

MARKET UPDATE

IN UNDER 5 MINUTES

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TOPIC OF THE MONTH

Is the Fed's Inflation Target Still 2%?

The U.S. Federal Reserve lowered this week the US interest rate by 25 basis points, lowering the federal funds rate to a range of 3.75%–4.00%. At the same time, it announced plans to end quantitative tightening by December 1. This dual shift toward policy easing came despite inflation holding steady around 3%, well above the Fed's longstanding 2% target. Adding to the ambiguity, Chair Jerome Powell signaled a cautious stance, noting that a further cut in December is "far from" certain. This raises a critical question: why ease at all when inflation remains elevated? Of course, we saw cooler job market and so-far limited impact tariffs, but the move has sparked growing debate over whether the Fed is quietly accepting 3% inflation as the new normal. Core consumer prices have hovered near that level for much of the year, with little sign of returning to target. As a result, investors are increasingly questioning whether the 2% objective still holds. Is it still a firm anchor, or is the central bank adjusting its stance without formally admitting it? The uncertainty is creating confusion around the Fed's true intentions. It also highlights the delicate balance policymakers face, maintaining credibility in their inflation-fighting mandate while adapting to a more complex post-pandemic economy.



IN SHORT - MARKET TWEETS

Bonds

Long-Term Treasury prices up as yields retreated further

- U.S. Treasury Yields
 - 2Y: 3.60% (MoM flat)
 - 10Y: 4.10% (MoM -1.18%)
 - 30Y: 4.65% (MoM -1.61%)
- Bloomberg Global Aggregate Bond Index
 - 499.24 (MoM -0.06% / YTD +7.72%)

Equities

US Tech rallies, NDX&FTSE reach all time highs

- Major Indices
 - S&P 500: 6,822 (MoM +2.00% / YTD +16.25%)
 - Nasdaq100: 25,734 (MoM +4.27% / YTD +22.69%)
 - FTSE: 9,760 (MoM +4.38% / YTD +18.16%)
 - EuroStoxx50: 5,699 (MoM +3.06% / YTD +15.89%)
 - HangSeng: 26,008 (MoM -3.15% / YTD +32.54%)
- Top 3 Sectors YTD:
 - Communication Services (+28.37%), Technology (+26.58%), Materials (+24.42%)
- Bottom 3 Sectors YTD:
 - Consumer Defensive (+0.16%), Real Estate (+2.93%), Consumer Cyclical (+3.93%)

Commodities

Gold retreats by month end, triggered by US-China trade framework agreement

- Gold: 4,020 (MoM +3.81% / YTD +52.24%)
- Copper: 5.08 (MoM +4.62% / YTD +26.17%)
- Brent: 63.94 (MoM -3.17% / YTD -15.79%)

FX & Digital Assets

USD strengthen on Powells hawkish comments

- DXY: 99.49 (MoM +1.79% / YTD -8.26%)
 - EURUSD 1.15 (MoM -1.38%)
 - GBPUSD 1.31 (MoM -2.15%)
 - USDCHF 0.80 (MoM +0.69%)
 - USDJPY 154.02 (MoM +4.07%)
- BTC: 109k (MoM -4.13% / YTD +17.38%)

Global Macro / Geopolitics

U.S. government shutdown lead to delayed data, now expected early November

- US Inflation: 3.0% (+0.10%)
- FED Funds Rate: 3.75-4.00% (-0.25%)
- Unemployment Rate: 4.3% (no data)
- Non-farm payroll: 22k (no data)

Middle East in Focus

- UAE has announced the launch of the “Retail Sukuk” Initiative, which allows individual investors to invest in Shariah-compliant, government-backed Treasury Sukuk (T-Sukuk) with as little as 4,000AED.
- Saudi Arabia is preparing to shift its \$925 billion sovereign wealth fund away from a focus on real estate gigaprojects.
- OPEC+ has pushed ahead with output increases despite warnings that it may pause or reverse its campaign of production hikes in the face of a weakening oil market (Bloomberg).
- The UAE’s population is growing rapidly, and in many professions, job seekers now far outnumber available positions, meaning salaries are no longer rising at the same pace as inflation.



WHAT’S COMING NEXT?

As 2025 winds down, attention turns to the Fed’s December meeting: Will policymakers deliver another cut or hold steady? Powell’s recent comments offered no promises, making upcoming inflation and labor data decisive. The government shutdown delayed key releases, so November’s CPI and jobs reports will be closely watched. Any rebound in wages or prices could stall further easing, while clear cooling might reopen the door. Ending quantitative tightening in December should ease money-market strains, but investors will monitor year-end liquidity, a period often marked by thinner trading. A partial rollback of U.S. tariffs on China has improved sentiment, yet trade policy remains unpredictable. Corporate earnings will also set the tone. S&P 500 profits are up about 8% year-on-year, led by tech’s AI-driven strength, but valuations leave no room for disappointment. Even mild earnings misses or cautious guidance could quickly reintroduce volatility to markets that have grown too comfortable with calm.



INVESTMENTS IN FOCUS

In today’s environment, portfolio strategy for investors should focus on balance, participating in upside opportunities while reinforcing defenses. High-quality fixed income remains attractive, with U.S. Treasury yields likely holding in the 4%–5% range. Investors can earn meaningful income without taking excessive risk. Investment-grade bonds offer both yield and potential capital gains if growth slows or risk-off sentiment returns. Equities continue to play a vital role, but selectivity is essential. Priority should go to resilient, dividend-paying companies with strong balance sheets and pricing power, businesses capable of sustaining real earnings in a moderately higher-inflation world. In contrast, richly valued growth stocks may remain sensitive to higher yields and compressed multiples. Gold has historically reaffirmed its role as a long-term hedge, though its recent rally and correlation with equities warrants caution. Maintaining exposure as a hedge against policy missteps and geopolitical shocks remains prudent, but diversification across real assets can further stabilize returns. The key theme: income, quality, and adaptability. Portfolios built around steady yield and real purchasing-power protection with carefully picked yield-booster should continue to outperform as markets navigate a shifting inflation anchor.



DON'T LEAVE BEFORE YOU READ THIS!

Did you know?

“Fun Fact”: NVIDIA’s market capitalization has soared to around \$5 trillion, more than the combined GDP of all 54 African countries and even larger than Germany’s entire economy. If its share price reaches \$250, it would rival India’s annual GDP. While striking, this comparison isn’t apples-to-apples: Market capitalization represents investors’ expectations of all future profits, whereas GDP measures a nation’s output in a single year. One reflects market value; the other, real economic production, of course. Still, it’s a powerful reminder of how investor optimism - especially around AI - can inflate valuations far faster than underlying fundamentals.