October 6, 2025

Weekly Investment Insights

Last week, the US government went into shutdown after the Republicans and Democrats failed to come to an agreement to fund the federal government. Without funding, federal agencies could end up having to furlough around 750 000 workers, and scale back public services, costing the economy billions of dollars of lost output. The shutdown also makes it more difficult to track the state of the economy, as several key economic reports will be delayed. US equities and the dollar fell on the news, with equities recovering towards the end of the week, finishing in the green, while gold reached a new high. US Treasury yields weakened on disappointing private employment data and weaker-than-expected consumer confidence.

In Europe, equities neared record levels as technology stocks rallied and expectations for lower US interest rates boosted sentiment.

Japanese stocks started this week on a record high as the "Takaichi trade" started to take hold. The Nikkei 225 index and the broader Topix share index rose on Mondy in response to the election of Sanae Takaichi as the leader of the ruling Liberal Democratic party (LDP). Meanwhile, the Japanese yen weakened against the US dollar. Takaichi's victory means that she is on track to become Japan's first female prime minister in a vote scheduled for late-October. Market participants anticipate increased fiscal spending and looser monetary policy under the new Takaichi-led administration.

In France, Prime Minister Lecornu resigned less than a month after having been appointed, making him the shortest-serving prime minister in the Fifth Republic, which was established in 1958. This was after allies in the centre-right Les Républicains party indicated that they would withdraw from the government over the number of ministers from Macron's Renaissance party that Lecornu planned to include. French equities fell on the news, while yields on 10-year

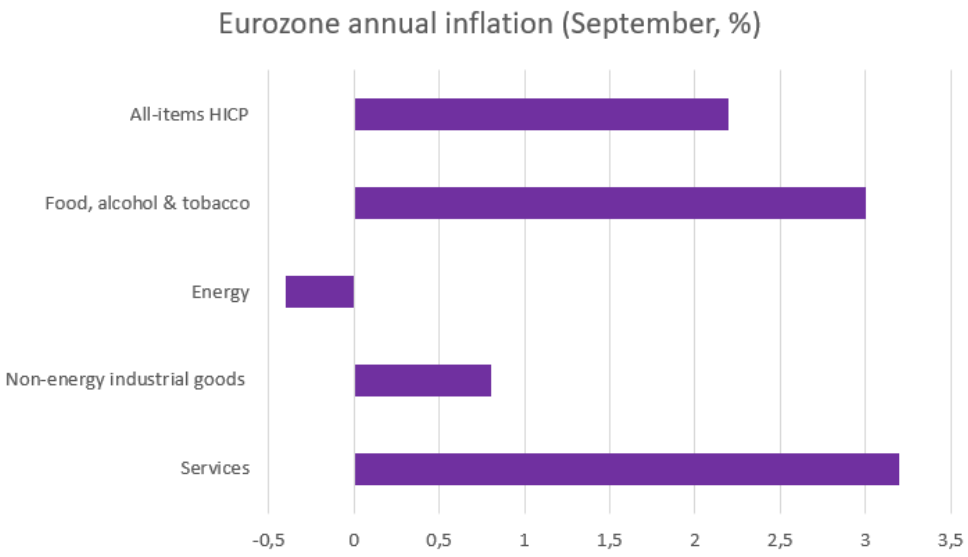
government bonds rose. The euro also fell amid growing concerns about the outlook for the eurozone's second-biggest economy.

MACRO SNAPSHOT

Europe

According to flash estimates, consumer prices in the Eurozone rose slightly, to 2.2% year-on-year in September, up from 2% in August. The increase was mainly driven by higher prices for services and food, alcohol and tobacco. It marked the first rise above the ECB's 2% inflation target since April and was in line with analyst expectations. The slight increase in the annual inflation rate is unlikely to cause major concern for the central bank, which expects inflation to fall to 1.7% next year and remain below the target level throughout 2027.

Core inflation, which excludes volatile categories such as food and energy, remained at 2.3%, despite the increase in services inflation.



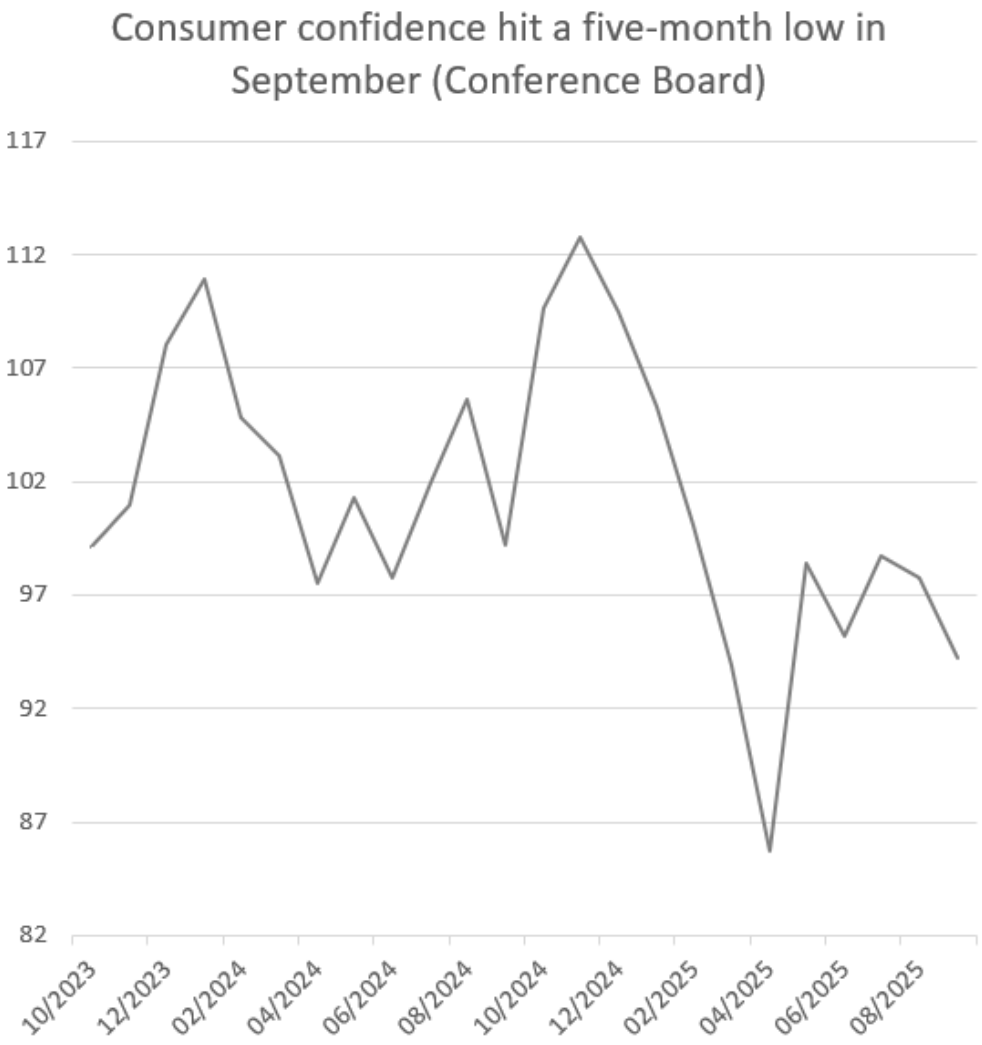
Source: Eurostat, BIL

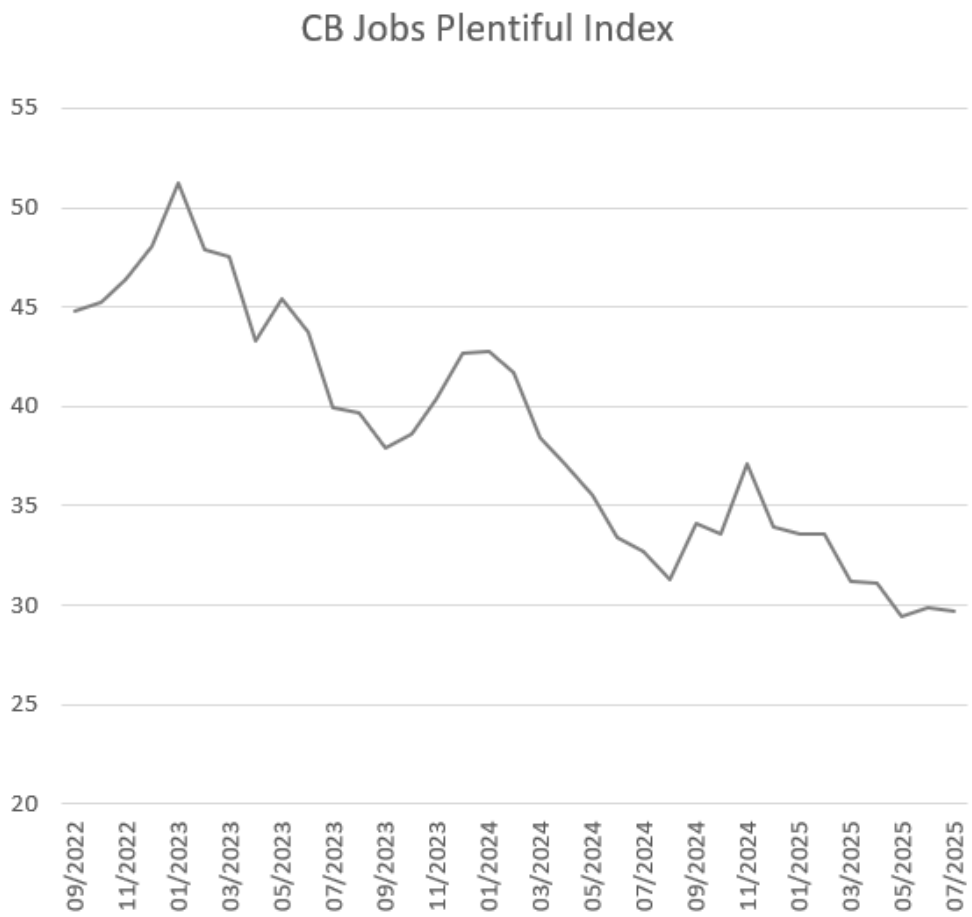
This latest release reaffirms expectations that the ECB will hold interest rates steady at 2% for the third meeting in a row at the end of this month. Earlier in the week, ECB president Christine Lagarde said that the Eurozone inflation risk is "quite contained".

US

US job openings saw a slight increase in August according to the JOLTs report, but hiring

declined during the same period. Consumers are also growing more pessimistic about the labour market and job availability. The Conference Board September survey showed that the share of consumers viewing jobs as “plentiful” fell to the lowest level since early 2021.

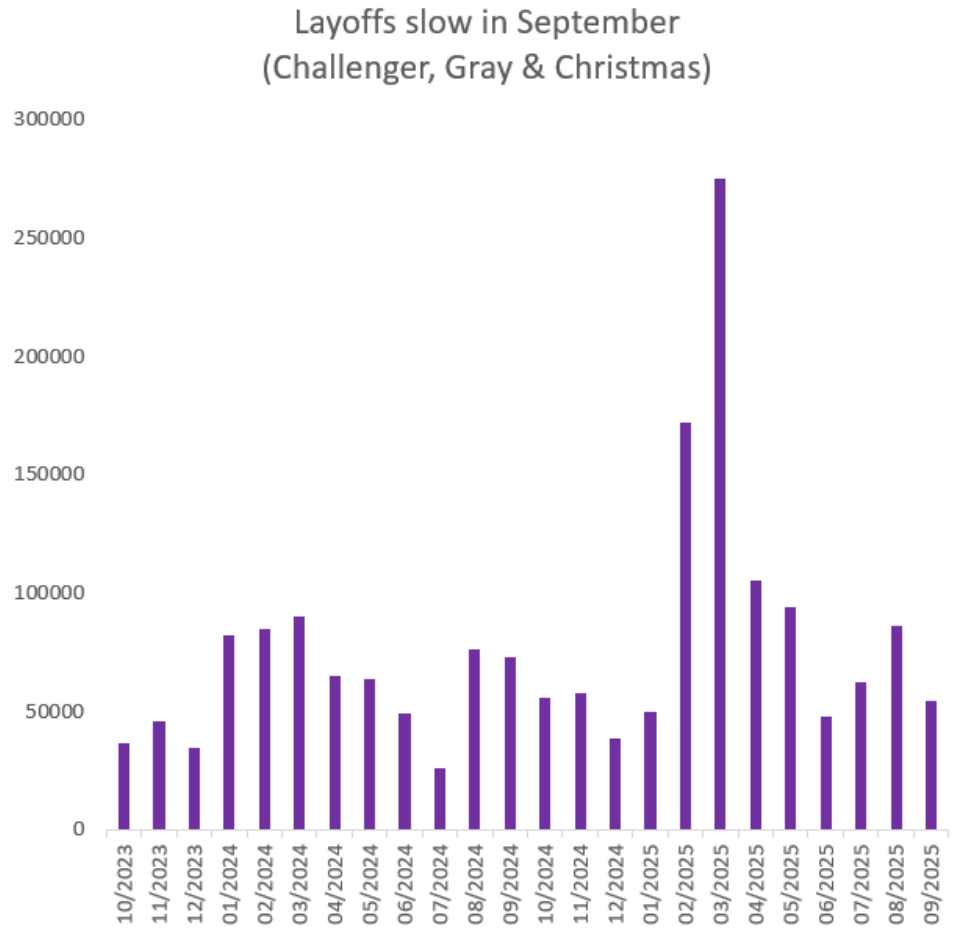




Source: Bloomberg, BIL

In August, there were 0.98 job openings for every unemployed person, down from 1.0 in July. The labour market has significantly slowed in recent months, driven by reduced demand for workers due to uncertainty surrounding tariff policies and the growing adoption of artificial intelligence. Additionally, US immigration policies have limited labour supply. Despite a decrease in layoffs, as employers are holding onto their workforce, weak hiring trends could make it more challenging for those who lose their jobs to find new ones.

The Challenger Job Cuts survey supports the idea that employers are retaining their employees, as US companies announced the fewest job cuts in three months in September. Job cuts fell to 54,064 compared to 85,979 in August. However, when looking at the year as a whole, companies have announced the highest number of layoffs since the pandemic began. This increase is largely attributed to significant layoffs among federal workers, particularly by the Department of Government Efficiency (DOGE). This trend may accelerate in the coming weeks if the government shutdown persists, with the potential for federal workers to be fired rather than furloughed, as indicated by President Trump's warnings.



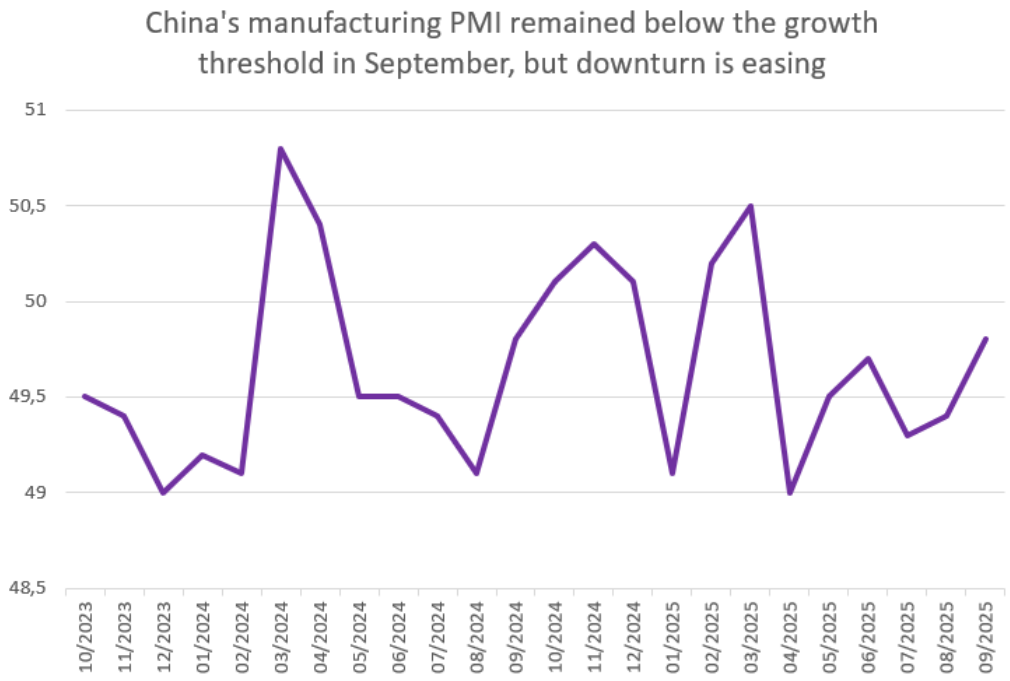
Source: Bloomberg, BIL

The Bureau of Labor Statistics was due to release its monthly jobs report on Friday; however, this has been postponed due to the federal government shutdown. This report is an important indicator of the state of the labour market and is closely monitored by analysts and the Fed. With official data reports suspended during the shutdown, investors are turning to private employment data, such as the ADP National Employment Report, to fill the gap. According to ADP, private employers in the US cut the most jobs in two and a half years in September. Although the ADP report is not usually the most closely watched labour market report, the Fed will have to find alternative sources in the absence of official data, and markets will be watching closely to see what data the Fed will rely on for its October interest rate decision.

Asia

China's factory activity contracted for the sixth straight month in September, according to the National Bureau of Statistics. The manufacturing PMI rose to 49.8 in September, from 49.4 the month prior. Although it continues to be below the growth threshold of 50, the pace of decline was the slowest since before US President Trump announced his "reciprocal" tariffs in April this year. Output grew at the strongest pace since March, and buying levels rose. Meanwhile, new

orders, foreign sales and employment continued to decrease, albeit at a softer pace. The improvement comes as manufacturers anticipate more policy support from the government following the October plenum, during which the communist party will meet to map out the country's social and economic development over the next five years.



Source: Bloomberg, BIL

Calendar for the week ahead

Monday – Switzerland Unemployment Rate (September). Eurozone Retail Sales (August).

Tuesday – Germany Factory Orders (August). **US Balance of Trade** (August).

Wednesday – Germany Industrial Production (August).

Thursday – Germany Balance of Trade (August). US Jobless Claims.

Friday – Switzerland Consumer Confidence (September). **US Michigan Consumer Sentiment** (Prel, October).

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