

Market Update October 2025

Of the 315 S&P 500 companies that have reported third-quarter results so far, 83.2% have surpassed analysts' estimates, according to LSEG data, well above the historical average, where roughly 67% of firms beat forecasts.

While hopes for faster U.S. rate cuts lifted stocks earlier this month, markets are now recalibrating after the Federal Reserve delivered a widely expected quarter-point cut but signalled another move in December was not a "foregone conclusion", shifting the policy outlook.

Still, the S&P 500 was up 2.7%, for a sixth consecutive monthly gain - its longest such streak since August 2021.

	1 Month	3 Months	1 Year	3 Years	5 Years
MSCI World	2.0%	8.1%	22.5%	22.3%	16.1%
S&P 500	2.3%	8.2%	21.5%	22.7%	17.6%
Nasdaq	4.7%	12.5%	32.0%	30.2%	17.7%
MSCI Europe	2.3%	5.3%	15.9%	15.3%	13.8%
UK FTSE 100	4.1%	7.3%	24.1%	15.2%	15.9%
ASX All Ords	0.5%	3.1%	12.5%	13.2%	12.5%
S&P/NZX 50	1.9%	5.7%	7.2%	6.1%	2.3%
Emerging Markets	4.2%	13.3%	28.7%	21.7%	7.9%
Gold	3.7%	21.6%	45.8%	34.8%	16.3%
NZD/USD	-1.4%	-3.0%	-3.8%	-0.5%	-2.8%
NZD/AUD	-0.1%	-4.6%	-3.7%	-1.3%	-1.4%
Global Bonds	-0.4%	1.8%	5.9%	5.9%	-1.6%
NZ Bonds	0.5%	2.8%	7.4%	7.0%	1.8%

AI momentum expands beyond Tech

The AI thematic continued to dominate markets, with hyperscalers such as Amazon and Alphabet soaring to new highs alongside Nvidia, which remains at the heart of the AI revolution. In contrast, Meta's share price fell after announcing a \$30bn bond sale to fund additional AI-related expenditure. Apple also signalled a significant y increase in AI investment, while Amazon projected capital spending of \$125 billion in 2025.

Goldman Sachs estimates global AI-related infrastructure spending could reach \$3-4 trillion by 2030 - less than 1% of GDP, far below the peaks of 2- 5% seen during the electricity and dot.com booms.

However, it was not just these mega caps making reference to AI. More than 100 non-tech global companies noted data centres on quarterly calls this week, including Honeywell, turbine maker GE Vernova and heavy equipment maker Caterpillar. Sales in Caterpillar's division that supplies data centres jumped 31% in its most recent quarter.

The focus on power and energy also intensified. The European union reclassified nuclear energy as 'green' while the US committed US\$80bn to accelerate reactor development – moves that drove uranium prices higher over the month.

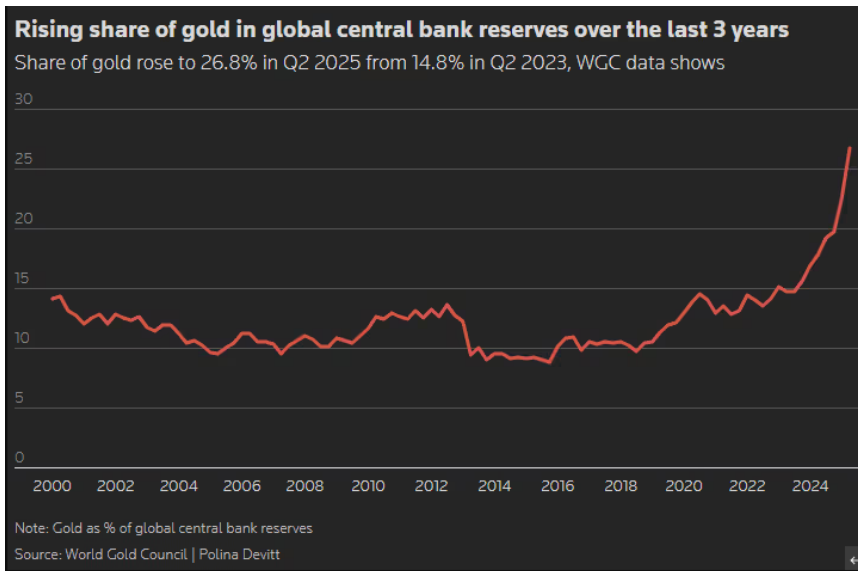
The AI supply chain now spans power, industrials and cooling technology, and investors are looking at the entire ecosystem rather than just core tech. Reuters reports that at least two dozen companies representing more than \$21 trillion in combined market value reported quarterly earnings and spoke about AI in recent days. Many, including Proctor and Gamble and Boliden noted that the hoped for productivity gains, though uneven, are beginning to show.

Momentum in gold meets some headwinds

Gold continued its rally gaining 3.7% in October, although at month end it had fallen almost 10% from its high of US\$4,381.21 reached on October 20. Gold generally rises on lower interest rates and economic uncertainty so Powell's more hawkish comments around future rate cuts and Trump's concessions on China tariffs were reasons given for the correction.

World Gold Council strategists believe the market has changed from the 'stickier' emerging markets buyers, which has driven the price for the last two years, to Western investors meaning more uncertainty and volatility. Earlier in the month images of investors supposedly lining up in Martin Place, in Sydney's CBD to purchase gold coins perhaps backs up this view.

The rapid price rise in gold may lead to some portfolio rebalancing from institutional investors who have reached their upper limits of exposure and central bank buying could also slow as these prices rises have done a lot of the work increasing gold as a share on their reserves.



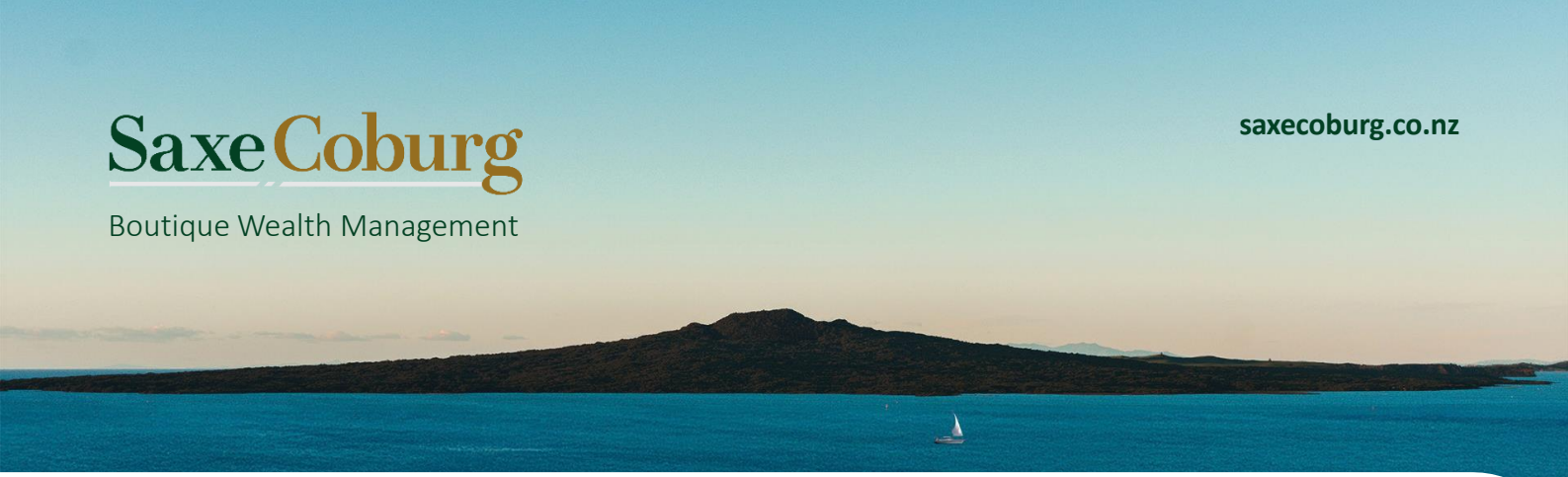
All that to say, some of the big drivers are less compelling now than they were.

NZ market reaches record highs, at last!

The NZ share market rose to an all time high, finally surpassing the levels reached on January 8th, 2021. At that time, the NZX had risen 14.7% p.a. over the previous 10 years, second only to the mighty Nasdaq which had risen 17.1% p.a. and well ahead of arch-rival Australia, at 7.9% p.a.

10 year cumulative returns





It's a very different picture now, with the NZ market's 10-year return sitting at a still reasonable 8.5% p.a. However, over the last 5 years the NZX has not participated in the global rally which has seen the MSCI World rise 15.1% p.a. and when measured in NZDs, 18.5% p.a. The NZ market is up just 2.3% p.a. Gains over the last 6 months of 13.8% have had the tailwind of significantly lower interest rates. Low interest rates should continue to provide some valuation support for NZ assets, both listed and privately held.

Asia's tech-led surge

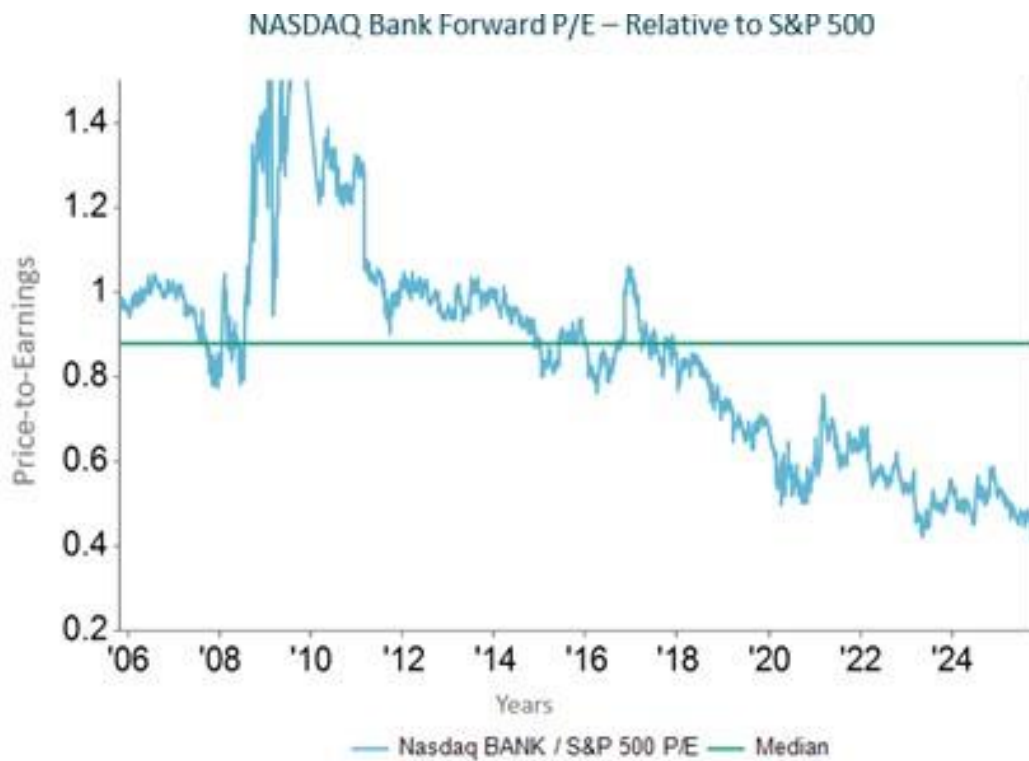
Asian equities saw strong gains for the month, led by South Korea's Kospi (+20%) and Japan's Nikkei 225 (+16.6%), with significant moves in the technology and semiconductor sectors. After leading the region for the 2025 calendar year, Chinese equities underperformed on profit-taking, the Hang Seng Index losing -3.5%, while the Shanghai Composite Index gained 1.8%.

US market concentration and AI dynamics

As has been widely reported, gains in the US equity markets have been driven by a narrow cohort of tech giants. Unlike the dot.com era of 2000, the spending frenzy around AI has largely been funded from cashflow, and the Federal Reserve is easing interest rates rather than the aggressive tightening that preceded the 2000 crash.

Regional Bank concerns reignite credit market fears

Concerns resurfaced around US regional banks and credit markets following credit disclosures from Western Alliance Bancorporation and Zions Bancor. Phil Stone, Manager of US bank specialist Fourthstone, in his latest up-date, noted that for both companies, these losses stem from specific borrower misconduct rather than widespread credit deterioration. Nevertheless, the market has taken a dim view of banks, and the Nasdaq Bank index's forward P/E is trading at a 51% discount to the S&P500, compared to its historical discount of 13%.



Source: FactSet as of 10/31/25

This is in the face of a resurgence in M&A activity and a new record high in the Community Bank Sentiment Index, which is derived from quarterly polling of 255 community bankers across 44 states. While certain industries are caught up in AI related exuberance, this is clearly not across all sectors.

As always, if you'd like to discuss how market movements may affect your portfolio, or discuss the above in more detail, please get in touch with Mark or Sam.