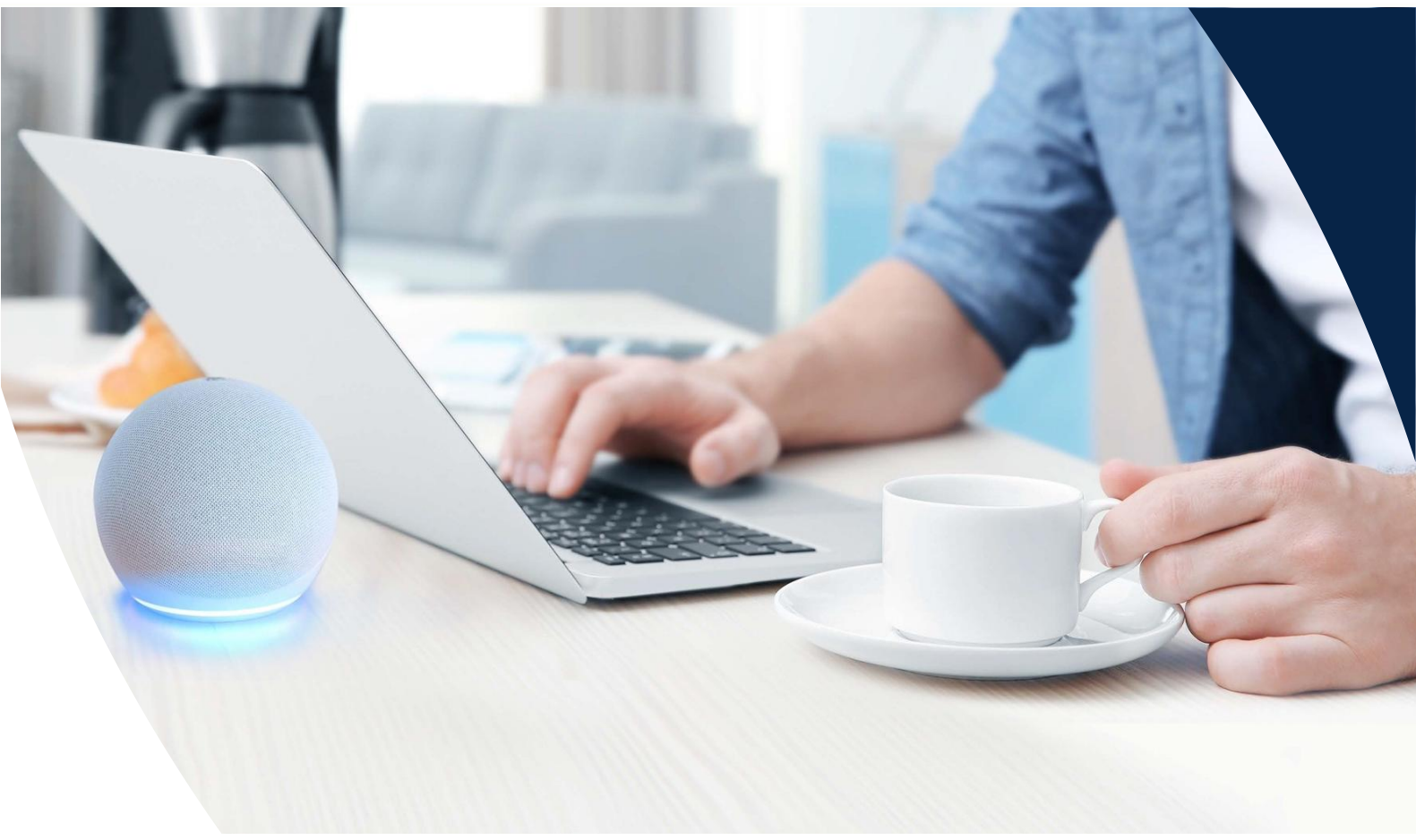

CIO OFFICE MORNING MARKET WRAP

6 October 2025

The US Bureau of Labor Statistics went silent last week due to the government shutdown, depriving markets from their important monthly rendezvous with NFP job creations. Less news however was taken as good news: all asset classes were positive, led by gold and stocks, with a falling dollar in the background. China continued to outperform, up +4% in dollar terms last week and over 40% so far this year. Sector wise, healthcare was in high demand with good news on the US tariffs front, followed by tech (again). US Treasury yields shed -5 basis points on average across the curve, and Brent crude oil fell -8% to $64.5. This was linked to anticipations of more output increase from the OPEC+, which was confirmed over the weekend, but more importantly to the Gaza peace plan put forward by the US and a number of Middle East countries.

Despite the government shutdown, the week was generous in data. We would highlight global PMIs, which showed a modest slowdown at still solid levels. Looking at composites, the big picture remains in expansion territory, The index fell from mid 60s to high 50s in India, which can be linked to their punitive tariffs from the US. In America, the official ISMs came out at a lower level than their private S&P MarkIt equivalents, with a clear disappointment in services (50 for the ISM but 54 for the PMI). While both are "soft data", the ISM synthesizes a broader survey and could thus be more accurate. Bottom-line, the global economy is resilient, but expansion doesn't translate into a hot labor market. To that extent in the US, job openings from the JOLTS report were uninspiring and the ADP payroll report signaled destructions in September instead of creations. This supports monetary stimulus without threatening profits. Fed funds future markets now imply a 95% probability for another 25 basis points rate cut this month. The shutdown situation remains fluid with both parties blaming each other for the consequences. We would put a reasonable probability for a funding bill to be agreed on this week as pressure seems to be particularly strong on Democrats.

In other news, our region took center stage last week. Geopolitically, the US and a number of Arab countries put together a detailed plan to end the war in Gaza, with Hamas agreeing to start negotiations this Monday – under also significant pressure. Financially, after the spectacular success of Abu Dhabi's September sovereign issuance, Kuwait, Bahrein and Egypt followed suit as well as a number of private companies – all offering were successful. Finally, Japan is about to nominate their first ever female Prime Minister: Mrs Sanae Takaichi is said to support a stimulative economic policy. France also finally managed to form a government one month after the nomination of Prime Minister Lecornu – it may or may not last in front of a highly fragmented parliament. The new Minister of Economy is a former asset management CIO which could be a good news to manage relations with financial markets.

Markets this morning:

The mood is positive in Asia as we write this morning, led by Japan where the Nikkei gains +4.5% to an all-time high and the yen is down -2% following the electoral victory of pro-stimulus Takaichi. Stocks are still closed for holiday in China and Korea and down -0.7% in Hong-Kong. In Tokyo trading, the US 10-year Treasury yield is slightly up to 4.14% while the Japanese equivalent is at 1.7%. Gold is unstoppable, up another +1%to $3,920; the price of Brent crude gains +1.5% to $65.5 as the actual production increase announced by the OPEC+ at 137K barrels per day, is not as massive as some were anticipated, and may translate into an actual lower number due to limited spare capacity.

Upcoming key events/data:

The week ahead will provide the FOMC and ECB meetings minutes and not much from US official sources. Apart from the US shutdown and the Gaza peace process, attention will start shifting to the corporate world with the imminent start of the Q3 earnings season. Have a great week.

Have a great day!

Chief Investment Office
Wealth Management
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