AIMS 40 Years Pensions and Investments

Circular October 2025

Markets

2025 has been an eventful year for markets, driven by geopolitical tensions such as in Europe and the Middle East, economic uncertainty, and disruptive breakthroughs in AI that are challenging the narrative of US leadership. European equities have made the third strongest start to the year relative to US equities in 50 years, buoyed by renewed German fiscal expansion, while President Trump's tariffs and political interference with the Federal Reserve have weighed on sentiment and pushed the US dollar lower. Despite a challenging start and periods of acute volatility, we have witnessed resilience within equity markets, notably strong performances from Asia and emerging markets, which has supported robust, diversified returns and reduced reliance on US equities for growth.

For investors, with ongoing geopolitical and policy risks, volatility can be expected but broad-based equity gains suggest opportunities for diversified portfolios.

Bond markets have been under pressure, for example the 10-year UK Gilt rate hitting 5.7% in early September, its highest since the late 1990s. The move reflects stubborn inflation, rising borrowing, and fiscal concerns.

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UK

Tariff Protection

As one of the US's key allies and one of the first to strike trade deals, the UK remains largely shielded from the sweeping US tariffs and enjoys some of the lowest rates among major economies. This protects UK earnings that are linked to international

Country	Share of US imports	Rate
Mexico	15.50%	25%
China	13.40%	30%
Canada	12.60%	35%
Germany	4.90%	15%
Japan	4.50%	15%
Vietnam	4.20%	20%
South Korea	4.00%	15%
Taiwan	3.60%	20%
Ireland	3.20%	15%
India	2.70%	50%
Italy	2.30%	15%
United Kingdom	2.10%	10%
Switzerland	1.90%	39%
Thailand	1.90%	19%
France	1.80%	15%

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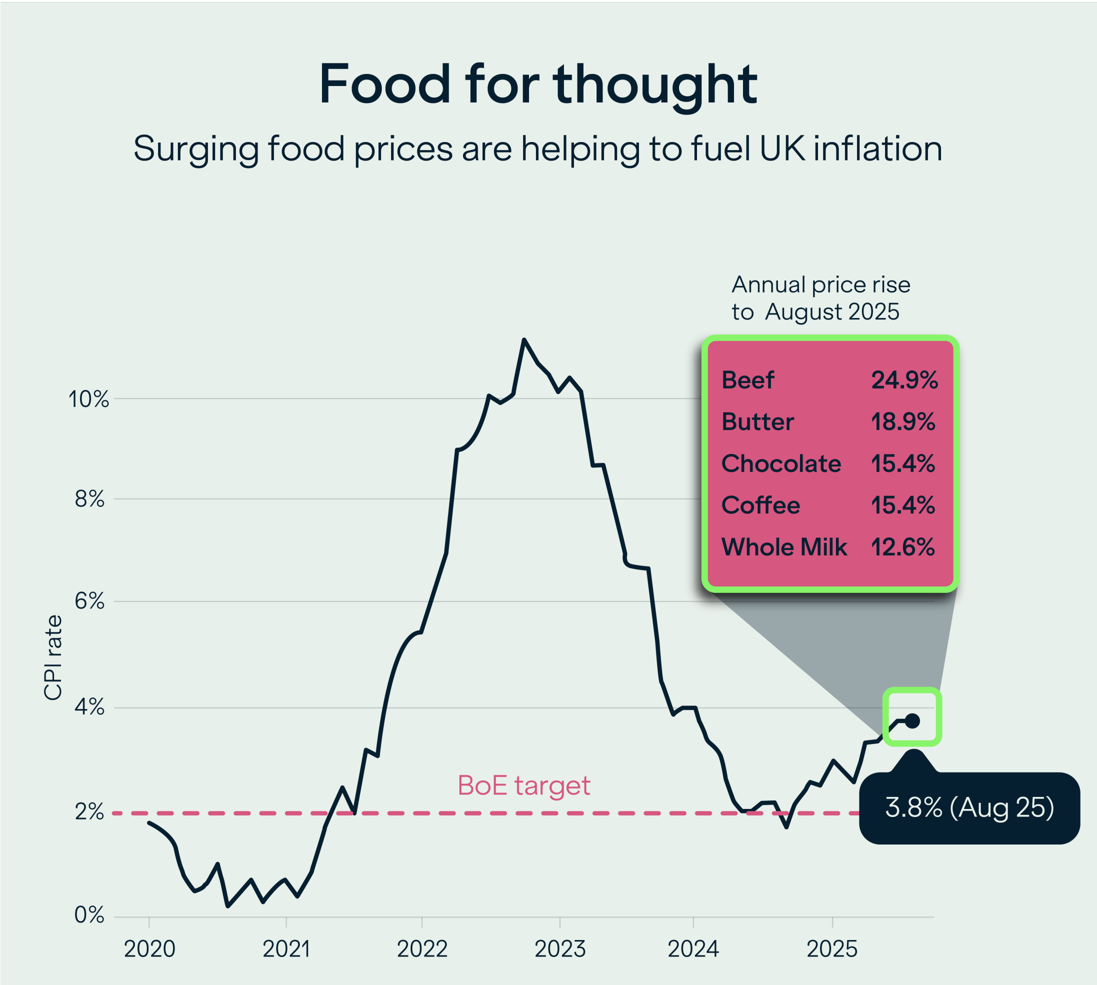
Inflation

Food price inflation has been one of the most persistent and painful drivers of overall UK inflation. While headline inflation held steady at 3.8% in August, food prices climbed from 4.9% to 5.1%. It was their fifth consecutive monthly rise, and the highest rate of increase in 18 months.



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THE FEDERATION OF EUROPEAN INDEPENDENT FINANCIAL ADVISERS

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US

The global outlook, led by the US, is not without challenges. Tariffs have added to inflation that is already above target, and whilst there is muted evidence of inflation's pass through into prices, this will likely become evident in either earnings or end-prices. Further, the labour market outlook is somewhat mixed – whilst unemployment is staying steady, we appear to be in a 'no-hire no-fire' situation, with many businesses waiting for further clarity on economic prospects.

The US federal government has now entered another shutdown after Congress failed to pass a spending bill. This shut down is not linked to the statutory debt ceiling - therefore there is zero risk of defaulting on US Treasuries. The main impact may be a delay in data releases that investors rely on. A prolonged shut down might negatively impact GDP growth through delayed consumption spending. President Trump has indicated he will not negotiate with congressional Democrats on any front with it likely the Democrats will concede at some point.

If you think this would be useful to others, please feel free to pass on and refer them to us for further information.

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