

### MARKET VIEWS

**EQUITIES:** Upward momentum in global equity markets gained further steam, notably in the U.S. and Japan. The S&P 500 posted its sixth consecutive monthly gain, the first time we have seen such a run since 2021. It was a busy month for reporting globally, with major quarterly earnings releases. At 31<sup>st</sup> October, focussing on the S&P 500, almost two thirds of companies had reported quarterly results (64%), and within that group 83% had reported earnings above analyst estimates, albeit by a lower margin than the previous quarter? Companies that miss earnings, or reduce their guidance, are seeing their share prices hit harder than in years gone by, with 15%-20% falls not uncommon. We have also had updates in Europe and the U.K. with a mixed picture, but one of further resilience in AI-related companies, and tariffs causing less of an impact to bottom lines than initially feared. Specific to AI, we continue to see deals being struck between leading companies to supply computing power and resource, most recently between Open AI and Amazon just after the month-end.

Regionally, the standout performer was the Japanese stock market, which achieved its strongest month since October 1990. This, a result of the political landscape, reflecting optimism surrounding the incoming government led by Sanae Takaichi. U.K. investors with no currency hedging in place faced a slight headwind though, with the pound almost 2% stronger against the yen.

**CURRENCY & DEBT:** Having stabilised in late-September, the U.S. Dollar Index (DXY) strengthened by 2.1% in October. Despite this year-to-date DXY is still down -8%, against the dollar and -5.1% against the pound. Following the election results, the Japanese Yen was the major mover in developed currency markets, falling by just over -3% against the pound, and by -4% against the dollar.

Government bond yields registered a somewhat counter-intuitive move lower during the month, despite notably less bullish signalling from the Federal Reserve and sustained fiscal pressures in the U.K. and other nations. The 10-year U.S. Treasury yield ended the month at 4.08%, falling by -0.07%, marking its lowest monthly closing level in over a year. In the U.K. the same 10-year yield fell from 4.71% to 4.41% over the course of the month.

The biggest story in debt markets was in the U.S. where concerns on risk in private credit came to the fore, on the back of regional bank exposures following the collapse of FirstBrands and Tricolor. Concerns were heightened by comments from J.P. Morgan Chase CEO, Jamie Dimon, on the bank's earnings call.

**GOLD:** The gold price had a volatile month, peaking near \$4,300 in early October, before returning to just below \$4,000 at the month-end, including a two-day loss of c.-8% from the 20<sup>th</sup> October. Some of the fall reflected profit taking after the recent rally (>50% in 2025) and a reduction in immediate geopolitical risk following the U.S. and China's diplomatic efforts. The structural drivers – namely consistent central bank buying and the debasement of fiat currencies globally – remain in place.

### MACRO VIEWS

**POLITICS:** The key macro event was the one-year truce established between the U.S. and China after a preliminary framework agreement, aimed at de-escalation. This included China's commitment to resume substantial purchases of U.S. agricultural products, notably soybeans, and a temporary deferral of retaliatory rare earth restrictions. In return, the U.S. agreed to a partial reduction of some tariffs. While the outcome provides a relief for supply chains and equity markets, the arrangement remains provisional. The risk of future trade tensions is merely postponed, not eliminated. We have already touched on the election in Japan, but this also proved significant for financial markets, with new premier, Sanae Takaichi, viewed as a natural successor to Shinzo Abe.

**MONETARY POLICY:** Monetary policy divergence widened in October, with the Federal Reserve cutting interest rates by 0.25%, but both the European Central Bank (ECB) and Bank of England (BoE) held rates steady. The Fed prioritised the cooling U.S. labour market (with the unemployment rate at 4.3% in August) and mitigation of tariff impacts on the economy. Data in the U.S. is scarce at present, with the government shutdown still in place, now the longest on record, impacting data releases. The BoE remains focused on tackling services inflation – not helped by the national insurance increase – somewhat forcing its hand to maintain a more restrictive stance than the U.S. This divergence in policy, and underlying data, makes being flexible with asset allocation ever more important.

**INFLATION:** Despite the market's focus on growth support, the underlying inflation dynamic remains a key risk for investors. While commodity price growth has moderated, services inflation remains stubbornly high across both the Eurozone and the U.K. The effects of tariffs also contribute to a persistent, though lagged, upward pressure on prices in specific goods, complicating central banks' interest rate strategies. This mix of sticky domestic service costs and lingering trade friction means that whilst the Fed is pivoting, European counterparts are likely to remain constrained by persistent price pressures for the foreseeable future.

**UK BUDGET:** Refraining from speculating on the likely policy changes ahead of the budget on 26<sup>th</sup> November, which the press is currently running on a daily basis, the focus has to be on what needs to be tackled on a fiscal basis to set the U.K. government finances on a more sustainable path. The government has declined to distance itself from tax increases in recent days and there is growing expectation that key manifesto pledges will need to be broken.

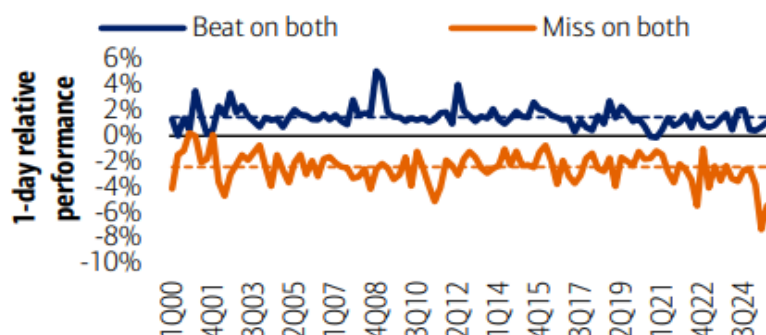
The government faces an expected downgrade to official growth forecasts – led by weaker productivity growth – combined with higher interest costs on the country's debt. With a fiscal 'hole' estimated to be in the region of £30-£40 billion needing to be addressed over the course of the next 5 years, kicking the can down the road will not appease debt markets forever.

## CHART OF THE MONTH

Expanding on the point in the equities section regarding company results and share price reactions, the below shows the average reaction to quarterly earnings reports that beat analyst expectations, versus those that miss expectations. It shows the average 1-day price return for companies that beat expectations on both earnings and revenue is just shy of 2%, marginally below the long-term average. Conversely, those that come in below expectations on both metrics have seen an average share price decline of c.-5%, more than double the long-term average.

### Exhibit 15: Reward for beats is slightly below average, misses getting punished much more than usual

Rel. 1-day post-reporting performance (vs. S&P 500) on EPS & sales surprise (1Q00-3Q25)



Source: FactSet, BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH

Sources: Bank of America (BofA) Global Research. Available at: [Mike Zaccardi, CFA, CMT on X: https://t.co/dgi5HT6Fcw](https://t.co/dgi5HT6Fcw)

## MARKET DATA

Index	Value *	%1m	%3m	%6m	%YTD	%1yr	%3yr	%5yr	%10yr
FTSE 100	9,617	4.1	6.2	13.7	21.3	21.7	46.5	96.4	120.0
FTSE All-Share	5,186	3.7	5.6	13.3	19.7	20.2	44.6	87.2	113.0
FTSE AIM	765.05	-1.4	0.8	8.1	6.3	4.0	-6.1	-21.5	2.4
FTSE World (ex-UK)	788.22	4.6	10.1	21.2	16.1	21.3	58.7	89.9	266.0
S&P500	6,852	2.3	8.6	21.3	17.7	21.5	89.9	114.0	288.0
Dow Jones	47,337	2.5	7.2	14.6	11.3	13.3	46.1	70.0	165.0
Nasdaq 100	25,973	4.8	12.0	29.2	23.6	30.1	139.0	121.0	451.0
S&P Smallcap 600	1,439	-0.9	7.0	14.4	2.2	3.0	22.8	58.2	105.0
Eurostoxx 50	5,679	2.4	8.3	7.5	16.0	17.0	54.0	79.7	65.1
DAX	23,737	0.3	-0.1	2.8	19.2	24.0	76.4	92.6	119.0
CAC 40	7,998	3.0	6.6	6.9	13.5	13.8	39.1	91.2	123.0
Nikkei	52,411	16.6	30.1	42.3	31.4	37.7	92.7	121.0	177.0
Hang Seng	25,952	-3.5	4.9	15.3	29.4	26.2	60.6	4.3	12.6
Shanghai (SSE)	3,977	1.9	11.0	21.3	18.6	20.1	29.5	21.3	14.9
FTSE Government All-Stocks	130.19	2.7	1.7	2.4	4.4	3.9	3.7	-24.1	-0.6
GBP/USD	1.3106	-2.2	-1.4	-1.3	4.7	1.2	15.2	1.1	-14.8
GBP/EUR	1.1370	-0.5	-1.0	-3.2	-6.0	-4.6	-0.5	2.9	-19.7
Gold \$	3,998	3.6	18.4	23.3	52.3	46.1	138.0	110.0	260.0

Source: Alpha: data as at 04-11-25. %1m data is shown for the most recent calendar month.

## Get in touch

If you are interested in using a discretionary investment manager or are contemplating switching from your existing manager, we would be delighted to hear from you. We are passionate about what we do and unincumbered by any large corporate mindset, free to act independently in your best interest.

E: [contact@oxoniancapital.co.uk](mailto:contact@oxoniancapital.co.uk)

T: 01865 415 490

The value of investments, and any income from them, can fall and you may get back less than you invested. Neither simulated nor actual past performance are reliable indicators of future performance. Investment values may increase or decrease as a result of currency fluctuations. Information is provided only as an example and is not a recommendation to pursue a particular strategy. Information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. We or a connected person may have positions in or options on the securities mentioned herein or may buy, sell or offer to make a purchase or sale of such securities from time to time. For further information, please refer to our conflicts policy which is available on request or can be accessed via our website at [www.oxoniancapital.co.uk](http://www.oxoniancapital.co.uk). Oxonian Capital is a trading name of RC Brown Investment Management plc which is authorised and regulated by the Financial Conduct Authority. Registered Office: 1 The Square, Temple Quay, Bristol, BS1 6DG. Registration Number: 2489639 For more information about regulation and investor protection, please visit Important Information – RC Brown ([rcbim.co.uk](http://rcbim.co.uk))

