CAPITAL GROUP®

World markets review — October 2025

Equities

Global equities advanced. Most developed markets closed higher, supported by a further cut in U.S. interest rates and continuing enthusiasm around the AI growth story. Japanese stocks rallied after Sanae Takaichi triumphed in her bid to lead Japan's ruling party and was subsequently elected prime minister. Although emerging market equities outpaced their developed counterparts, Chinese stocks were down amid renewed concerns about the country's economy. Volatility increased, with October CBOE Volatility Index (VIX) futures closing at 19.1, up 8.8% on the previous month. (a VIX reading below 20 is widely viewed as an indicator of market stability.)

Most sectors of the MSCI All Country World Index (ACWI) rose. Information technology led, followed by utilities and health care. Conversely, real estate, materials and financials were the weakest sectors.

Equity index returns (%)	Oct 2025		YTD 2025	
	U.S. dollar	Local currency	U.S. dollar	Local currency
S&P 500	2.3	2.3	17.5	17.5
MSCI ACWI	2.2	2.8	21.1	18.8
MSCI ACWI ex USA	2.0	3.6	28.6	21.6
MSCI World	2.0	2.6	19.8	17.5
MSCI Emerging Markets	4.2	4.6	32.9	30.0
MSCI EAFE	1.2	3.4	26.6	17.5
MSCI Europe	0.7	2.5	28.4	16.5
MSCI Pacific	2.1	5.3	23.2	19.9

Source: RIMES.

Fixed income

Global bonds were little changed in U.S. dollar terms. U.S. 10-year Treasury yields eased 7 basis points (bps) to 4.08%. French 10-year yields slid 11 bps to 3.42% and German 10-year yields fell 8 bps to 2.63%. U.K. 10-year gilt yields fell by a greater magnitude, sliding 29 bps to 4.41%. In contrast, Japanese 10-year yields rose 2 bps to 1.66%. In global credit markets, investment grade bonds closed broadly flat while high-yield debt delivered slightly positive returns.

In foreign exchange markets, the U.S. Dollar Index rose 2.1%. The Japanese yen lost 4.1% versus the dollar, while the euro and British pound were down 1.8% and 2.4% respectively. Most emerging markets currencies also fell against the dollar.

Fixed income index returns (%)	Oct 2025	YTD 2025
Bloomberg U.S. Aggregate	0.6	6.8
Bloomberg Global Aggregate	-0.3	7.6
Bloomberg U.S. Corp IG	0.4	7.3
Bloomberg U.S. Corp HY	0.2	7.4
JPM EMBI Global Diversified	2.1	13.0
JPM GBI-EM Global Diversified	0.5	15.9

Exchange rates (% change vs. USD)	Oct 2025	YTD 2025
Euro	-1.8	11.5
Japanese yen	-4.1	2.0
British pound	-2.4	4.9
Canadian dollar	-0.7	2.6
Australian dollar	-1.2	5.7
Swiss franc	-0.9	12.9

Source: RIMES. Returns are in USD.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

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North America

U.S. equities rose for a sixth consecutive month, marking the longest run of gains in four years. It came amid rising optimism around AI and strong results from certain tech firms together with falling U.S. interest rates. A one-year U.S.-China trade truce to postpone new export controls on chips and rare earths also helped. Survey data suggested the U.S. economy continued to expand in October, although an ongoing U.S. government shutdown prevented certain official economic data from being released. Cyclical sectors led the defensive areas, with growth stocks sharply outpacing value names. The S&P 500 and Nasdaq gained 2.3% and 4.7%, respectively.

Most S&P 500 sectors advanced. Information technology generated the strongest returns, followed by health care and consumer discretionary. Shares of **NVIDIA** rallied, becoming the first company to hit a $5 trillion market valuation. Comments from CEO Jensen Huang fueled hopes of accelerating orders from big tech firms over the coming years as they build out AI infrastructure. The NVIDIA CEO additionally cited an agreement with the U.S. Department of Energy to build AI supercomputers.

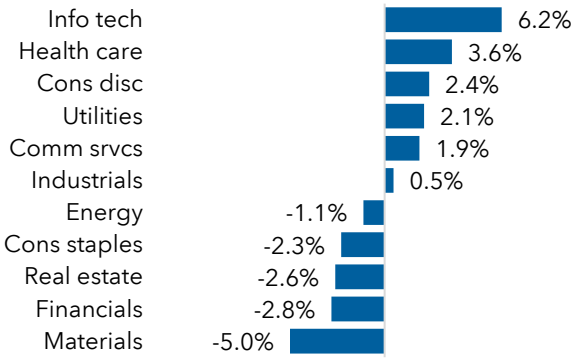
Materials, financials and real estate were the weakest sectors**.** Shares of **Berkshire Hathaway** slid amid worries around the outlook for its insurance and railroad businesses. There were fears over the impact of softer insurance pricing and peaking margins for insurer GEICO alongside volume weakness for BNSF Railway Company. Declining interest rates also highlighted the prospect of lower returns for Berkshire's cash holdings.

The Federal Reserve (Fed) cut interest rates by 25 bps for a second consecutive policy meeting, lowering the fed funds rate to the range of 3.75% to 4.00%. There was nevertheless some dissent, with one member of the rate-setting committee voting to keep rates on hold and another calling for a 50-bp reduction. Despite ongoing worries over the strength of the labor market, Fed Chair Jerome Powell said a further rate cut in December was far from a forgone conclusion. Alongside October's rate move, the Fed announced it would be ending quantitative tightening from the beginning of December against signs of tighter conditions in money markets. Headline inflation edged up to 3.0% in September from August's 2.9%, the highest level since January.

U.S. private sector activity strengthened in October, with the S&P Global US Composite PMI rising to 54.8 from September's 53.9. Both the manufacturing and services components improved versus the prior month as new business levels reached their highest of 2025. Separately, data from payrolls firm ADP suggested the U.S. private sector lost 32,000 jobs in September, defying market estimates of a 50,000 gain. An ongoing U.S. government shutdown meant official payrolls data was unavailable.

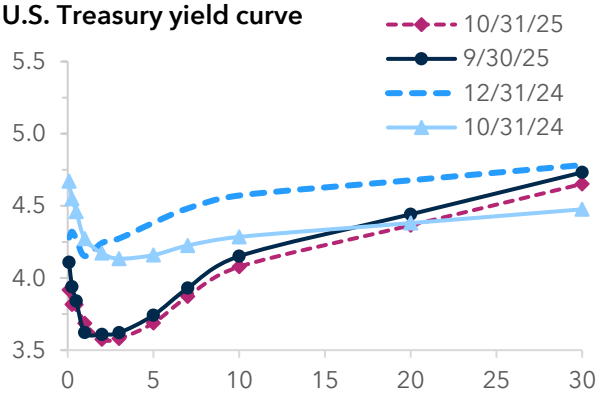
U.S. bonds closed modestly higher, with the Bloomberg U.S. Aggregate Index returning 0.62%. U.S. 10-year Treasury yields fell 7 bps to 4.08% while 2-year Treasury yields eased 3 bps to 3.58%. In U.S. credit markets, investment-grade bonds (rated BBB/Baa and above) rose slightly while high-yield debt was broadly flat. Spreads to Treasuries widened by 4 bps and 14 bps for investment grade and high yield, respectively.

S&P 500 total returns (Oct 2025)



Source: RIMES. Data labels reflect rounded figures.

U.S. Treasury yield curve



Source: Bloomberg. The x-axis represents Treasury maturities (years). The y-axis represents the U.S. Treasury yield (%).

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Europe

European stocks closed higher. Eurozone growth picked up slightly in the third quarter while monthly survey data pointed to a further improvement in overall private sector momentum during October. The European Central Bank (ECB) held interest rates steady for a third successive policy meeting. Newly appointed French Prime Minister Sébastien Lecornu resigned but was reappointed days later. His government subsequently suspended controversial pension reform measures. In terms of sectors, utilities, information technology and energy led, while communication services and financials were the main laggards.

The European Central Bank (ECB) kept rates on hold for a third consecutive policy meeting, leaving its deposit facility rate at 2.0%. ECB President Christine Lagarde emphasized that growth for the eurozone economy in the third quarter had come despite a challenging global environment. She also described the eurozone labor market as robust and inflation as broadly unchanged. Headline eurozone inflation dipped to 2.1% in October from September's 2.2% while core eurozone inflation remained at 2.4%.

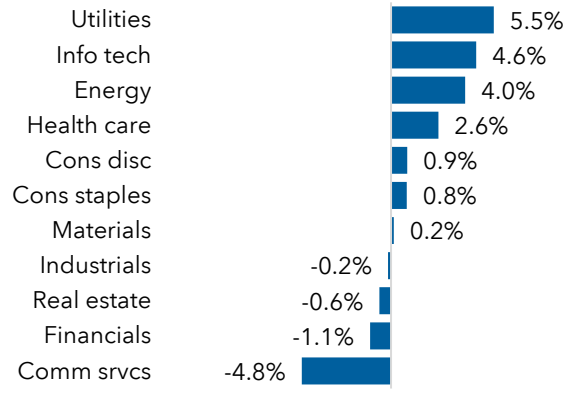
Eurozone growth modestly improved. The bloc's economy expanded 0.2% in the third quarter versus the prior quarter's 0.1% pace, slightly ahead of economists' estimates. Spain registered the strongest growth rate, at 0.6%, supported by increased consumption, government spending and investment. With growth of 0.5%, France was also a bright spot as it was buoyed by higher exports. Germany stagnated in line with market forecasts against a drop in exports, although its zero growth rate marked an improvement from the prior quarter's 0.2% contraction. Monthly survey data showed eurozone private sector activity accelerated in October as services growth improved.

Germany's industrial production fell 4.3% in August versus the prior month, well below market forecasts. The country's automative industry experienced particular weakness, with output declining 18.5% month on month. In annual terms, total industrial production was down 3.9% compared with growth of 1.5% in the previous year. Separately, the ZEW Indicator of Economic Sentiment for Germany firmed to 39.3 in October from September's 37.3. Despite highlighting further modest deterioration on the outlook for the automative sector, the survey detected improvement in sentiment for certain other sectors.

U.K. equities rose. Private sector activity strengthened in October, with the UK S&P Global Composite PMI at 52.2 versus September's 50.1. The survey pointed to improved momentum in the services sector and a less steep contraction in manufacturing. U.K. inflation for October was unchanged from the prior month's 3.8%, coming in below estimates and boosting hopes around the potential for U.K. interest rate cuts.

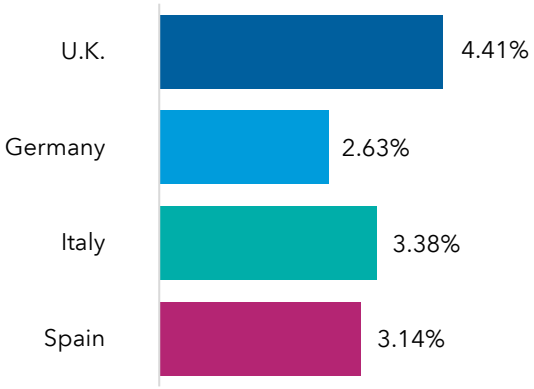
European bonds fell in U.S. dollar terms, reflecting a rise in the dollar versus the euro. Nevertheless, German 10-year government bond yields eased 8 bps to 2.63% while French 10-year yields slid 11 bps to 3.42%. Spanish and Italian 10-year yields dropped 12 bps to 3.14% and 15 bps to 3.38%, respectively. U.K. gilts stood out, with 10-year yields falling 29 bps to 4.41%.

MSCI Europe total returns (Oct 2025)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures.

10-year government bond yields



Source: Bloomberg. As of October 31, 2025.

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Asia-Pacific

Japanese equities rallied after Sanae Takaichi won the ruling party leadership race and was subsequently elected as prime minister by Japan's Parliament. Investors widely anticipate her administration will increase fiscal stimulus but also put pressure on the Bank of Japan (BoJ) to keep interest rates relatively low. In terms of MSCI Japan Index sectors, information technology, communication services and industrials made the strongest gains. Real estate, financials and materials were behind the index. The yen fell 4.1% versus the dollar.

The BoJ left interest rates on hold, maintaining its key short-term rate at 0.5%. In line with its prior policy meeting, two BoJ board members dissented, backing a 25-bp rate hike to 0.75%. Governor Kazuo Ueda adopted a cautious tone, fueling speculation that the central bank may not raise rates again until next year. He signaled that domestic wage inflation and the strength of overseas growth could influence the timing of a potential rate increase. Both headline and core Japanese inflation rose to 2.9% in September from August's 2.7% against an increase in electricity and gas prices. The core measure excludes fresh food but includes energy.

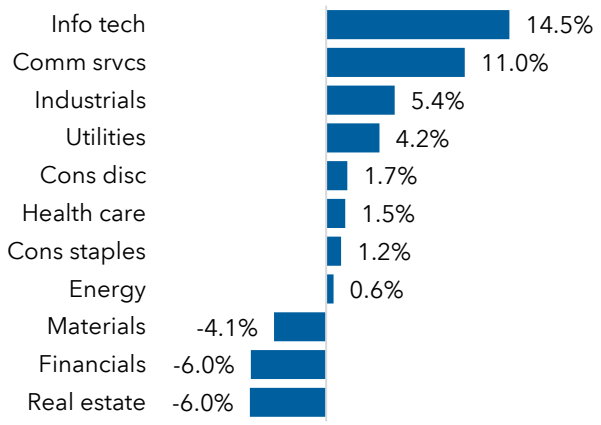
Japan's private sector momentum slowed for a second successive month in October. The S&P Global Japan Composite PMI dropped to a preliminary 50.9 from September's final reading of 51.3 as services growth slipped to its weakest in four months and the ongoing contraction in manufacturing worsened. The survey pointed to a significant increase in input costs against rises in labor and raw material expenses. Separately, Japanese retail sales were up 0.5% year over year in September versus the 0.9% fall in the prior month.

Hong Kong stocks closed broadly flat. Hong Kong's economy accelerated in the third quarter to grow 0.7% versus the prior quarter's 0.4% pace, its strongest expansion in almost two years amid robust exports and domestic consumption.

Singapore equities were marginally lower in U.S. dollar terms, but slightly up in local currency terms. Singapore's economy grew 1.3% in the third quarter, slowing from 1.5% in the previous quarter but surpassing forecasts. Despite higher global trade levies, there were better-than-anticipated contributions from construction and services. The Monetary Authority of Singapore left its policy on hold and suggested surging global investment in AI had helped mitigate trade tariff headwinds.

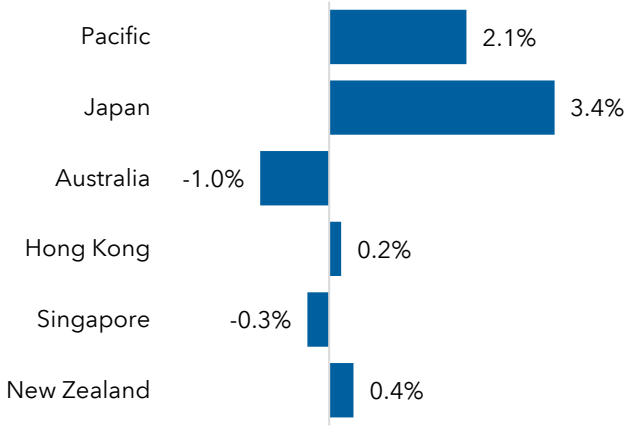
Australian equities fell in U.S. dollar terms, while marginally positive in local currency terms**.** Private sector activity fell slightly in October, with the S&P Global Australia Composite PMI dipping to 52.1 from September's 52.4. However, the survey gave mixed signals, with manufacturing falling into contraction territory even as growth in services picked up. Official data showed inflation jumped to 3.2% in the third quarter, sharply higher than the prior quarter's 2.1%.

MSCI Japan total returns (Oct 2025)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures.

MSCI Pacific total returns (Oct 2025)



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Emerging markets

Emerging markets (EM) equities rallied, outpacing their developed market counterparts. Indian stocks rallied, buoyed by foreign investor inflows and well-received corporate results. Brazilian stocks were more muted, though rose for a third successive month. Chinese equities slid amid concerns about the domestic economy. China's third-quarter GDP growth slowed while monthly survey data for manufacturing disappointed.

Chinese stocks fell amid worries on the domestic economic outlook. China's economy grew 4.8% year over year in the third quarter, slowing from the prior quarter's 5.2% pace due to weak consumption, an ongoing property downturn and higher U.S. trade tariffs. Separately, China's official NBS Manufacturing PMI disappointed economists' forecasts in October, softening to 49.0 from September's 49.8. Chinese consumer prices fell 0.3% year over year in September versus August's 0.4% decline. A communiqué from the latest meeting of Chinese Communist Party leaders indicated they would continue to focus on the manufacturing sector to drive growth over the coming years, with an emphasis on technological innovation. China and the U.S. agreed a one-year trade truce, postponing new export controls on chips and rare earths.

Indian equities advanced amid strong buying by foreign investors and robust corporate results. There were also rising hopes that India and the U.S. would agree a trade deal, reducing the recently imposed tariff hike on Indian exports. India's private sector expanded strongly in October, although momentum weakened marginally, with the HSBC India Composite PMI easing to a preliminary 59.9 from September's 61.0.

Latin American equities closed higher. Brazilian stocks rose for a third consecutive month. However, survey data showed Brazilian private sector activity continued to shrink, with the S&P Global Composite PMI for Brazil declining to 46.0 in September from August's 48.8, the steepest contraction in over four years. Brazilian inflation firmed to 5.2% in September from 5.1% the prior month but was slightly behind market forecasts.

Emerging market debt (EMD) advanced. Hard currency EMD outpaced local EMD (returns in U.S. dollars) against a general appreciation in the dollar over the month. South African debt made gains, reflecting some improvement in sentiment on the country's economic and fiscal prospects. South Africa's inflation edged up to 3.4% in September from August's 3.3%, remaining well inside its central bank's target range. Brazilian debt lagged the broader market amid caution on the government's fiscal strategy ahead of next year's general elections.

Turkish bonds rose, with the country's hard currency EMD modestly outpacing its local currency debt (returns in U.S. dollars). In line with market estimates, the Central Bank of Turkey cut its one-week repo rate by 100 bps to 39.5% following its October meeting. Turkish inflation slowed to 32.9% in October from September's 33.3%, below economists' forecasts.

October 2025 total returns (%)

Equity indexes	(USD)
MSCI Emerging Markets	4.2
MSCI Brazil	0.7
MSCI China	-3.8
MSCI India	4.4
MSCI Mexico	-0.8
MSCI South Africa	0.5
MSCI Korea	22.7
MSCI Saudi Arabia	1.0
MSCI Taiwan	9.8
MSCI Thailand	4.6

Fixed income / currency	USD debt (USD)	Local debt (USD)	Local debt (Local)	Exchange rate (vs. USD)
JPM EMBI Global Div	2.1	–	–	–
JPM GBI-EM Global Div	–	0.5	0.8	–
Brazil	0.7	0.3	1.4	-1.1
China	0.6	0.7	0.7	0.1
Indonesia	1.2	2.1	1.9	0.2
Malaysia	0.8	0.4	-0.1	0.5
Mexico	1.1	-0.4	0.8	-1.2
Poland	1.2	-0.7	1.0	-1.7
South Africa	3.2	2.1	2.5	-0.5
Turkey	1.3	0.9	2.0	-1.1

Source: RIMES.

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The CBOE Volatility Index is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time mid-quote prices of S&P 500 Index call and put options.

S&P Global purchasing manager indexes (PMIs) track business trends across both manufacturing and service sectors for various countries. The indexes are based on data collected from companies and follow variables such as sales, new orders, employment, inventories and prices. The **S&P Global U.K. Composite PMI,** the **S&P Global U.S. Composite Purchasing Managers' Index,** the **S&P Global Brazil Composite Purchasing Managers' Index,** and the **S&P Global Australia Composite PMI** provide similar information for the United Kingdom, the United States, Brazil and Australia respectively. The **S&P Global Japan Composite PMI** provides similar information about Japan.

The **National Bureau of Statistics Manufacturing Purchasing Manager Index** measures the performance of China's manufacturing sector and is derived from a survey of state-owned companies. The **HSBC India Composite PMI** measures private sector activity in India based on a survey of manufacturers and service providers.

The ZEW Indicator of Economic Sentiment measures the level of optimism that analysts have about the expected economic developments in Germany over the next six months.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified and related country-specific indexes track total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, eurobonds. **J.P. Morgan Government Bond Index** – Emerging Markets (GBI-EM) Global Diversified and related country-specific indexes cover the universe of regularly traded, liquid fixed-rate, domestic currency emerging market government bonds to which international investors can gain exposure.

MSCI indexes are free-float-adjusted, market-capitalization weighted indexes. Developed market index results reflect dividends net of withholding taxes. Emerging market index results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter. Each index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **MSCI All Country World Index (ACWI)** is designed to measure results of more than 40 developed and emerging equity markets. **MSCI All Country World (ACWI) ex USA Index** is designed to measure equity market results in the global developed and emerging markets, excluding the United States. **MSCI EAFE® (Europe, Australasia, Far East) Index** is designed to measure developed equity market results, excluding the United States and Canada. **MSCI Emerging Markets Index** is a free-float-adjusted market-capitalization-weighted index designed to measure equity market results in more than 20 global emerging markets. Individual emerging markets listed herein represent a subset of the MSCI Emerging Markets Index. **MSCI Europe Index** is designed to measure developed equity market results across 15 developed countries in Europe. **MSCI Pacific Index** is designed to measure the equity market performance of the developed markets in the Pacific region. It consists of Japan, Australia, Hong Kong, New Zealand and Singapore. **MSCI World Index** is designed to measure equity market results of developed markets. The index consists of more than 20 developed-market country indexes, including the United States. **MSCI Japan Index** is designed to measure equity market performance in Japan.

Nasdaq Composite Index is a broad-based market-capitalization-weighted index that measures all domestic and international-based common-type stocks listed on The Nasdaq Stock Market.

S&P 500 Index is a market-capitalization-weighted index based on the results of 500 widely held common stocks. This index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes.

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