Five things you need to know *from September's markets*

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Colder weather may be upon us, but the equity market heated up through September. All major regions delivered strong returns for clients, with Emerging Markets leading the way. As we end the third quarter, most equity markets are comfortably at double-digit gains for the year.

1 US GDP growth stronger than expected

The US economy grew at an annualised rate of 3.8% in Q2, significantly above the initial 3.0% estimate and the revised 3.3% figure. This robust performance was driven by strong consumer spending and a sharp decline in imports, which boosted net exports. The rebound from a 0.6% contraction in Q1 suggests resilience in the US economy – though the true and lasting impacts of tariffs may still be felt in the months ahead.

2 Federal Reserve cuts interest rates

The Federal Reserve (Fed) made its first interest rate cut of 2025, cutting its benchmark rate by 0.25% in their September meeting, to a range of 4.00%–4.25%. The decision, passed with near-unanimous support, reflects growing concerns over a cooling labour market and rising downside risks to employment. Fed Chair Jerome Powell stressed that inflation remains above target, but weaker job market data supported a more cautious approach. Stephen Miran, the new President Trump appointee, called for a 0.50% cut but was a lone voice. The expectation is he will continue to push for further rate cuts, in line with the President's wishes.

3 UK inflation remains high

UK inflation held steady at 3.8% in September, nearly double the Bank of England's 2% target. Rising services and food prices remained a challenge. The Bank of England (BoE) held interest rates at 4.00% and it wouldn't be surprising if we finished the year at that level. The BoE also agreed it will slow its pace of bond sales, from £100bn to £70bn over the next 12 months. They want to avoid overly influencing yield levels in the bond market.

4 UK borrowing jumps and a date set for the Autumn Budget

UK public sector borrowing surged to £18bn in latest data for August, the highest for the month in five years and £5.5bn above forecasts. The increase was driven by higher spending on public services, benefits, and debt interest, despite rising tax receipts. With total borrowing for the fiscal year to date now at £83.8bn – up £16.2bn year-on-year – net debt now stands at 96.4% of GDP. These figures add pressure on Chancellor Rachel Reeves ahead of the Autumn Budget, scheduled for 26th November.

5 Gaza ceasefire plan put forward

A new Gaza ceasefire plan, brokered by the US and agreed to by Israel, outlines a comprehensive framework aimed at ending the war and initiating reconstruction. Within 72 hours of mutual agreement, Hamas would release all hostages – living and deceased – in exchange for Israel freeing over 1,900 Palestinian detainees. The plan calls for Hamas to disarm and relinquish control of Gaza, with governance transitioning to a technocratic committee made up of Palestinians and international experts, overseen by a "Board of Peace" led by President Trump. At the time of writing, Hamas are yet to respond.

Geopolitical tensions in the Middle East can ripple through global markets, often driving short-term volatility in energy prices and investor sentiment.

Name	1m	3m	YTD	1yr	3yr
FTSE Actuaries UK Conventional Gilts All Stocks	0.63	-0.62	1.87	-1.29	3.85
ICE BofA Global Corporate	1.12	2.16	5.99	4.35	21.66
ICE BofA Global High Yield	0.73	2.57	7.07	7.64	36.76
FTSE All Share	1.86	6.87	16.58	16.17	49.98
FTSE USA	4.04	9.95	6.91	17.54	60.75
FTSE World Europe ex UK	2.49	5.13	20.12	15.47	60.42
FTSE Japan	2.69	10.36	13.20	16.29	46.86
FTSE Asia Pacific ex Japan	5.91	11.82	15.95	13.85	37.45
FTSE Emerging	6.75	12.47	15.16	15.32	35.95

Source: FE Analytics, GBP total return (%) to last month end

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