McLaren
wealth management

Global Market Strategy – October 2025

The everything rally – stay invested
AI arms face between US & China is real – participate
Dollar decline waning – fade precious metals

**(Individual stock mentions here are observations and not recommendations to buy.
Individual stock purchases are highly speculative and strict 15% stop-loss limits should be observed.)**

Despite August and September usually being the so-called holiday and 'worst' months of the year respectively, two thirds of the third quarter have led the S&P500 7% higher as **the 'everything rally' continues**.

Europe and the UK aside, where assets are cheaper than the US but where the tech drive is less meaningful, equities elsewhere have real momentum, driven by a weaker dollar, low interest rates, low inflation, high rates of employment and continuing expansion of corporate earnings.

Despite gains in US equities of more than 20% for each of the past two years, **US tech is already up more than 17%** this year with normally the strongest quarter of the year to come. October/November/December are traditionally strong months for stocks as money managers seek to maximise gains for clients before the year closes. This should be true this year as the rally has been viewed sceptically by many managers who now have the prospect of delivering underperformance to their investors.

Such is the momentum in markets that many are wondering if we are in bubble territory. While some commentators are comparing current conditions to those of the 1999/2000 dotcom boom-bust scenario, actually they are more similar to 1996 when the trade began broadening away from tech into the wider mid and small cap areas. In 1998 the technology company CISCO traded on a price to earnings (p/e) ratio of 60 before peaking at 210. Compare that to Nvidia's current p/e of 26 and NVDA appears an absolute bargain. Yesterday NVDA became the first company to hit a valuation of $4.5 trillion (tn), with several analysts taking their price targets for the company above $220/share from its current $186 price - and there are plenty of companies with which NVDA has partnered which should catch a bid because of their association with them, namely CoreWeave (CRWV, "operates a cloud platform that provides scaling, support, and acceleration for GenAI" - https://finance.yahoo.com/) and Arm Holdings (ARM, "architects, develops, and licenses central processing unit products and related technologies for semiconductor companies and original equipment manufacturers"). It is no exaggeration to say NVDA is just getting started.

It's not just tech companies which are firing. The market is broadening. While the Nasdaq is up 10.5% for the quarter (with the S&P500 index up 7.2%), the small cap Russell 2000 index is up 11%.

Scepticism permeating the background conversation is healthy. It helps curb over-enthusiasm and complacency. The main danger is if the Federal Reserve accelerates rate cuts to the extent they fuel inflation, but this seems unlikely.

In the first few days of each month in the US the Institute of Supply Management (ISM) issues the results of its survey of purchasing and supply managers in the manufacturing sector. A score of 50 or below indicates stalemate or contraction of business material purchases; above 50 shows positive expansion of materials' acquisition. July and August figures were both below 50 but the trend has been rising. If September's figure is above 50, this will give further impetus for equities.

Ai dominates background conversation. Companies are now slow to hire and slow to fire as they try to asses to what extent Ai can play its part for their future. Virtually every profession will be impacted by Ai and Jensen Huang, CEO of Nvidia in an interview with tech investor Brad Gerstner last week (https://podcasts.apple.com/gb/podcast/bg2pod-with-brad-gerstner-and-bill-gurley/id1727278168?i=1000728499451 - listen from the 50th minute) urged investors to "bring on" competition from China and be confident in the US technology industry's capability to not only compete but to lead. China are not 2-3 years behind the US in tech and Ai development, they're nano-seconds behind, he said.

Indeed, half of all e-commerce is now in **China**. The headline index in China, the Shanghai Composite (the fourth largest stockmarket in the world), is up 16% this year but the Hang Seng index which lists mainland Chinese companies as 'H' shares in Hong Kong dollars for international investor access is up 34%, just eclipsing Europe's runaway index, Spain's Ibex35 which is up 33%. (Banco Santander is up 228% year to date.)

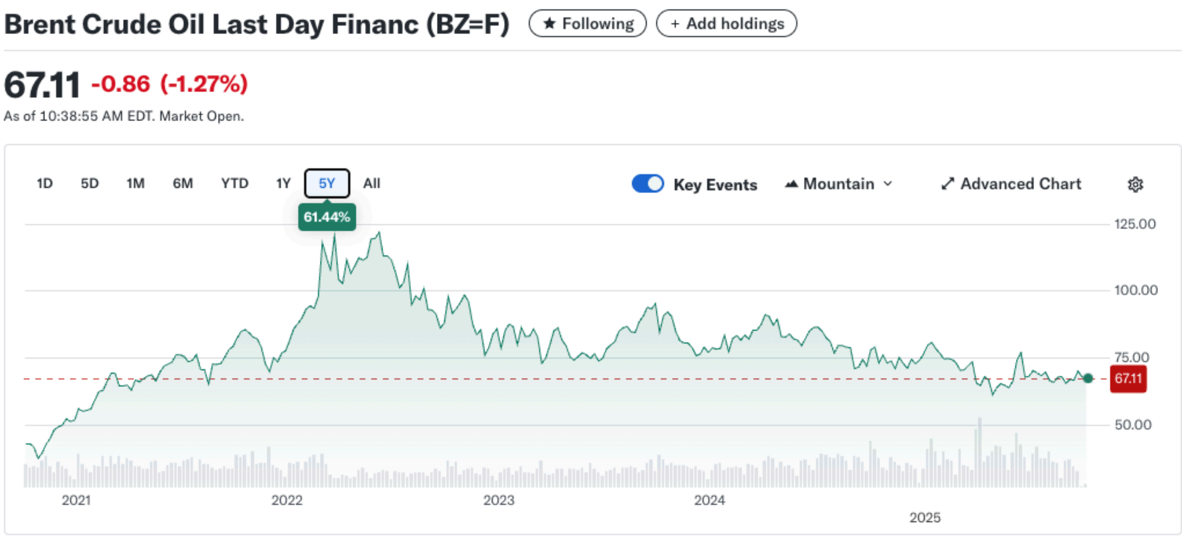
The UK economy might be flat on its back but the FTSE100 headline index due to its international exposure is up more than 14% to date this year. The UK's broader index, the FTSE250 is up 6.70% ytd.

Helped by a weaker dollar, **emerging markets** also have risen strongly since the April tariff announcements. The IShares Emerging Markets equity index fund has risen 26% since then and EM should continue to perform strongly as the dollar remains subdued on expectation of a further two 25bp rate cuts this year.

Also aided by a weaker dollar has been the precious metals sector. Gold is up 46% ytd and silver is up 60% but how much further can they go? Forthcoming US rate cuts, geopolitical fears, worldwide central bank buying have all doubtless been priced in by now so expectation of further strong gains in both should probably be tamed. A holding of 5% precious metals in a portfolio should be the maximum at this stage but the ongoing comparative weakness of the dollar should hold good for continued gains from **Asia** and emerging markets.

9.86% fall in the US dollar year to date (Source: finance.yahoo.com)

Low inflation, low interest rates, strong employment, a roaring stockmarket are all good recipes for the consumer to spend but so is a lower oil price. Over the last 3 years oil has been on a steady decline. Yesterday oil giant Exxon announced it was laying off 2000 jobs, accompanying Chevron, BP and ConocoPhillips who have cut thousands of jobs this year amid increased Middle East oil production and consequent declining prices.



Brent crude, last 5 years (Source: finance.yahoo.com

UK financial planning - how to build capital, keep it, draw from it and pass it on

Prudential have done extensive research this year into what priority should be given to which type of account when it comes to ***drawdown*** in light of the government's proposed changes to pensions being included in the estate for inheritance tax purposes from April 2027. In summary, the findings are as follows:

- If the member's lifetime tax rate is greater than that of the beneficiary/ies, then the member's pension fund should be used last for income purposes
- If the member's lifetime tax rate is less than that of the beneficiary/ies, then the member's pension fund should be used first for income purposes
- If the member's lifetime tax rate is the same that of the beneficiary/ies, then it depends on several factors: how big the pension fund is; how the pension is invested; what other assets are there and how are they invested etc.

Pensions still have the edge on other forms of investment in terms of tax-efficiency ***in the accumulation phase*** but if a member's fund ***exceeds or is likely to excee***d the Lump Sum & Death Benefit Allowance (LSDBA, the new name for the old Lifetime Allowance, LTA) then bizarre as it may seem, the investment strategy for growth should be slowed and when the LSDBA threshold (£1,073,100) is reached, ***the Lump Sum Allowance (LSA) of £268,275 should be withdrawn*** and invested across General Investment Accounts, Investment Bonds and ISAs, or gifted into trust, or spent, or a combination of these.

Greater savings emphasis will now be on accumulating capital outside pensions if it is likely the LSDBA will be reached through investment appreciation or it has already been reached. ***Full ISA funding will have greater importance*** as will EIS and BR (Business Relief) investment for IHT mitigation purposes. EIS will be attractive for high earners and those with CGT (capital gains tax) issues. ***Offshore (and onshore) investment bonds*** are already playing a greater role in planning for a tax deferred income stream, with or without IHT trust benefits.

Gifting out of surplus income by parents or grandparents will become more widely used. This will be most effective for funding their children's or grandchildren's private education or pension contributions, especially in the latter case ***where they are higher rate taxpayers and the parents / grandparents are basic rate***.

Use of the annual individual exemption for IHT purposes (£3,000) is being seen more widely, and it is important not to overlook Lifetime ISAs (LISAs) especially for those under 40 who are basic rate taxpayers.

Those already in drawdown will need to revisit their drawdown priorities, ***possibly prioritising taxable pension income at the basic rate over ISA income*** so ISAs can be allowed to accumulate and their benefits truly taken advantage of as the freeze on tax allowances and thresholds becomes tighter with rising inflation over the coming years to 2030. Second properties for let will be a thing of the past if they're not already (unless in a company structure).

Worth listening to?: https://podcasts.apple.com/gb/podcast/mad-money-w-jim-cramer/id147247199 - Don't be afraid of investing in individual stocks providing you **hold and be attentive!** Buying individual stocks is speculative, meaning while there is opportunity for significant gain, there is also opportunity for significant loss. Buying an individual stock means watching its progress regularly, at least once a week, and cutting it completely if it falls more than 15%. You have either mistimed your entry in it (too early or too late) or misjudged its prospects. Take profit! Paper profits are not real until you make them so. The ultimate is to sell your original stake once the stock has doubled, then let the rest run when you cannot lose. And while you're earning, invest ***something every month*** in a global multi-asset 40-85% equity fund.

Current favoured investment plays *(in **Bold** immediate, Non-bold long term)*
Cautious risk: Cash / National Savings Premium Bonds
Balanced risk: **Managed / Multi-asset funds**
Market risk: **Multi-asset funds,** UK equity
Adventurous risk: **Asia**, Europe, **US equity**
Speculative risk: **Technology, Healthcare/Biotech**, New Energy, **Emerging Markets,** Asia, **China,** India**,** US smaller companies, **Gold & Silver**

Disclosure:
Nicholas Chappell has the following personal investment exposure: Technology (all US, including fintech, cybersecurity & defence) 35%, Crypto 2%, Pharmaceuticals (US) 1%, Global Multi-Asset 8%, UK Equity 4%, China 13%, Asia 4%, Emerging Markets 2%, Gold/Silver 6%, Cash 25%