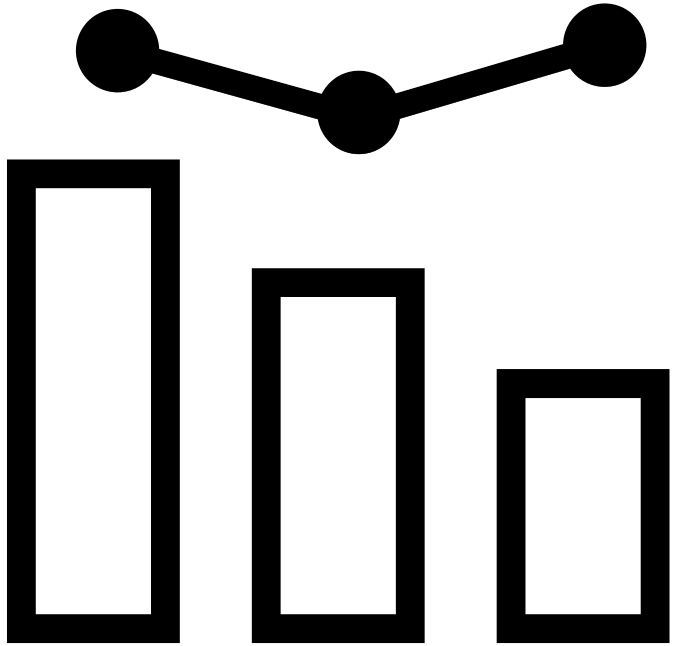


Marketupdate

October 2025

October 2025: another good month for financial markets

October was generally a similar month to September in the financial markets, and actually also as the whole of 2025 so far. Global stock prices rose, but most of all in Japan and emerging markets. Capital market interest rates declined slightly, which also resulted in positive returns for bonds.

Stock market performance in the first half of October was mixed, but continued their upward trajectory in the second half, almost without exception closing the month in positive territory. The biggest winners in October were emerging markets equities and Asian equities, with monthly returns of 6.1% for the MSCI Emerging Markets index and 5.5% for the MSCI Asia Pacific index. There were however widely varying performances between countries in both emerging markets and developed Asian stock markets. In Asia, Japan and South Korea performed remarkably well, with monthly returns of more than 10%, while stock markets in China and Hong Kong barely moved. Outside Asia, the Argentine stock market was a notable winner, with a monthly return of around 60%, mainly thanks to seat gains for supporters of President Milei in midterm elections and a ‘financing deal’ between Argentina and the US.

Compared to emerging markets and Asian equities, European and US equity markets lagged in October, but still had a positive month with returns of 2.6% for the MSCI Europe index and 4.1% for the MSCI North America index. The difference in return between European and US equities was mainly due to an appreciation of the US dollar against the euro of approximately 2%. The US dollar has depreciated by around 10% against the euro over the whole of 2025 so far, which also largely explains the difference in return between US and European equities since the beginning of this year in favour of Europe. Moreover, thanks in part to the exceptionally good month of October, emerging markets and Asian equities have also been the best-performing equity regions since the beginning of the year, with year-to-date returns of almost 20% and 16% respectively.

Bond markets experienced a reasonable month in October, as in September, with returns ranging from 0.9% for European government bonds to 0.1% for high-yield corporate bonds. So far, 2025 has also been a reasonable year for European corporate bonds, with returns of 3-5%. European government bonds have a slightly positive year-to-date return of 1.2%. The same applies to European listed real estate, which, thanks in part to a positive monthly return of 1.1% in October, has increased by almost 2% on balance since the beginning of the year.

The returns on the various asset classes were as follows:

Rendementen (total return, in euro's)	October	Q4	2025	12 mths
Bloomberg Barclays Eurozone Staatsobligaties	0,9%	0,9%	1,2%	2,1%
Bloomberg Barclays Euro Bedrijfsobligaties	0,7%	0,7%	3,5%	4,7%
Bloomberg Barclays Euro High Yield Bedrijfsobligaties	0,1%	0,1%	4,7%	6,0%
FTSE/EPRA Europe Onroerend Goed	1,1%	1,1%	1,9%	-2,1%
MSCI Europe Aandelen	2,6%	2,6%	15,2%	15,9%
MSCI North America Aandelen	4,1%	4,1%	6,3%	14,6%
MSCI Asia Pacific Aandelen	5,5%	5,5%	15,7%	18,1%
MSCI World Developed Markets Aandelen	3,8%	3,8%	6,9%	13,4%
MSCI Emerging Markets Aandelen	6,1%	6,1%	19,9%	20,5%
EUR/USD	-1,8%	-1,8%	10,8%	6,2%

Source: Bloomberg

The global economy is doing better than expected, but will this continue?

The global economy is in better shape than was feared just six months ago, in the wake of President Trump's "Liberation Day" on April 2. This is also noted by the IMF, which in its most recent World Economic Outlook upwardly revised its growth forecast for the global economy from its outlook six months ago. The IMF now expects growth of 3.2% for the global economy in 2025 (was 2.8% in April) and 3.1% in 2026 (was 3% in April). However, these growth rates are still lower than the average over the past 25 years, which was previously around 3.5%.

The IMF also notes that the economic growth outlook remains highly uncertain. The consequences of US economic policy, and President Trump's trade war in particular, remain difficult to assess. So far, the experience in that regard is that Trump starts by shouting from the rooftops, but ultimately always retreats either fully or partially. The latest example is the battle over trade tariffs between the US and China, which looks as though it has ended in a 12-month ceasefire, at least for now. Most analysts see this as a demonstration of the weakness of the US negotiating position.

Chinese President Xi Jinping managed to force the US into substantial concessions by threatening to curb Chinese exports of rare earth minerals that are critical to many manufacturing processes. Due to the previously imposed trade tariffs, China's exports to the US have fallen, but in the meantime China has managed to tap other outlets (China now exports more to Europe, for example), so that any damage to the Chinese economy looks to be limited for the time being.

US economy appears to be in reasonable shape, but hard data missing due to shutdown

All in all, it looks as though the Trump administration has shot itself and the US economy in the foot by unleashing a trade war, although this is not yet clearly visible in the figures. The growth rate for the US economy in the third quarter has not yet been published due to the government shutdown, but the consensus estimate is around 2.5% quarter-on-quarter growth. The Atlanta Fed's GDPNow tracker is higher, at 4%. This would mean that US economy grew at a similarly favourable rate to that seen in the second quarter.

This gives a somewhat misleading impression, as growth in the second quarter was largely due to a bounce back from the 0.5% contraction in the first quarter. From a slightly broader perspective, the picture remains that the US economy is not in great shape. On balance, economic growth in the first half of the year has been significantly lower than the average growth in 2023 and 2024. For 2025 as a whole, the consensus forecast is that US economic growth of around 1.8% will be significantly lower than in the previous two years. Moreover, forecasts may have to be adjusted even further downwards if the aforementioned shutdown continues for much longer. Meanwhile, this shutdown is already the longest in history, and it does not at the moment look as though it will end soon. The economic damage from the shutdown now seems relatively limited, and this is usually largely compensated when the government reopens, but the longer things continue without a solution, the greater the chance that some of the economic damage will be permanent.

Outside the US, damage from the trade war is still not that severe, with the emphasis on 'still'

The fact that the damage caused by US trade policy is not yet visible in the economic figures is not only true for the US itself, but also for Europe and China, for example. The eurozone economy grew by a meagre but still slightly better than expected 0.2% quarter-on-quarter in the third quarter. Year-on-year, GDP growth has declined slightly to 1.3%, and is expected to decline further to less than 1% in the coming quarters. For China, economic growth in the second quarter was slightly better than expected at 1.1% quarter-on-quarter. Year-on-year however, growth has declined to less than 5%, and is expected to fall further in the coming quarters towards 4%.

One development that could positively impact the economic outlook for both the US and other countries and regions is the possibility of a ruling by the US Supreme Court to invalidate Trump's trade tariffs. That would derail (all or some of) the Trump administration's trade policy, but it is likely that Trump will try to continue his trade war by other means. Even with a favourable ruling by the Supreme Court, the current uncertainty is thus unlikely to suddenly evaporate.

Inflation picture unchanged: eurozone around 2%, US around 3%

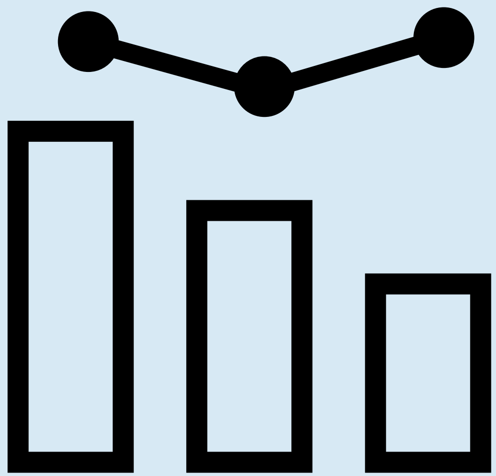
Inflation in Europe has remained fairly stable in recent times. Consumer prices in the eurozone rose by 2.1% year-on-year in October, slightly higher than the 2.0% seen in the previous months, but still close to the ECB's inflation target. Core inflation (excluding volatile food and energy prices) is still slightly higher and also rose slightly to 2.4% in October, after remaining unchanged at 2.3% year-on-year for five months in a row. The consensus forecast is that inflationary pressures in the eurozone are likely to ease somewhat further in the coming period rather than increase again. As long as this picture does not change materially, the ECB has little reason to adjust the European base rate (now 2%).

There is a clearly different situation in the US, where inflationary pressures are still high. US consumer prices rose 3.0% year-on-year in September, compared to 2.7% in July. The steady decline in US core inflation has also come to an end. This had fallen from a peak of 6.6% year-on-year in September 2022 to 2.8%, but has since risen again to 3.0%. This could suggest that the first effects of US trade policy may now be visible in US inflation data.

Inflation in the US is expected to remain well above the Fed's 2% target in the coming period. Nevertheless, the Fed cut the US base rate in October for the second month in a row, this time to 4%. The Fed is also expected to cut interest rates further in the coming period, to around 3% in a year's time. Apparently, the Fed sees the risk of a downturn in the US economy (and especially the labour market) as greater than the risk that inflation will remain too high.

Financial markets: positive mood, waiting for a turn in the tide?

The returns realised in the various asset classes so far in 2025 have generally shown a very ‘normal’ pattern, with relatively low returns on ‘safe’ government bonds and high returns on more risky investments, such as equities. This favourable picture is partly due to generally better-than-expected macroeconomic and earnings figures in 2025. In the short term, it is difficult to see anything that could bring about an actual turning point, but in the longer term, above-average uncertainty about economic and geopolitical developments in combination with high valuations is clearly a risk factor.



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a.s.r.
Archimedeslaan 10
3584 BA Utrecht
www.asrvermogensbeheer.nl

ASR Vermogensbeheer N.V. - KVK 30227237 Utrecht

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