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Eleanor Egan

Bank of Ireland Investment Markets



October 2025 Snapshot

November 2025

October 2025 market review

- Global equity markets continued to rise in October 2025¹. Investor optimism remained high, driven by expectations of further interest rate cuts and strong corporate earnings.
- The US Federal Reserve (Fed) cut interest rates for the second time in 2025 on 29th
 October, with their focus now shifting to support a weakening US labour market with
 rising unemployment. One more rate cut is anticipated before year-end though Fed Chair
 Powell has indicated it's not guaranteed. The Fed also announced it will halt its bond¹
 purchasing programme amid signs of stress in US bond markets.
- The European Central Bank (ECB) kept rates at 2% in October, showing confidence in the Eurozone's steady growth and economic resilience.



- A weaker US dollar continued to support emerging market investments.
- US tariff policy continued to influence markets as President Trump visited Asia and secured a number of trade deals. He also met with Chinese President Xi Jinping at the Asia-Pacific Economic Cooperation (APEC) Summit to ease trade tensions.
- US inflation rose to 3.0% in October, as measured by consumer price index (CPI)², slightly above expectations.

Below is a summary of the key economic drivers of market performance in October 2025:

1. A cooling US labour market



The US labour market continued to show signs of cooling in October 2025, reinforcing the recent change in Fed policy of cutting interest rates.

- Average US non-farm payroll growth, from June to August 2025 stood at 29,000³ jobs added, a sharp slowdown from earlier in the year.
- Excluding healthcare, job losses averaged 30,000⁴, highlighting weakness in core private-sector hiring.
- Aggregate hours worked in the private sector fell by 0.2% in August⁵, a rare contraction outside of recessions.

These indicators suggest that while the US labour market is not collapsing, momentum is deteriorating, with firms increasingly cautious about hiring amid economic uncertainty.

2. Global currency dynamics and political shifts



In Japan, Prime Minister Sanae Takaichi's unexpected rise as ruling party leader has pressured the Japanese yen, given her support for more government spending and supports for the economy policies. Japan's financial health has improved in recent years with net debt down to 28% of gross domestic product⁶ since 2020, backed by strong household and foreign assets. As economic growth (before inflation) now exceeds borrowing costs, ultra-low rates may no longer be necessary. The Japanese yen, undervalued by 44% versus the US dollar and 38% versus the euro, could become the top-performing developed market currency.⁷

Meanwhile, France is facing renewed political instability following the resignation of Prime Minister Sébastien Lecornu after just 27 days in office. He was subsequently re-instated as Prime Minister when the suspension of pension reforms was delayed until after the 2027 presidential election (the Socialists party pledged its support for him against a no-confidence motion). French government bonds remain under pressure as a result. In October 2025, the S&P Global credit rating agency downgraded the credit rating of French debt to A, following a downgrade by Fitch in September⁷.

Warning: Past performance is not a reliable guide to future performance. Warning: The value of your investment may go down as well as up.

Source: Bloomberg 28,10.25.

² Source: Bloomberg 28.10.25.

³ Source: Bank Credit Analyst (BCA) Research 09.10.25.

⁴ Source: BCA 09.10.25.

⁵ Source: BCA 09.10.25

⁶ A measure of a country's economic health

⁷ Source: BCA 09.10.25

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3. Q3 2025 corporate earnings season



Q3 corporate earnings have so far painted a broadly positive picture, with the S&P 500, the largest US market index, reporting its ninth consecutive quarter of year-over-year earnings growth. As of late October, 83% of companies had reported beating earnings estimates, the highest rate since Q2 2021. The blended earnings growth rate for Q3 stood at 11.7%, up from 7.9% at the end of September.9

Six of the seven Magnificent 710 stocks have reported earnings at time of writing. Four of the seven beat expectations. Amazon delivered exceptional results, while Meta missed due to a one-time \$16 billion tax charge. All companies reported significant investments in artificial intelligence (Al). Cloud businesses also performed strongly, reinforcing their role as a key growth driver. 11 Financials led the charge in Q3, Energy and Consumer Staples sectors lagged.

Despite elevated company valuations, investor sentiment remains upbeat, supported by solid revenue growth and improving guidance for 2026¹².

4. China-US tariffs



Chinese and US trade negotiators reached a preliminary framework agreement ahead of a summit on 30.10.25 between Presidents Donald Trump and Xi Jinping. The deal, welcomed by markets, includes China resuming US soybean purchases and the US deferring its threatened 100% tariffs on Chinese goods.

During the summit, Trump and Xi agreed to extend a tariff truce, roll back export controls, and reduce other trade barriers. A key breakthrough was China's decision to delay its expanded export controls on rare earth magnets¹³ for one year. This eased pressure on US tech and defence industries. In exchange, the US rolled back an expansion of restrictions on Chinese companies and halved tariffs on selected Chinese exports from 20% to 10%. Both leaders announced plans for reciprocal visits in 2026, signalling a commitment to continued dialogue. While the framework signals progress, it's largely a truce rather than a resolution, with deeper conflicts likely to persist into 2026¹⁴.

5. Gold's October whiplash



Gold saw significant volatility in October, initially surging to a record high of \$4,381 before retreating below the \$4,000 per ounce mark later in the month¹⁵. The correction was triggered by profit taking, easing geopolitical tensions, and a stronger US dollar, all of which reduced demand for the safe haven asset. Optimism around a potential US-China trade agreement further dampened gold's appeal.

Despite the falls, gold remains up over 50% year-to-date, supported by robust central bank buying and strong gold fund inflows. 16 The previous rally that had propelled gold to historic highs in 2025 had pushed the metal into technically overbought territory. This had raised concerns of a near-term correction, which we now have witnessed¹⁷.

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⁸ Source: Bloomberg 31.10.25

⁹ Source: Bloomberg 31.10.25.

⁰ Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia, and Tesla.

Source: Bloomberg 31.10.25

¹² Source: FACTSET Insight 24.10.25.

Rare earth magnets are crucial for artificial intelligence (AI) companies because they power high-performance hardware like motors in AI-driven robots and cooling fans in data centres.

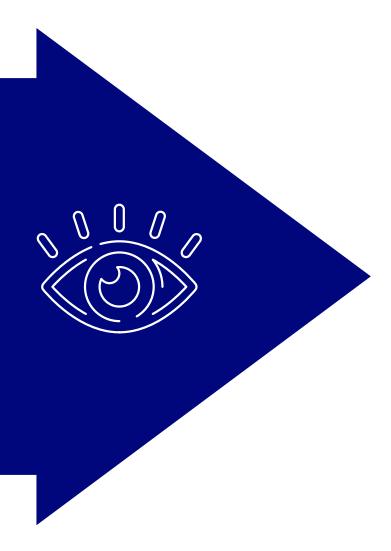
¹⁴ Source: Bloomberg 27.10.25.

⁶ Source: Bloomberg 27.10.25 ¹⁷ Source: Bloomberg 27.10.25.

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Outlook

- The US economy is expected to continue to slow through late 2025. However, recent interest rate cuts and earlier than expected government spending are helping to sustain modest positive growth. This is despite risks from the continuing US federal government shutdown which began on 1 October 2025.
- Concerns are growing about US government spending. With little political momentum to reduce the growing budget deficit, the government is expected to borrow more, putting upward pressure on long-term US bond yields¹⁸, which are already elevated.
- Global economic growth is projected to decrease from 3.3% in 2024, to 3.2% in 2025 and 2.9% in 2026¹⁹, as higher tariff rates and still-high policy uncertainty dampen investment and trade.
- Inflation is currently not a major concern for markets. It is projected to decline in most G20 economies* as economic growth moderates and labour market pressures ease.
- Investors continue to favour large-cap growth and technology stocks. This is being driven by the accelerating adoption of artificial intelligence (AI), rising demand for data centres and cloud infrastructure, and strong earnings momentum from dominant players like NVIDIA and Microsoft.
- Further increases in tariffs between countries, growing concerns over US budget deficit sustainability, and the potential for a sharp market correction, particularly in tech and Al sectors, continue to pose downside risks to global economic growth and investors' returns.



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¹⁸ Yield is the income from a bond expressed as a percentage of the bond's value.

Source: Bloomberg 28.10.25

G20 countries are the world's largest economies, including the EU, that together drive most global growth and trade.

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