Weekly Market Update

Central banks are in a transition phase: with the US initiating rate cuts, Japan starting policy normalisation (selling ETFs), while the UK and EU remain cautious, holding rates steady amid persistent inflation. The balance between controlling inflation and supporting growth is delicate, and financial markets are reacting strongly to any signals of change in central bank stance.

US

The Federal Reserve cut interest rates by 25 basis points (to a range of 4% to 4.25%) on 17 September, its first rate cut this year. Chair Powell framed it as a "risk-management" cut and reiterated a meeting-by-meeting approach, with the Fed's dot plot still pointing to another 50bps of cuts by year-end.

US banks borrowed $1.5 billion from the Fed's Standing Repo Facility, signalling mild funding stress around the Treasury's August/September payment and corporate tax deadline.

US equities continued to push higher, with the S&P 500 and the Nasdaq reaching new highs. Gains were supported by Fed easing, strong performance in tech stocks and news of a potential Trump-Xi meeting at the APEC summit in October.

There is concern that services inflation / "super-core" inflation remains elevated, and that disinflation in that segment is weak, which complicates the Fed's outlook even after the rate cut.

UK

The Bank of England (BoE) held its Bank Rate unchanged at 4.00% in the September meeting (17 September), with a 7-2 vote; two members favoured cutting by 25 bps.

BoE also slowed the pace of quantitative tightening (QT): the stock of government bonds to be sold / wound down over the next 12 months was lowered to £70 billion (from £100 billion).

Inflation (CPI) remains elevated at -3.8% in August; underlying wage growth still strong though showing signs of slowing. The BoE emphasised the need to keep monitoring inflationary pressures, especially in wages and services.

UK government borrowing in August reached £18 billion, the highest for that month in five years, exceeding forecasts. This adds fiscal pressure ahead of the Autumn budget.

Europe

The European Central Bank (ECB) kept its key interest rates unchanged in its meeting, reiterating its cautious, data-dependent stance.

Inflation was around 2% in the euro area (headline) and core inflation somewhat stable; the ECB stressed that their assessment of the inflation outlook was "broadly unchanged".

The ECB and People's Bank of China extended the €45 billion / CNY 350 billion euro–renminbi swap line for another three years, maintaining it as a backstop facility for renminbi liquidity.

EU debt and sovereign bond markets seem relatively orderly, though vigilance remains over fiscal discipline in member states. The ECB emphasised data-dependence and meeting-by-meeting assessment.

Global

China's central bank left its benchmark lending rates (e.g. the 1-year and 5-year Loan Prime Rate, LPR) unchanged in September, continuing a cautious monetary policy stance.

Trade tensions with the US appear to have eased somewhat, and this is reflected in some stabilisation of exports after months of pressure.

The Bank of Japan (BoJ) held rates steady at 0.5% in its September meeting, but the decision was split, with two members voting for a hike.

Higher crude oil prices were dampened; gold prices rose, reflecting safe-haven demand and inflation concerns.

Performance

Asset Class/Region	Currency	Week ending 19 Sep 25	Month to date	YTD 2025	12 Months
Developed Market Equities					
United States	USD	1.2%	3.2%	14.1%	17.7%
United Kingdom	GBP	-0.9%	0.2%	15.8%	14.5%
Continental Europe	EUR	0.4%	1.2%	12.1%	8.5%
Japan	JPY	-0.4%	2.4%	14.6%	23.3%
Asia Pacific (ex Japan)	USD	0.4%	5.6%	24.9%	22.9%
Australia	AUD	-1.0%	-1.6%	10.5%	10.7%
Global	USD	1.0%	2.8%	17.0%	18.0%
Emerging markets equities					
Emerging Europe	USD	0.6%	1.1%	42.8%	32.8%
Emerging Asia	USD	1.0%	7.4%	26.3%	25.7%
Emerging Latin America	USD	2.0%	5.4%	41.5%	17.3%
BRICs	USD	1.3%	6.3%	24.7%	25.1%
China	USD	1.0%	7.4%	38.6%	57.4%
MENA countries	USD	1.9%	0.5%	2.4%	3.5%
South Africa	USD	2.3%	8.7%	51%	38.5%
India	USD	1.1%	3.8%	5.2%	-4.3%
Global emerging markets	USD	1.2%	6.7%	27.0%	24.4%
Bonds					
US Treasuries	USD	-0.3%	0.9%	5.4%	1.5%
US Treasuries (inflation protected)	USD	-0.2%	0.7%	7.0%	3.6%
US Corporate (investment grade)	USD	-0.1%	1.5%	7.1%	3.8%
US High Yield	USD	0.3%	0.9%	7.2%	7.5%
UK Gilts	GBP	-0.4%	0.4%	1.6%	-2.4%
UK Corporate (investment grade)	GBP	-0.1%	0.6%	3.8%	2.9%
Euro Government Bonds	EUR	-0.2%	0.2%	0.0%	0.4%
Euro Corporate (investment grade)	EUR	0.0%	0.2%	2.6%	3.9%
Euro High Yield	EUR	0.3%	0.6%	4.6%	6.8%
Global Government Bonds	USD	-0.1%	0.5%	7.2%	1.3%
Global Bonds	USD	-0.1%	0.8%	8.3%	3.0%
Global Convertible Bonds	USD	1.6%	4.2%	20.8%	24.0%
Emerging Market Bonds	USD	-0.4%	1.1%	9.0%	6.3%

Performance

Asset Class/Region	Currency	Week ending 19 Sep 2025	Month to date	YTD 2025	12 Months
Property					
US Property Securities	USD	-1.5%	-0.5%	2.3%	-4.2%
Australian Property Securities	AUD	-1.0%	-0.6%	11.3%	2.1%
Asia Property Securities*	USD	-0.8%	0.8%	18.4%	17.5%
Global Property Securities	USD	-1.1%	0.5%	10.9%	2.3%
Currencies					
Euro	USD	0.2%	0.4%	13.6%	5.4%
UK Pound Sterling	USD	-0.6%	-0.2%	7.7%	1.5%
Japanese Yen	USD	-0.1%	-0.6%	6.4%	-3.2%
Australian Dollar	USD	-0.7%	0.8%	6.6%	-3.3%
South African Rand	USD	0.2%	1.8%	9.0%	0.9%
Swiss Franc	USD	0.2%	0.6%	14.2%	6.7%
Chinese Yuan	USD	0.1%	0.2%	2.6%	-0.7%
Commodities & Alternatives					
Commodities	USD	-0.7%	-0.6%	3.2%	5.5%
Agricultural Commodities	USD	-1.4%	-2.3%	-4.0%	-2.7%
Oil	USD	-0.5%	-2.1%	-10.7%	-11.0%
Gold	USD	1.2%	6.9%	40.4%	42.2%

* data to 1 August 2025. Source:Bloomberg Finance L.P. Past performance is not indicative of future returns.

For more information, please contact your adviser or alternatively contact:

Belvest Investment Services Limited
研富投資服務有限公司
9th Floor, Centre Mark II
305-313 Queen's Road Central
Sheung Wan, Hong Kong

Tel +852 2827 1199
Fax +852 2827 0270
belvest@bis.hk
www.bis.hk