# Weekly Market Update

29 September 2025

**Last week's performance – major stock markets**

## Market Monitor (%): How did major stock markets perform last week*?


## Key stories from last week

**US: STOCKS EASE ON HAWKISH COMMENTARY FROM THE FEDERAL RESERVE**

Major U.S. stock indices finished the week lower, driven in part by some hawkish commentary from Federal Reserve officials that seemed to dampen investor optimism around the pace of further interest rate cuts. Fed Chair Jerome Powell noted that the economy is in a "challenging situation" due to near-term upside inflation risks and downside labour market risks while also acknowledging that "equity prices are fairly highly valued." The Nasdaq Composite fared worst, falling 0.65%, followed by the Russell 2000 Index, which registered its first weekly loss since early August. Inflation was little changed in August, according to the core personal consumption expenditures (PCE) price index, which showed a 0.2% rise in prices from the prior month, in line with estimates and July's revised reading. Across both the manufacturing and services sectors, businesses' expectations for output over the next 12 months improved to the highest level in four months.

**JAPAN: STOCKS RISE AS EXPECTATIONS FOR A NEAR-TERM INTEREST RATE HIKE ARE TEMPERED**

Japan's stock markets rose over the week, with the Nikkei 225 Index gaining 0.69% and the broader TOPIX up 1.25%. Expectations of a near-term interest rate hike by the Bank of Japan (BoJ) were to a degree tempered by a lower-than-expected Tokyo area consumer inflation print, while Japanese pharmaceuticals lagged after the latest U.S. tariff announcements targeted the pharma sector. Political uncertainty weighed on the yen, given a range of possible outcomes in the Liberal Democratic Party's (LDP) presidential election. The Tokyo area consumer price index (a leading indicator of nationwide trends) rose 2.5% year on year in September, holding steady from the prior month but falling short of economists' estimates of a 2.8% gain. The soft consumer inflation print, largely because of temporary subsidies, tempered some investors' expectations of a BoJ rate hike in the near term.

**CHINA: STOCKS CLIMB IN A QUIET WEEK FOR ECONOMIC DATA**

Mainland Chinese stock markets recorded a weekly gain. The onshore benchmark CSI 300 Index advanced 1.07% and the Shanghai Composite Index added 0.21% in local currency terms, according to FactSet. No major economic indicators or corporate earnings were released during the week, giving traders little news to act on. Rather, a high level of domestic liquidity has fuelled strong gains in China's stock markets since April as cash-rich households seek higher returns amid low interest rates and a lack of better investing options. Recent breakthroughs in homegrown artificial intelligence startups and Beijing's "anti-involution" campaign to curb excessive price competition in several industries have also bolstered risk appetite.

**EUROPE: BUSINESS ACTIVITY RISES TO HIGHEST LEVEL IN 16 MONTHS IN EUROZONE**

Major stock indices were firmer. Italy's FTSE MIB gained 0.79%, Germany's DAX rose 0.42%, and France's CAC 40 Index added 0.22%. The eurozone economy maintained a modest pace of growth in the third quarter, according to purchasing managers' surveys. An early reading of the HCOB Flash Eurozone Composite PMI Output Index rose to a 16-month high of 51.2 in September from 51.0 in August (a reading above 50 indicates an expansion in activity.) Services activity grew at the fastest pace this year, driving the overall increase, while manufacturing output expanded at a slower pace. German business sentiment suffered an unexpectedly sharp drop as gloom about the economic outlook set in, according to data from the Ifo Institute. However, a survey by the GfK market research institute and the Nuremberg Institute for Market Decisions indicated that consumer confidence was somewhat less pessimistic going into October, as households' views of their incomes improved.

**UK: UK STOCKS RALLY DESPITE CONSUMER CONFIDENCE FALLING TO THE LOWEST LEVEL SINCE JUNE**

The UK's FTSE 100 Index rallied 0.74% during the week. UK PMI data fell to 51.0 from the 12-month high of 53.5 hit in August. Activity in both the services and manufacturing sectors slowed, with output in the latter declining at the fastest rate since March, partly due to disruptions in the auto industry. Business confidence fell to the lowest level since June, reflecting uncertainty ahead of the November budget. Bank of England Chief Economist Huw Pill noted that the central bank's decision to dial back "quantitative tightening" would provide only temporary relief from recent turbulence in gilt markets and argued that other tools were better suited to addressing rising borrowing costs.

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*Source: Bloomberg. All performance measured in local currency.