Article MARKET COMMENTARY

Weekly round-up: 27th October – 31st October

Eric Louw recaps the past week's events and looks ahead to the next.

Author

Eric Louw

Senior Investment Manager

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The week that was

The final week of October 2025 was packed with major economic developments, especially from central banks in the US and Europe. These events had a significant impact on global financial markets, influencing currencies, stocks, and investor sentiment. Let's break down what happened and why it matters.

The US Federal Reserve Cuts Interest Rates

The US central bank, known as the Federal Reserve (or "the Fed"), made headlines by cutting interest rates by 0.25%, bringing the target range down to 3.75%–4.00%. This move was widely expected, with markets pricing in a 98% chance of a cut before the announcement.

Chair Jerome Powell acknowledged that inflation is cooling, but it's still above the Fed's target of 2%. He emphasized that the economy is facing "risks to growth, jobs, and prices," and that future decisions will depend on incoming data.

The Fed is leaning toward more rate cuts, possibly another one in December, although Powell emphasised that a cut is far from a foregone conclusion. If a cut is delivered in December, this would be supportive for growth, which could be good news for markets in the short term.

European Central Bank Holds Rates Steady

Across the Atlantic, the European Central Bank (ECB) decided to keep interest rates unchanged at around 2.00%. This decision came amid signs that inflation in the eurozone is stabilizing, but economic growth remains fragile.

President Christine Lagarde noted that inflation was 2.2% in September, slightly up from August, but still within manageable levels. She hinted that further rate cuts are unlikely unless economic data worsens.

The ECB is taking a "wait and see" approach. Further cuts are deemed unnecessary while inflation is seemingly under control, and the economy isn't strong enough to justify rate hikes for the time being.

UK Retail Data

In the UK, retail activity showed signs of weakness. The CBI survey continues to report weak sentiment across retail, wholesale and motor trade, indicating falling sales volumes. Meanwhile, the BRC Shop Price Index showed inflation in shop prices slowing to 1.0% year-on-year, down from 1.4%.

Retail sales are a key indicator of consumer confidence. If people are spending less, it could signal economic slowdown. The UK economy is showing signs of strain, especially in consumer sectors. This could influence the Bank of England's future decisions on interest rates.

US Government Shutdown

The US government shutdown entered its 31st day by the end of October, making it the second-longest in history. The shutdown stemmed from a political stalemate over healthcare funding and budget priorities. With some 775,000 federal workers furloughed, the shutdown is hurting everyday Americans, delaying services, and creating uncertainty in markets. It's also affecting data releases, making it more challenging to assess the underlying strength of the US economy. Talks are ongoing, but no resolution was reached by 31 October.

US-China Trade Deal Announced

In a major development, the US and China agreed to a new trade framework aimed at easing tensions and boosting economic cooperation. The US will halve fentanyl tariffs to 10%, reducing the average tariff on Chinese goods to 45%. The US "50 percent rule" (which restrict exports to foreign entities that are 50% or more owned by sanctioned Chinese firms) and shipping fees targeting Chinese ships will also be suspended for one year. China, meanwhile, has agreed to purchase US soybeans, and will suspend rare earth export controls announced on 9 October for one year.

Although many of the announcements only amount to a partial walking back of measures announced in the run up to the talks, the deal nonetheless lowers the risk of volatility in the US-China trading relationship over the short term. Commitment to continued dialogue is a positive, and markets will likely take the agreement as a signal that US-China relations are entering a more stable period.

Economic & Market Preview: 1–8 November 2025

As we enter the first week of November 2025, global markets and economies are navigating a delicate balance between slowing inflation, cautious optimism, and lingering uncertainties. Here’s what to watch out for in the coming days.

Following recent rate cuts by the US Federal Reserve and a pause by the European Central Bank, investors will be closely watching for any fresh commentary from central bankers. While no major rate decisions are scheduled this week, speeches and interviews could offer clues about future moves.

> In the US, the Fed is expected to maintain a dovish tone, meaning it may continue to support lower interest rates to boost growth. Markets are pricing in another rate cut before year-end.
>
> In Europe, the ECB is likely to remain cautious, especially as inflation stabilizes but growth remains weak.
>
> In the UK, the Bank of England is under pressure to support the economy amid soft retail and housing data. Any hints of a rate cut could influence the pound and UK stock markets.

Interest rates affect everything from mortgage costs to savings accounts. Lower rates can help stimulate the economy but may also reduce returns on savings.

US Jobs Report – Friday, 8 November

The most anticipated data release of the week would usually be the US Non-Farm Payrolls report, which shows how many jobs were added in October. However, this is likely to be delayed due to the ongoing US government shutdown as the statisticians who would normally compile the data for the report are currently furloughed.

This report is a key indicator of economic health.

> Economists expect moderate job growth, reflecting a cooling but still resilient labour market.
>
> Wage growth will be closely watched, as it influences inflation and consumer spending.

Strong job numbers can boost confidence and markets. Weak data might increase pressure on the Fed to cut rates again. The continued absence of this and other data makes it more difficult to gauge how strong the US labour market and economy are.

Corporate Earnings Season Winds Down

Many large companies in the US and Europe will wrap up their quarterly earnings announcements this week. So far, results have been mixed:

> Tech and AI-related firms have generally performed well, driven by strong demand and innovation.
>
> Retail and consumer goods companies are showing signs of strain, especially in the UK and eurozone.

Earnings reports give insight into how businesses are coping with economic conditions. They also influence stock prices and investor sentiment.

While no major inflation reports are due this week, analysts will be watching consumer confidence surveys in the UK and eurozone. These surveys reflect how optimistic people feel about their finances and the economy.

In the UK, confidence may remain subdued due to high living costs and weak retail activity.

In Europe, sentiment is expected to improve slightly, helped by stable energy prices and easing inflation.

The week ahead is likely to be calm but informative. Keep an eye on central bank commentary, US jobs data, and consumer sentiment for clues about where markets might head next.

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