



Investment Outlook

A monthly round-up of global markets and trends

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Investment outlook



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Continuing the jump into equity markets

Equity markets, much like the triple jump, require discipline, timing, and momentum across multiple phases to achieve meaningful returns. With global economic growth holding steady, structural investment themes accelerating and liquidity conditions improving, markets appear to be in mid-flight. Yet risks remain, particularly around inflation, fiscal rigidity and bond market volatility. Understanding how these forces interact is key to assessing whether the current leap in equities can be sustained.

Timing the market jump

Thirty years ago, Jonathan Edwards broke the triple-jump world record twice within 20 minutes at the World Athletics Championships in Gothenburg. His historic jump of 18.29 metres still stands today, making him the only British athlete to currently hold a world record in a major discipline.

Just like the triple jump in athletics, investors probably need a sequenced combination of factors to optimise returns. Each phase – hop, skip, and jump – has its own role, and missing the rhythm can hinder performance.

The hop: the economic and geopolitical backdrop

In the triple jump, the hop sets the tone. It's all about speed and control. In markets, a solid global economic outlook and geopolitical stability provide the momentum investors need to take off. But if the hop is misjudged – say, a recession looms – everything that follows becomes harder to land.

As we discussed in last month's [Investment Outlook](#), it seems the global economy is set to avoid an imminent downturn.

“Just like the triple jump in athletics, investors probably need a sequenced combination of factors to optimise portfolio returns.”

Despite some softening in US personal consumption growth, there has been a significant acceleration in investment related to data centres and the artificial intelligence (AI) theme. Real private investment in software and information processing equipment grew at an annualised rate of nearly 30% in the first half of the year. This surge in tech-related capital expenditure has mitigated the risk of recession.

US real private investment in software/info processing & consumption
*6 month % change, annualised



Source: LSEG Datastream/Evelyn Partners, Data as at 24/09/2025

Elsewhere, geopolitical risks between the US and China and concerns in the Middle East continue to simmer, but they are not boiling over. US trade tariff increases have not led to a feared broad global downturn, since they largely apply to goods, rather than services, which make up a smaller part of the global economy. Moreover, the effective US tariff rates have come down from the initial levels feared following Liberation Day in early April due to exemptions, extensions and trade deals. For instance, the US trade tariff applied to imported Vietnam goods went from 10% before Liberation Day to 46% initially but was then lowered to a 20% in a final agreement made in August.¹

The skip: structural themes and company earnings

The skip phase is about maintaining rhythm and balance. In investing, this is where company fundamentals and structural themes come into play.

For instance, the AI theme has become a powerful mid-phase driver of equities, helping markets maintain altitude even amid economic and geopolitical uncertainty.

Part of that investor optimism lies in the fact that analyst consensus forecasts have consistently underestimated the capital expenditure (capex) plans of the hyperscalers (Amazon, Google, Meta Platforms, Microsoft and Oracle), the firms making sizeable investments in the AI theme. Earlier this year, analysts had expected a slowdown to 20% capex growth for 2025, but based on current run rates, this is now expected to be double that forecast.² Equity prices are rising to capture this surprising growth in activity.

Nevertheless, given that valuations for tech-related stocks have been bid up, there is less room for error for firms to turn this AI-infrastructure investment into profits.

The jump: market liquidity and policy support

The final jump is where distance is maximised. In markets, this is the result of money being pumped into the global financial system from central banks and governments through monetary and fiscal easing, as well as more lending by commercial banks to the private sector. Whether it's interest rate cuts, fiscal stimulus or easier access to credit, this phase can give markets the final lift they need.

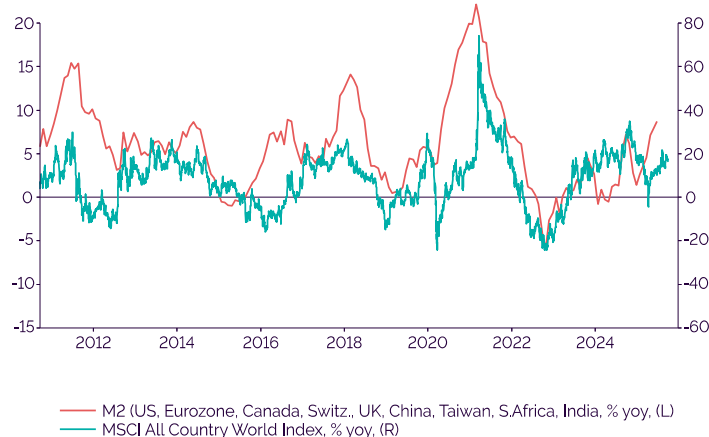
While President Donald Trump has complained about the slow pace of Fed interest rate cuts in the context of recent slowing job growth, the US central bank is still lowering rates and has been for over a year. The latest US Federal Open Market Committee interest rate forecasts point to a base rate of 3.4% by the end of 2026, down from 5.5% before the Fed started to cut rates in this cycle.³ A lower cost of capital should boost economic growth by encouraging credit growth.

On the fiscal side, the One Big Beautiful Bill Act will likely ensure that the US reports a budget deficit greater than 6% of GDP for the fourth consecutive year in 2026.⁴ Given that the US also reports an external trade gap, a wide fiscal deficit ensures that there are plenty of US dollars spilling out into the global financial system, providing plenty of money for markets to rally.

Not to be undone by what is going on in the US, the German government under Chancellor Friedrich Merz launched a €500 billion defence and infrastructure investment spending package in September.⁵ Goldman Sachs forecasts that Germany's federal budget deficit will exceed 3.3% of GDP in 2025 and rise to 3.8% in 2026 – a dramatic shift from the country's traditionally cautious fiscal stance, which saw a deficit of just 1.2% in 2024.⁶

Bringing together this policy easing, we find it's captured in the growth of global broad money supply. This proxy of money floating around the financial system is growing at nearly 10% per annum and should support global equity prices.⁷ But just like in athletics, timing is everything. If policy support comes too late – or is withdrawn too early – the jump can fall short.

Global broad money supply and MSCI All Country World Index
% yoy in US\$ terms



Source: LSEG Datastream/Evelyn Partners, Data as at 24 Sep 2025

Balancing goldilocks in the markets with the bond bears

So far this year, the MSCI All Country World Index, a global equity benchmark, is up 19% in US dollar terms (or 10% in sterling terms).⁸ It appears that most investors are betting on a Goldilocks environment of solid growth, robust company earnings and market liquidity to lift stocks further.

However, given the stimulus being injected into the global economy from increased government borrowing and lower interest rates there is a risk that inflation returns as growth picks up. This could unnerve investors in bond and equity markets, as it did in 2022. Nevertheless, after global inflation topped out at 8.6% in 2022 from overly loose policy used to mitigate Covid lockdown-related supply disruptions, global CPI inflation is projected by the consensus of economists to slow to 3.8% in 2025 and 3.5% in 2026.⁹ Falling crude oil prices and a normalisation of supply chains have helped to bring down the overall inflation rate. Near-term energy prices are likely to be brought down further. In a September meeting OPEC+ (a collection of large oil producing countries) decided to raise output to reduce voluntary cuts dating back to November 2023 when oil prices were volatile.

Arguably, rising public debts and deficits are probably a bigger risk for fixed income investors – see our [February Investment Outlook: Challenging times in government bond markets](#). Nowhere is this more apparent than in longer-dated gilts. The cost of the UK's government borrowing over 10 years is 4.7%, the highest out of all developed markets.¹⁰ In comparison, France, with its government losing a confidence vote in parliament, as well as debts and deficits that are even higher than the UK, trades on 3.5%.¹¹ With the UK budget date announced for 26 November, Chancellor Rachel Reeves faces a complex challenge to manage economic growth, political expectations and tax revenues, while maintaining confidence among gilt investors.

Final thoughts

Equity markets, like the triple jump, require a sequenced alignment of three elements to sustain performance:

- **Hop:** A stable and supportive economic backdrop sets the initial momentum
- **Skip:** Structural growth themes – especially AI – and strong company earnings maintain elevation
- **Jump:** Liquidity from monetary and fiscal policy provides the final lift

Currently, global equities are benefiting from resilient growth, surprisingly strong tech investment, and expanding money supply. However, risks remain. Inflation could re-emerge, and rigid fiscal rules – especially in the UK – may undermine investor confidence in government bonds. Investors must stay attuned to timing and policy shifts to avoid falling short on the final jump.

Sources:

¹ Chatham House, *Vietnam's tariff deal with Trump reflects balancing act between US and China*, 14 August 2025

² Goldman Sachs, *AI and US equities: The path forward for the AI trade*, 4 September 2025

^{3, 7, 8, 10, 11} LSEG, Evelyn Partners

⁴ HSBC, *US fiscal deficits*, 4 September 2025

^{5, 6} Goldman Sachs, *Strategy Espresso: Germany's fiscal engine: driving equity outperformance*, 8 September 2025

⁹ Bloomberg

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