Weekly market commentary

Week ending 10 October 2025

Welcome to our weekly market update. Our focus is on providing clear, concise insights into stock and bond market movements and the broader economic landscape.

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This week's highlights

- **Gold reaches new all-time high:** doubling in value over the last two years.
- **Historic milestone:** Japan elects first female Prime Minister.
- **Artificial Intelligence (AI) stocks rally:** AMD up 35%.

Market review

It's been a relatively quiet week with the ongoing US government shutdown delaying key data releases and hindering further analysis of the country's economic outlook.

In Europe, political instability continues in France following the resignation of Premier Sébastien Lecornu, the fastest in the nation's history. This came after failing to secure parliamentary consensus on the 2026 budget, with pension reform proving a major sticking point due to its significant impact on current and planned government spending. Investor attitude towards French assets has been unsettled, reflected in the record-wide spread between French and German government bond yields. 10-year French bonds are now yielding 0.8% more than their German counterparts.

Meanwhile, Japan has made history with the election of its first female Prime Minister – a surprise result that marks a significant milestone.

In the Middle East, the Gaza conflict may be drawing to a close following a ceasefire brokered by President Trump, which included the release of remaining hostages. Despite the geopolitical development, crude oil prices remained largely unchanged, having already declined due to Organisation of Petroleum Exporting Countries Plus (OPEC+)'s planned production increases. Gold, however, has surged to an all-time high of $4,000 per ounce – doubling in value over the past two years. This rally has been driven by diversification away from the US dollar, heightened geopolitical uncertainty, and concerns over unchecked fiscal spending.

AI-focused stocks continue to outperform, with AMD's share price jumping 35% following news of a strategic partnership with OpenAI.

Outlook

Markets remain reactive to a mix of economic and geopolitical signals, with recent moves reflecting uncertainty around inflation, growth, and policy direction. While corporate earnings have held up in many regions, investor sentiment has become more cautious. As inflation trends diverge and labour markets evolve, central banks may take increasingly different paths, raising the potential for greater dispersion across asset classes and regions in the period ahead.

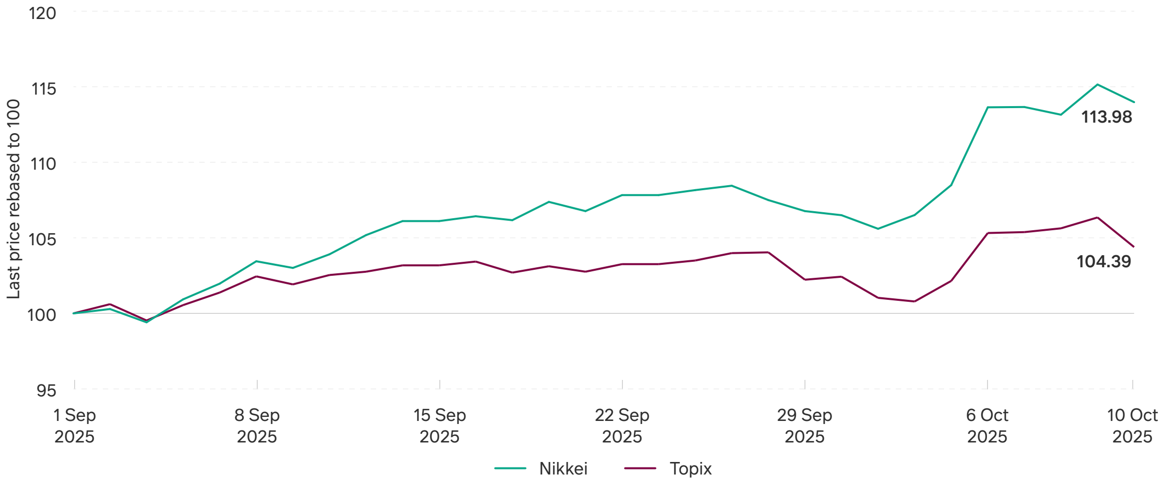
Chart of the week

A tale of two stories: Japanese stock market returns since September

Japanese equities surged this week, boosted by political developments and momentum in the tech sector. The election of the country's first female Prime Minister, Sanae Takaichi, marked a historic moment. Her pro-stimulus stance and support for extended monetary easing lifted investor confidence.

The Nikkei index jumped nearly 5% in a single day, outperforming the broader Topix due to sectoral differences. A key contributor was SoftBank, which holds significant exposure to AI. Its share price has climbed over 40% since early September, fuelled by global enthusiasm for AI.

However, political uncertainty lingers. There are signs the ruling coalition may fracture, which could complicate the implementation of policies in future.



What this means for you

No matter what happens on a week-to-week basis, the importance of maintaining a well-diversified long-term investment approach, rather than reacting to short-term market swings continues to be key. By staying committed to carefully considered plans, investors can navigate through periods of volatility and uncertainty.

Need help?

If you have any questions in relation to this document, please discuss them with your financial adviser.

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