

# Global Monthly Outlook

September 2025 (covering August 2025)

Index	August (%)	YTD (%)
MSCI World	USD 2.6	14.1
S&P 500	USD 2.0	10.8
MSCI Europe	EUR 1.2	11.2
MSCI AsiaPac ex Japan	USD 1.6	18.9
Hong Kong Hang Seng	HKD 1.3	28.4
Hang Seng China Enterprises (H-shares)	HKD 0.7	25.9
Topix	JPY 4.5	12.0

Source: Thomson Reuters Datastream, total returns in local currency unless otherwise stated. Data as of August 31, 2025. YTD refers to year-to-date.

## Global Outlook

August saw a broadly positive global market, with equities performing well and central banks signaling easing amid inflation and growth concerns. US equities rose on strong earnings, AI-driven tech gains, and dovish Fed signals. European equities neared record highs, led by strong data and banking sector performance. Asia-Pacific equities gained, led by China and Hong Kong on easing property rules and AI optimism.

US Treasuries rallied on weak jobs data and dovish Fed signals, while UK and European bonds declined. Yield curves steepened, long-term yields rose, and US corporate bonds outperformed; UK bonds were mixed due to gilt weakness.

## United States

- US equities rose in August, supported by easing trade tensions, strong earnings, and hopes for a rate cut. Tech stocks led gains, driven by AI demand and solid results from major firms.
- While Q2 GDP was revised up to 3.3%, weak jobs data and downward revisions raised concerns about economic resilience. Inflation held steady at 2.7%, and Fed Chair Powell's dovish tone reinforced expectations of monetary easing. The PMI hit a yearly high, signaling continued economic expansion.

## Europe (including UK)

- European equities neared new highs in August, supported by resilient economic data and strong earnings. Spain and Italy outperformed on banking strength, while France lagged amid political uncertainty. Healthcare, energy, consumer, and banks led sector gains.
- Eurozone inflation remained stable, with headline inflation at 2.1% and core at 2.3%. Services inflation eased to its lowest since March 2022, reinforcing expectations that the ECB will hold interest rates steady in the upcoming meeting.

## Asia Pacific (ex Hong Kong ex China ex Japan)

- Taiwanese equities gained on robotics, defence, and AI momentum; Korean equities were flat, weighed by weak data and US tariffs despite strong chip exports.
- Indian equities declined due to higher US tariffs; Australian equities rose after a rate cut to 3.6% amid easing inflation and softening labour conditions.

## Hong Kong and Mainland China (H-shares)

- Chinese equities rose in August, supported by relaxed homebuying rules in Shanghai and growing expectations of US rate cuts. AI and semiconductor stocks gained on the "AI Plus" initiative, though weak July data heightened calls for further stimulus.
- Hong Kong equities extended their rally for a fifth month, supported by a pause in US-China tariffs, Fed rate cut expectations, and strong thematic momentum. PMI rose to 50.7, signaling modest improvement in business conditions and stabilizing domestic demand.

## Japan

- Japanese equities rose in August, driven by easing tariff concerns and strong performance in metals, energy, and banking. Persistent inflation at 3.1% year-on-year keeps the prospect of a Bank of Japan rate hike in October firmly on the table.
- Meanwhile, post-election political developments signaled a shift towards fiscal expansion, raising expectations for consumer-focused stimulus offering a pivot towards a more consumption-driven growth model.

## Fixed Income

- US treasuries rallied on weak jobs data and Powell's dovish tone; UK gilts and German bunds fell, while French assets faced pressure amid political crisis. Yield curves steepened, with long-term yields hitting multi-year highs.
- US corporate bonds posted solid returns, supported by treasuries. Dollar IG spreads briefly hit their lowest since 1998 before widening; HY spreads narrowed slightly, reflecting confidence in the US economic outlook.

## Emerging Markets

- Latin American equities rose broadly, led by Brazil as inflation eased and policy remained hawkish; Chile gained on rate cuts and US tariff relief on refined copper.
- Emerging Europe advanced on easing trade tensions and strong earnings; Middle East saw mixed performance amid oil volatility and concerns over US Fed independence.

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All data as of September 20, 2025, unless otherwise stated.

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