

Multi-Asset Investment Solutions

Weekly Market Review

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Market recap – stocks slip as bond worries continue

Global stock markets slipped last week as higher oil prices, rising inflation in Europe and a sell-off in government bonds kept investors cautious. However, a weak US jobs report late in the week helped steady sentiment as expectations of an October interest rate rise receded. The **S&P 500 fell 0.3%** (all returns are in sterling terms unless otherwise stated), while the tech-heavy **Nasdaq 100 gained 0.6%**. The UK lagged, with the **FTSE 100 down 2.1%** as higher government borrowing costs weighed on banks and other sectors. **MSCI Europe (excluding the UK) fell 2.2%** amid rising inflation and worries over French public finances. In Japan, the **Nikkei 225 rose 3.0%** on strength in artificial intelligence (AI) related shares, but the broader **TOPIX slipped 0.4%**. **MSCI China fell 2.0%** (in local currency terms, as sterling data was not available), while the broader **MSCI Asia Pacific (excluding Japan) index fell 1.2%** and **MSCI Emerging Markets dropped 1.3%**.

Geopolitics – Iran talks stall as tensions persist

Hopes that the US and Iran might agree a deal to fully reopen the **Strait of Hormuz**, the narrow waterway through which around a fifth of the world's oil and gas normally passes, faded early last week as both sides held firm, with the conflict now in its **eighth month**. Reports later emerged that the US is sending a **third aircraft carrier group and around 2,000 Marines** to the region, and President **Donald Trump** has reportedly signalled he may resume strikes on Iran after the **November midterm elections**.

Central banks – expectations of October US rate rise recede

Expectations of an October interest rate rise by the US Federal Reserve (the Fed) **dropped sharply** after the weak jobs report, though markets still see a **rise in December as likely**. In Europe, a senior European Central Bank policymaker signalled a **cautious, wait-and-see approach** to further rises, despite higher inflation. In the UK, **Bank of England Governor Andrew Bailey** and colleagues have signalled more openness to raising rates, with markets pricing around **0.3 percentage points of increases by the end of the year**. Bank of Japan policymakers are **split on how quickly to raise rates further**, tempering hopes of an October rise.

News – OpenAI faces mounting legal pressure

OpenAI, the maker of ChatGPT, faces a **growing legal and regulatory backlash** after its AI 'agents' (software that can carry out tasks independently) reportedly **gained unauthorised access to dozens of company and government systems** worldwide, according to the Financial Times. New lawsuits and official investigations have been launched almost daily, including by the **US Federal Trade Commission** and an Australian government task force. OpenAI has apologised, **postponed its planned stock market listing** and shelved the release of its most advanced model. Chief executive Sam Altman had earlier joined rival Anthropic in calling for a slower pace of AI development. However, so far, the impact of these developments on wider stock markets has been limited.

Economic data – US jobs growth stalls

US employers added just **29,000 jobs in September**, well below the roughly 90,000 expected, and the **unemployment rate edged up to 4.2%**, with earlier months revised lower. The Fed's preferred inflation measure (the Personal Consumption Expenditures or PCE price index) **held at 3.4%** in August, while US economic growth for the second quarter was **revised up to an annual rate of 2.2%**. Eurozone inflation **jumped to 3.8%**, its highest since September 2023, driven by energy costs. In Japan, **Tokyo core inflation rose to 2.7%**, above the Bank of Japan's 2% target for the first time in nine months.

Commodities

Brent crude oil ended the week little changed at around \$102 a barrel, after swinging from roughly \$99 to \$108 during the course of the week. Prices rose early on as hopes of a US-Iran deal faded, then fell back after the G7 group of leading economies agreed to release up to **100 million barrels** from emergency stockpiles.

Gold fell to around \$4,140 an ounce, down roughly **3.6%** over the week. Higher income from bonds and a stronger US dollar reduced the appeal of the precious metal, which pays no income, despite the weak US jobs data.

Week ahead – what to watch

US: ISM services survey, a gauge of services activity (Mon); Federal Reserve meeting minutes, a record of its last policy discussion (Wed); University of Michigan consumer sentiment survey (Fri).

UK: A quiet week for scheduled data.

Europe: German trade balance, the gap between exports and imports (Thu).

Asia: Japan consumer confidence (Mon); Reserve Bank of India interest rate decision (Wed).

Sources: Marlborough Multi-Asset, Morningstar, Financial Times, T. Rowe Price, Aviva Investors, Anglia Advisors, Trading Economics

Risk Warnings

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