

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, October's finish brings the year's 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 saw 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 Enhanced Passive models continued to capture momentum within AI-related equities, supported by resilient earnings and sustained capex in data infrastructure. Over 75% of S&P 500 companies beat earnings expectations, underscoring the strength of US corporates despite higher tariffs and geopolitical headwinds as trade tensions with China grew. Portfolio performance was further lifted by emerging market exposure, as moderating inflation and increased policy support from China, through targeted fiscal measures and selective credit easing, helped stabilise sentiment. Latin American markets also advanced on the back of stronger commodity prices, broadening the strength across EM. In the UK, earnings revisions turned positive for the first time in several quarters, driven by stronger bank profitability and improved cash flows in energy names as oil prices stabilised.

Sovereign debt, gained modestly as easing US inflation data strengthened expectations of further Fed rate cuts, pushing treasury yields lower and prices higher. Should global assets continue to power ahead, the Enhanced Passive

range remains well exposure across top-performing segments, ensuring participation in a globally constructive market backdrop.

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.

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