NR	USD	2.6%	8.4%	13.8%	15.7%
Emerging Markets Equities						
Emerging Europe	MSCI EM Europe NR	USD	0.8%	12.0%	41.3%	31.4%
Emerging Asia	MSCI EM Asia NR	USD	0.7%	9.7%	17.6%	17.0%
Emerging Latin America	MSCI EM Latin America NR	USD	8.2%	9.7%	34.3%	13.1%
BRICs	MSCI BRIC NR	USD	2.6%	6.9%	17.3%	18.4%
China	MSCI China NR	USD	4.9%	14.1%	29.0%	47.6%
Global emerging markets	MSCI Emerging Markets NR	USD	1.3%	9.5%	19.0%	16.8%
Bonds						
US Treasuries	JP Morgan United States Government Bond TR	USD	1.0%	1.9%	4.4%	2.4%
US Treasuries (inflation protected)	BBgBarc US Government Inflation Linked TR	USD	1.5%	2.6%	6.2%	4.7%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	1.0%	3.0%	5.3%	3.9%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	1.3%	3.6%	6.4%	8.3%
UK Gilts	JP Morgan UK Government Bond TR	GBP	-1.0%	0.1%	1.1%	-2.3%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	-0.4%	1.5%	3.4%	3.3%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.4%	-0.9%	-0.1%	1.0%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	0.0%	0.8%	2.4%	4.5%
Euro High Yield	BBgBarc European HY 3% Constrained TR	EUR	0.2%	1.8%	4.1%	7.0%
Japanese Government	JP Morgan Japan Government Bond TR	JPY	-0.3%	-0.9%	-4.1%	-5.1%
Australian Government	JP Morgan Australia GBI TR	AUD	0.3%	0.8%	3.8%	3.3%
Global Government Bonds	JP Morgan Global GBI	USD	1.4%	1.1%	6.5%	1.8%
Global Bonds	ICE BofAML Global Broad Market	USD	1.5%	1.9%	7.3%	3.2%
Global Convertible Bonds	ICE BofAML Global Convertibles	USD	2.6%	8.6%	15.9%	20.5%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	USD	1.6%	5.0%	8.8%	9.2%

Asset Class / Region	Index	Ccy	1 month	3 months	YTD	12 months
Property						
US Property Securities	MSCI US REIT NR	USD	4.4%	2.7%	2.8%	-1.4%
Australian Property Securities	S&P/ASX 200 A-REIT Index TR	AUD	4.1%	8.2%	12.0%	10.9%
Asia Property Securities	S&P Asia Property 40 Index NR	USD	0.8%	5.4%	18.4%*	8.2%
Global Property Securities	S&P Global Property USD TR	USD	4.1%	4.9%	10.4%	4.5%
Currencies						
Euro		USD	2.4%	3.0%	12.9%	5.8%
UK Pound Sterling		USD	2.2%	0.3%	7.9%	2.9%
Japanese Yen		USD	2.5%	-2.1%	6.9%	-0.6%
Australian Dollar		USD	1.8%	1.7%	5.7%	-3.3%
South African Rand		USD	3.2%	2.0%	6.7%	0.9%
Commodities & Alternatives						
Commodities	RICI TR	USD	0.2%	5.9%	3.8%	7.5%
Agricultural Commodities	RICI Agriculture TR	USD	3.1%	0.3%	-1.7%	2.1%
Oil	Brent Crude Oil	USD	-6.1%	6.6%	-8.7%	-13.6%
Gold	Gold Spot	USD	4.8%	4.8%	31.4%	37.7%

Interest Rates	Current Rate
United States	4.50%
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 29 August 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	1.5%	5.7%	15.6%	13.1%
UK - Large Cap	MSCI UK Large Cap NR	GBP	1.6%	6.3%	16.9%	14.6%
UK - Mid Cap	MSCI UK Mid Cap NR	GBP	0.7%	2.3%	6.1%	2.7%
UK - Small Cap	MSCI Small Cap NR	GBP	-1.8%	1.3%	9.0%	5.5%
United States	S&P 500 NR	USD	-0.2%	9.1%	2.4%	12.1%
Continental Europe	MSCI Europe ex UK NR	EUR	1.4%	2.7%	16.0%	9.3%
Japan	Topix TR	JPY	4.9%	7.3%	11.2%*	12.4%
Asia Pacific (ex Japan)	MSCI AC Asia Pacific ex Japan NR	USD	-0.7%	9.2%	9.6%	13.8%
Global developed markets	MSCI World NR	USD	0.4%	8.0%	5.4%	12.3%
Global emerging markets	MSCI Emerging Markets NR	USD	-0.9%	9.1%	10.3%	13.4%
Bonds						
Gilts - All	ICE BofAML UK Gilt TR	GBP	-1.1%	0.1%	1.0%	-2.5%
Gilts - Under 5 years	ICE BofAML UK Gilt TR 0-5 years	GBP	0.1%	1.1%	3.5%	4.1%
Gilts - 5 to 15 years	ICE BofAML UK Gilt TR 5-15 years	GBP	-0.7%	0.8%	2.6%	-0.4%
Gilts - Over 15 years	ICE BofAML UK Gilt TR 15+ years	GBP	-2.7%	-1.8%	-3.4%	-10.9%
Index Linked Gilts - All	ICE BofAML UK Gilt Inflation-Linked TR	GBP	-2.6%	-0.3%	-3.7%	-9.7%
Index Linked Gilts - 5 to 15 years	ICE BofAML UK Gilt Inflation-Linked TR 5-15 years	GBP	-1.3%	1.2%	-0.2%	-3.4%
Index Linked Gilts - Over 15 years	ICE BofAML UK Gilt Inflation-Linked TR 15+ years	GBP	-5.0%	-2.7%	-9.5%	-19.2%
UK Corporate (investment grade)	ICE BofAML Sterling Non-Gilt TR	GBP	-0.4%	1.5%	3.4%	3.3%
US Treasuries	JP Morgan US Government Bond TR	USD	-1.0%	1.7%	-3.3%	-0.4%
US Corporate (investment grade)	BBgBarc US Corporate Investment Grade TR	USD	-1.1%	2.8%	-2.4%	1.1%
US High Yield	BBgBarc US High Yield 2% Issuer Cap TR	USD	1.3%	3.6%	6.4%	8.3%
Euro Government Bonds	ICE BofAML Euro Government TR	EUR	-0.4%	-0.9%	-0.1%	1.0%
Euro Corporate (investment grade)	BBgBarc Euro Aggregate Corporate TR	EUR	0.0%	0.8%	2.4%	4.5%
Euro High Yield	BBgBarc European High Yield 3% Constrained TR	EUR	0.2%	1.8%	4.1%	7.0%
Global Government Bonds	JP Morgan Global GBI	GBP	-0.7%	0.8%	-1.3%	-1.1%
Global Bonds	ICE BofAML Global Broad Market	GBP	1.5%	1.9%	7.3%	3.2%
Global Convertible Bonds	ICE BofAML Global Convertibles	GBP	2.6%	8.6%	15.9%	20.5%
Emerging Market Bonds	JP Morgan EMBI+ (Hard currency)	GBP	-0.6%	4.7%	0.9%	6.1%

Asset Class / Region	Index	Local Ccy	1 month	3 months	YTD	12 months
Property						
Global Property Securities	S&P Global Property TR	GBP	1.9%	4.5%	2.3%	1.5%
Currencies						
Euro		GBP	0.1%	2.7%	4.6%	2.9%
US Dollar		GBP	-2.2%	-0.3%	-7.3%	-2.8%
Japanese Yen		GBP	0.3%	-2.4%	-0.9%	-3.4%
Commodities & Alternatives						
Commodities	Rogers International Commodity (RICI) TR	GBP	-2.0%	5.5%	-3.8%	4.4%
Agricultural Commodities	Rogers International Commodity (RICI) Agriculture TR	GBP	0.9%	0.0%	-8.9%	-0.9%
Oil	Brent Crude Oil	GBP	-8.1%	6.2%	-15.4%	-16.0%
Gold	Gold Spot	GBP	2.6%	4.5%	21.8%	33.8%
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	---	--	-	/	+	++	+++

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	---	--	-	/	+	++	+++
SPECIALIST ASSETS/ALTERNATIVES	▲/▼/–							
Global Listed Property	–				■			
Global Listed Infrastructure	–			■				
Specialist Assets	–						■	
Liquid Alternatives	–		■					
Gold	–				■			

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

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

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

For more information, please contact:
Our Distribution Services team

E: distributionservices@momentum.co.uk
T: +44 (0)207 618 1829