

HIGHLIGHTS

Q3 2025 Market Review

- Q3 2025 saw positive returns across most major asset classes, with equities and precious metals leading gains.
- S&P 500 equities advanced +8.1% supported by a less-than-feared tariff escalation and the Federal Reserve's pivot to monetary easing.
- Gold surged +16.8% in Q3, hitting a record high of \$3,859/oz. This is the strongest quarterly performance in over a decade.
- US Treasuries also posted positive returns, gaining +1.7% as the 10-year yield fell -8bps, benefiting from the Fed's dovish pivot.
- USD stabilized after its historic H1 decline, marking its first quarterly advance of the year.

Goldilocks and the Three Bears

*Today's environment can be seen as 'Goldilocks': economic activity has cooled without tipping into recession, while inflation has eased enough for (most) central banks to cautiously cut rates. **But there are potential risks to watch out for:***

- Bear #1: Growth shock: If AI demand cools (or earnings disappoint) or the job market cracks, today's richer valuations leave little cushion – and could trigger a sell-off.
- Bear #2: Policy uncertainty: The Trump administration has kept policy risk alive and can hit targeted sectors even if broader trade noise feels calmer → diversify!
- Bear #3: Interest-rate uncertainty: Fed cuts aren't guaranteed if inflation stays sticky e.g. due to tariffs. A rapid jump in long-term yields on deficit/credibility worries could also pressure risk assets.

Outlook

Baseline: a 'just right' backdrop for risk assets into year-end as the Fed begins a (cautious) rate cut cycle, provided recession is avoided.

- The latest ADP employment report showed a drop of 32,000 private jobs – a 'soft' print which has cemented a near-certain 0.25% Fed rate cut in October, providing a supportive tailwind for equities.
- An extended U.S. government shutdown, which has caused a void in official government data, could potentially raise near-term volatility, but markets have historically emerged unscathed from previous shutdowns.

We maintain an overweight equity positioning with downside hedges and a combination of defensive/alternative positions, such as Gold.

Shifting Income Dynamics

- While the consensus is for yields to trend down, we are wary of long-duration bonds, given worries about U.S. deficits, growth and inflation.
- Position around the 'belly of the curve', i.e. short-middle maturity bonds, which can help harvest steady income for longer, without large price swings.
- Yields continue to be historically attractive to support the needs of income investors, but there is lower 'extra compensation' for taking more credit risk today.
- Active credit selection to identify better risk/reward income opportunities within higher-quality segments

Read the full commentary [here](#)