

9-Month Market Review

(as at September 30, 2025)



Weaker Labour Markets & AI Investments

Latest Developments

- **Labour Market Weakness:** The US labour market showed signs of softening. ADP employment data for August was revised from a gain of 54,000 jobs to a decline of 3,000. September followed with a further reduction of 43,000 jobs. Declining employment figures may be an early signal of economic slowdown, as reduced incomes may lower consumer spending and increase financial stress. **However, economic indicators should be evaluated in context with other market factors, and no single indicator should be viewed as determinative of future economic conditions.**
- **Technology Sector: Valuations and Investment Flow:** One consideration regarding current tech valuations is the nature of investment flows: a significant portion of profits from software and AI firms is being reinvested into semiconductor and hardware companies to acquire additional processing power. Meanwhile, energy infrastructure companies are benefiting from rising demand, with some data center clients committing to fixed minimum power usage contracts.
- **US Government Shutdown:** The fourth quarter began with a US government shutdown, as the federal budget remained stalled in the Senate despite having passed the House of Representatives as of the date of this commentary. As a result, funding has been suspended for non-essential government functions, leading to furloughs for

affected staff. Policymakers face a difficult balance: controlling government spending to address rising national debt and long-term inflation risks, while avoiding prolonged budget delays that may contribute to higher unemployment and reduced household income.

What this Means

- **Markets Resiliency:** Markets have remained notably resilient in 2025 through September 30, extending positive performance despite persistent economic and geopolitical uncertainty. Positive investor sentiment has been supported by strong corporate earnings, easing global trade tensions, and more accommodative central bank policies.
- **Interest Rate Decisions:** Weaker employment figures may provide further scope for the US Federal Reserve to continue its rate-cutting cycle. Earlier in the year, the Fed was hesitant to ease policy due to robust labour market data, despite elevated inflation. However, with mounting signs of labour market weakness, the Fed may be positioned to act more decisively. Federal Reserve policy decisions are subject to numerous factors and remain uncertain.

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