

CANTOR FITZGERALD ASSET MANAGEMENT

Market Update

SEPTEMBER 2025

The global equity market ended August largely flat in euro terms, a month that could broadly be characterised by rates, rotation, revolution and realpolitik. US indices in particular had been rattled at the start of the month as the August 1st tariff deadline passed, which was then quickly followed by an underwhelming US jobs report for July which was weaker than expected and saw significant revisions to previous months data, leading to a fresh bout of fears that the labour market was struggling to hold up after Liberation Day.

Despite all this, the negative news failed to hold as the US market began to rebound on the growing possibility that the Fed would again cut rates, starting most likely in September. Fuelling the rate cut narrative was a combination of a US CPI figure which came in broadly as expected, but crucially showed little sign of any meaningful tariff pressure, and Fed Chair Powell's dovish suggestion that the balance of economic risks in the US had shifted - thus potentially warranting further cuts to the fed funds rate.

With rate cuts firmly back in the market's sight, and many of the major international trade deals with the US already announced, August saw a rotation out of mega-cap tech and into more rate sensitive and cyclical sectors - with energy, healthcare and industrials in particular benefitting from the move. The rotation only accelerated with Powell's Jackson Hole speech. Interestingly, equal-weight indices matched and, in some cases, outpaced cap-weighted ones, reflecting broader market participation and risk diversification. Regardless of short-term volatility, misguided narratives and sector rotation, the AI-led capex boom continues apace, with Nvidia suggesting recently that AI infrastructure spend could reach an estimated \$3 to \$4 Trillion dollars by the end of the decade—not cumulative as many had initially assumed.

In Europe, an air of political revolt permeated Paris and the Hague in August, with budget challenges in France leading to a looming no-confidence vote scheduled for September 8th which will likely see yet another new PM appointed to form yet another government tasked with formulating yet another budget, and a similar vote set to topple the Dutch government and lead the country into an unprecedented political crisis. The UK, who is seeing both rising unemployment and inflation, continues to prove incapable of dealing with a growing fiscal deficit that has hamstrung both current and previous governments and has continued to push borrowing costs higher. One concern that we had noted over the summer, and has been largely vindicated so far, was the deterioration in sovereign European yields on the back of the political and fiscal situations mentioned above, and which have continued to steadily worsen in August. French and UK yield's in particular have been climbing higher, closing in on multi year highs - and with rating agencies due to revise their opinions regarding France in the coming weeks, starting with Fitch on September 12, a downgrade looks very likely.

Realpolitik, or arguably a lack thereof, characterised the historical meeting between Presidents Trump and Putin in Alaska, the first meeting of its kind since the beginning of the Russian invasion of Ukraine and one that erred considerably more so on the side of theatrical diplomacy than old-fashioned realpolitik. The exact outcome or discussions from the meeting will likely not be known for some time, though Putin clearly came away with a win in that he was seen as an equal to President Trump and no longer a pariah on the international stage.

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Despite the theatrics, an end to the war anytime soon seems extremely unlikely, to say the least, and constrains any hope of a peace rally in Europe or the reintroduction of cheap Russian gas to the block.

The first half of this year saw a growing narrative of favouring Europe over the US. Regardless of some of the near term threats, disruptions and challenges seen across the Atlantic, the US still remains militarily dominant, effectively energy independent, a world leader in AI, home to many of the best companies in the world and, with real stimulative measures from the recent passage of the One Big Beautiful Bill, will continue to see solid earnings and GDP growth higher than that in Europe over the coming year.

Based on this outlook, we continue to see a positive backdrop for risk assets out into 2026, and the funds are positioned well to benefit from this, remaining towards the higher end of their growth asset allocations. We continue to be overweight dollars and have reduced the duration within the fixed income portfolio based on the deteriorating fiscal outlook in Europe. Some overweight's to note include Cap Goods, Cloud Service providers, Transport, Consumer Subscription services and Semi-Conductors – although we had marginally reduced our overweight to the latter two during the month and added further to names well placed to benefit from the growing power demand accompanying the rise of AI.



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WARNING: Past performance is not a reliable guide to future performance.

WARNING: The value of your investment may go down as well as up.

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