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MARKET OVERVIEW Q3

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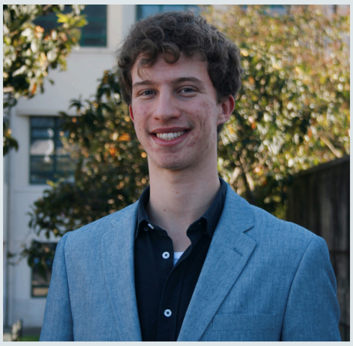

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This report provides an overview of the main financial market trends during the third quarter of 2025, analysing performance across equities, bonds, commodities, and currencies. It aims to summarise the key economic drivers and investor behaviour shaping global markets during the period.

Equity Market

During the third quarter of 2025, most major asset classes generated positive returns. This performance was supported by easing trade tensions, sustained enthusiasm for artificial intelligence, and increasing expectations of imminent interest rate reductions by the Federal Reserve.

Within the equity market, growth stocks returned 8.6% outperforming value stocks, which returned 6.0%, due to heightened investor interest in the technology sector. Emerging market equities delivered an 11.0% return, surpassing the 7.4% return of developed market equities. The Chinese market was the primary contributor to this outperformance, supported by the extension of the US-China trade truce and continued optimism regarding artificial intelligence.

China and Asia’s emerging markets

The MSCI Asia ex-Japan Index was the top-performing major equity market during the quarter, rising 11.1%. Chinese technology stocks experienced significant gains, with the Hang Seng Tech Index increasing 22.1% over the quarter and 46.0% year-to-date. The rally was driven by policy support for domestic chipmakers, increased investment in artificial intelligence, and the launch of new products from leading Chinese technology companies.

Additionally, reduced trade tensions with the US and expectations that China’s anti-involution policy would strengthen the domestic economy contributed to broader market gains. In other parts of Asia, the MSCI Taiwan Index, which is heavily weighted toward the technology sector at 83%, advanced 14.7% during the quarter.

Japan

A weaker yen benefited the export-focused TOPIX Index, which returned 11.0% in the third quarter. The outperformance of Japanese equities was further supported by a US-Japan trade agreement that reduced US tariffs on most Japanese exports from 25.0% to 15.0%, resilient domestic macroeconomic indicators, and continued corporate governance reforms.

USA

The S&P 500 Index in the United States delivered an 8.1% return for the quarter. Some volatility occurred following the July non-farm payrolls release and a subsequent sell-off in US Treasuries in September. However, these gains were underpinned by a strong second-quarter earnings season and a resilient macroeconomic environment. US headline inflation increased from 2.7% year-on-year to 2.9% in August, although tariff passthrough remained more limited than anticipated.

Consequently, the Federal Reserve reduced the federal funds rate by 25 basis points at its September meeting, marking its first rate cut of the year, and indicated the possibility of further monetary easing, which supported US equities.

UK

UK equities increased, with the FTSE All-Share Index rising by 6.9%. Although the domestic economic environment remains challenging, approximately 75% of the index’s revenues originate from international sources. As a result, a resilient global economy and a weaker sterling likely contributed to the positive returns.

EU

The MSCI Europe ex-UK Index underperformed during the quarter, returning 2.8% in the third quarter. Weak performance in German equities weighed on overall European results, as the MSCI Germany Index declined by 1.2%. In contrast, French equities advanced, with the CAC 40 Index increasing by 3.3%, despite ongoing political instability.

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Following a vote of no confidence, former Prime Minister Bayrou was replaced by Prime Minister Lecornu. Economic uncertainty persists, with doubts remaining regarding the minority government's ability to implement the required fiscal consolidation measures (See *Figure 1*).

All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars. Date as of 30 September 2025. Source: JP Morgan Asset Management.

Figure 1: World Stock Market Returns for the third quarter of 2025

2024	YTD	Q3 2025
US S&P 500 25.0%	MSCI EM **28.2%**	MSCI Asia ex-Japan **11.1%**
Japan TOPIX 20.5%	MSCI Asia ex-Japan **27.5%**	Japan TOPIX **11.0%**
MSCI Asia ex-Japan 12.5%	UK FTSE All-Share **16.6%**	MSCI EM **10.9%**
UK FTSE All-Share 9.5%	Japan TOPIX **15.3%**	US S&P 500 **8.1%**
MSCI Europe ex-UK 8.1%	US S&P 500 **14.8%**	UK FTSE All-Share **6.9%**
MSCI EM 8.1%	MSCI Europe ex-UK **13.4%**	MSCI Europe ex-UK **2.8%**

Bonds Market

The Federal Reserve cut its benchmark rate by 25 basis points in September, marking the first reduction of the year amid a slowing labour market. Despite this economic weakness, US government bonds delivered a 1.5% return for the quarter, the best performance among major government bond markets. In contrast, Eurozone bonds fell 0.2%. The gap between 10-year French and German bond yields widened to its highest level since January as France faced political turmoil and struggled to address its 6% budget deficit, raising investor concerns. Meanwhile, Portuguese bonds maintained a tight 50-60 basis point spread over German bunds, demonstrating resilience to France's challenges (See *Figure 2*). Portugal's strong position was reinforced by credit rating upgrades from both Fitch (to "A") and S&P (to "A+"), the country's highest rating in 16 years, reflecting sustained debt reduction, a balanced fiscal position, and continued external deleveraging.

UK gilts fell 0.7% during the quarter, primarily driven by concerns about the fragility of government finances ahead of the autumn budget. Thirty-year gilt yields reached their highest level since May 1998, as investors demanded higher compensation for fiscal risks. Japanese Government Bonds performed worst, declining 1.5% amid political turmoil following the ruling Liberal Democratic Party's electoral defeat and Prime Minister Ishiba's resignation. The Bank of Japan's hawkish stance at its September meeting, signaling potential further interest rate increases, also weighed heavily on JGB prices.

Figure 2: France 10-years bond / Germany 10-years bond Spread (2025)

Corporate bonds outperformed government securities. US investment-grade corporate bonds, as measured by the Bloomberg US Corporate Bond Index, rose 2.6% in the third quarter, their strongest quarterly gain in a year. The index yield ended the quarter at 4.81%. Likewise, the Bloomberg Global Aggregate Index recorded a 2.4% quarterly return, underscoring the broad-based strength across credit markets.

Commodities

During the third quarter of 2025, the commodities market showed contrasting trends. Precious metals continued to perform strongly, driven by investor demand for safe assets and a weaker dollar. Gold rose about 8% over the quarter, surpassing 4,000 USD per ounce for the first time, while silver gained around 10%, supported by industrial demand linked to solar panels and electric vehicles. The rise was also fuelled by growing expectations that major central banks, including the ECB, would continue to cut interest rates into 2026, reducing the opportunity cost of holding metals.

In contrast, energy prices moved lower. Brent crude oil fell roughly 10%, trading around 65 USD per barrel, as global supply continued to exceed demand. Despite ongoing OPEC+ production cuts, weaker consumption from China and Europe, together with high inventories, kept prices under pressure. Natural gas prices in Europe also declined due to mild temperatures and storage levels close to capacity after last winter.

Agricultural commodities such as wheat, corn, and soybeans remained relatively stable. Good harvests across the EU and South America helped balance lower production in parts of North America, keeping global prices steady. Lower energy prices also reduced fertiliser and transport costs, easing pressure on the sector despite continued trade tensions and uncertainty around biofuel policies.

Overall, the quarter showed a divergence across commodities. Precious metals benefited from weaker currencies and looser monetary policy, while energy markets faced oversupply and slowing demand. Agricultural prices remained contained, partly thanks to lower energy costs. The drop in energy prices and the rise in metals showed that investors were becoming more cautious and looking for safer assets in a period marked by global instability and several ongoing conflicts.

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Global Currencies

UE Analysis

In Q3 2025, the euro remained relatively strong against major global currencies. The ECB maintained its key interest rates unchanged, signaling confidence in its inflation control strategy. Headline inflation stayed near the 2% medium-term target and a slight decline in subsequent years. The euro benefited from this stability, while growth and policy uncertainty weighed on US and China. Markets have largely ruled out the possibility of interest rate cuts, interpreting the current ECB rate as close to its peak for this cycle. So, the EBC showed consistency, passing a stability message, preventing inflationary forecasts.

US Analysis

The US dollar remained relatively weak against the euro throughout Q3 2025, with the EUR/USD exchange rate as shown in the table below (See *Figure 3*). This sustained depreciation of the dollar was driven by several key factors, mainly by the fact that the European Central Bankmaintained a tighter monetary policy stance compared to the Federal Reserve, which signaled caution amid slowing US economic growth. Geopolitical tensions and uncertainty around US fiscal policy contributed also to reduced demand for the dollar as a safe-haven asset.

China analysis

The Chinese yuan showed moderate volatility against the euro during Q3 2025, with the EUR/CNY exchange rate as indicated in the table below. As said previously, the euro maintained relative strength throughout the quarter, supported by the European Central Bank's firm monetary stance and steady economic performance across the Eurozone. In contrast, China faced persistent economic headwinds, including sluggish domestic demand, ongoing property sector instability, and cautious consumer sentiment due to global trade uncertainties and reduced foreign investment flows into China, caused by Trump's tariffs war and Trump's upcoming tec agreements, like TikTok. These factors added pressure on the currency, keeping it below its early July peak (See *Figure 4*).

UK analysis

The British pound remained under moderate pressure against the euro throughout Q3 2025, with the EUR/GBP exchange rate as indicated in the table below. The UK economy faced persistent challenges, including sluggish GDP growth, elevated inflation, and new post-Brexit trade negotiations uncertainties. The Bank of England maintained a cautious approach to interest rates, which limited support for the pound (See *Figure 5*).

Japan analysis

The Japanese yen experienced a steady depreciation against the euro during Q3 2025, with the exchange rate reaching a peak of ¥175.08 in late September. Despite moderate variation of 2.72%, the yen remained under pressure, reflecting Japan's subdued economic momentum and limited monetary tightening compared to the Eurozone (See *Figure 6*).

Figure 3 - Euro/Dollar exchange rate for the third quarter of 2025

Start Date	2025-07-01	To	2025-09-30
Period	01 Jul - 30 Sep	Difference	0.0530$
Maximum	1.1922$ (17-Sep-25)	Average	1.1686$
Minimum	1.1392$ (01-Aug-25)	Variation %	1.64%

Figure 4 - Euro/CNY exchange rate for the third quarter of 2025

Start Date	2025-07-01	To	2025-09-30
Period	01 Jul - 30 Sep	Difference	0.2340 CNY
Maximum	8.4583 CNY (01-Jul-25)	Average	8.3682 CNY
Minimum	8.2243 CNY (01-Aug-25)	Variation %	2.84%

Figure 5 - Euro/Pound exchange rate for the third quarter of 2025

Start Date	2025-07-01	To	2025-09-30
Period	01 Jul - 30 Sep	Difference	0.0234£
Maximum	0.8745£ (25-Sep-25)	Average	0.8659£
Minimum	0.8511£ (01-Jul-25)	Variation %	2.75%

Figure 6 - Euro/Yen exchange rate for the third quarter of 2025

Start Date	2025-07-01	To	2025-09-30
Period	01 Jul - 30 Sep	Difference	6.6345¥
Maximum	175.0845¥ (25-Sep-25)	Average	172.3484¥
Minimum	168.4500¥ (01-Jul-25)	Variation %	2.72%