

## October Market Overview

Markets finished October on a very positive tone with global stocks up 4.5% and global bonds up a little over 2%. The US remained a leader with Japan briefly hitting an all time high of 51,000 on the index. Europe's political instability ensured the market remained relatively flat over the month but did manage to break an all time high intra month. On a wider lens, Octobers finish brings the years performance to just under 13% for stocks and just over 2% for bonds which, certainly in the context of client returns puts 2025 up there as one of the best years to be a mainstream investor. October a spike in volatility which the market hadn't seen since the lows of April coming from the supposed breakdown in trade talks with China in which investors feared a resurgent tariff war would upend the strong rally YTD. October also saw the Federal Reserve cutting the US interest rate which, again was positive for markets but not hugely as the cut was well flagged and largely priced in.

Gold remained volatile in October as the price slid off its record rally nearly into a technical correction (down 10% from a high) Whilst this did spark some panic in the market, October's performance of the yellow metal was still positive which is testament to its rally performance prior to the drawdown.

## Portfolio Positioning

The Income model range captured the broad market strength in line with TAM's other investment ranges. Investments into the US S&P500 continued to deliver with Emerging market positions also contributing positively for clients as well as clipping an outsized yield from the region helping to deliver on the mandate of capital growth and income. Absolute gains were also seen from income focused global investments which speaks to a broadening out of the global rally to the benefit of the income range which has a natural tilt towards global investments focusing on yield generation. To that end, TAM's global income funds were also able to contribute positively to Octobers performance.

Bonds investments focused more on high yield and emerging market positioning which continues to deliver for clients in absolute terms. Octobers performance in the bond region was hampered by a rallying dollar which much of the income range has hedged out. Regardless, we see this area of the portfolios as a strong long term performer.

We see the income ranges global positioning continuing to be the right place to be invested as increasing pressure builds on the US market to continue to deliver stellar results. Given this we remain content with the income positioning into the holiday period.

## December Market Outlook

Looking forward, we are focusing on the volatility spike in October as a potential "canary in the coal mine" for the remaining months of 2025. Whilst we are encouraged the market shook off the spike in volatility and economically, global growth looks in good shape and investors continue to invest heavily into equities. We do see the resurgence of volatility as emblematic of investors heading into Christmas notably more nervous around the lofty valuations of the US tech and AI trade which continues to power forward. Given this, we expect to see more volatility spikes in the coming months as the end of the US government shutdown, which we think is coming, will unblock a large volume of market moving economic data as well as a US banking system which continues to see cashflow drying up.

On bonds, we see the potential of another cut to the US interest rate, but much will depend on the US government opening up and providing much needed macro data to inform the FED's next decision. Likewise, the UK's impending budget will heavily influence the trajectory of UK rate cuts pre-Christmas. Should the US government shutdown continue we envisage no further cuts in 2025 as a precautionary measure rather than cutting without any supporting evidence of the need to do so. We see this as the immediate challenge for the bond market to navigate.

Overall, the market into yearend remains strong and investor sentiment remains in good health and certainly good enough to continue to drive the market forward with AI at the center of the rally.

*"We do see the emergence of volatility being emblematic of investors who are positive, but undoubtedly nervous around the lofty valuations of the US tech which continues to power forward. Given this, we expect to see a positive market but one with more volatility spikes in the coming months and have positioned more defensively to account for this"*



**James Penny**

Chief Investment Officer

james.penny@tamassetmanagement.com