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MARKET UPDATE

September 2025

IN UNDER 5 MINUTES

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TOPIC OF THE MONTH

The Calm Before the Storm? What Today's Calm Markets May Be Missing

Volatility remains unusually subdued, with the VIX near year-to-date lows and credit spreads still tight, yet risks are building beneath the surface. U.S. equities posted their first weekly loss in September after a strong summer, as high valuations coincided with fading hopes of rapid Federal Reserve easing. Core PCE inflation, the Fed's preferred measure, held steady at 2.9% year-over-year, keeping uncertainty around the pace of rate cuts. Fed officials cut rates in September but emphasized a data-dependent path forward, tempering expectations for aggressive easing. A notable signal came from Bitcoin, which sold off sharply intraday, even as the Nasdaq 100 hovered near highs. In recent years, Bitcoin has evolved into a key liquidity barometer, often moving ahead of broader markets. Its divergence from equities could therefore foreshadow renewed turbulence. As always, we don't have a crystal ball, but this is a sign that more volatility may be ahead, especially with policy, inflation, and geopolitical risks in play. The US government is once again heading toward a shutdown, with a deeply divided Congress yet to approve any annual appropriations bills or agree on a short-term funding measure ahead of the 1 October deadline. History shows markets typically shrug off the disruption with only brief, modest volatility.

IN SHORT - MARKET TWEETS

Bonds

Long-Term Treasury prices up as yields retreated

- U.S. Treasury Yields
  - 2Y: 3.61% (MoM flat)
  - 10Y: 4.14% (MoM -2.13%)
  - 30Y: 4.71% (MoM -4.27%)
- Bloomberg Global Aggregate Bond Index
  - 499.55 (MoM +0.54% / YTD +7.37%)

Equities

China with stellar YTD performance, US resilient

- Major Indices
  - S&P 500: 6,661 (MoM +3.83% / YTD +13.51%)
  - Nasdaq100: 24,611 (MoM +5.94% / YTD +17.33%)
  - FTSE: 9,299 (MoM +1.13% / YTD +12.90%)
  - EuroStoxx50: 5,506 (MoM +2.60% / YTD +11.98%)
  - HangSeng: 26,742 (MoM +4.39% / YTD +36.28%)
- Top 3 Sectors YTD:
  - Communication Services (+27.95%), Materials (+26.67%), Industrials (+15.32%)
- Bottom 3 Sectors YTD:
  - HealthCare (+0.54%), Consumer Defensive (+2.73%), Real Estate (+4.47%)

Commodities

Gold rallies further, with room for more gains

- Gold: 3,894 (MoM +12.21% / YTD +40.92%)
- Copper: 4.90 (MoM +5.69% / YTD +21.69%)
- Brent: 66.70 (MoM -2.76% / YTD -12.16%)

FX & Digital Assets

BTC tumbles, now back at 114k, USD stable

- DXY: 97.80 (MoM flat / YTD -9.85%)
  - EURUSD 1.17 (MoM flat%)
  - GBPUSD 1.34 (MoM flat)
  - USDCHF 0.80 (MoM flat%)
  - USDJPY 148.07 (MoM +0.67%)
- BTC: 114k (MoM +4.39% / YTD +22.01%)

Global Macro / Geopolitics

First rate cut has finally happened, but Inflation remains elevated.

- US Inflation: 2.9% (+0.20%)
- FED Funds Rate: 4.00-4.25% (-0.25%)
- Unemployment Rate: 4.3% (+0.2%)
- Non-farm payroll: 22k (MoM -72.15%)

Middle East in Focus - Dubai Real Estate Market Special

- Inflation-adjusted home prices in Dubai have returned to their 2014 peak.
- Housing bubble risk has surged for a second consecutive year and is now at elevated levels.
- Home prices have started to outpace rent growth as investment demand strengthens.
- However, prices remain affordable compared with other major global cities.
- Competition for offshore real estate investment with Abu Dhabi and Riyadh is intensifying, especially as Saudi Arabia opens designated zones to foreign buyers starting in 2026.
- The market remains volatile, as incomes are not keeping pace with home prices.

Source: UBS Global Real Estate Bubble Index 2025

WHAT'S COMING NEXT?

Markets now face a series of catalysts that could test this fragile calm. On 1st October, new tariffs announced by President Trump will take effect: a 100% duty on branded pharmaceuticals unless produced domestically, alongside 25–50% levies on imported heavy trucks, upholstered furniture, and kitchen goods. These measures may reignite trade tensions and fuel input cost pressures. At the same time, the risk of a U.S. government shutdown hangs over the fiscal debate in Washington, potentially disrupting economic data releases that the Fed relies on. Macro data will remain critical. September's non-farm payrolls and CPI will shape expectations for further Fed action, while corporate earnings season in October will test resilience at a time when margins are already pressured by costs and tariffs. Globally, investors are watching whether China follows through with additional stimulus to stabilize growth and property markets, while in Europe the ECB faces its own balancing act between modest growth and still-high inflation. Any disappointment on these fronts could quickly break the market's complacency.

INVESTMENTS IN FOCUS

Against this backdrop, portfolios should balance participation in upside with stronger defenses. High-quality fixed income remains attractive, with U.S. Treasuries and investment-grade corporates yielding 4–5%. These levels provide solid income and potential capital gains if risk-off flows push yields lower. Credit spreads are unusually tight, so selectivity and quality are critical. In equities, we recommend focusing on resilient companies with strong balance sheets, stable cash flows, and pricing power. The new tariffs will likely create clear winners and losers: firms with localized supply chains or domestic production may benefit, while import-dependent businesses face headwinds. This makes sector and stock selection especially important. Gold continues to stand out as a hedge, supported by sticky inflation, policy uncertainty, and its safe-haven role during bouts of volatility. Some countries are even banking on gold to boost their clout on the world stage. China was said to be aiming to become custodian of foreign sovereign gold reserves in a bid to strengthen its standing. Holding some cash or short-duration instruments also makes sense, as yields are attractive and provide flexibility to deploy capital if markets correct. In short, while the surface looks calm, undercurrents suggest that investors should prepare for choppier waters into year-end. Staying diversified and proactive remains the best defense.

DON'T LEAVE BEFORE YOU READ THIS!

Did you know?

Identifying a bubble: Price bubbles are a recurring phenomenon in property markets. The term "bubble" refers to a substantial and sustained mispricing of an asset, the existence of which cannot be proved unless it bursts. But historical data reveals patterns of property market excesses. Typical signs include a decoupling of prices from local incomes and rents, and imbalances in the real economy, such as excessive lending and construction activity. A change in macroeconomic momentum, a shift in investor sentiment, or a major supply increase could trigger a decline in house prices.