

# Central banks and Big Tech cheer investors.



## Quarterly snapshot



- Global equities, as measured by the MSCI ACWI Index, finished in positive territory in the third quarter of 2025, amid optimism regarding the Federal Reserve's (Fed) interest-rate cut and anticipated monetary policy easing by other major central banks, as well as generally upbeat corporate earnings news. Emerging markets outperformed developed markets.
- Global fixed-income assets posted modest gains for the quarter. U.S. Treasury yields moved lower across the yield curve. (Bond prices move inversely to yields.)
- Diversification within equity markets remains our key call for the remainder of 2025.

Global equities, as measured by the MSCI ACWI Index, finished in positive territory in the third quarter of 2025, amid optimism regarding the Federal Reserve's (Fed) interest-rate cut and anticipated monetary policy easing by several other major central banks, as well as generally upbeat corporate earnings news, particularly in the information technology sector. Emerging markets outperformed developed markets.

The Far East led the emerging markets during the quarter, bolstered by strength in China, Thailand, and Taiwan. Additionally, Latin America's robust performance was attributable to significant upturns in Peru and Colombia. Eastern Europe registered a positive return for the quarter, but was the primary emerging-market laggard due to relative weakness in Poland. North America was the strongest performer among the developed markets for the quarter, with notable rallies in both Canada and the U.S., while the Far East benefited from strength in Singapore and Japan. Conversely, the Nordic countries ended the quarter in negative territory due to a sharp market decline in Denmark.<sup>1</sup>

Global fixed-income assets, as represented by the Bloomberg Global Aggregate Bond Index, edged up 0.6% (in U.S. dollars) in the third quarter. Investment-grade corporate bonds led the U.S. fixed-income market, followed by high-yield bonds, mortgage-backed securities (MBS), and U.S. Treasuries. Treasury yields moved lower across the yield curve. Yields on 2-, 3-, 5-, and 10-year Treasury notes declined by corresponding margins of 0.12%, 0.07%, 0.05%, and 0.08%, ending the quarter at 3.60%, 3.61%, 3.74%, and 4.15%, respectively. The 10-year to 3-month yield curve normalized after being inverted (3-month yields were higher than 10-year yields) at the beginning of the quarter, widening to +0.14% as of September 30.<sup>2</sup>

Global commodity prices, as measured by the Bloomberg Commodity Index, gained 3.7% in the third quarter. The spot prices for West Texas Intermediate (WTI) and Brent crude oil fell 4.2% and 1.1% respectively, over the quarter, hampered by an increase in supply and softer demand. Ongoing geopolitical tensions in the Middle East, Russia, and Ukraine contributed to the 16.8% surge in the gold price to numerous record highs over the quarter as investors sought safe-haven assets. The 5.4% decline in the New York Mercantile Exchange (NYMEX) natural gas price for the quarter was attributable to softer demand, high output, and growing inventories. The wheat price was down 5.6% for the quarter amid an increase in global production. Furthermore, the upcoming harvest in the U.S., the European Union (EU), and the Black Sea region is expected to yield abundant new supply, which would weigh on wheat prices.

<sup>1</sup> All equity market performance statements are based on the MSCI ACWI Index.

<sup>2</sup> According to the U.S. Department of the Treasury. As of September 30, 2025.

## Key measures: Q3 2025

### Equity

Dow Jones Industrial Average	5.67%	↑
S&P 500 Index	8.12%	↑
NASDAQ Composite Index	11.41%	↑
MSCI ACWI Index (Net)	7.62%	↑

### Bond

Bloomberg Global Aggregate Index	0.60%	↑
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### Volatility

Chicago Board Options Exchange Volatility Index	16.28	↓
PRIOR Quarterly: 16.73		

### Oil

WTI Cushing crude oil prices	\$62.37	↓
PRIOR Quarterly: \$65.11		

### Currencies

Sterling vs. U.S. dollar	\$1.35	↓
Euro vs. U.S. dollar	\$1.18	↑
U.S. dollar vs. yen	¥147.69	↑

Sources: Bloomberg, FactSet, Lipper

U.S. trade policy remained a focal point for global financial markets in the third quarter. In late August, a U.S. federal appeals court upheld a lower-court decision striking down the tariffs that President Donald Trump has implemented this year. The court ruled by a 7-4 margin that Trump had exceeded his authority under the International Emergency Economic Powers Act (IEEPA). The court found that IEEPA does not explicitly authorize the president to impose tariffs, which fall under the purview of the U.S. Congress. However, the court let the tariffs remain in place until mid-October to allow time for a potential U.S. Supreme Court appeal. In late September, Trump announced in a social media post that his administration would be imposing tariffs of 100% on branded or patented pharmaceutical drugs (with an exception for companies building plants in the U.S.); and 25% on heavy trucks, which took effect on October 1. Additional tariffs of 50% on kitchen cabinets, vanities, and similar products, and 30% on upholstered furniture, are scheduled to be implemented on October 14.

On the geopolitical front, towards the end of the quarter, Trump introduced a 20-point plan to end the Gaza war between Israel and Hamas. Among other provisions, the proposal calls for the creation of a “Board of Peace” to oversee interim governance in Gaza, and Israel would gradually withdraw its military forces but maintain a security buffer zone around Gaza.

The plan also leaves open the possibility of a Palestinian state, but does not mention a “two-state solution.” Trump stated that, if Hamas does not accept the terms of the plan, “Israel would have my full backing to finish the job of destroying the threat of Hamas.”

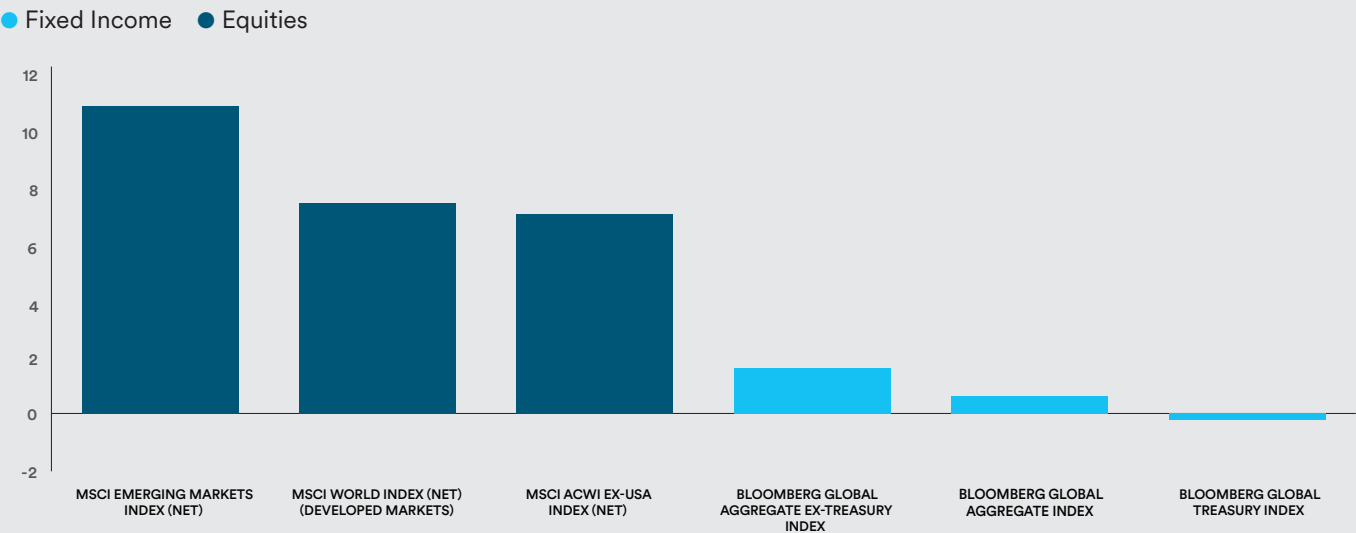
# Economic data

## U.S.

The Department of Labor reported that the consumer-price index (CPI) rose 0.4% in August, up from the 0.2% rise in July and slightly exceeding expectations. Housing costs rose 0.4% and comprised the bulk of the upturn in the index for the month. Additionally, food prices were up 0.5% as the food at home index climbed 0.6%. Conversely, prices for utility gas service fell 1.6% during the month. The CPI advanced 2.9% year-over-year in August—modestly higher than the 2.7% rise in July and in line with expectations. Costs for utility gas service surged 13.8% over the previous 12-month period, while electricity prices were up 6.2%. In contrast, gasoline and fuel oil prices saw year-over-year declines of 6.6% and 0.5%, respectively. Core inflation, as measured by the CPI for all items less food and energy, rose 3.1% year-over-year in August, unchanged from the increase in July. Prices for used cars and trucks, medical services, and housing rose by corresponding margins of 6.0%, 4.2%, and 3.6% over the previous 12 months.

According to the final estimate from the Department of Commerce, U.S. gross domestic product (GDP) expanded at an annual rate of 3.8% in the second quarter of 2025—up sharply from the 0.6% decline in the first quarter of 2025 and a significant improvement from the government’s prior estimate of a 3.3% rise. The upturn in the economy for the second quarter was attributable primarily to a substantial decline in imports (which are subtracted from the GDP calculation) following a surge in imports in the first quarter as businesses rushed to stockpile goods before the Trump administration’s tariffs took effect, as well as an increase in consumer spending. Conversely, there were declines in investment and exports.

Major Index Performance in Q3 2025 (Percent Return)



Sources: FactSet, Lipper

## U.K.

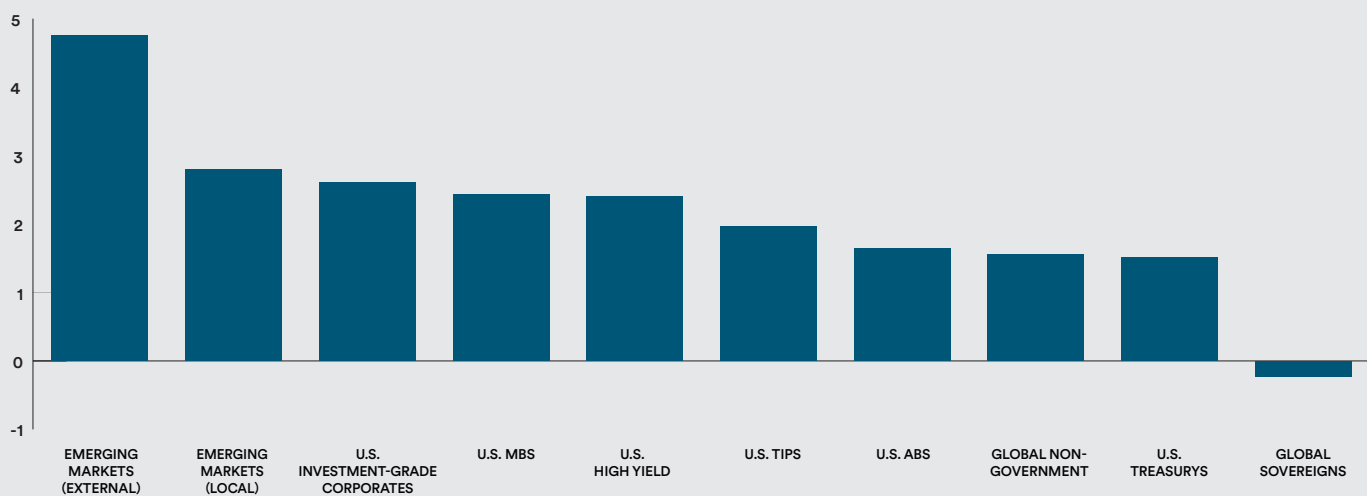
The Office for National Statistics (ONS) reported that inflation in the U.K., as measured by the CPI, increased 0.3% in August, up from the 0.1% rise in July. The CPI advanced at an annual rate of 3.8% for the month, matching the year-over-year upturn in July. Costs for clothing and footwear, furniture and household goods, and transportation (mainly airfares) posted the largest gains in August, while prices for restaurants and hotels declined. Education, housing and household services, and communication costs climbed 7.5, 7.4%, and 6.1%, respectively, over the previous 12-month period. clothing and footwear prices were up just 0.2% year-over-year. Core inflation, as represented by the CPI excluding energy, food, alcohol, and tobacco, rose 3.6% over the previous 12-month period in August, edging down from the 3.8% annual increase in July.<sup>3</sup>

According to the final estimate of the ONS, U.K. GDP increased 0.3% in the second quarter of 2025, down from the 0.7% growth rate in the first quarter of this year. Output in the construction and services sectors rose 1.0% and 0.4%, respectively, over the quarter, while the production sector saw a 0.8% decline.<sup>4</sup>

<sup>3</sup> According to the ONS. September 17, 2025.

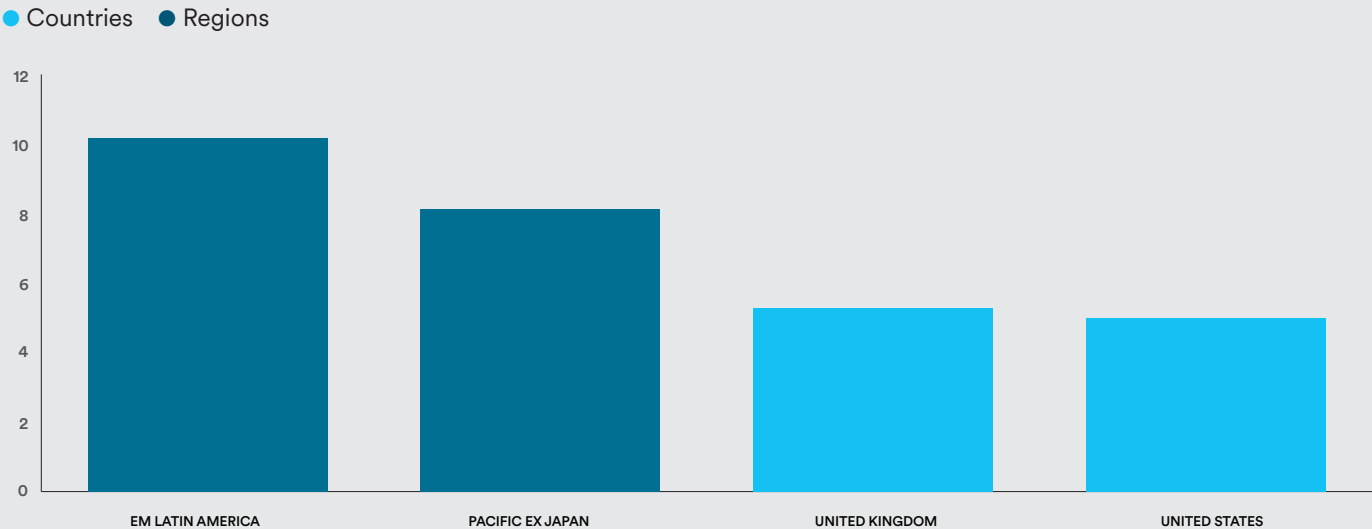
<sup>4</sup> According to the ONS. September 30, 2025.

### Fixed-Income Performance in Q3 2025 (Percent Return)



Sources: FactSet, Lipper. See “Corresponding Indexes for Fixed-Income Performance Exhibit” in the Index descriptions section for more information.

## Regional Equity Performance in Q3 2025 (Percent Return)



Sources: FactSet, Lipper. See “Corresponding Indexes for Regional Equity Performance Exhibit” in the Index descriptions section for more information.

## Eurozone

According to Eurostat’s preliminary estimate, inflation for the eurozone rose 2.0% for the 12-month period ending in August, unchanged from the increase in July. Prices for food, alcohol and tobacco increased 3.2% year-over-year in August versus the 3.3% annual rise for the previous month. Costs in the services sector rose at an annual rate of 3.1% in August, inching down from the 3.2% increase in July. In contrast, energy prices fell 2.0% year-over-year. Core inflation, which excludes volatile energy, food, and alcohol and tobacco prices, increased at an annual rate of 2.3% in August, matching the year-over-year increase in July.<sup>5</sup>

Eurostat also reported that eurozone GDP ticked up 0.1% the second quarter of 2025—down from the 0.6% growth rate for the first quarter of this year—and increased 1.5% over the previous 12-month period. The economies of Denmark, Croatia, and Romania were the strongest performers for the second quarter, expanding 1.3%, 1.2%, and 1.2%, respectively. In contrast, GDP for Iceland, Finland, and Germany declined by corresponding margins of 0.7%, 0.4%, and 0.3% during the quarter.<sup>6</sup>

<sup>5</sup> According to Eurostat. September 17, 2025.

<sup>6</sup> According to Eurostat. September 5, 2025.

# SEI's view

Not surprisingly, diversification within equity markets remains our key call for the remainder of 2025. Diversification by geography, by our preferred factors, by sector, by single names, and by theme will help investors reduce their exposure to what we see as heightened market fragility. Active management also appears attractive here, particularly in U.S. large caps given the acute market concentration.

Credit has reflected the elevated valuations in equity markets, as evidenced by low spread level. We remain interested in attractive risk-adjusted yields which can be found in securitized sectors, particularly collateralized loan obligations (CLOs).

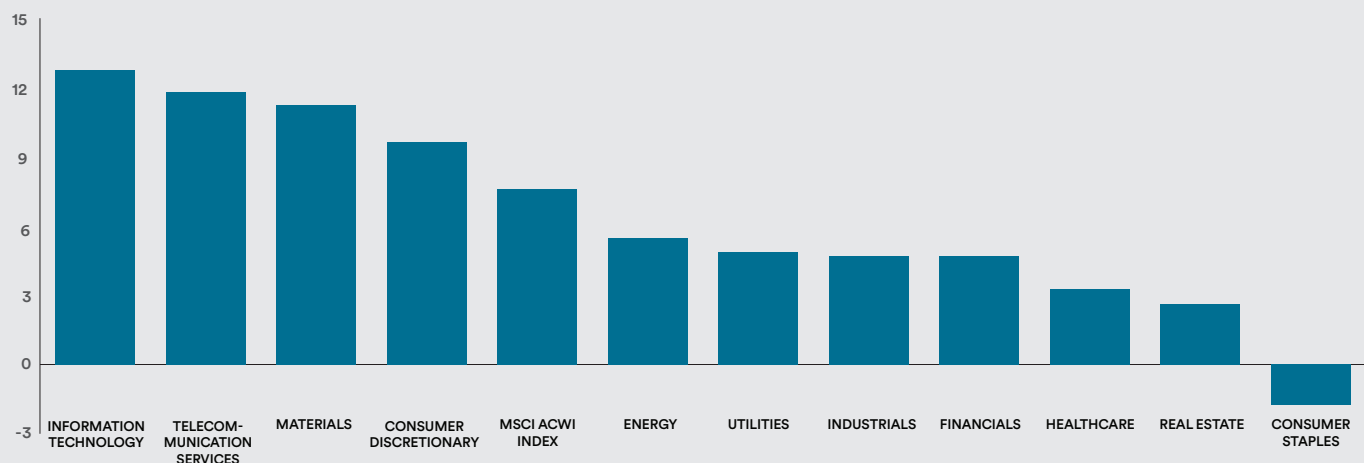
Our preference for yield-curve steepeners in the U.S. and Europe has played out nicely given easy monetary policy's influence on the short end and debt concerns boosting the long end. While yield curves have moved dramatically, we believe conditions remain in place for a further widening between short- and long-term yields. Overall interest-rate sensitivity is broadly neutral and focused on the belly (intermediate section) of the curve.

Finally, in terms of positioning, we remain long inflation via breakeven yields on strength in services and expectations for more significant tariff flow through into prices and future inflation expectations. Gold continues to look attractive despite recent highs due to continued geopolitical concerns and our view that both investors and central banks will continue to be solid sources of demand.

Regarding the U.S. government shutdown to start the fourth quarter, the market impact will clearly be dependent on the length of this latest budget fight while the more immediate effects will include the suspension of government statistics releases, including the monthly employment report. The lack of data, combined with the potential for a large number of furloughed federal workers, could solidify two more rate cuts in 2025. While predicting politics is at times harder than predicting the market, our expectations are that this will be resolved in a reasonable amount of time with a relatively modest market and economic impact.

**Diversification within equity markets remains our key call for the remainder of 2025.**

Global Equity Sector Performance in Q3 2025 (Percent Return)



Sources: FactSet, Lipper. MSCI ACWI Index Components (as defined by SEI).

## Glossary of Financial Terms

**Yield** is the income returned on an investment, such as the interest received from holding a security. The yield is usually expressed as an annual percentage rate based on the investment's cost, current market value, or face value.

**Yield curve** represents differences in yields across a range of maturities of bonds of the same issuer or credit rating (which is used to assess the risk of default of companies or countries). A steeper yield curve represents a greater difference between the yields. A flatter curve indicates that short- and long-term yields are closer together.

**The breakeven yield** is the difference in yield between inflation-protected bonds and nominal debt of the same maturity.

## Index definitions

All indexes are quoted in gross performance unless otherwise indicated.

The **MSCI ACWI Index** is a market capitalization-weighted index that tracks the performance of over 2,000 companies, and is representative of the market structure of 48 developed and emerging-market countries in North and South America, Europe, Africa, and the Pacific Rim. The index is calculated with net dividends reinvested in U.S. dollars.

The **Bloomberg Global Aggregate Bond Index** is a market capitalization-weighted index that tracks the performance of investment-grade (rated BBB- or higher by S&P Global Ratings/Fitch Ratings or Baa3 or higher by Moody's Investors Service) fixed-income securities denominated in 13 currencies. The index reflects reinvestment of all distributions and changes in market prices.

The **ICE BofA U.S. High Yield Constrained Index** is a market value-weighted index of all domestic and Yankee high-yield bonds, including deferred interest bonds and payment-in-kind securities, with maturities of one year or more and a credit rating of BB+ or lower by S&P Global Ratings and Fitch Ratings or Ba1 or lower by Moody's Investors Service, but are not in default.

The **ICE BofA U.S. Corporate Index** includes publicly issued, fixed-rate, nonconvertible investment-grade (rated BBB- or higher by S&P Global Ratings and Fitch Ratings or Baa3 or higher by Moody's Investors Service) dollar-denominated, U.S. Securities and Exchange (SEC)-registered corporate debt having at least one year to maturity.

The **S&P US Mortgage Backed Securities Index** tracks the performance of U.S. dollar-denominated, fixed-rate and adjustable-rate/hybrid mortgage pass-through securities issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

The **ICE BofA U.S. Treasury Index** tracks the performance of the direct sovereign debt of the U.S. government.

The **Bloomberg Commodity Index** tracks the performance of futures contracts on physical commodities. The index comprises 24 of the most traded commodity futures contracts across six sectors.

**Consumer-price indexes** measure changes in the price level of a weighted-average market basket of consumer goods and services purchased by households. A consumer price index is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically.

## Corresponding Indexes for Fixed-Income Performance Exhibit

U.S. High Yield	ICE BofA U.S. High Yield Constrained Index
Global Sovereigns	Bloomberg Global Treasury Index
Global Non-Government	Bloomberg Global Aggregate ex-Treasury Index
Emerging Markets (Local)	JPMorgan GBI-EM Global Diversified Index
Emerging Markets (External)	JPMorgan EMBI Global Diversified Index
U.S. Mortgage-Backed Securities (MBS)	Bloomberg US Mortgage Backed Securities Index
U.S. Asset-Backed Securities (ABS)	Bloomberg US Asset Backed Securities Index
U.S. Treasuries	Bloomberg US Treasury Index
U.S. Treasury Inflation-Protected Securities (TIPS)	Bloomberg 1-10 Year US TIPS Index
U.S. Investment-Grade Corporates	Bloomberg US Corporate Bond Index

## Corresponding Indexes for Regional Equity Performance Exhibit

United States	S&P 500 Index
United Kingdom	FTSE All-Share Index
Pacific ex Japan	MSCI Pacific ex Japan Index (Net)
Japan	TOPIX, also known as the Tokyo Stock Price Index
Europe ex U.K.	MSCI Europe ex UK Index (Net)
EM Latin America	MSCI Emerging Markets Latin America Index (Net)

## IMPORTANT INFORMATION

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding SEI's portfolios or any stock in particular, nor should it be construed as a recommendation to purchase or sell a security, including futures contracts.

There are risks involved with investing, including loss of principal. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Narrowly focused investments and smaller companies typically exhibit higher volatility. Bonds and bond funds will decrease in value as interest rates rise. High-yield bonds involve greater risks of default or downgrade and are more volatile than investment-grade securities, due to the speculative nature of their investments.

Diversification may not protect against market risk. Past performance does not guarantee future results. Index returns are for illustrative purposes only and do not represent actual portfolio performance. Index returns do not reflect any management fees, transaction costs or expenses. One cannot invest directly in an index.

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1 Freedom Valley Drive  
P.O. Box 1100  
Oaks, PA 19456  
610-676-1000

