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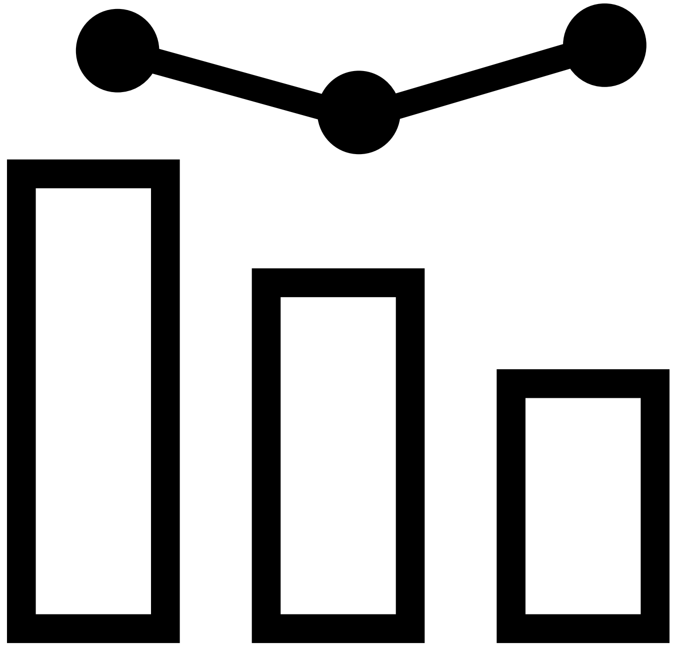


# Market update

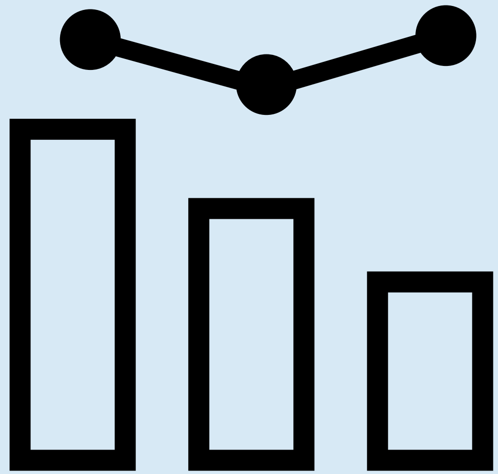
September 2025

# September 2025: '...remember to come back in September'

September was a good month for investors, especially equity investors. Emerging markets performed particularly well. Meanwhile, capital market rates eased slightly, allowing bond investors also to look back on a reasonable month in September.

The famous stock market saying "Sell in May and go away" did not work well in 2025. Many stock exchanges were lower in May than they were at the beginning of the year. Only European equities managed to escape the slump at that time.  Stock investors who actually sold their shares in May had to watch share prices rise again in the summer. There was some consolation for those who also followed the second part of the "Sell in May" saying ("…but remember to come back in September") as share prices continued to rise in September as well.

Emerging markets performed particularly well in September, with a monthly return of no less than 6.6% for the MSCI Emerging Markets index. This was mainly due to emerging markets in Asia, such as China and South Korea. Developed equity markets in Asia also had a good month, returning 4.2% for the MSCI Asia Pacific index. This was mainly due to stocks on the exchanges in Japan and Hong Kong. US and European equity markets underperformed in relative terms, but still produced a decent absolute performance, with monthly returns of 3.1% for the MSCI North America index and 1.6% for the MSCI Europe index.



Only European listed real estate underperformed in September, with an almost flat return on a monthly basis.

Overall, 2025 has so far been a particularly good year for equity investors, with returns of more than 10% for European equities and emerging markets and almost 10% for Asian equities. US equities underperformed significantly in euro terms, but this was entirely due to the depreciation of the US dollar against the euro since the beginning of the year.

Bond markets had a reasonable month in September, with yields of around 0.5% for both European government bonds and European investment grade and high yield corporate bonds. 2025 has so far been a reasonable year for European corporate bonds, with yields of 3-5%, but European government bonds and listed real estate are barely in positive territory.

The returns on the various asset classes were as follows:

| Rendementen (total return, in euro's) | September | Q3 | 2025 | 12 mths |
|---|---|---|---|---|
| Bloomberg Barclays Eurozone Staatsobligaties | 0.5% | -0.2% | 0.3% | 0.2% |
| Bloomberg Barclays Euro Bedrijfsobligaties | 0.4% | 0.9% | 2.8% | 3.6% |
| Bloomberg Barclays Euro High Yield Bedrijfsobligaties | 0.5% | 1.9% | 4.7% | 6.6% |
| FTSE/EPRA Europe Onroerend Goed | -0.1% | -5.2% | 0.8% | -11.2% |
| MSCI Europe Aandelen | 1.6% | 3.5% | 12.4% | 9.3% |
| MSCI North America Aandelen | 3.1% | 7.9% | 2.1% | 12.4% |
| MSCI Asia Pacific Aandelen | 4.2% | 9.0% | 9.7% | 9.9% |
| MSCI World Developed Markets Aandelen | 2.6% | 6.8% | 3.0% | 10.2% |
| MSCI Emerging Markets Aandelen | 6.6% | 10.4% | 13.1% | 11.8% |
| EUR/USD | 0.5% | 0.2% | 12.8% | 5.0% |

Source: Bloomberg

## Uncertainty continues to trump the global economy

Six months after the shock of US President Trump's announcement of a 'trade war' between the US and the rest of the world, its effects are still difficult to foresee. For now, it looks as though things may not be as bad as they seemed on 'Liberation Day' (2 April), although the global economy will still be damaged by higher trade tariffs. The uncertainty is reflected in the IMF's growth expectations for the global economy. At the beginning of the year, the IMF expected growth of 3.3% for the global economy for both 2025 and 2026, almost equal to actual growth in 2024. Following President Trump's announcement in early April, the IMF lowered its growth forecast to 2.8% for 2025 and 3% for 2026. In the meantime, the IMF has changed its position to some extent, forecasting global growth of around 3% for both 2025 and 2026. For developed economies, the IMF is counting on growth of around 1.5% in 2025 (around 2% for the US and 1% for Europe), and around 4% for emerging economies. India is also expected to continue to grow faster than China, at rates of 6.4% and 4.8% respectively.

The main caveat to these figures, which the IMF itself notes, is that uncertainty remains above average, mainly due to the unpredictable economic policies of the Trump administration and ongoing geopolitical tensions. This uncertainty alone could hamper the global economy if it causes companies to delay investment and consumers to become more cautious in their spending. So far, the impact of both the trade war and geopolitical tensions on corporate profits and consumer spending seems to be not that serious, but this is no guarantee for the future.

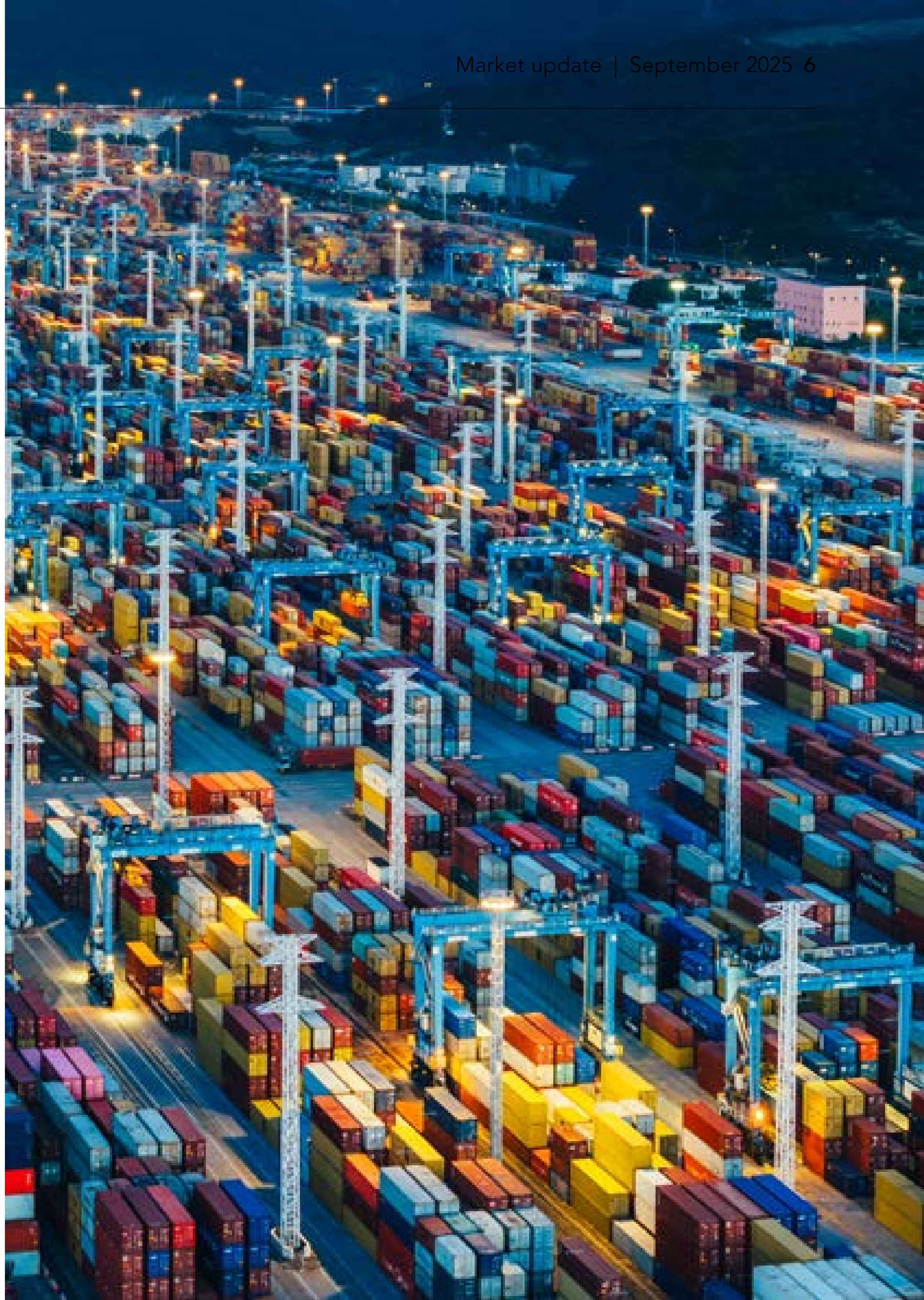
## Europe a beacon of peace, compared to the US

If the IMF is right, the economy that will be most affected by the Trump administration's capricious policies is that of the US itself. The figures in recent months do not provide any clear answer, but it looks as though the cost of US trade tariffs will ultimately be paid mainly by US consumers and businesses. So far, consumer spending has remained fairly steady, helped by historically low unemployment, and business investment is also increasing, thanks mainly to the boom in artificial intelligence (AI)-related projects, but how sustainable this is is questionable. Recent US labour market data showed weakness and there are increasing doubts as to whether that all AI investments will be profitable. For the US Treasury however, trade tariffs are a welcome source of revenue, in part offsetting the large package of government spending under the One Big Beautiful Bill Act. This package, which includes tax cuts for businesses and consumers, will boost growth in the short term, but it does not contribute to the sustainability of US government debt in the longer term.

Compared with the uncertainty about the outlook for the US economy, and now even about the reliability of the US government's economic data, the European economy looks like a beacon of stability. This is not unambiguously positive, because it also means that the recent period of low growth looks as though it may continue for some time. In particular, the German economy, and more specifically German industry, is hampered by the US trade tariffs, the strong euro and still-lacking structural reforms. In the long term, the Merz government's promise of increased public spending, including on investment in the defence industry, will help to boost the German economy, but there is little or no sign of this having any visible effect for the time being. On a positive note however, stagnation in the German economy is being partly offset by higher growth in the southern European countries, which have moved on from the malaise of the 'euro crisis' in the 2010s. Their role as European problem children appears to have been taken over by France and the UK, both of which are failing to get their public finances under control, with a slow but sure increase in the risk of a debt crisis.

## Asia appears to be weathering the trade war storm well, for now

Outside Europe, there have also recently been concerns about Argentina's debt position, indeed not for the first time. Unlike previous debt crises in Argentina, temporary rescue this time came not from the IMF, but from the US, which expressed its willingness to support Argentine President Milei, President Trump's main ideological ally in Latin America, if necessary.
The situation in Argentina is not a determining factor for other emerging economies, and thus would not suggest the start of a broader debt crisis (such as the Asia crisis in the late 1990s). While many emerging markets, mainly China and India, are hampered by US trade tariffs, their economies have so far held up better than expected. It seems that these countries are managing to shift their trade flows to the US (China mainly for products and India mainly for services) to other countries and regions so that the overall damage remains limited, although it should be noted that available data on this is limited and it is therefore too early to draw definitive conclusions.



For both China and India, the government seems sufficiently willing and able to deal with economic setbacks, such as the trade war with the US, with stimulus measures and structural reforms. The Chinese government is focusing mainly on strengthening the country's lead in technology (such as AI) and the energy transition, while India's government finally seems to be working to simplify its tax system and reduce bureaucracy. Asia's third largest economy, Japan, is also hampered by US trade tariffs, but this is at least partially offset by the recent depreciation of the Japanese yen, which improves the country's export position. In addition, the Japanese government also seems to want to focus on productivity-increasing investments in AI and other technologies, which, as in the case of China, are also necessary to cope with the consequences of the ageing population and the contracting population.

## Inflation 'on target' in the eurozone, but not in the US

In terms of both economic growth and inflation, Europe is looking like a beacon of stability in turbulent times. Headline inflation in the eurozone rose slightly to 2.2% year-on-year in September, but has remained unchanged at 2.0% for three months in a row, in line with the ECB's inflation target. Core inflation, excluding volatile food and energy prices, has remained unchanged for five months in a row, at 2.3% year-on-year. In the US, the inflation picture has deteriorated recently, with headline inflation rising from 2.4% year-on-year in May to 2.9% today. US core inflation has also increased slightly, from 2.8% year-on-year in May to 3.1% today.

Higher inflationary pressures in the US may be a sign of economic strength (at least that is how President Trump likes to see it), but there is another possible interpretation. President Trump's trade tariffs are effectively a tax on US businesses and consumers, leading to higher costs for businesses and higher prices for consumers. The extent to which this interpretation explains the increased inflationary pressure cannot be quantified with any certainty. Underlying figures show that the higher price pressure in recent months was mainly due to the categories affected by trade tariffs, but the latest figures show that higher service prices are now again the main driver of increased inflationary pressure. So higher inflationary pressures are probably due to a combination of 'trade-tariff-inflation' and economic strength.

## ECB can wait and see, while pressure on the Fed grows

For the time to come, both economists (according to the Bloomberg consensus) and financial markets expect inflationary pressures in the US to remain unabated, at around 3%. Inflation is not expected to gradually decline towards 2.5% until the end of 2026. However, these figures come with higher than usual uncertainty, while the future direction of trade policy by the Trump administration and how this will affect economic growth and price pressures is unclear. Newly imposed trade tariffs could lead to a new round of price increases, but at the same time put pressure on the US economy and thus lead to lower prices in the longer term. In Europe, inflation forecasts are more benign, with economists predicting headline inflation will remain at or slightly below 2% through 2027, while core inflation will gradually decline to around 2%. Here too, however, the effects of the US trade policy, the strong euro and fluctuations in the price of oil, for example, could change the inflation picture.

On the basis of what we know at this point, the ECB's interest-rate policy is reasonably predictable, and that it will continue to take a wait-and-see stance. The ECB last cut its base rate to 2% in June, and no change is expected in the coming months. Things are more complicated for the Fed, the US central bank. The Fed cut the US base rate for the first time this year in September, from 4.5% to 4.25%. The interest-rate market is discounting 4 or 5 rate cuts will follow in the coming year, bringing the base rate to or around 3%. However, this forecast is highly uncertain. If inflation in the US is indeed around 3% next year, as expected, a base rate of 3% may be too low. If, on the other hand, the US economy shows a downturn, which certainly cannot be ruled out, 3% would appear to be on the high side. Meanwhile, President Trump continues to undermine the Fed's independence, with announcements of Fed governor Lisa Cook's dismissal and undermining Jerome Powell's position as Fed Chair. Powell's term ends in 2026 anyway, and the question is whether Trump will then appoint a more compliant Chair in his place. In that case, the 1% interest rate that Trump wants may be on the cards, although this is unlikely to be welcomed by the financial markets.

## Financial markets: are we already experiencing 'irrational exuberance'?

Despite the uncertain macroeconomic and geopolitical environment, the financial markets are still optimistic. This also translated last quarter into positive returns on equities, corporate bonds and other relatively risky investment categories, while 'safe' government bonds were significantly less popular. The downside of this positive market sentiment is that risky asset classes, which are already historically expensive, have become even more expensive. Certainly the valuations of AI-related investments evoke memories of the dotcom bubble of the late 1990s, but it is difficult to assess whether we are already in a bubble or still in a boom at this point. By comparison, in late 1996, former Fed Chair Greenspan spoke of 'irrational exuberance' on the stock markets, but in the three years that followed, the US S&P500 index doubled in value, while the Nasdaq index even quadrupled in value.

At present, there are few signs that the positive market sentiment will quickly turn, but the valuation (or overvaluation) of equities and other risky asset classes means that they are exposed to possible macroeconomic setbacks, negative geopolitical developments or an unexpected 'risk event'. On the other hand, the outlook for a traditionally relatively 'safe' asset class such as government bonds is not entirely positive either, if the inflation picture develops less favourably than expected or, for example, the political paralysis in France and/or the UK were to lead to higher capital market rates.

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