

Monthly Markets Update

30 September 2025



FUTURE PLANNING

- Equity markets recovering
- Focus on earnings growth outweighing geopolitical risks
- UK bonds remain under pressure



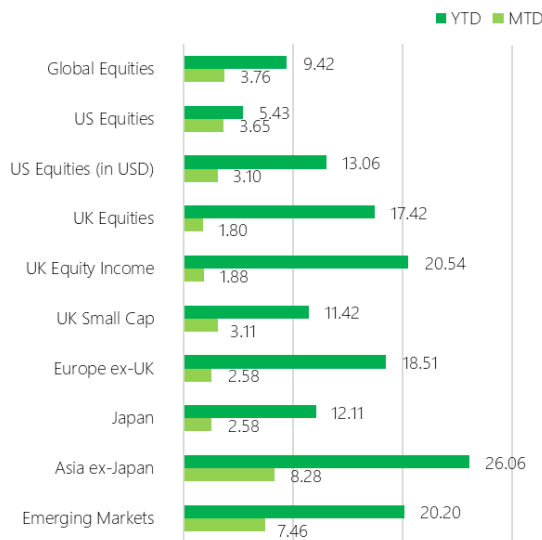
Key points

1. Global equity markets continued their recovery, as US equities hit new highs on AI productivity expectations, earnings resilience and US rate cut expectations. Non-US markets also delivered strong returns.
2. The focus on the potential for productivity gains from the AI revolution and resulting earnings growth has powered equities higher, outweighing the multiple geopolitical risk factors.
3. UK longer-dated bonds remain under pressure caught between downside risks to growth, upside risks to inflation and the UK's fiscal position.

Equities

Global Equities closed the month +3.76%. US equities were up +3.65%, UK equities gained +1.80%. Asia ex-Japan and Emerging Markets equities were top performers, returning +8.28% and +7.46% MTD respectively all in GBP terms.

Equities performance (GBP) as at 30-Sep-25

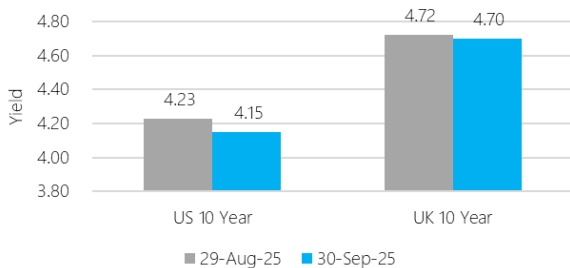


*Elston Indices

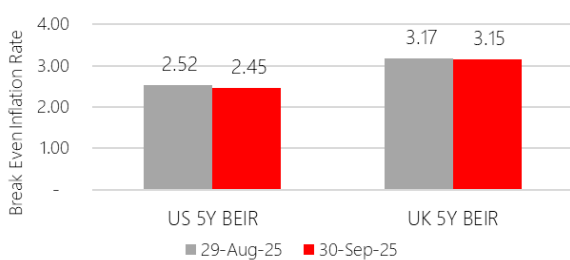
Bonds

UK 10-year Gilt yields decreased from 4.72% to 4.70%. US 10-year Treasury yields decreased from 4.23% to 4.15%. 5Y UK BEIR decreased from 3.17% to 3.15%. Within bonds, UK Inflation-linked and EM USD debt were top performers, returning +2.98% and +2.26% MTD respectively.

US & UK 10Y Govt Bond Yields

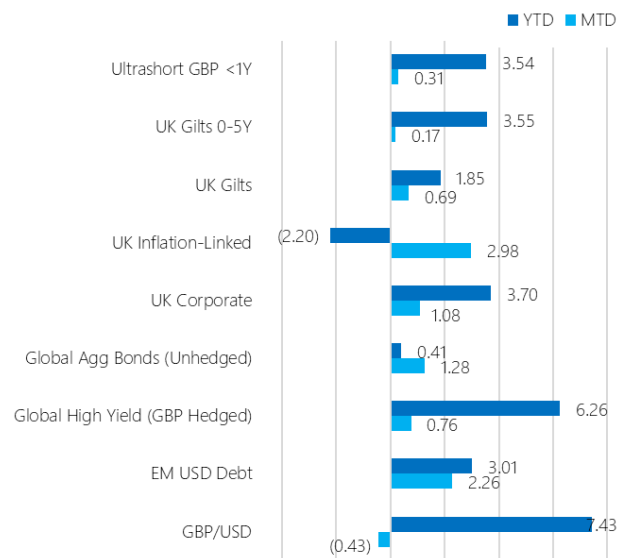


US & UK 5Y Breakeven Inflation Rates



Source: Elston research, Bloomberg data

Bonds performance (GBP) as at 30-Sep-25



Alternatives

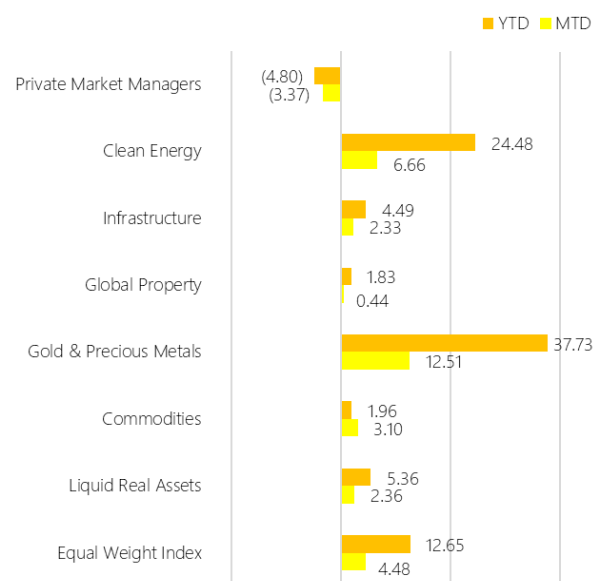
Alternative Assets: Gold and Precious Metals rose +12.51% MTD. Commodities were up +3.10%. Private Market Managers decreased -3.37%, and global Property securities increased +0.44%.

Alternative Strategies, an Equal Weight 4-asset index strategy was up +4.48% for the month.

Currency

Sterling weakened against the Dollar (-0.43% MTD). £1 buys \$1.3446.

Alternatives performance (GBP) as at 30-Sep-25



*Elston Indices

Month in review

We summarise key drivers and data points in the last month for markets, the economy and geopolitics.

Markets

EQUITIES

Global Equities

Global equity markets rose by +3.76% in September, with all regional equities posting positive returns. Emerging Markets (+7.46% MTD) and Asia ex-Japan (+8.28% MTD) outperformed, lifted by a Chinese equity rally.

US Equities

US equities posted a fifth consecutive monthly gain, rising +3.10% in USD terms, and +3.65% in GBP terms due to slightly weaker sterling. Despite a softening labour market, gains were supported by strong US GDP data and optimism around expanded AI infrastructure investment.

UK Equities

UK equities were up +1.80% MTD. The FTSE 100 was muted during the month but joined the broader global equity rally in late September, reaching a new high of 9,350.43 by the month end.

BONDS

UK Bonds

The UK 10-year gilt yield closed the month slightly lower at 4.70%, after touching 4.80% earlier in the period. The 30-year gilt yield also reached a high of 5.69%. Rising long-term yields have been driven by concerns over the sustainability of government debt and a reduction in demand for long dated bonds. The Bank of England held rates steady and slowed its quantitative tightening program to £70 billion per year.

The 5-year UK Break-Even Inflation Rate (BEIR) - a market-based measure of expected inflation - fell from 3.17% to 3.15% by month-end.

Global Bonds

Global Bonds (unhedged) rose +1.28%, supported by falling bond yields and a strengthening US dollar.

ALTERNATIVES

Gold rose to \$3,858.96/oz, reaching a new all-time high on safe-haven demand driven by geopolitical tensions and sustained buying by emerging market central banks.

CURRENCIES

Sterling retreated from recent highs in September, sliding from 1.3504 to 1.3446 against the dollar this month.

Economy

Growth

The final estimate of US economic growth for 2q25 was revised up to +3.80%yy, from a prior estimate of +3.30%yy. The upward revision was driven by decreased imports and increased consumer spending.

UK Quarterly GDP grew +1.40%yy in 2q25, from +1.7%yy in 1q25, and vs +1.2%yy estimates. UK Monthly GDP grew +1.4%yy in July from +1.4%yy June and vs +1.5%yy estimates. Public spending has been a key driver of GDP growth, offsetting private sector weakness.

Inflation

US inflation (CPI) accelerated to +2.9%yy in August from +2.7%yy in July. US Core PCE (the Fed's preferred inflation measure) remained at +3.1%yy, in line with estimates.

UK headline CPI remained at a elevated +3.8% yy in August, driven by food prices and rising housing costs, while Core CPI fell slightly to 3.6%. There is growing concern around stagnating growth and persistent inflation ("stagflation").

Rates

The Fed cut interest rates by 25bps, despite the unemployment rate being low, and inflation remaining above target. Chair Powell described the decision as "risk management." The dot plot revealed significant dispersion, with one member calling for 125bps of cuts by year-end while others expect just two more cuts. BoE left rates unchanged and slowed Quantitative Tightening ("QT", the sale back to the market of Bonds it bought during the financial crisis) to £70bn per year from £100bn, requiring £29bn in active bond sales, with 20% in long-dated bonds.

Geopolitics

China: China hosted leaders from Russia, India, and North Korea at the Shanghai Cooperation Organization (SCO) summit. China continues to call for a multipolar world and an alternative global system to counter the US-led order. Russia locked in long-term energy deals, tightening energy ties within this bloc.

Russia-Ukraine: Ukrainian drones have intensified attacks on Russian oil refineries, logistics hubs, and military-industrial sites. NATO protested after Russian aircraft were reported to breach Estonian airspace, and Russian drones passed over Poland. Russia denies the reports.

Middle East: Israel resumed attacks in Gaza after a brief August pause. In early September, Israel conducted an airstrike in Doha, Qatar, targeting Hamas's political leadership. US President Trump and Israeli Prime Minister Benjamin Netanyahu announced a 20-point peace plan proposing an immediate ceasefire and Gaza's demilitarisation. The UK, Australia, Canada, and France formally recognised the State of Palestine.



Bottom Line

September 2025 saw excitement at the prospect of the AI revolution, earnings growth, and expanding valuation multiples outweigh the geopolitical risks of conflict. This combined with the prospect of declining US interest rates have powered equity markets to new all-time highs. For the bond markets, ironically, the US Treasury's growing income from tariffs is helping keep their debt funding forecasts under control. In the UK by contrast, there remain growing concerns around long-term debt sustainability. The risks of currency weakness and debt devaluation is one of the factors driving alternative liquid real assets such as Gold to new all-time highs despite the "risk off" sentiment of markets at present.

What does this mean for portfolios?

While portfolios should have clear long-run strategic allocation to match a given risk profile, adapting portfolios to align to changing market and economic conditions can help mitigate near- to medium-term risks and help navigate the markets.

Getting in touch

If you would like to find out more or discuss any of the above, please contact your financial adviser.

Disclaimer

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Notice

Investments carry risk. The value of your investment (and any income from them) can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investments should be considered over the longer term and should fit in with your overall attitude to risk and financial circumstances.



Contact us

For more information, please contact your financial adviser.

NOTICE

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