

The Monthly Edit

September 2025

We examine the markets daily, and our monthly update is a selection of key global stories explained through an investment lens.



Market headlines

Another positive month for equities

Global equity markets reached all-time highs as investors gained confidence from resilient economic growth and optimism around central bank support. Their focus will now turn to the upcoming Q3 earnings reports.

Interest rate cuts resume

The US Federal Reserve (Fed) cut interest rates, for the first time in 2025, by 25 basis points (bps). US Gross Domestic Product (GDP) rebounded to 3% in Q2, though mixed signals – such as softer job growth – raised questions about the outlook.

Bonds weather fiscal fears

September saw renewed focus on budget deficits and the future independence of the Fed. Despite these headwinds, US and UK bond markets held up well.

Cautious optimism advised

While we acknowledge the largely positive economic backdrop, we remain somewhat cautious, mindful of ongoing trade and geopolitical tensions, fiscal concerns and high valuations in areas such as artificial intelligence (AI)-related equities.



The big topics

Growing concerns over central bank independence

In September, political interference in the Fed created uncertainty for investors.

Early in the month, the US Senate confirmation hearing for Stephen Miran exposed tensions over his potential dual roles, while the US Department of Justice probe into Governor Lisa Cook for alleged mortgage fraud fuelled speculation of further board shake-ups.

This raised concerns about whether the Fed can make decisions without political pressure, and unsettled bond markets, where yields for long-term debt spiked early in the month. Although the Fed cut interest rates as expected, the surrounding drama led investors to question whether central bank independence can be preserved in a politicised environment.

AI boom drives tech stocks, but risks emerge

Excitement around AI pushed technology shares higher, with the US equity indices reaching record levels in US dollar terms.

Companies seen as AI beneficiaries reported huge growth in AI-related business, with Oracle, for example, expecting over US\$500 billion in orders by year end, while Nvidia's plans for a US\$100 billion investment in OpenAI boosted sentiment.

However, doubts surrounding Apple's new AI features and worries about the costs and practicality of large-scale AI projects, like power supply issues, led to late-month volatility in some tech stocks. This highlights how reliant markets have become on a few large technology firms, which could cause problems if their earnings growth slows.

Cautious rate cut amid mixed economic signals

The Fed lowered interest rates by 25 bps to support a weakening labour market.

But stronger economic releases later in the month reduced expectations for further cuts in the near term. August employment growth was weak, adding only 22,000 jobs compared to an expected 75,000, with unemployment rising to 4.3%. Inflation stayed high, with consumer prices up 2.9% year-on-year, driven by housing costs. However, positive news came from higher home sales and a revised economic growth figure of 3.8%.

In the UK, inflation remained at 3.8%, leading the Bank of England to pause rate cuts. Meanwhile, Europe showed signs of economic recovery despite Germany's struggles. These mixed signals kept investors cautious, with borrowing costs climbing due to concerns about rising prices and government debt.

Trade tensions and global politics heat up

Trade disputes continued to affect markets, with some progress but also new challenges.

Talks between the US and China in Madrid eased fears of new tariffs, lifting stock markets, and negotiations with India offered optimism despite 50% US duties on Indian goods due to Russian oil purchases. However, new US tariffs starting 1 October, including 100% duties on branded medicines and 50% on kitchen cabinets, could raise prices and disrupt supply chains.

The US also pushed Europe to impose high tariffs on India and China to limit Russia's oil income, linking trade to the Ukraine conflict. These moves kept European markets under pressure, with UK shares only slightly up, highlighting how global politics can shake investor confidence.



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