

MARKET VIEWS

EQUITIES: August saw the bulk of U.S. and European corporate earnings released, offering a fresh opportunity for investors to reassess their views. The Mag-7 stocks in the U.S. posted earnings growth of over 26% for the quarter, ahead of analyst expectations but below the previous four-quarter average of +31%. Investors remain keen to see if AI-related expenditure reflected in revenue growth, but for now, the strong earnings profile remains attractive. Overall, it was another solid quarter in the U.S., with over 80% of companies beating expectations; Europe was more mixed.

U.S. indices edged higher again, with the S&P 500 up 2%, and the Nasdaq 100 rising just under 1%. S&P 500 breadth improved slightly, with 9 of 11 sectors positive. The S&P 600 Small Cap index was a standout, rising over 6%.

As mentioned, in Europe, the picture was mixed. The FTSE 100 posted a 1.2% gain, while the DAX and CAC both fell just under 1%. The French market was hit harder due to domestic political uncertainty, with a confidence vote in their PM due imminently. China and Japan performed well, with China's domestic index up 8% and Japan's TOPIX up 4%, both helped by reduced trade tensions.

CURRENCY & DEBT: The trend of dollar weakness persists with the U.S. dollar index ending August down 2.2%, although it saw some strength following the Jackson Hole summit. The euro and pound both rose against the dollar, with the pound buying \$1.35 at the end of August, a marked rise from the \$1.07 lows in 2022.

Of emerging market currencies perhaps most notable was the Indian Rupee, falling 3% against the pound and euro, marking four months of declines – less so against the dollar due to the broader weakness. This reflects sentiment towards trade, with India suffering more significant tariffs than others.

Bond yields remain elevated, with the U.S. 10-year yield approaching 4.25%. Much has been written of the U.K. government's debt position, with a new 10-year gilt issue being sold at a yield of almost 4.8%. Longer dated U.K. debt is weak, with 30-year yields sitting at 5.6%. The 30-year benchmarks in the U.S. and Germany are 4.9% and 3.3% respectively. The increase in U.S. yields was driven by a higher-than-expected July inflation print, and expectations the Federal Reserve would maintain a restrictive stance on interest rates. In the U.K. the yield dispersion to global peers in part reflects concern on fiscal sustainability. Corporate debt was relatively quiet, with spreads still trading close to 15-year lows.

COMMODITIES: Precious metals continued to rise in the face of bond market weakness and a continuation of inflation uncertainty. Silver led the way, rising by more than 8% in August in dollar terms, and Gold rose by almost 5%. Gold has again breached record high in recent days, trading above \$3,500. We have covered the central bank demand and de-dollarisation in previous notes, but these themes remain in place. ETF flows so far in 2025 though have also been significant contributors to the positive price action.

MACRO VIEWS

POLITICS: Trade and conflict remain at the forefront of geopolitical discourse. Bond markets though were rattled after President Trump threatened to remove Fed Governor Lisa Cook over alleged mortgage fraud. Cook vowed to continue her duties and filed a lawsuit to block the move. Concerns have been raised about Fed independence and its ability to act without political pressure. The political landscape in the U.K. was also in focus, with the Conservative Party facing peripheral defections to Reform, and polling suggesting Reform's growth continues, now sitting almost 10 points above Labour in recent YouGov polls. The Autumn Statement, confirmed for 26th November, brings fresh concern for many given expected tax rises, with some options seemingly being pre-emptively leaked to the press to gauge opinion.

President Trump and Russian President Vladimir Putin held initial talks in Alaska with a view to making progress towards a ceasefire in Ukraine. This was followed by a summit in Washington with Ukrainian and European leaders. Whilst seen as a step towards diplomacy, any formal peace process remains stalled. Defence stocks recovered some ground, having fallen on news of the summit.

Latterly, the alignment between China and Russia was further solidified, with President Putin joining President Xi at a summit and military parade in Beijing. This display of unity, also attended by North Korea's Kim Jong Un and India's Narendra Modi, underlined a shared commitment to building a "multipolar" world order as a counterbalance to western influence, and will have caught President Trump's and other western leaders' attention.

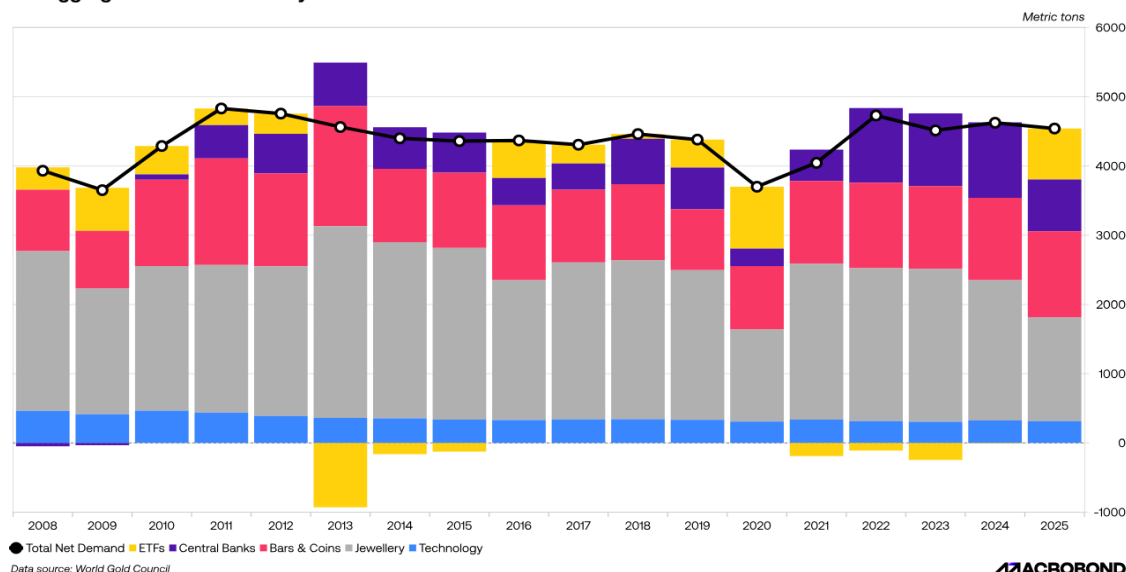
MONETARY POLICY: August began with the market still digesting U.S. inflation data for July, which, despite a steady 2.7% headline, showed core inflation unexpectedly accelerating to 3.1%. This core reading raised concerns that inflation would be more persistent than anticipated, briefly dampening hopes for a near-term rate cut. However, at the annual Jackson Hole summit, Fed Chairman Powell's speech struck a delicate balance between acknowledging a slowing jobs market and tariff risks, while reiterating the commitment to price stability. His comments were interpreted by markets as opening the door for a September rate cut, now priced by markets at more than 90% likely.

The Bank of England's Monetary Policy Committee voted by a slim majority to cut the base rate by 0.25% to 4.00%, with the rate having fallen from 5% following since the August 2024 meeting. This reflects growing concern of a deceleration in growth and a gradual easing of inflation, despite an uptick in headline figures. The ECB held its rates steady, as data showed a slight increase in inflation. Finally, the Bank of Japan (BoJ) maintained its wait-and-see approach, holding the short-term policy rate at 0.5%. Despite inflation sitting well above the 2% target, the BoJ indicated it will continue to monitor economic news, including the new trade deal, before considering a further rate increase.

CHART OF THE MONTH

This month's chart of the month is courtesy of MacroBond highlighting the demand for gold globally, as per data from the World Gold Council. This highlights a theme we have covered several times in these commentaries, of central bank demand, but also the mention above regarding ETF demand. It is notable how ETF demand has picked up significantly, having been flat or negative for the past few years, albeit with a quarter still to go.

Net Aggregated Gold Demand by Sector



Source: MacroBond. Available at: <https://www.macrobond.com/resources/macro-moves/macro-moves-august-2025>

MARKET DATA

Index	Value	%1m	%3m	%6m	%1yr	%3yr	%5yr	%10yr
FTSE 100	9,187.3	1.2	5.7	6.0	13.6	41.1	85.2	116.0
FTSE All-Share	4,972.8	0.9	5.4	6.4	12.6	38.6	77.7	108.0
FTSE AIM	764.1	0.3	2.3	8.9	-1.1	-13.4	-20.7	4.0
FTSE World (ex-UK)	724.4	0.4	8.5	6.0	13.2	42.3	77.3	251.0
S&P500	6,460.3	2.0	9.6	11.2	15.9	70.8	98.9	291.0
Dow Jones	45,544.9	3.2	7.8	5.5	9.6	44.5	60.2	176.0
Nasdaq 100	23,415.4	0.9	9.7	14.6	19.6	90.8	93.3	448.0
S&P Smallcap 600	1,437.8	6.9	11.9	8.0	1.8	21.4	60.0	113.0
Eurostoxx 50	5,351.7	0.6	-0.3	-3.4	7.9	52.2	63.5	63.7
Nikkei	42,718.5	4.0	12.5	13.1	10.5	52.1	84.6	126.0
Hang Seng	25,077.6	1.2	7.7	9.0	39.4	25.7	-0.4	15.7
Shanghai (SSE)	3,857.9	8.0	15.2	16.3	35.7	20.5	13.6	20.3
GBP/USD	1.350	2.2	0.3	6.3	2.9	16.4	1.1	-12.1
GBP/EUR	1.156	-0.1	-2.5	-4.6	-2.7	0.0	3.2	-15.6
Gold \$	344,795.0	4.9	4.8	19.3	37.7	102.0	75.2	204.0
FTSE Government All-Stocks	126.6	-0.9	0.2	0.2	-1.9	-5.1	-25.1	-4.3

Source: Alpha. data as at 31-08-25

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