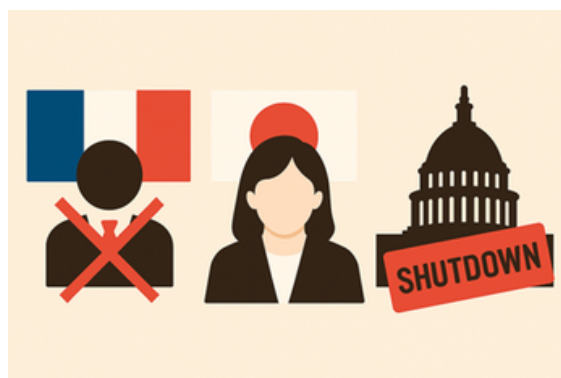




A VIEW FROM THE SQUARE

OCTOBER 2025

Shutdowns, Shakeups, and Shifts



Despite history and seasonality betting against it, September saw global equities end the month higher. Even just a few days into the new quarter, October has delivered a wave of political events across three major economies— France, Japan, and the United States.



Shutdown

The first, coming last Wednesday (1st October), brought confirmation of the US government shutdown, driven by partisan gridlock, which is disrupting federal services and delaying key economic data.

- **Initial market impact:** US equity markets and bond yields have been muted.
- **Investment Insight:** Government shutdowns seldom happen without warning signs which explains why they have limited impact on markets on announcement. The most immediate impact of the shutdown is the stop to production of economic data which policymakers (the Federal Reserve) use to help make their decisions on interest rates. The Federal Reserve, which is not subject to the government shutdown, will continue to produce its own data including industrial production and capacity utilisation. As things stand, this should have limited impact on the ability of the Federal Reserve to make their next policy decision.



Shakeup

Sanae Takaichi's rise as the new LDP leader and (subject to confirmation), Japan's first female prime minister is symbolically significant, but her ultra-conservative platform suggests policy continuity. Her focus is primarily on fiscal stimulus (increased public spending and tax cuts), defense expansion and technology investment.

- **Initial market impact:** Japanese equities rallied, buoyed by the potential of Abenomics 2.0, the policies introduced by previous prime minister Shinzo Abe. The Yen softened as the likelihood of a rate hike at the next Bank of Japan meeting reduced.
- **Our thoughts:** We remain positive on the prospect of Japanese equities growing, and on the currency front, despite the initial negative reaction, we see the outlook remaining positive for the Yen to strengthen. There is not a lot of scope for the Bank of Japan to ease conditions given where interest rates currently stand and for a country that imports many goods, weakening the Yen would be detrimental to consumers. This limits the scope for lower rates, and we continue to hold some Yen allocation, both for absolute return as the difference in interest rates between Japan and UK close, and as a safe haven asset if market volatility increases.



Shift

Prime Minister Sébastien Lecornu's resignation after less than a month in office highlights the deepening dysfunction in French politics. His resignation comes after his proposed cabinet of ministers, who were part of Macron's early administration, failed to pass muster with the governing coalition. With Marine Le Pen's National Rally pushing for snap elections, there has been an increase in the uncertainty around fiscal policy in France.

- **Market Impact:** French equities and bonds came under pressure with the CAC-40, the equivalent of the FTSE 100 in France, moving notably lower compared to European Counterparts.
- **Investment Insight:** There is the potential that Macron creates a technocratic government to pass through a budget which would be accepted by the governing coalition rather than appoint another Prime Minister (of which there is a dearth of credible candidates now). Within our fixed income exposure, we have had negligible exposure to French bonds, and this is unlikely to change anytime soon. Gold has benefited strongly from this uncertainty, an area where we remain strongly overweight.

Liam Goodbrand
Investment Director
8 October 2025

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