# Monthly Market Update

## September 2025

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"Markets gained in August as easing inflation, strong company results, and expectations of interest-rate cuts boosted investor confidence."


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## August 2025 Commentary

Global equity markets advanced in August, supported by easing inflationary pressures, resilient corporate earnings, and increased expectations of interest rate reductions from major central banks. Developed markets outperformed their emerging market counterparts over the month, while fixed income markets were mixed, with performance varying across regions.

### United Kingdom

FTSE All Share: 0.92%

UK equities posted modest gains in August, with strength in telecommunications, basic materials, and energy offset by weakness in technology. Large-cap stocks (FTSE 100) outperformed mid-caps (FTSE 250). The Bank of England (BoE) reduced its base rate to 4.0%, although the decision was not unanimous, reflecting divisions within the Monetary Policy Committee. Inflation surprised to the upside, with July's reading at 3.8%, limiting the scope for rapid further policy easing. The combination of resilient activity data and persistent inflationary pressures suggests that the BoE will continue to move cautiously.

## United States

S&P 500: -0.10%

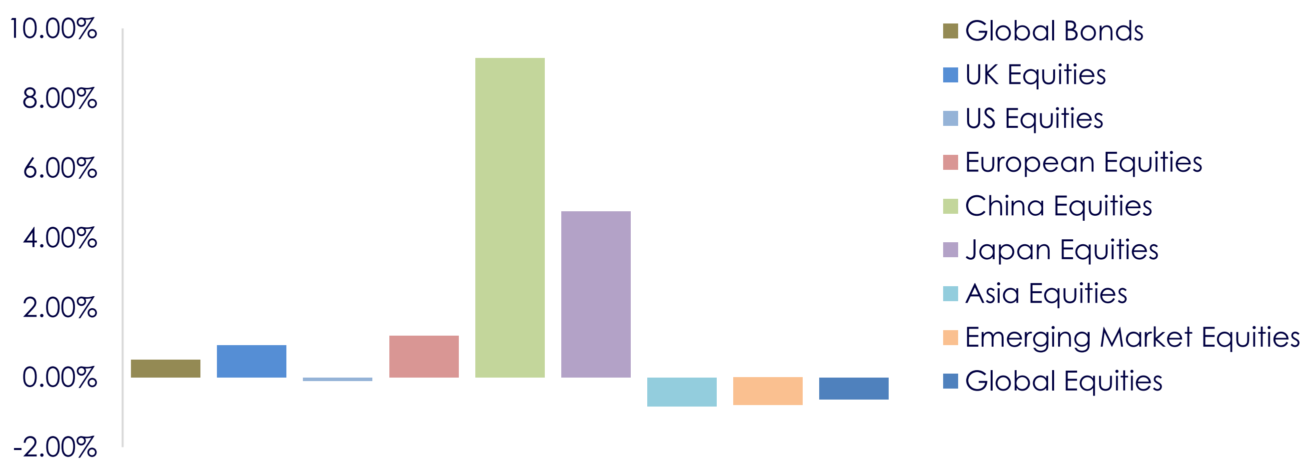
US equities advanced over the month despite labour market data showing slower employment growth and decreasing payroll figures. Investor sentiment improved following dovish commentary from Federal Reserve officials, including Chair Jerome Powell, which increased the probability of near-term policy easing. Sector performance was mixed: materials and healthcare outperformed, while information technology lagged amid reports highlighting execution challenges in early-stage artificial intelligence projects. Broader economic data remained supportive, with Q2 GDP revised upwards to 3.3%, even as core inflation moderated.

## Japan

MSCI Japan: 4.76%

Japanese equities led gains among developed markets in August, with both the TOPIX and Nikkei indices recording strong advances. Investor sentiment was buoyed by expectations of US rate cuts, which supported global risk appetite. Domestic data also proved supportive, with Q2 GDP returning to growth and inflation moderating. Corporate results were generally robust, with demand linked to artificial intelligence and data centre infrastructure providing additional momentum. The combination of improving economic momentum, moderate inflation, and shareholder-friendly corporate practices helped underpin market performance.

Discrete Monthly Performance as at 31/08/2025




## Europe

FTSE Developed Europe ex UK: 1.19%

Eurozone equities delivered moderate gains in August. Energy and consumer discretionary sectors performed strongly, while industrials and information technology lagged. Survey data signalled a modest pickup in activity, with PMI readings moving above 50, indicating expansion. Political concerns, particularly regarding French government stability, contributed to market caution. Sovereign bond yields moved higher as policymakers signalled less urgency to implement further rate reductions, tempering investor optimism.

## China

CSI 300: 9.16%

Chinese equities outperformed broader emerging markets, supported by progress in trade negotiations with the US, including an additional pause in tariff implementation. Domestic policy measures aimed at curbing destructive competition also contributed positively to sentiment. Nevertheless, underlying economic data remained mixed, with inflation subdued and growth momentum reliant on targeted policy support. As in recent months, investor focus continues to be on the effectiveness of stimulus measures in fostering sustainable growth.

### Emerging Markets

MSCI Emerging Markets: -0.79%

Emerging market equities delivered positive returns in local currency terms but once converted into sterling, posted a negative return. Latin American markets, including Colombia, Chile, Brazil, and Peru, recorded notable gains, while Taiwan, India, and several Middle Eastern markets lagged due to local economic and policy factors. Currency movements influenced outcomes, with strength in certain local currencies, such as the Brazilian real and South African rand, proving supportive, while higher US tariffs and capital outflows weighed on others. The asset class remains diverse, with performance continuing to be shaped by local economic data, currency dynamics, and geopolitical risks.

### Global Bonds

Bloomberg Barclays Global Agg: 0.50%

Global bond market performance was mixed. Short-dated US Treasuries benefited from weaker labour market data, which prompted markets to price in earlier policy easing by the Federal Reserve. Longer-dated Treasuries, however, were constrained by ongoing fiscal concerns and rising long-term yield expectations. In Europe and the UK, government bond yields rose as central banks signalled a reduced urgency for further rate cuts, while fiscal plans added additional pressure. Corporate bonds generally proved more resilient, supported by solid earnings and improving credit fundamentals.

***All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.***

## Cumulative Performance and Annualised Volatility as at 31/08/2025

| | 1 Year % | 3 Years % | 5 Years % | Volatility %2 |
|---|---|---|---|---|
| Global Bonds | 7.24 | 46.76 | 77.85 | 11.79 |
| UK Equities | 11.16 | 35.50 | 67.27 | 10.35 |
| US Equities | 5.81 | 49.97 | 90.29 | 13.27 |
| European Equities | 9.11 | 45.02 | 57.82 | 12.09 |
| Japan Equities | 9.33 | -21.18 | -5.19 | 20.15 |
| Asia Equities | 5.05 | 34.90 | 37.20 | 10.70 |
| China Equities | 4.47 | 26.57 | 52.35 | 14.88 |
| Emerging Market Equities | 6.35 | 17.00 | 25.32 | 12.48 |
| Global Equities | 0.46 | -3.88 | 28.94 | 4.91 |

Data source FE Analytics 31/08.2025. Indices used: Global Bonds: Boomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), China: CSI 300, Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.