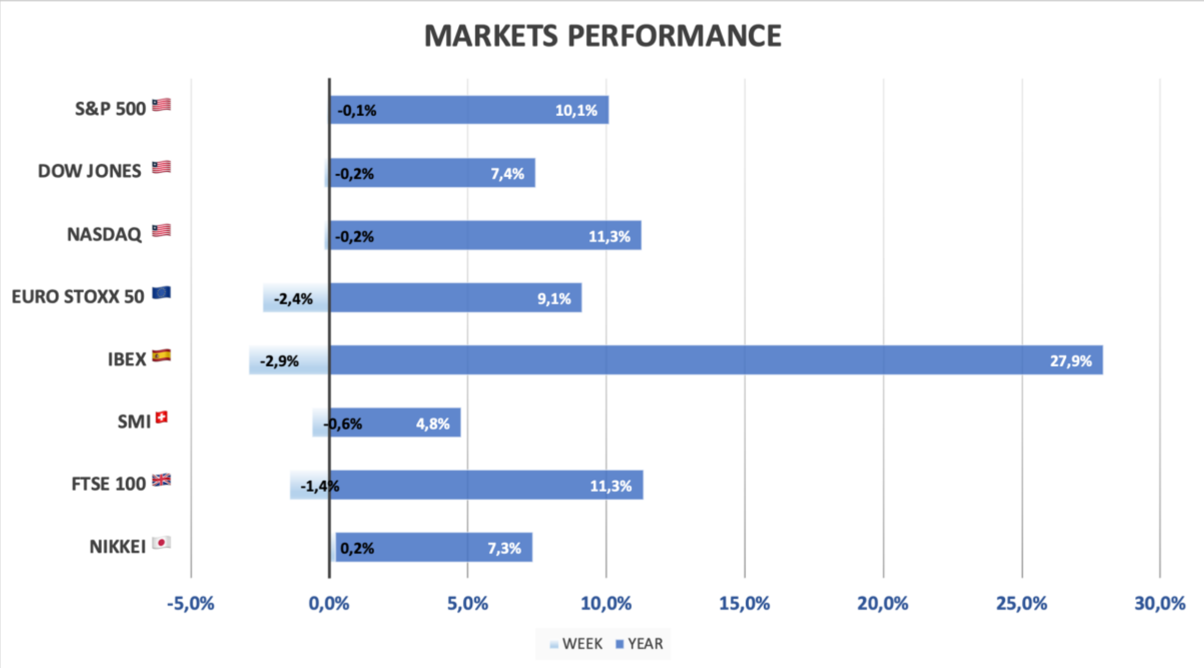
Global markets weekly update

01.09.2025



U.S.

- The major U.S. stock indexes finished modestly lower for the week after the market's initial gains were offset by a Friday pullback entering the holiday weekend (U.S. markets are closed Monday, September 1, in observance of the Labor Day holiday). The S&P 500 on Thursday closed above the 6'500 level for the first time, but it fell back below that threshold the next day.
- Much of the attention was focused on Nvidia's earnings release after the market closed on Wednesday. The company reported results that generally beat consensus estimates, easing some recent concerns around the artificial intelligence-driven rally that has helped push indexes to all-time highs this year.
- The July Personal Consumption Expenditures index, the Fed's preferred gauge for tracking inflation, showed that overall prices rose by 2.6% over the past year, meeting economists' forecasts and matching the prior month's results. The closely followed core PCE inflation reading (excluding volatile food and energy costs) ticked slightly higher from the prior month to 2.9%.
- The in-line inflation reading comes as Fed officials evaluate whether to lower interest rates at its upcoming meeting on Sept. 16-17. Jerome Powell opened the door to a rate cut during a speech last week, pointing to weakness in the job market. Traders priced in an 87% chance that the Fed will cut rates at its next meeting, according to the CME Group's FedWatch tool.

- The U.S. economy expanded in the second quarter at 3.3%, up from a 3.0% estimate released a month earlier. That growth marks a reversal after the first quarter's slight GDP contraction. Recent results had been influenced by a surge in imports ahead of elevated tariffs.
- The Consumer Confidence Index slipped in the U.S. in August 2025, falling to 97.4 from 98.7 in July, according to The Conference Board report. This decline was driven by heightened consumer concerns about the labor market and personal income prospects, with fears of tariffs and their impact on prices also a significant factor.
- The price of gold futures rose for the second week in a row and reached a record high of USD 3'518 per ounce in Friday afternoon trading, up more than 31% year to date.

Europe

- The Eurostoxx 600 ended the week 1.99% slower amid worries about the independence of the U.S. Fed. Renewed tariff uncertainty, political instability in France, and fading hopes of peace between Russia and Ukraine also weighed on sentiment. Major countries' stock indexes fell as well. France's CAC 40 Index dropped 3.33%, Italy's FTSE MIB lost 2.57%, and Germany's DAX declined 1.89%. The UK's FTSE 100 Index weakened 1.44%.
- ECB minutes show split over inflation outlook. Several members argued that risks were tilted to the downside at least for the next two years, citing weaker growth prospects, the impact of U.S. tariffs, and a strong euro. However early inflation data from major eurozone economies added to the case for no change in the ECB's monetary policy next month. Headline inflation is forecast to be 2.1% higher than in August 2024, a slight increase from July's 2% year over year. Core inflation is expected to be 2.5% higher year over year in August, above July's reading of 2%.

Japan

- Japan's stock markets ended the week mixed, with the Nikkei 225 Index gaining 0,20% and the broader TOPIX Index down 0.83%, weighed down by continuing trade uncertainties and concerns about the independence of the Fed. The yen was little changed, trading around JPY 146 against the USD. The yield on the 10-year Japanese government bond rose to 1.61%. Expectations have risen that the Bank of Japan is expected to hike short-term interest rates, reinforced by data that showed inflation in Tokyo remained above the BoJ's 2% target and an unexpected drop in unemployment. Core consumer prices in Tokyo registered 2.5% growth year over year in August, but the pace of growth slowed for a third consecutive month. The unemployment rate dropped more than expected in July to 2.3%, the lowest level since December 2019.

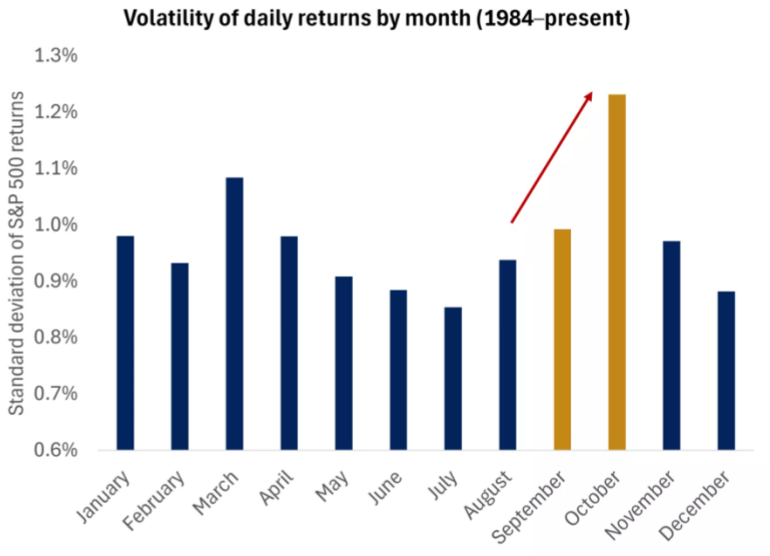
China

- Chinese equities continued their ascend, with the Shanghai Composite Index advancing 2.71% and the onshore blue chip CSI 300 gaining 0.84%.
- On the economic front, China reported that industrial profits fell a less-than-expected 1.5% in July, as strong tech sector earnings outweighed weakness in industries straining under weak demand and deflationary pressures. However, other indicators released earlier this month showed that China's economy lost momentum in July as retail sales, factory activity, and fixed asset investment disappointed. Many economists believe that data in the coming months will confirm China's growth slowdown and encourage officials to implement more stimulus, potentially as soon as September.

Portfolio considerations

Equities

Artificial intelligence remains a dominant market driver, with strong infrastructure investment and economic contributions. However, lofty expectations and stretched valuations, are becoming a headwind. Furthermore, September and October have historically coincided with increased market volatility and lower returns. Shifting expectations around Fed policy are generating a healthy rotation in previously overlooked areas of the equity market. Interest rate-sensitive small-cap stocks surged 7.5% in August. A market cooldown may offer a healthy pause, allowing stocks to digest recent gains and leadership to broaden, offering a favorable backdrop for well diversified portfolios.



Fixed Income

The steepening of the yield curve favors intermediate maturities over very long ones, which remain vulnerable to rising term premia due to inflation and fiscal concerns. In this environment, we think short-term bonds offer stability and liquidity for near-term needs, while longer-term bonds provide attractive yield opportunities. We continue to advocate seizing the yield advantage in high quality fixed income to build resilient portfolios, especially since equity valuations remain stretched. We recommend overweighting intermediate-maturity bonds (5-7 years), also less exposed to concerns over widening government budget deficits and rising debt levels. The primary source of return will be carry and not capital gains.

The week ahead

Monday	Tuesday	Wednesday	Thursday	Friday
————	ISM manufacturing index	Job Openings and Labor Turnover Survey	ADP National Employment Report	Nonfarm payrolls
	Construction spending	Factory orders	ISM nonmanufacturing index	
			Productivity and labor costs	
			Trade balance	
			Weekly initial jobless claims	