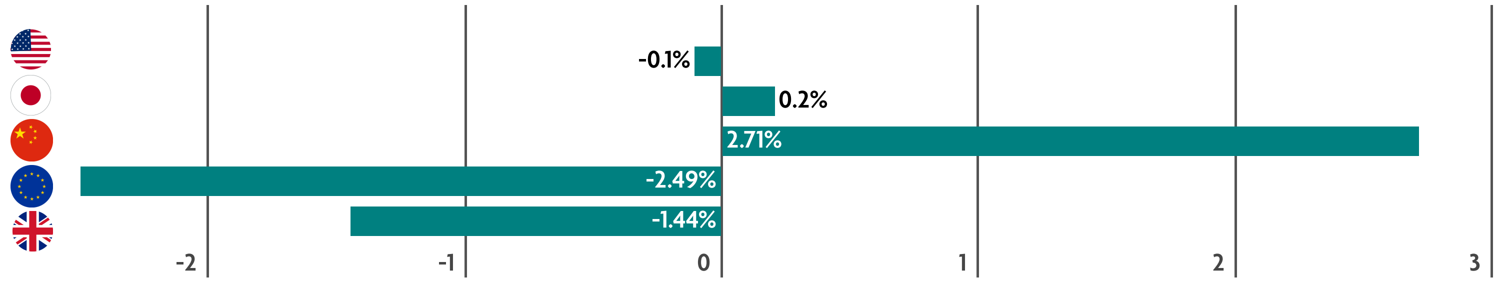
Weekly Market Update

1 September 2025

Last week's performance – major stock markets

Market Monitor (%): How did major stock markets perform last week*?



Key stories from last week

US: SOFT WEEK FOR EQUITIES REVERSED ON FRIDAY AS NEAR-TERM INTEREST RATE CUTS PUT ON THE AGENDA

The S&P 500 Index rallied on Friday and ended modestly higher after losing ground for the first four days of the week. Federal Reserve Chair Jerome Powell's remarks on Friday morning appeared to open the door to rate cuts, lifting investor sentiment. He acknowledged the difficulties posed by inflationary pressures and emerging weakness in the labour market in pursuing the central bank's dual mandate of controlling inflation and maximizing employment. However, Powell asserted that the balance of risk appears to be shifting in ways that "may warrant adjusting [the central bank's] policy stance". An early reading of the S&P Global U.S. Purchasing Managers Index (PMI) indicated that business activity in August grew at the fastest pace so far this year. Large-cap value stocks outperformed their growth counterparts, which lost ground. The tech-heavy Nasdaq Composite finished the week lower, likely reflecting profit taking amid reemerging concerns about the sustainability of massive spending on infrastructure related to artificial intelligence.

JAPAN: PROFIT TAKING BY INSTITUTIONS SAW STOCK PERFORMANCE AS MIXED

Japan's stock markets ended the week mixed, with the Nikkei 225 Index gaining 0.20% and the broader TOPIX Index down 0.83%. Profit taking tied to month-end portfolio rebalancing by institutions that seemed to favour bonds more than equities was cited as a major reason, although equity markets also steadied ahead of a U.S. inflation report. In addition, trade talks with the U.S. were further delayed after chief trade negotiator Ryosei Akazawa cancelled a trip to Washington at the last minute, apparently due to unresolved issues that stand in the way of finalising an agreement.

CHINA: STRONG DOMESTIC LIQUIDITY UNDERPINNED FURTHER EQUITY MARKET STRENGTH

Mainland Chinese stock markets advanced, extending the recent rally, with the onshore benchmark CSI 300 Index rising 2.71%. China's stock markets have been on a tear in recent weeks. The CSI 300 gained almost 10% in August, ranking among the best-performing major indexes, and average daily turnover volume so far this month is on track for a record high, according to Bloomberg. Many analysts believe that ample domestic liquidity, rather than a strong economy, is fuelling the rally as cash-rich households in China seek higher returns amid low interest rates and a lack of compelling investment options. The amount of margin debt taken out to buy stocks climbed to its highest level since 2015, according to Bloomberg, suggesting elevated retail interest in the stock market. On the economics front, China reported that industrial profits fell a less-than-expected 1.5% in July, as strong tech sector earnings outweighed weakness in industries straining under weak demand and deflationary pressures.

EUROPE: EUROPEAN STOCKS PULLBACK AMID ONGOING GEOPOLITICAL INSTABILITY

European equities fell for the week amid worries about the independence of the U.S. Federal Reserve. Renewed tariff uncertainty, political instability in France, and fading hopes of peace between Russia and Ukraine also weighed on sentiment. Major countries' stock indexes fell as well. France's CAC 40 Index dropped 3.33%, Italy's FTSE MIB lost 2.57%, and Germany's DAX declined 1.89%. European Central Bank (ECB) policymakers kept the deposit facility rate at 2.0% in July but were split over the outlook for inflation. Several rate setters argued that risks were tilted to the downside at least for the next two years, citing weaker growth prospects, the impact of U.S. tariffs, and a strong euro. A few members warned that inflation risks could still be tilted to the upside, especially over the longer term, given uncertainties around energy prices and currency movements.

UK: EQUITIES EASE FROM ALL-TIME HIGHS ON THE BACK OF SHARE PRICE WEAKNESS IN THE BANKING SECTOR

UK equities slid for the week, largely driven by selling in the banking sector. This was on the back of the Institute for Public Policy Research recommending a new tax on lenders. NatWest and Lloyds fell -4.8% and -3.4%, respectively, while Barclays pulled back -2.2%. Retail sales volumes weakened for an 11th consecutive month in August. Meanwhile, shops raised prices by the most since the end of 2023, according to the Confederation of British Industry distributive trades survey.

The Omnis Investment Club

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*Source: Bloomberg. All performance measured in local currency.