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Market Snapshot

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The spot gold price hit a new all-time high as the US entered first government shutdown in seven years. On Tuesday, Senate votes failed to advance either a Republican bill (even as three members of the Democratic caucus crossed party lines to vote 'yes') or a Democratic plan. No compromise plan was offered, ensuring the funding lapse. Non-essential government departments will cease to function – and officials will be put on unpaid leave while the shutdown commences. Vital economic data will not be released. However, investors looked through the political shenanigans – and the S&P 500 and Nasdaq Composite made new records after the shutdown was enacted.

The FTSE 100 was up 2.1% over the week by mid-session on Friday, with the more UK-focused FTSE 250 trading 2.3% ahead.

Donald Trump

The US government entered a shutdown on 1 October after Congress failed to pass a funding bill for the new fiscal year, triggering widespread disruption across federal agencies. The impasse stems from entrenched partisan divisions, with Republicans pushing for deep Medicaid cuts and Democrats demanding expanded Affordable Care Act subsidies. Nearly 900,000 federal workers have been furloughed, while another 700,000 are working without pay, and services such as national parks, passport processing, and public health programs have ground to a halt. The shutdown threatens economic stability, delays key data releases such as jobs reports, and risks shaking investor confidence amid global market fragility. Adding to the controversy, the Trump administration has faced backlash for instructing agencies to prepare mass firing plans, with the president declaring he would use the shutdown to “get rid of a lot of things we didn’t want”.

During the ongoing shutdown, President Trump has proposed making permanent cuts to what he calls “Democrat agencies” and federally-funded projects, using the crisis as a strategic opportunity

to reshape the federal government. In meetings with budget director Russell Vought – an architect of the conservative “Project 2025” blueprint – Trump has floated eliminating funding for energy and infrastructure projects in Democratic-led states, including an \$18bn climate initiative in New York City. He has also suggested mass layoffs of federal workers and irreversible cuts to healthcare and social benefit programs, arguing that the shutdown allows him to bypass normal legislative hurdles. Trump’s allies see the moment as a rare chance to downsize government and eliminate programs they’ve long opposed, while critics warn it weaponises the shutdown to pursue a partisan agenda.

On 5 November, the US Supreme Court will hear a pivotal case that could reshape the legal foundation of Donald Trump’s trade policy. At issue is whether the former president’s sweeping tariffs – imposed under the 1977 International Emergency Economic Powers Act (IEEPA) – were a lawful use of executive authority. The case, brought by businesses adversely affected by the levies, follows a federal appeals court ruling that deemed most of the tariffs illegal. While the lower court allowed the duties to remain in place pending appeal, the Supreme Court’s decision could have far-reaching implications for presidential power and global trade. The outcome may also influence Trump’s second-term agenda, which leans heavily on protectionist measures.

UK budget

Chancellor Rachel Reeves endured a politically turbulent week as she prepares for her 26 November Autumn Budget, with mounting fiscal pressures threatening Labour’s core pledges. The Office for Budget Responsibility dealt a significant blow by signalling a downgrade to UK productivity forecasts – an adjustment that could erase Reeves’s already narrow £9.9bn fiscal buffer and create a potential shortfall of up to £50bn. Economists warn that even a modest 0.1 percentage point cut could cost the Treasury £9bn, raising the likelihood of tax hikes or spending cuts despite Labour’s promise to shield working people from increases in income tax, VAT

or national insurance. At the same time, Ms Reeves moved to scrap the controversial two-child benefit cap, a Tory-era austerity measure affecting 1.7 million children. While the decision was welcomed by anti-poverty campaigners, Treasury officials cautioned that the policy change could add £3.5bn annually to public spending – further complicating the Chancellor’s already delicate balancing act between social reform and fiscal discipline.

Economics

The latest revision to UK GDP for the second quarter of 2025 showed that the economy grew by 1.4% over the previous four quarters – slightly stronger than earlier estimates. This upward revision was driven by improved data and methodology, particularly in capturing R&D and pharmaceutical output. Services and construction sectors led the growth, with business services performing well, while production output declined. Consumer spending rose modestly by 1.1%, but government consumption and investment saw faster growth. The trade deficit narrowed significantly, though the current account worsened, suggesting external imbalances remain.

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UK manufacturing activity shrank at the fastest pace in five months in September, as factories were hit by subdued domestic demand, fewer export orders, and the disruption at Jaguar Land Rover. The latest S&P Global UK Manufacturing PMI shows that output, new orders, employment and stock purchases all worsened last month, with manufacturing production falling for the eleventh successive month. This pulled the UK manufacturing PMI down to 46.2 in September. Any reading below 50 shows a contraction.

UK house prices rose by 0.5% in September, reversing August’s slight decline and beating expectations, according to Nationwide’s latest House Price Index. Annual growth edged up to 2.2%, with the average home now valued at £271,995. The data suggests the market is entering a phase of “broad stability,” supported by low unemployment, rising wages, and resilient household finances. However, regional disparities remain stark – Northern Ireland saw a 9.6% annual rise, while the Outer South East barely grew at 0.3%.



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The latest US Job Openings and Labor Turnover Survey (Jolts) for September 2025 surprised markets by revealing 7.23 million job openings – exceeding expectations and signalling persistent labour market tightness despite broader economic uncertainties. This resilience in the data came as the government shutdown delayed other key employment data, making the Jolts report a critical gauge of labour demand. The elevated number of openings suggests businesses are still actively seeking workers, which could reignite concerns about wage inflation and complicate the Federal Reserve’s path toward interest rate cuts.

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Inflation in the euro area rose to 2.2% in September, up from 2.0% in August. That takes inflation above the European Central Bank’s target of 2% but is lower than in the UK (where inflation was 3.8% in August). Statistics body Eurostat reported that services inflation was 3.2%, followed by food, alcohol & tobacco where prices rose by 3.0%.

China’s latest PMI data for September painted a mixed picture of the world’s second-largest economy, offering both cautious optimism and lingering concerns. The private RatingDog manufacturing PMI rose to 51.2 – it’s highest since May – signalling expansion and beating expectations, while the official PMI improved to 49.8, still in contraction but at a six-month high. The uptick in manufacturing was driven by a surge in new orders, including exports, as overseas buyers rushed shipments ahead of a looming US-China trade truce deadline. However, the services sector showed signs of fatigue, with both official and private non-manufacturing PMIs slipping to 50.0 and 52.9 respectively, reflecting weaker domestic demand and continued job losses.

Geopolitics

In a defiant and wide-ranging speech at the Valdai Discussion Club this week, Russian President Vladimir

Putin dismissed Western fears of a Russian attack on Nato as “nonsense” and accused Europe of escalating militarisation, warning that Moscow would respond decisively to perceived threats. He reiterated Russia’s vision of a “polycentric world” and positioned the country as a cornerstone of a new global order, free from Western dominance. Putin also struck a notably conciliatory tone toward Donald Trump, praising the US president and suggesting the Ukraine conflict might have been avoided under his leadership. The speech, delivered amid rising geopolitical tensions and a summit of European leaders in Copenhagen, underscored the Kremlin’s intent to assert its influence while challenging the West’s narrative on security and sovereignty.

Companies

AstraZeneca shares surged, resulting in its valuation leapfrogging HSBC and the company retaking the crown as the most valuable company listed in London. Drugs makers rallied on relief that Donald Trump’s threatened 100% tariffs on branded drugs may not be as bad as feared. Several pharma companies have taken action, under pressure from the US president to lower their prices, in the hope of staving off tariffs on imports into the US. AstraZeneca will sell its diabetes and asthma drugs directly to US patients at a discount of up to 70% off list prices. Also last Friday, Sanofi said it will offer a month’s supply of its insulin products for \$35 to all patients in the US with a valid prescription.

Nike defied expectations in its first-quarter results, reporting a surprise 1% rise in revenue to \$11.72bn and earnings per share of \$0.49 – well above an analyst consensus of \$0.27. The gains were driven by a 7% jump in wholesale revenues, offsetting a 4% decline in Nike Direct sales and continued weakness in Greater China. Despite a 320-basis-point drop in gross margin due to tariffs and discounting, chief executive Elliott Hill said the company is making progress under its “Win Now” strategy, focusing on core categories like running and wholesale.

Tesco delivered a resilient set of interim results for the first half of its financial year, posting a 5.1% rise in group sales to £33.1bn and a modest 1.6% increase in adjusted operating profit to £1.67 billion. The UK’s largest supermarket gained market share, driven by continued cost cutting and rising cost pressures from labour and regulatory changes. Margins slipped slightly as Tesco absorbed inflation while cutting prices on over 6,500 products to maintain its competitive edge. Online sales surged 11.4%, and customer satisfaction improved, helping the retailer raise its full-year profit guidance.

Experian shares were weak, hit by the launch of Fair **Isaac Corporation** (FICO) a new “Mortgage

Direct License Program”, which allows mortgage lenders and tri-merge resellers to access FICO credit scores directly – bypassing traditional credit bureaus like Experian, Equifax, and TransUnion. This move threatens a key revenue stream for Experian, which has historically profited from bundling and reselling FICO scores with significant mark-ups. The new model promises lenders greater pricing transparency and potentially up to 50% cost savings, effectively cutting Experian out of the value chain.

Greggs delivered a cautiously upbeat third-quarter trading update, sending its shares up more than 8% as investors welcomed signs of stabilisation following a tough summer. Total sales rose 6.1% in the 13 weeks to 27 September 2025, with like-for-like sales up just 1.5%, reflecting the lingering impact of July’s heatwave on footfall. Trading improved in August and September, and the company reaffirmed its full-year profit guidance, easing fears of a deeper slowdown. Growth was driven largely by new store openings, with 57 net additions year-to-date, while Greggs also expanded its popular “Bake at Home” range through Tesco and Iceland.

National Grid’s trading update confirmed a steady performance in the first half of the year, with results broadly in line with expectations and full-year guidance reaffirmed. The UK electricity and gas utility reported that operating profits across its UK transmission and distribution businesses are expected to be evenly split across the year, while its US operations – typically skewed to the second half – saw a slightly stronger first-half contribution due to fewer storms and new rate structures. Analysts noted that consensus earnings per share remain just below the company’s guided range, largely due to foreign exchange translation effects, suggesting potential upside if currency trends align more closely with company assumptions.

Topps Tiles reported a robust trading update, marking another record year for turnover as momentum accelerated in the second half of its financial year. Group sales rose 6.8% to £265m, and including its CTD acquisition, total revenues jumped 17.7% to £296m. Like-for-like sales at its core Topps Tiles division surged from 3.0% in the first half to 7.7% in the second half, reflecting broad-based growth across all business units. Despite cost pressures from wage and national insurance hikes, margins improved and adjusted profits are expected to land within the consensus range of £8.3m–£9.2m.

JD Wetherspoon reported a swing back to profit in its latest annual results. The pub chain posted a pre-tax profit of £57m for the year to July 2025, compared with a £30m loss the previous year, with revenues up 10.6% to £1.98bn. Chairman Tim Martin credited the rebound to strong sales growth and improved

efficiency, though he warned that inflationary pressures - particularly on labour - remain a concern. The company also resumed dividend payments, signalling confidence in its financial footing after years of pandemic-related turbulence.

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