



MARKET UPDATE

AUTUMN 2025



Dear Readers,

The third quarter of 2025 unfolded against a backdrop of persistent uncertainty, shaped by slowing global growth, elevated inflation, and escalating geopolitical risks. Economic indicators across major economies remain mixed, highlighting the fragility of the global landscape.

Global GDP growth is projected to slow further, with the World Bank and OECD forecasting output that is down from earlier estimates. China, once a key engine of growth, is showing signs of fatigue amid weak consumer demand and softening industrial output. Nonetheless, both developed and emerging markets face ongoing pressure from trade tensions, elevated borrowing costs, and policy uncertainty.

Inflation remains a key concern. While some economies are seeing an inflation trend toward central bank targets, others still face persistent pricing pressures. In the U.S., recently reinstated tariffs have pushed up supply chain costs, contributing to broader inflation. Although global inflation is expected to ease through the end of 2025, upside risks persist, particularly from energy markets and rising wages in service-driven economies.

Monetary policy is in a state of cautious transition. Central banks have largely paused rate hikes, adopting a data-dependent stance. The European Central Bank has maintained its position amid uncertain inflation dynamics, while others such as

India's central bank are signaling potential rate cuts to support growth. The U.S. has already cut rates once and could very likely do so again before the year's end. This environment has shifted investor focus toward real yields and inflation-adjusted returns, as traditional rate-cut cycles become less predictable.

Trade continues to be a major source of volatility. Ongoing tensions, particularly between the U.S. and China, are straining the global trading system. The OECD warns that persistent trade fragmentation could elevate inflation and dampen long-term productivity and investment flows.

In this environment, maintaining a diversified and adaptive portfolio is essential. The uneven economic outlook and evolving political landscape underscore the need for flexibility, geographic balance, and inflation resilience. Active management and thoughtful asset allocation will remain key as investors navigate the transition from inflation-driven volatility toward a more stable global growth phase.

Yours sincerely,

Martin Mikulik
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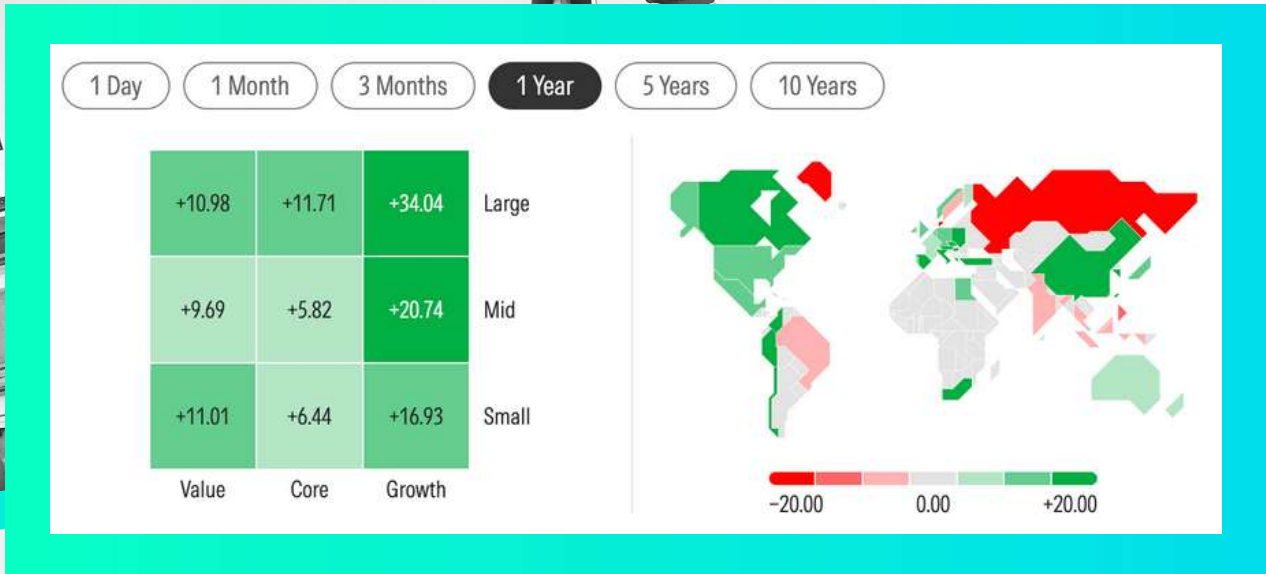
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Review of the Market Environment Over the Past Year



Global markets delivered a broadly resilient performance over the past year, led by strong gains in U.S. equities. The S&P 500 rose about 17% year-on-year, fueled by investor enthusiasm for mega-cap tech and AI-driven growth. European equities advanced more modestly, with the STOXX 600 up 7.5%, held back by political uncertainty and weak economic momentum.

Emerging markets also performed well, with the MSCI EM Index up roughly 17%, supported by a weaker U.S. dollar (down ~3% year-on-year), easing inflation, and improving investor sentiment as global rate pressures eased.

Fixed income markets faced renewed headwinds. U.S. Treasury yields moved higher, with the 10-year yield rising from 3.74% to 4.13% over the year, reflecting persistent inflation and the Fed's cautious approach to rate cuts. As a result, total returns for Treasuries were modestly negative.

Commodities saw mixed results. Oil prices remained range-bound, with Brent crude settling near \$66.68 in mid-September 2025. Rising global inventories and subdued demand—especially from U.S. housing-related energy use—kept prices in check. The EIA projects further declines to \$59 by Q4 2025 and \$49 by early 2026. Gold, however, benefited from safe-haven demand amid geopolitical tensions, sustaining strong performance.

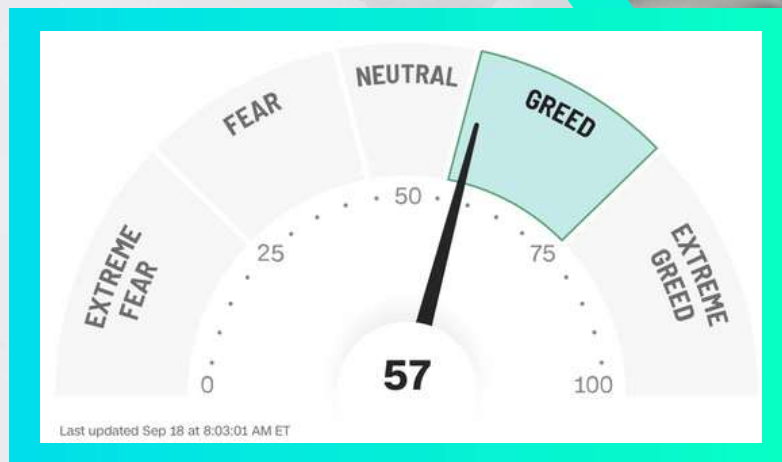
The U.S. dollar weakened across major currencies. Against the euro, it fell roughly 8-10%, from \$1 = €0.93 to €0.85. Softer U.S. economic data and shifting Fed expectations encouraged flows into non-dollar assets.

Investor sentiment swung between optimism and caution. AI and tech optimism drove equity gains, while geopolitical risks and trade tensions triggered bouts of risk aversion. The VIX remained mostly subdued but spiked during shocks.

Macro trends played a key role. U.S. inflation eased but stayed elevated at 2.9% in August 2025, while jobless claims rose to four-year highs. In Europe, the ECB held rates at 2%, citing progress on inflation but concerns over growth and stability. Ongoing global conflicts and trade frictions added uncertainty, reinforcing demand for defensive assets.

MARKET SENTIMENT

Throughout the third quarter, the Fear and Greed Index has hovered between “Neutral” and “Greed,” reflecting a market driven by cautious optimism but tempered by persistent headwinds. After a choppy start in July, driven by mixed corporate earnings and concerns over inflation stickiness, sentiment gradually improved in August as economic data pointed to a possible soft landing for the U.S. economy.



Investors have shown renewed risk appetite, buoyed by signs of resilient consumer spending and a stabilizing labor market. This shift has been further supported by expectations that the Federal Reserve may be nearing the end of its tightening cycle with rate cuts already beginning, which has helped lift equity markets and compress bond yields.

However, this upward momentum remains fragile. The Fear and Greed Index has shown occasional dips back toward “Neutral” territory, especially amid global concerns. This includes slowing growth in China, rising energy prices, and lingering geopolitical tensions in Eastern Europe and the Middle East. These factors have kept volatility elevated and prevented sentiment from tipping into full-blown greed.

In short, while investor sentiment in Q3 has leaned positive, the mood is far from content. The market continues to price in optimism, but with a clear eye on downside risks. The Fear and Greed Index reflects a market that is hopeful but still hedging risk.

MARKET MOMENTUM

S&P 500 and its 125-day moving average

● S&P 500 ● 125-day moving average



REGIONAL OUTLOOK



The U.S. remains the central driver of global financial markets, with resilience continuing to surprise forecasters. Despite higher interest rates, consumer spending and a robust labor market have sustained economic momentum. Corporate earnings have also benefited from structural themes such as digital transformation and the adoption of artificial intelligence, which has fueled significant investor enthusiasm in technology equities. However, the Federal Reserve faces a delicate balancing act: while inflation has moderated from its 2022 peaks, it remains above the Fed's long-run target. This limits the scope for aggressive rate cuts due to the risk of reigniting inflation. Looking ahead, the U.S. economy is expected to grow modestly, supported by strong corporate balance sheets and ongoing innovation. However, some risks remain due to political uncertainty and potential shocks from global markets.

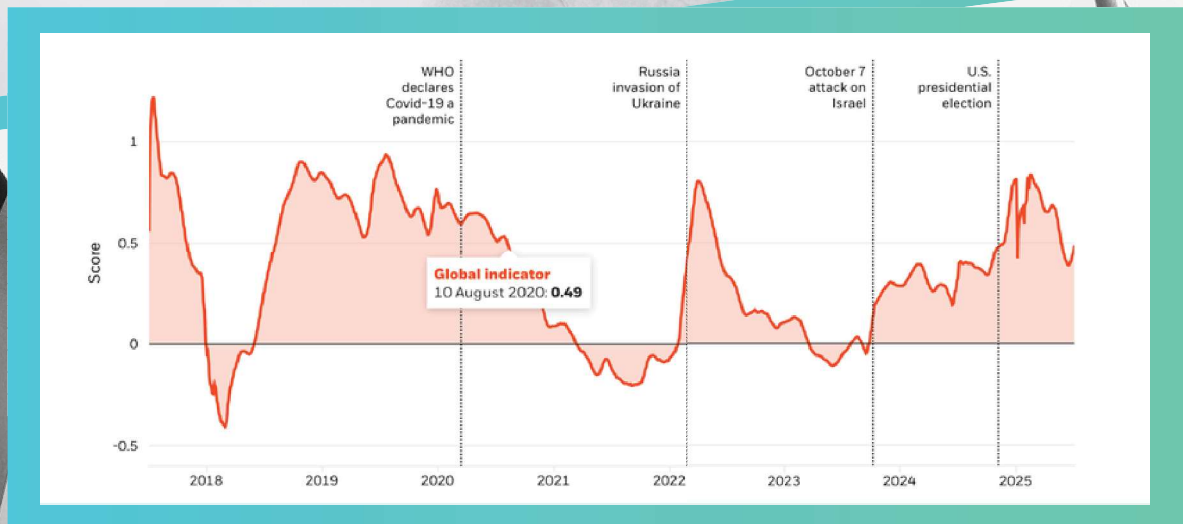


China presents a more complex outlook. After decades of rapid expansion, the economy is struggling to regain its pre-pandemic growth trajectory. Structural challenges—most notably a prolonged property sector downturn, weak domestic demand, and demographic headwinds—have weighed on investor sentiment. Policymakers have responded with targeted stimulus measures, including monetary easing and fiscal support for infrastructure and green technology. Yet concerns about debt sustainability and financial stability have tempered confidence in the effectiveness of these interventions. Trade tensions and efforts by advanced economies to diversify supply chains away from China add another layer of uncertainty. While select sectors such as renewable energy, electric vehicles, and advanced manufacturing continue to offer growth potential, the overall outlook suggests slower but more sustainable expansion compared to China's past performance.



Europe's outlook is characterized by both challenges and opportunities. The region has weathered an energy crisis following the war in Ukraine, with natural gas supplies stabilizing but at structurally higher costs than before 2022. This has constrained industrial competitiveness, particularly in Germany's manufacturing base. Growth has remained tepid, with inflation proving more persistent than anticipated, limiting the European Central Bank's ability to ease policy aggressively. At the same time, the EU has made significant strides in advancing its green transition, channeling investment into renewable energy, digital infrastructure, and defense. Political cohesion remains a critical variable: debates over fiscal integration, migration, and the bloc's external security commitments could shape investor confidence. While near-term growth prospects remain subdued, Europe continues to offer long-term opportunities in sectors aligned with sustainability and technological modernization.

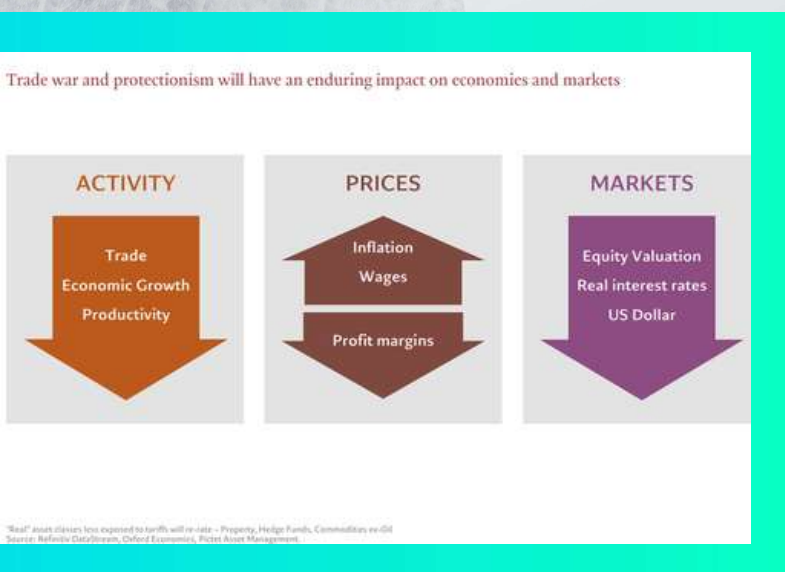
GEOPOLITICAL VIEWS



BlackRock's Geopolitical Risk Dashboard monitors changes in market sentiment driven by global geopolitical events, including U.S.–China relations, conflicts in the Middle East, and rising protectionism. It provides insight into how investor concern fluctuates in response to these developments.

Since Inauguration Day, the second Trump administration has taken major steps to reshape U.S. global relations, both geopolitically and economically. In late May, the U.S. Court of International Trade ruled that President Trump exceeded his authority in using emergency powers to impose tariffs. The case is likely headed to the Supreme Court. Even if some tariffs are ruled illegal, the administration is expected to pursue its trade agenda using other legal tools. We anticipate a cycle of rolling negotiations, deals, and disputes, with tariff deadlines extended for countries seen as cooperating, and reimposed for others. While tariffs may not reach peak levels hinted at in April, average effective rates are likely to stay well above 2024 baselines. Additional sector-specific tariffs are also expected.

Trade Wars and Protectionism: A Macroeconomic Perspective



Recent shifts toward protectionist policies and trade disputes are reshaping the global economic landscape. When trade flows are restricted, economies tend to slow down—impacting productivity and overall growth. This deceleration influences price dynamics, including inflation rates, wage pressures, and corporate profit margins. In turn, financial markets respond: equity valuations may adjust, interest rates can shift, and currency movements—such as fluctuations in the US dollar—become more pronounced. These interconnected effects highlight how geopolitical tensions and trade barriers can have enduring consequences across economic activity, pricing structures, and market behavior.

Cf. Blackrock; 30.09.2025: <https://www.blackrock.com/corporate/insights/blackrock-investment-institute/interactive-charts/geopolitical-risk-dashboard>

Past performance does not allow reliable conclusions to be drawn about the future development of an investment.

PERSONAL VIEW

Market Outlook

As I look back on the third quarter of 2025, I believe markets remain shaped by a strong sense of optimism—perhaps stronger than the fundamentals would fully support. This confidence has carried returns of some markets well above historical averages in recent years, but I expect that the pace we have seen is unlikely to continue. In my view, past performance should never be used as a guarantee of what lies ahead, and I would not expect the next quarters to deliver the same extraordinary returns we have experienced in some markets in recent years.



Certain segments, particularly those driven by powerful megatrends such as artificial intelligence, have advanced to valuation levels that may be difficult to sustain. At the same time, the costs of new tariffs and broader economic fragmentation are still in the process of being absorbed by markets. These forces may not cause an immediate downturn, but I believe they could gradually erode some of the momentum that has defined the last few years. For me, this is less about predicting a sharp correction and more about recognizing that the market environment is becoming more fragile and more sensitive to shocks. At the same time I would also not be surprised if a geopolitical event would cause a correction in the next months to come.

Portfolio Positioning

Against this backdrop, I believe it is especially important for investors to reassess their goals and positioning. The strong run of the past years has been rewarding, but it also risks making us forget that corrections are a natural part of investing. I expect markets going forward to be more moderate, with performance uneven across regions and sectors. While equities remain attractive for the very long term—supported by innovation and structural growth themes—I want to stress that investors with shorter time horizons, or whose circumstances have changed such that liquidity may be needed in the near future, should seriously consider reducing risk and taking some profits now. For these investors, I strongly recommend scheduling a discussion with their advisor as soon as possible to review the portfolio and adjust it to their updated needs. For all investors, regardless of horizon, it is beneficial to touch base with an advisor at least once a year to review personal goals and investment strategy. Our advisors are available to provide guidance and ensure portfolios remain aligned with individual objectives, helping to navigate both opportunities and risks.



S&P 500

Historische Entwicklung seit 1928

1929: Die Große Depression

Eine Spekulationsblase und massive Verschuldung führten zum Börsencrash, der die Weltwirtschaft in eine tiefe Depression stürzte.

1937-1938: Rezession von 1937

Rücknahme staatlicher Ausgaben und straffere Geldpolitik verursachten einen wirtschaftlichen Einbruch innerhalb der Großen Depression.

1962: Kennedy Slide

Befürchtungen über eine bevorstehende Rezession und die Unsicherheit des Kalten Krieges führten zu einem Verkaufsdruck auf dem Aktienmarkt.

1987: S

Co
Program
Zinserhö
Ein-Ta
Geschic



Die Wertentwicklung der Vergangenheit lässt keine verlässlichen





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