ASAS CAPITAL
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Weekly Newsletter

October 03rd 2025

MUSINGS

"Far more money has been lost by investors trying to anticipate corrections, than lost in the corrections themselves"

Peter Lynch

LAST WEEK IN THE MARKETS

	Closing level	Weekly change	YTD change
S&P 500	6,715.79	1.09%	**14.18%**
Nasdaq Composite	22,780.51	1.32%	**17.97%**
10Y UST Yield	4.121	-1.27%	**-9.88%**
Crude oil	**60.88**	**-7.36%**	**-15.11%**
Gold	**3,886.46**	**3.37%**	**48.10%**
DXY	97.71	-0.48%	**-9.93%**
USD/INR	88.71	0.09%	3.72%
Euro STOXX 50	**5,651.90**	**2.69%**	**16.35%**
India (Nifty)	24,894.25	0.97%	5.28%
Japan (Nikkei)	45,769.50	0.91%	**14.73%**
China (CSI 300)	4,640.69	1.99%	**17.94%**
Saudi (TASI)	11,495.72	1.66%	-4.49%
Abu Dhabi (ADX)	10,072.80	0.73%	6.94%
Dubai (DFM)	5,917.60	1.06%	**14.71%**

NEWS FROM THE MARKETS

The week began under an unusual hush. **At midnight on September 30th, the U.S. government officially shut down, halting all nonessential operations and furloughing roughly 750,000 federal employees,** according to the Congressional Budget Office. What this meant for markets was stark: the steady drumbeat of economic data—the nonfarm payrolls, inflation figures, and retail sales that guide investment decisions—went silent. Investors were left to navigate a world without one of their most reliable compasses, relying on fragments of information from private sources.

One such fragment was **the ADP private payroll report, which revealed a loss of 32,000 jobs in September, the third decline in four months and a sharp contrast to the expected gain of 51,000.** The labor market was softening but not collapsing. Rather than panic, **markets interpreted the data as a signal of potential relief: a weaker labor market might give the Federal Reserve room to ease policy.** Futures pricing for a 25-basis-point rate cut at the next Fed meeting surged to 96%, up from 87% the week before. In this paradox, weakness became the friend of optimism.

Despite the shutdown and uneven global conditions, markets persisted in their optimism. The Nasdaq Composite climbed 296.44 points to 22,780.51, fueled by the twin engines of technology and AI. Small caps, usually more sensitive to lower interest rates, surged too: Russell 2000 added 41.86 points to 2,476.18, while the S&P 500 rose 72.09 points to 6,715.79. The Dow Jones Industrial Average closed at 46,758.28, up 510.99 points. In a week defined by absent government data, markets celebrated not strength, but the possibility of support from the Fed.

Pharma stocks capped off their best week in 23 years as a drug-pricing and tariff deal with the US government helped ease an overhang that's been weighing on the sector for most of the year. The group's advance was spurred by Pfizer Inc. on Tuesday when it agreed to slash some of its drug prices for Americans enrolled in the Medicaid insurance program in exchange for a three-year reprieve on import tariffs. The New York-based company also agreed to invest $70 billion in the US as part of an agreement with President Donald Trump.

Across fixed income markets, a similar narrative unfolded. **Treasury yields fell across the curve, with weaker private payrolls and Conference Board consumer confidence dropping to 94.2** nudging investors toward bonds. Municipal bonds enjoyed another strong week, while investment-grade corporate bonds outperformed Treasuries thanks to strong demand and well-subscribed new issuance. High-yield bonds saw elevated volumes from month-end transactions, signaling that the search for yield was undeterred by uncertainty.

Commodities painted a more nuanced picture. West Texas Intermediate **crude tumbled over 7% after OPEC+ indicated a production increase** in November, weighing on energy stocks. **Gold, however, glimmered brighter**, gaining over 3% to $3,886.46 per ounce, its strongest week since March. **Copper surged more than 7%, hinting at recovering industrial demand and expectations of post-holiday restocking.**

Across the Atlantic, Europe's markets reflected a more confident mood. **The STOXX Europe 600 rose 2.87% to a record high, supported by a rally in technology and hopes for lower U.S. borrowing costs.** National benchmarks climbed as well: Germany's DAX +2.69%, France's CAC 40 +2.68%, Italy's FTSE MIB +1.43%, and the UK's FTSE 100 +2.22%. **Inflation in the eurozone ticked up to 2.2% from 2.0%, while core inflation remained at 2.3%.** The unemployment rate edged up to 6.3%, yet consumer confidence improved slightly, signaling that households may be ready to spend again. In the UK, housing showed signs of life, with Nationwide reporting a 0.6% month-on-month rise in prices after a 0.1% drop the previous month.

In the East, Japan offered a quieter narrative but one of subtle significance. The Nikkei 225 rose 0.91%, driven by technology and AI-linked sectors, while the broader TOPIX fell 1.82%. The yen strengthened to around 147.3 per USD, and 10-year Japanese government bond yields ticked up to 1.67%, reflecting expectations for gradual interest rate normalization as signaled by Bank of Japan Governor Kazuo Ueda. Investors remain watchful: the era of negative rates seems increasingly in the past.

Meanwhile, **China slipped into its annual pause for the Golden Week holiday**, closing markets from October 1 to 8. Before the break, optimism stirred: the Shanghai Composite rose 1.2%, and Hong Kong's Hang Seng gained 3.88%. Manufacturing PMI improved slightly to 49.8, still in contraction territory, while Non-Manufacturing PMI fell to 50, reflecting ongoing caution in services. Analysts now turn to consumer spending during the holiday to assess whether tentative stabilization can turn into meaningful recovery.

Emerging markets added their own texture to the week's story. In India, the **Reserve Bank of India kept its policy repo rate at 5.5%, noting robust private consumption, fixed investment, and a recovering manufacturing sector**. Inflation rose to 2.07% in August, in line with estimates. Egypt's central bank cut the overnight deposit rate by 100 basis points to 21%, as inflation cooled to 12% from 13.9%, reflecting modest relief for households, while real GDP grew 5% in Q2.

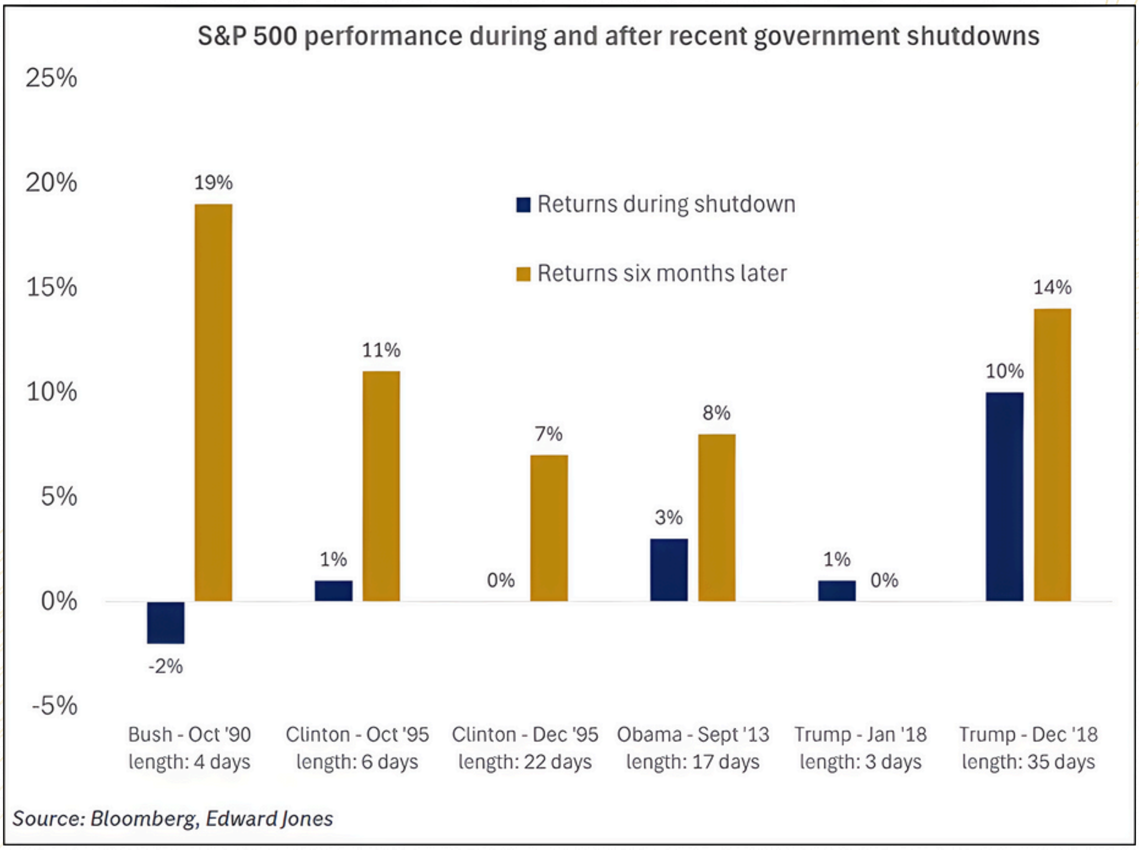
As Friday closed, the U.S. data blackout remained, yet markets seemed unbothered. Stocks rose, yields fell, commodities moved decisively, and volatility remained subdued. The VIX index, Wall Street's fear gauge closed at 16.65 — as if markets had decided that no data, no panic.

The week ended much as it began: in silence, but this time it was the calm of confidence, not confusion. The government may be shut, key reports delayed, and economists guessing, yet the market continues to hum—a testament to the enduring rhythm of capital, innovation, and investor belief.

KEY ECONOMIC EVENTS COMING THIS WEEK

October 06th	• China Markets Holiday (National Day) • Constellation Brands earnings
October 07th	• China Markets Holiday (National Day)
October 08th	• China Markets Holiday (Mid-Autumn Festival) • US 10-Year Note Auction
October 09th	• Fed Chair Powell Speaks • US 30-Year Bond Auction • Tata Consultancy, Delta, Pepsi earnings
October 10th	• US Non-farm Payrolls (Sep) • US Unemployment Rate (Sep)

CHART OF THE WEEK



The S&P 500 performance during and after U.S. government shutdowns since 1990. Historically, shutdowns have had little lasting impact on equity performance.

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