Raiffeisen
Investiční společnost

Commentary on the Financial Markets

10/25

Global stock markets strengthened again in September

Although September is statistically the weakest month in terms of the performance of the S&P 500 stock index, global stock markets have strengthened again. The U.S. stock index S&P 500 rose by 3.53% during September and the more diversified MSCI World by 3.49%. Stock market volatility, as measured by the VIX index, remained below its long-term average in September. Stock markets were positively affected by the reduction of the Fed's key interest rate from 4.5% p.a. to 4.25% p.a. and the relatively good outlook for the US economy. The FED has raised its estimate of annual GDP growth by 0.2% y/y for this year and next year to 1.6% and 1.8%, respectively.

Of the sectors, the best performers in September were technology (7.4%), communications (6.3%) and utilities (3.4%). On the other hand, the worst performers were the materials (-2.9%) and non-durable goods (-3.0%).

The market expects the Fed to cut the interest rate by another 0.5% to 3.75% by the end of 2025 (source: Bloomberg). The Fed's interest rate cuts should happen because the US labor market is deteriorating. However, tariffs may be an obstacle to rate cuts, which may have an effect on higher inflation.

The ECB keeps the deposit rate at 2.0% p.a. and is unlikely to cut it again until the end of this year. The CNB has set the repo rate at 3.50% p.a. and its further reduction by the end of this year is unlikely. On the contrary, there is already speculation that the CNB could even raise rates in the future (2027).

The yield on Germany's ten-year government bond has been around 2.7% p.a. in recent months. A similar Czech government bond is trading at a yield of about 4.5% p.a., as Czech government bond prices fell in September due to concerns about higher inflation (e.g. wage growth, introduction of gas and gasoline allowances from 2027). The CNB also signalled that interest rates may not fall this year and, on the contrary, may rise in 2027.

Of the alternative investments, it is worth mentioning gold, which reached a new all-time high when it surpassed the limit of USD 3800 per ounce. The growth of gold is supported by many factors, such as geopolitical uncertainty, a weak dollar, growing global debt and, last but not least, questioning the independence of the FED.

During September, analysts raised their estimates for the growth of corporate profits and sales of companies from the S&P 500 index for this year and next. They now estimate a 10.8% increase in profits and a 6.1% increase in sales for 2025. They even expect profits to increase by 13.8% and sales by 6.6% next year (source: FactSet). Growth in corporate profits and the expected cycle of interest rate cuts may therefore continue to support stock markets.

A possible closure of government institutions in the US as a result of the debt ceiling should have a rather short-term impact on capital markets if there is an agreement between Republicans and Democrats to increase it in the near future. If the "government shutdown" were to last longer, unemployment would increase and stock markets could also correct.

The impact of artificial intelligence (AI) on GDP

Some studies by reputable companies suggest that the impact of AI can have a significant impact on GDP growth in the coming years. According to a study by Goldman Sachs, AI could add more than 1% to both US and global GDP from 2027. This assumption supports stock markets in the long term as well.

Transactions in RIS funds

From the point of view of RIS funds, September was marked by a slight collection of profits from equity positions, which took place before the US Fed meeting in the middle of the month. However, the transfer of the risk component to the funds remains. It was sold across world regions and individual sectors. In a similar vein, i.e. a slight reduction in risk, positions in US corporate debt were also reduced. On the other hand, RIS funds repeatedly participated in auctions of Czech government bonds during the month, and bonds with maturities in 2030 and 2033 were thus purchased into their portfolios.

Investment Strategy

As part of our investment strategies, we also predominate stocks over bonds. Regionally, we weigh North America, we weigh Europe and emerging markets, and we slightly underweight the Pacific. In sectors, we outweigh growth sectors such as technology, communications, industrials, finance and dividend stocks. In bond strategies, we maintain a slightly weighted duration on koruna and euro bonds and an underweighted duration on US dollars.

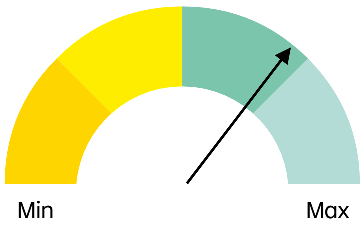
We wish you a lot of success in the next period!

Michal Ondruška
CIO, Member of the Board

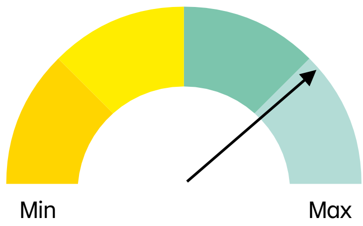
Investment Strategy Summary

Tactical Allocation
Overweighting of stocks in portfolios

Current

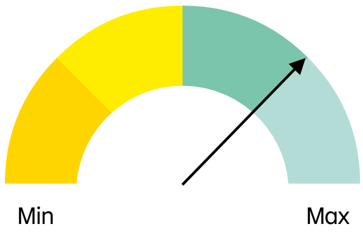


3-month outlook

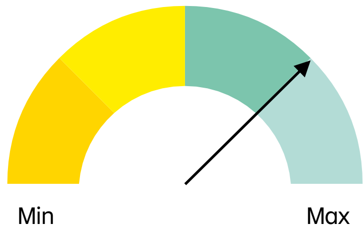


Interest Rate Risk
Average duration of bonds

Current

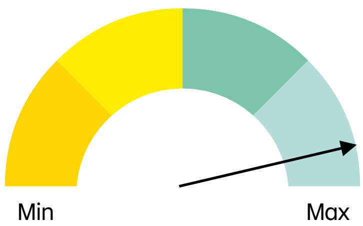


3-month outlook

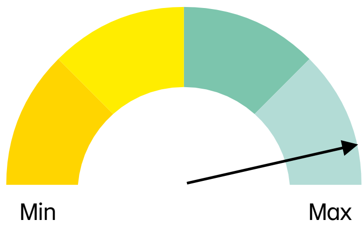


Credit Risk
Share of corporate bonds

Current

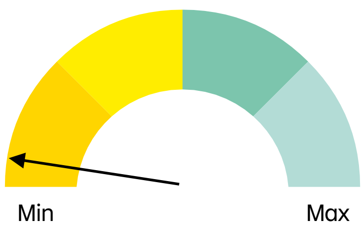


3-month outlook

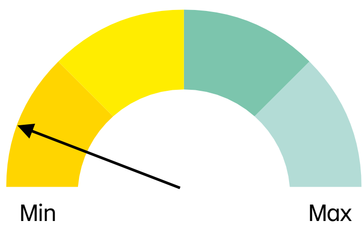


Currency Risk
Unhedged positions in foreign currency

Current



3-month outlook



source: Raiffeisen investiční společnost, a. s., as of October 1st, 2025

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