



CIO OFFICE MORNING MARKET WRAP

20 October 2025

Emerging credit concerns have dominated market discussions. Zions Bancorp and Western Alliance Bancorp reported smaller losses compared to the failures of First Brands Group and Tricolor Holdings, yet both regional lenders faced harsh market reactions to their earnings. A wave of safe-haven buying pushed benchmark yields to their lowest levels in months, with the two-year yield dropping beneath 3.4% and the 10-year yield making its sharpest move below 4% since April. The 10-year yield fell to 3.93% on Friday, its lowest since 7 April, before recovering to 4%. The delayed release of the US CPI report coming Friday is set to draw significant attention. This abrupt bond rally echoed the events of March 2023, when Silicon Valley Bank's collapse triggered a fall of more than a percentage point in the two-year yield.

Equities are off their historical highs. S&P 500 closed the week 1.7% higher. However, the index is down from its mid-week high of 6,724 to end the week at 6,664. Last week, EM equities are up 0.6% while DM equities gained 0.3%. Friday was bad of Emerging market stocks as the MSCI EM index losing 1.3%. Gold crossed \$4,350 for the first time as debasement trade gained traction.

S&P unexpectedly downgraded France's credit rating from AA- to A+, citing heightened budgetary uncertainty. Meanwhile, India has reported significant headway in its trade discussions with the United States, aiming to secure an agreement that would reduce punitive tariffs. Additionally, a fresh round of trade negotiations between the US and China is scheduled for this week, with Treasury Secretary Scott Bessent and Vice Premier He Lifeng tasked with addressing recently introduced escalatory measures. President Trump stuck a conciliatory tone regarding tariffs on China on Sunday.

Markets this morning:

Asian Equities have had a strong start to the week. Nikkei is up 2.9% as Japan's ruling LDP reached a deal with Ishin to form a coalition that will set up Sanae Takaichi to become the country's first female PM, according to Bloomberg. Hong Kong shares are up 2.4% despite China's economic growth easing for the second straight quarter, with GDP expanding 4.8%. New and used home prices fell faster than expected in September. The PBOC kept its loan prime rates unchanged. Gold trades at \$4,264. Brent Crude is down 3.4% on a weekly basis to trade at \$61. US 10-year yields have climbed above 4% to trade at 4.01%.

Upcoming key events/data:

China's ruling Communist Party will convene its Fourth Plenum through to 23rd October, where discussions will focus on the 15th five-year plan for the economy. On Monday, the US Conference Board will release its leading index. Netflix and General Motors are scheduled to announce their earnings on Tuesday. The UK Consumer Price Index report will be published on Wednesday, alongside earnings releases from Tesla, IBM and Barclays. On Thursday, the Eurozone will report its consumer confidence figures, and Turkey will make its rate decision.

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