World markets review — Third quarter 2025

Equities

Global stocks rallied amid easing global trade tensions, healthy corporate earnings and the start of a new interest rate cutting cycle by the U.S. Federal Reserve (Fed). Helping to calm fears of a trade war, the U.S. announced new trade deals with some of its biggest trading partners, including the European Union and Japan.

Information technology stocks rose as investors continued to favor companies driving the rapid growth of artificial intelligence (AI). Shares of AI-related firms, such as chipmaker NVIDIA and software provider Microsoft, helped drive key market indexes to new record highs. Consumer staples stocks declined and the health care sector lagged.

Equity index returns (%)	Sep 2025		3Q 2025		YTD 2025	
	U.S. dollar	Local currency	U.S. dollar	Local currency	U.S. dollar	Local currency
S&P 500	3.7	3.7	8.1	8.1	14.8	14.8
MSCI ACWI	3.6	3.6	7.6	8.0	18.4	15.5
MSCI ACWI ex USA	3.6	3.6	6.9	7.9	26.0	17.4
MSCI World	3.2	3.2	7.3	7.5	17.4	14.6
MSCI Emerging Markets	7.2	7.1	10.6	12.2	27.5	24.3
MSCI EAFE	1.9	1.8	4.8	5.4	25.1	13.6
MSCI Europe	2.0	1.7	3.6	3.9	27.5	13.6
MSCI Pacific	1.6	1.8	7.1	8.5	20.7	13.8

Source: RIMES

Fixed income

Bonds generally posted solid gains as investors anticipated an interest rate cut at the Fed's September policy meeting. The Fed delivered a 25 basis point reduction and indicated the possibility of further cuts in the months ahead amid signs of weakness in the U.S. labor market. It was the first time the Fed moved to lower rates since December 2024.

In foreign exchange markets, the U.S. dollar rose modestly against a basket of foreign currencies, including the Japanese yen and the British pound. After losing substantial ground earlier in the year, the U.S. Dollar Index advanced by 1% in the third quarter but remains down nearly 10% on a year-to-date basis.

Fixed income index returns (%)	Sep 2025	3Q 2025	YTD 2025
Bloomberg U.S. Aggregate	1.1	2.0	6.1
Bloomberg Global Aggregate	0.7	0.6	7.9
Bloomberg U.S. Corp IG	1.5	2.6	6.9
Bloomberg U.S. Corp HY	0.8	2.5	7.2
JPM EMBI Global Diversified	1.8	4.8	10.7
JPM GBI-EM Global Diversified	1.4	2.8	15.4

Source: RIMES. Returns are in USD.

Exchange rates (% change vs. USD)	Sep 2025	3Q 2025	YTD 2025
Euro	0.4	0.1	13.5
Japanese yen	–0.6	–2.2	6.4
British pound	–0.4	–1.8	7.5
Canadian dollar	–1.3	–1.9	3.4
Australian dollar	1.3	1.1	7.0
Swiss franc	0.4	0.0	13.9

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

North America

U.S. stocks rose steadily, bolstered by strong corporate earnings, lower interest rates and a resilient economy. The communication services and information technology sectors led markets higher. The rally was broad-based, with only the consumer staples sector declining. Overall, the S&P 500 Index advanced 8%, reaching several new all-time highs during the quarter.

The Federal Reserve cut interest rates at its September meeting and signaled that additional reductions are likely this year. Fed Chair Jerome Powell described the decision as “risk management,” reflecting concerns over potential weakness in the labor market. The central bank’s quarter-point cut was its first since December and reduced the benchmark rate to a range between 4% and 4.25%.

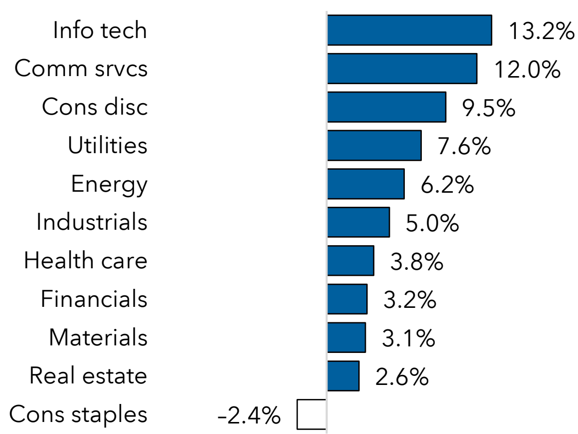
The U.S. economy expanded at its fastest rate in nearly two years, as gross domestic product rose an annualized 3.8% in the second quarter. Inflation accelerated in August, but remained relatively subdued despite ongoing concerns over the impact of tariffs. The Consumer Price Index rose 2.9% from the previous year. The unemployment rate also ticked up in August, reaching 4.3%, its highest level since October 2021.

Enthusiasm for artificial intelligence continued to boost stocks across several sectors. Alphabet shares climbed nearly 40% – its best quarterly gain in two decades – as its Gemini AI product overtook ChatGPT as the top-ranked app in Apple’s app store. Shares of Intel soared 50% after chipmaker NVIDIA announced it would invest $5 billion in the rival chipmaker. Other semiconductor companies also had strong gains, including Broadcom, Micron Technologies and Lam Research. Apple shares rallied 24%, as investors cheered news of the company’s largest quarterly revenue growth since 2021.

The consumer discretionary sector was among the top gainers, rising 10%. Tesla advanced 40%, partly due to a rollout of robotaxis in select U.S. cities, as well as CEO Elon Musk’s renewed focus on the company. Retailer Home Depot shares also climbed, while restaurant operator Chipotle Mexican Grill was a notable laggard in the sector, declining 30%.

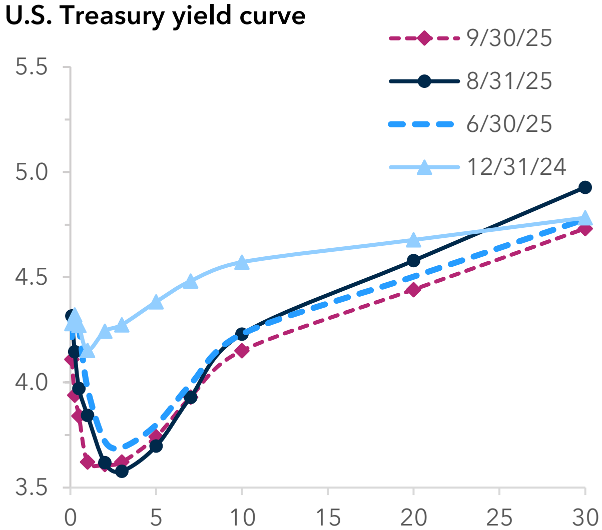
U.S. bonds produced solid results in the quarter. The Bloomberg U.S. Aggregate Index gained 2.03%, as interest rates declined and corporate spreads tightened. Treasury yields fell across the curve during the quarter, with the yield on U.S.10-year notes declining eight basis points (bps) to 4.15%, while the two-year yield dropped by 11 bps to 3.61%. Within U.S. credit markets, investment-grade bonds (BBB/Baa and above), as measured by the Bloomberg U.S. Corporate Investment Grade Index, gained 2.60% and high-yield bonds, as measured by the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index, rose by 2.54%.

S&P 500 total returns (3Q 2025)



Source: RIMES.

U.S. Treasury yield curve



Source: Bloomberg. The x-axis represents Treasury maturities (years). The y-axis represents the U.S. Treasury yield (%).

Returns are in USD unless otherwise noted.
Past results are not predictive of results in future periods.

Europe

European stocks rose amid signs of improving economic growth and easing trade tensions with the United States. Better-than-expected economic data boosted investor sentiment in the 20-member eurozone. A trade deal with the U.S. also helped to calm fears about a potential tariff-induced slowdown. Overall, the MSCI Europe Index gained 3.6% for the quarter, lifting year-to-date gains above 27%.

The European Central Bank held rates steady at its September policy meeting and revised its economic growth forecast for the region to 1.2% this year, up from 0.9% previously. Over the past year, the European Central Bank (ECB) cut its key policy rate eight times — to a current level of 2% — in a bid to jump-start a sluggish eurozone economy.

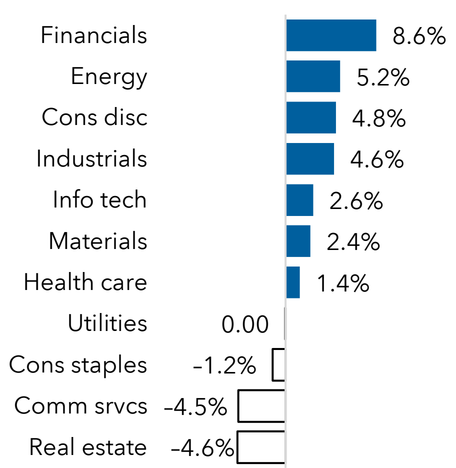
A U.S.-European Union trade deal announced in July sent equity markets sharply higher as the two sides agreed to a long list of commitments. The terms include a 15% U.S. tariff on many of Europe's key exports, such as cars, pharmaceuticals and semiconductors. The deal was praised by some for averting a transatlantic trade war, but panned by critics for being too favorable to the U.S.

Financial stocks rallied, gaining 9% as many European banks reported strong earnings growth. Shares of HSBC, Banco Santander and UBS posted double-digit gains. Energy stocks also advanced, rising 5%. Shares of global energy giant BP gained 16% amid plans to ramp up oil production in the Gulf of Mexico. In the technology sector, shares of semiconductor equipment maker ASML rose more than 20%, fueled by strong demand for powerful chips used in artificial intelligence applications.

Communication services and real estate stocks declined, with both sectors losing more than 4%. Spotify shares fell sharply after the music streaming company reported a net loss in the second quarter and announced that founder and CEO Daniel Ek will resign next year to become executive chairman. Real estate stocks fell after a strong run-up earlier in the year.

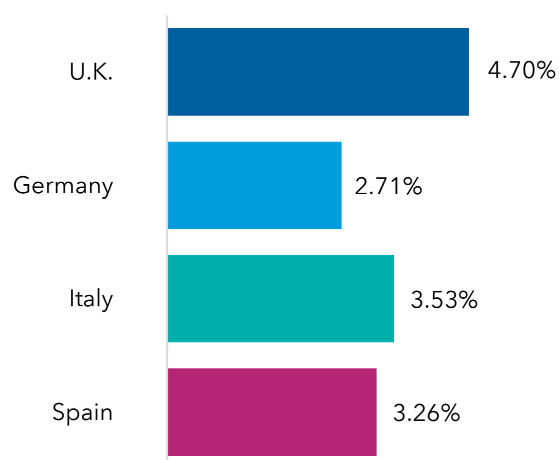
In fixed income markets, European bonds were essentially flat as the ECB's rate-cutting cycle appeared to be ending. The yield on Germany's benchmark 10-year note rose 10 basis points to 2.71%. In currency markets, the euro rose slightly against the U.S. dollar.

MSCI Europe total returns (3Q 2025)



Source: RIMES. Returns are in USD.

10-year government bond yields



Source: Bloomberg. As of September 30, 2025.

Asia-Pacific

Japanese stocks posted solid returns. The equity market rose as the economy expanded past government growth forecasts in the second quarter and inflation eased. Energy and utilities led sector gains. Only consumer staples detracted. The Japanese yen weakened 2.2% against the U.S. dollar.

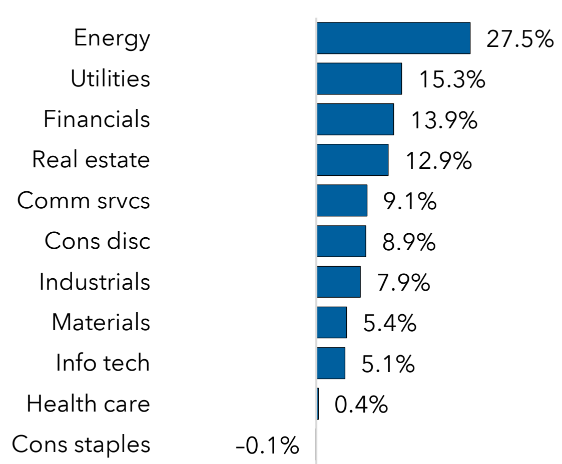
Inflation declined for the third consecutive month. Core inflation, which excludes fresh food, dropped to 2.7% in August, the lowest level since November 2024. As inflation eased, the Bank of Japan (BOJ) kept its key rate steady at 0.5% at its September meeting. Although inflation is falling, it remained above the BOJ's 2% target, in part due to elevated prices for food items such as rice, which rose 91% year over year as of July. The economy, however, grew an annualized 2.2% in the second quarter from the previous quarter, surpassing initial forecasts. The growth was driven by an uptick in consumer spending.

The U.S. and Japan finalized a trade deal. President Donald Trump settled a trade deal that set a 15% baseline tariff on most Japanese goods, including autos. Auto tariffs were initially expected to stand at 27.5%. The deal also includes $550 billion of Japanese investments in U.S. projects. Meanwhile, manufacturing activity fell at the fastest pace in six months. The S&P Global Japan Manufacturing Purchasing Managers' Index (PMI) fell to 48.5 in September from 49.7 in August, remaining below the 50.0 threshold that separates growth from contraction. Soft demand from China and uncertainty around U.S. tariffs weighed on business performance. Elsewhere, Prime Minister Shigeru Ishiba announced his resignation following a defeat in the country's parliamentary election in July. Shares of tech investor SoftBank Group surged more than 13% in early August after announcing substantial investments in AI. Conversely, shares of semiconductor equipment maker Tokyo Electron lagged. The company slashed its full year earnings outlook due to a slower-than-expected recovery in demand from logic chipmakers.

Australian shares rose. Materials and utilities led gains, while information technology and health care detracted the most. The S&P Global Australia Manufacturing Purchasing Managers' Index fell to 51.4 in September from 53.0 in August, indicating a continued expansion but at a slower pace. The Reserve Bank of Australia kept its key interest rate unchanged at 3.6% as inflation remained elevated. The Australian dollar gained 1.1% against the greenback.

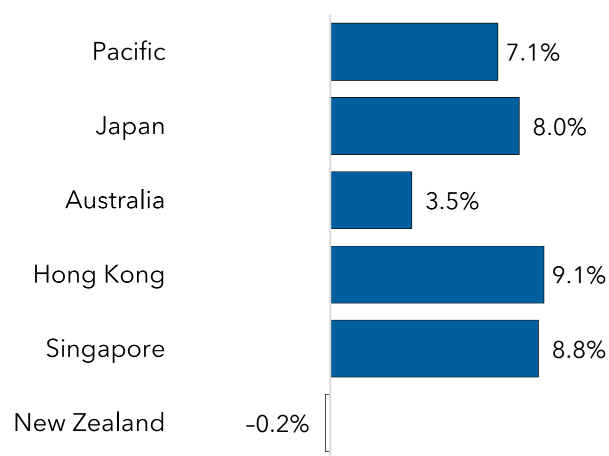
Hong Kong stocks advanced. The city's economy expanded 3.1% in the second quarter from the same period a year earlier, driven by an increase in shipments following the temporary easing of U.S. tariffs. Meanwhile, the Hong Kong dollar strengthened at the fastest pace in 20 years. Strong equity flows and a supportive money market backdrop boosted the currency.

MSCI Japan total returns (3Q 2025)



Source: RIMES. Returns are in USD.

MSCI Pacific total returns (3Q 2025)



Source: RIMES. Returns are in USD.

Emerging markets

Emerging markets (EM) equities rose during the quarter, outperforming all major indices. The MSCI Emerging Markets Index climbed 11%, as EM regions continued to benefit from weakness in the U.S. dollar and expectations for more fiscal easing in the U.S. Equities in China, Peru, Egypt and South Africa all rose more than 20%. Argentina posted the largest declines, down 29%.

The materials and communication services sectors posted the largest gains, up 24% and 20% respectively. Although no sectors declined, financials and energy both delivered modest returns of less than 1%.

Chinese stocks surged 21% despite a slowdown in economic growth over the summer. Policymakers kept interest rates unchanged in September as exports remained resilient in the face of U.S. tariffs. Investor enthusiasm for artificial intelligence (AI) persists, fueling shares of Alibaba and Tencent, which were among the largest contributors to the MSCI EM Index. Food delivery giant Meituan was the largest detractor as profits declined amid increased competition. The U.S. and China reached a preliminary deal to allow the Chinese-owned social media giant TikTok to continue operating in the U.S., although the details remain unknown.

After climbing in the first half of the year, Indian equities erased their gains and fell 8%. The pharmaceutical and technology sectors fell after the U.S. announced 100% tariffs on patented pharmaceutical imports and a $100,000 fee on applications for H-1B visas. Indian citizens account for more than 70% of H-1B visas and the program has fueled the country's successful technology services industry.

The MSCI EM Latin America Index climbed 10%, continuing its 2025 rally and ending the quarter up 43% year to date. Stocks in Colombia and Peru climbed the most. Mexican stocks climbed 13% as central bankers trimmed the benchmark interest rate and signaled more easing amid weak economic growth. Argentinean equities fell 29%.

Developing market currencies were mixed against the U.S. dollar. The Colombian peso and the Mexican peso both rose against the dollar, while the Argentine peso continued its decline, falling 13% against the dollar.

Both dollar- and local currency-denominated EM bonds rose during the quarter. Hard currency bonds outpaced local currency bonds, a reversal from the first half of the year. EM local-currency government debt rose by 2.80% in dollar terms, as measured by the J.P. Morgan GBI-EM Global Diversified Composite Index. U.S. dollar-denominated debt gained 4.75% in dollar terms, as measured by the J.P. Morgan EMBI Global Diversified Index. Regions across both sub-asset classes posted positive gains across the board apart from local-currency bonds in China, which fell slightly. ■

3Q 2025 total returns (%)

Equity indexes	(USD)
MSCI Emerging Markets	10.6
MSCI Brazil	8.3
MSCI China	20.7
MSCI India	–7.6
MSCI Mexico	13.2
MSCI South Africa	20.4
MSCI Korea	12.7
MSCI Saudi Arabia	6.4
MSCI Taiwan	14.3
MSCI Thailand	17.5

Fixed income / currency	USD debt (USD)	Local debt (USD)	Local debt (Local)	Exchange rate (vs. USD)
JPM EMBI Global Div	4.8	---	---	---
JPM GBI-EM Global Div	---	2.8	2.4	---
Brazil	4.5	5.5	3.0	2.5
China	1.8	–0.0	–0.7	0.7
Indonesia	3.0	1.1	3.8	-2.6
Malaysia	3.8	1.1	1.1	0.0
Mexico	7.3	7.8	4.7	3.1
Poland	3.5	1.3	1.7	-0.4
South Africa	5.8	10.2	7.0	3.0
Turkey	4.4	1.9	6.5	-4.3

Source: RIMES

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Certain market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

Unless otherwise noted, all returns are in U.S. dollars and assume the reinvestment of dividends. Country stock returns are based on MSCI indexes.

Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies such as Standard & Poor's, Moody's and/or Fitch, as an indication of an issuer's creditworthiness.

Bloomberg indexes are unmanaged, and results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **Bloomberg U.S. Aggregate Index** represents the U.S. investment-grade fixed-rate bond market. **Bloomberg Global Aggregate Index** represents the global investment-grade fixed income markets. **Bloomberg U.S. Corporate Investment Grade Index** represents the universe of investment grade, publically issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. The **Bloomberg U.S. Corporate High Yield Bond Index** measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market.

S&P Global purchasing manager indexes (PMIs) track business trends across both manufacturing and service sectors for various countries. The indexes are based on data collected from companies and follow variables such as sales, new orders, employment, inventories and prices. The **S&P Global Japan Manufacturing Purchasing Managers' Index** and **S&P Global Australia Manufacturing Purchasing Managers' Index** provide this information for Japan and Australia, respectively.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified and related country-specific indexes track total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, eurobonds. **J.P. Morgan Government Bond Index – Emerging Markets (GBI-EM) Global Diversified** and related country-specific indexes cover the universe of regularly traded, liquid fixed-rate, domestic currency emerging market government bonds to which international investors can gain exposure.

MSCI indexes are free-float-adjusted, market-capitalization weighted indexes. Developed market index results reflect dividends net of withholding taxes. Emerging market index results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter. Each index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **MSCI All Country World Index (ACWI)** is designed to measure results of more than 40 developed and emerging equity markets. **MSCI All Country World (ACWI) ex USA Index** is designed to measure equity market results in the global developed and emerging markets, excluding the United States. **MSCI EAFE® (Europe, Australasia, Far East) Index** is designed to measure developed equity market results, excluding the United States and Canada. **MSCI Emerging Markets Index** is a free-float-adjusted market-capitalization-weighted index designed to measure equity market results in more than 20 global emerging markets. Individual emerging markets listed herein represent a subset of the MSCI Emerging Markets Index. **MSCI Europe Index** is designed to measure developed equity market results across 15 developed countries in Europe. **MSCI Pacific Index** is designed to measure the equity market performance of the developed markets in the Pacific region. It consists of Japan, Australia, Hong Kong, New Zealand and Singapore. **MSCI World Index** is designed to measure equity market results of developed markets. The index consists of more than 20 developed-market country indexes, including the United States. **MSCI EM Latin America Index** captures large and mid-cap representation across Brazil, Chile, Colombia, Mexico and Peru.

S&P 500 Index is a market-capitalization-weighted index based on the results of 500 widely held common stocks. This index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes.

The **Consumer Price Index (CPI)**, reported by the U.S. Bureau of Labor Statistics, measures the change in prices paid by consumers for goods and services.

Gross domestic product is the value of final goods and services produced in a country during a specified time period.

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