

October 27, 2025

Weekly Investment Insights



Global stock markets rallied on Monday as trade talks in Malaysia over the weekend fuelled hopes that the US-China trade truce will be extended later this week. The US is expecting China to delay the introduction of its rare earth export controls following the weekend's talks, which reached a "preliminary consensus" on export controls and fentanyl, according to a top trade negotiator. Presidents Trump and Xi are expected to meet in South Korea this Thursday to discuss an extension of the trade truce between the world's two largest economies.

Japanese stocks hit record highs on Tuesday as Sanae Takaichi was elected as the country's first female Prime Minister. Investors are optimistic that Takaichi's government could bring tax cuts and an increase in defense spending, as well as potentially restarting suspended nuclear power plants.

Oil prices rose by 5% on Thursday following the announcement of US sanctions on Russia's two biggest oil companies. The sanctions mean that India, the biggest buyer of seaborne Russian crude, must find a new source for the 1.6 million barrels of crude a day that it is buying from Russia as companies buying Russian oil risk losing access to the dollar-based financial system. As the global oil market is made up of 100 million barrels a day, investors are betting on India's expected shift in supplier to have a substantial impact.

Both the US Federal Reserve and the European Central Bank are meeting this week to discuss monetary policy. Markets are anticipating a 25-basis-point cut by the Fed, whereas the ECB is expected to maintain its current interest rates. Investors will also continue to scrutinize incoming earnings reports. Thus far, 20% of firms on the S&P 500 have delivered their results, with 80% beating expectations and delivering robust 9% EPS growth.

The market's newfound optimism on trade, better-than-expected earnings and Fed easing chipped away at demand for safe haven assets, leading Treasuries to decline across the curve, and gold to slip.

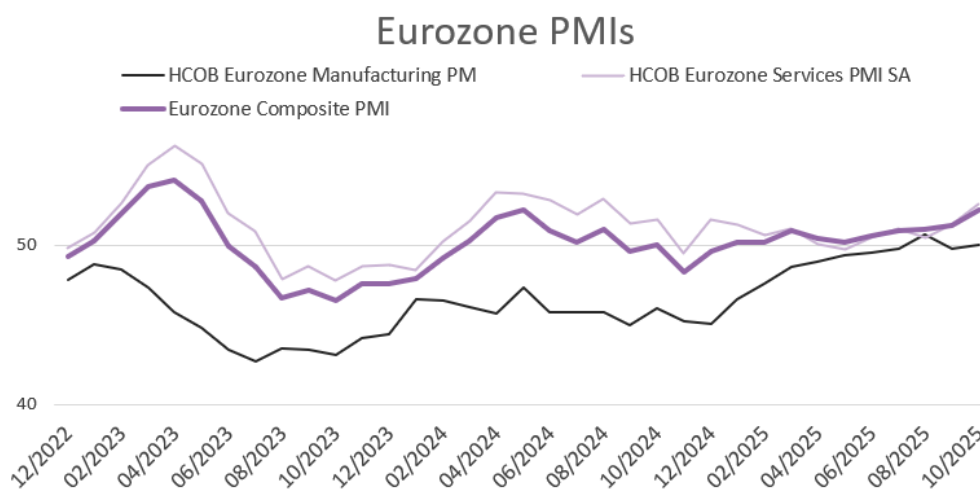
MACRO SNAPSHOT

Europe

PMIs were a harbinger of good news in the **Eurozone**, with the composite rising to 52.2 in October, surpassing expectations of 51.0, to reflect the sharpest expansion in private sector activity since May 2024. The forward-looking new orders sub-index accelerated, with strong support from domestic clients, offsetting a fresh drop in export business.

The manufacturing sector, which has faced an array of challenges in recent years, ranging from depressed demand to increasing competition from China, managed to find some stability, with the PMI rising to 50.0. Whether industry is out of the woods, however, is yet to be seen. Indeed, overall sentiment weakened, with manufacturers showing less optimism about future output.

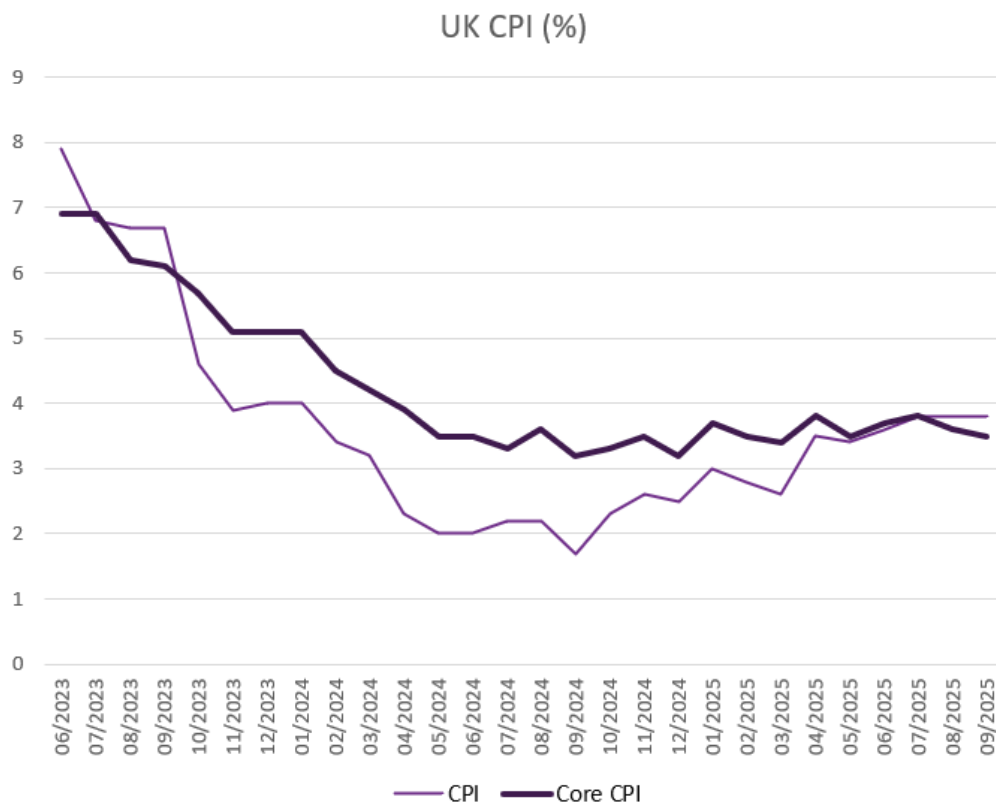
The services sector is holding up better, with a PMI of 52.6, a fresh one-year high, boosted by a burst of activity in Germany (its Services gauge rose from 51.5 to 54.5).



Source: Bloomberg, BIL

Consumer prices in the **UK** held steady at 3.8% in September, below the expected 4% by both analysts and the Bank of England, as lower prices for food and non-alcoholic beverages offset rises in other categories. Transport prices rose by 3.8%, driven by higher costs for motor fuels

and air fares. Core inflation, which excludes volatile categories such as food and energy, unexpectedly slowed to 3.5% from 3.6% in August.



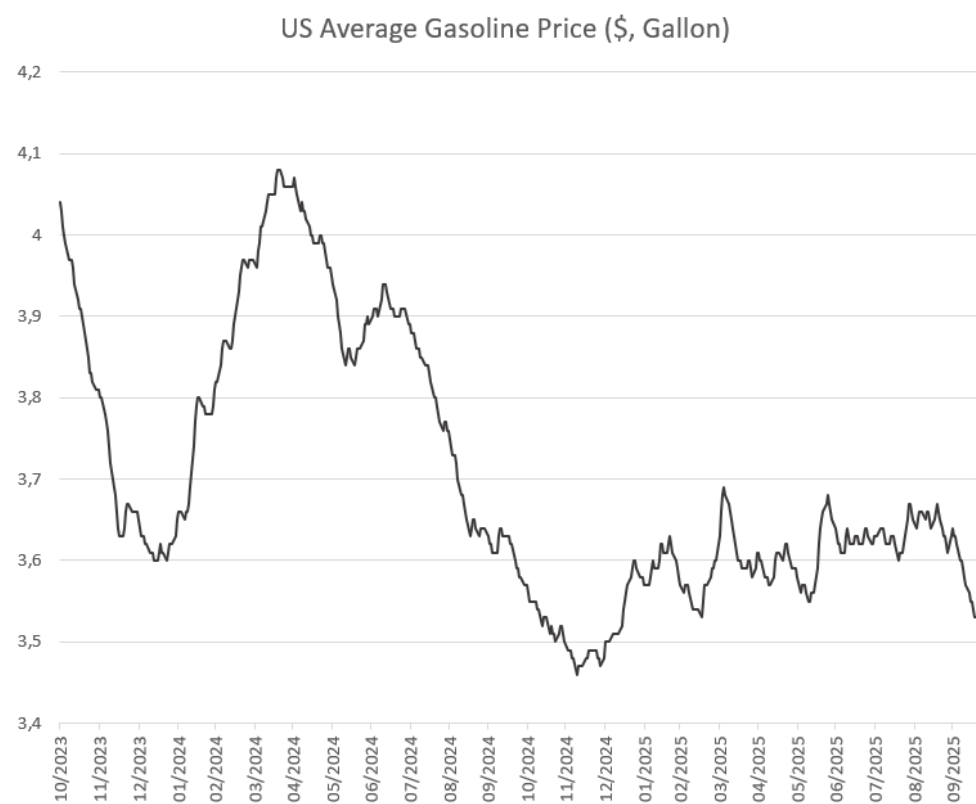
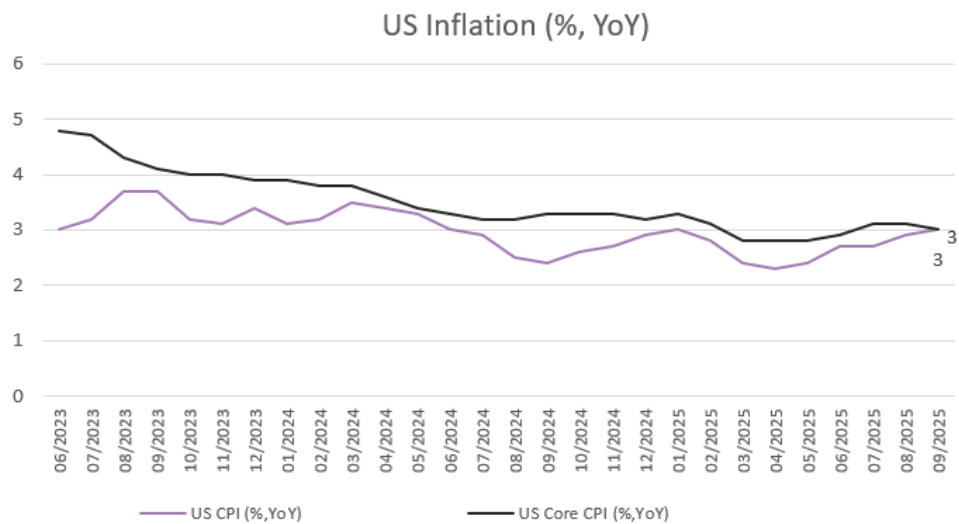
Source: Bloomberg, BIL

This latest release will come as good news for the Bank of England (BoE), as price pressures were not as strong as it had expected in September. The data led market participants to increase bets on another rate cut by the BoE this year, assuming that price pressures have reached their peak. The fact that services inflation, which is closely monitored by the central bank as a gauge of price pressures remained unchanged at 4.7%, instead of rising to 5% as the BoE had expected, supports this theory.

In **Switzerland**, exports to the US soared by 42.8% on the month in September, recovering from a 22% fall in August, despite the 39% tariff imposed by President Trump. The increase was driven by pharmaceutical companies ramping up shipments ahead of the implementation of tariffs on the pharmaceutical sector, which was exempt from the “reciprocal” tariffs that were announced in August. However, in late September, President Trump announced that he would impose a 100% tariff on branded or patented pharmaceutical products, unless the company is currently building manufacturing facilities in the US. With chemical and pharmaceutical products accounting for more than half of Swiss goods exports, drugmakers were keen to frontload as many shipments as possible ahead of the implementation of tariffs.

US

US CPI rose by less than expected in September, coming in at 3.0% YoY, versus 3.1% expected. The uptick was driven by a bump in energy prices, which rose the most since May. To some extent, policymakers can look through that, as falling crude prices have already manifested in lower prices at the pump through October. Importantly for the Fed, core inflation, which excludes food and energy, slowed to 3% from 3.1% in August.



Source: Bloomberg, BIL

Overall, the CPI suggested that higher tariffs are yet to be passed down to consumers on a grand scale, and fuelled bets that the Federal Reserve will cut rates by 25 basis points again this

week.

Following the release, the US dollar and Treasury yields initially fell.

Asia

China's GDP grew by 4.8% year-on-year in the third quarter of the year, down from 5.2% in Q2. Consumption remains weak, with retail sales growing at the slowest pace in a year (3% compared to 3.4% in August) in September, despite ongoing consumer subsidies. Consumers spent less on household appliances and audio-visual equipment (3.3% vs 14.3% in August), gold, silver and jewelry, among others. Sales increased at a faster pace for items such as grain, oil, and food, clothing, cosmetics and communication equipment. The job market also remains a main concern for consumers. Although the unemployment rate fell slightly from 5.3% to 5.2% in September, it remains close to the six-month high recorded in August.

On the other hand, industrial production expanded by 6.5% year-on-year in September, accelerating from August's 5.2% rise. The rise was driven by faster growth in manufacturing and mining activity ahead of the Golden Week holidays, as well as still-strong exports.



Source: Bloomberg, BIL

Last week, the Central Committee of the Communist Party met for four days to discuss China's

next five-year plan. Investors were listening carefully for any indication of further stimulus support. Beijing has made the economy one of the top three priorities for the next five years and reiterated its commitment to boost domestic demand and improve people's livelihoods, however offering few details as to how it would do so. The meeting placed more emphasis on the promise to build a "modern industrial system" and to achieve technological self-reliance. China's robust industrial policies have driven strong growth in the past, but the uncertainty caused by US trade policy this year has led economists to call for additional measures to boost domestic demand and ensure future growth.

The full five-year plan is set to be unveiled at a parliamentary meeting in March. However, initial reports point to a continuation of policy, with industrial policy and technological self-reliance taking center stage, combined with support to boost domestic demand.

Calendar for the week ahead

Monday – Germany Ifo Business Climate (October).

Tuesday – EU New Car Registrations (September). Germany GfK Consumer Confidence (November). US Housing Stats, CB Consumer Confidence (October).

Wednesday – Japan Consumer Confidence (October). Spain GDP Growth Rate (Flash, Q3). Switzerland Economic Sentiment Index (October). **Fed Interest Rate Decision.**

Thursday – Bank of Japan Interest Rate Decision. **Eurozone, France, Italy, Germany & US GDP Growth Rate** (Flash, Q3). Switzerland KOF Leading Indicators (October). Eurozone Economic Sentiment (October), Unemployment Rate (September), Consumer Confidence (Final, October). US Jobless Claims. **ECB Interest Rate Decision.**

Friday – Japan Unemployment Rate (September). China NBS Manufacturing PMI (October). Switzerland Retail Sales (September). **Eurozone Inflation Rate** (Flash, October). US PCE Price Index (September).

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