

Global Market Strategy – September 2025

Equity markets continue to move ahead US small caps begin to outperform Dedollarisation continues

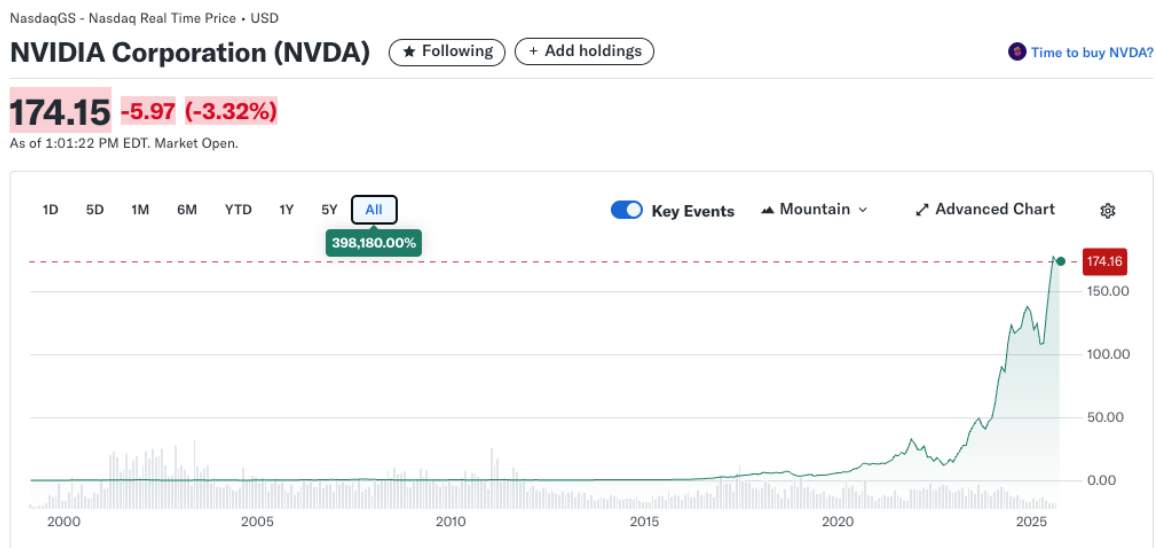
(Individual stock mentions here are observations and not recommendations to buy.

Individual stock purchases are highly speculative and strict 15% stop-loss limits should be observed.)

US corporate earnings continue to drive equity markets higher and for the most part it is **artificial intelligence (AI)** related stocks which lead.

AI stocks represent 40% of S&P500 market capitalisation. One of the largest AI related companies is Nvidia (NVDA). On its own NVDA is 8% of the S&P500 market cap (and more than the value of the entire UK stockmarket) so unsurprisingly its quarterly earnings reports are closely scrutinised.

Originally a designer of computer games graphic microchips, NVDA's chips are now a key driver of AI capability and at the heart of Chat GPT from Open AI and Gemini from Google. Microsoft, Meta and Amazon pay NVDA large sums to have AI embedded in their products. Last week the company reported second quarter results. Revenues were above analyst estimates at \$46.7bn - as a comparison, Apple second quarter revenue was \$95.4bn - despite being blocked out of China for most of the quarter. NVDA's revenue represented a massive 56% rise in the equivalent quarter last year yet the shares fell 3% because of concerns over its current 13% revenue exposure to China. The company's CEO Jensen Huang was characteristically bullish on the company's outlook saying, "A new industrial revolution is here. The AI race is on." Jim Cramer, former hedge fund manager and now a market commentator on CNBC who has been recommending NVDA to viewers for 10 years, believes investors can still make a lot of money by owning NVDA stock despite its meteoric rise to date.



Nvidia's price rise since inception (Source: finance.yahoo.com)

The market has been fixated on AI this year. AI hyperscalers are going to spend \$400bn investing in development and integration of AI in 2026, such is the recognition of the importance of it. Already AI is showing early signs of monetisation in terms of cost reductions, productivity improvements and new revenue streams (targeted advertisements across social media for example). Just two years ago the total addressable market (TAM) for AI was around \$200bn. In 2027 AI TAM is estimated to be in the region of \$1 trillion across infrastructure (specific AI data centres requiring power density, connectivity and cooling), power generation, and fibre / wireless connectivity which can cope with 'inference':

"Book me a flight this Thursday to New York with four star hotel accommodation?"

"OK, the following flights are available on Thursday: ...

“The following four star hotels have rooms available for Thursday night:

“In New York on Thursday there are the following shows on Broadway: There are the following sporting events:” etc

Dan Ives of Wedbush Securities believes the opportunity for investors across the technology sector, including AI, cybersecurity, data centres, power generation, is just getting started and the equivalent of 1030pm at a party which finishes at 4am. Gene Munster of Deepwater Asset Management believes the wave of capital surging into technology at present will end in a bubble at the end of 2026. For the time being however, earnings from tech companies continue to grow impressively, justifying current investor sentiment and tech valuations. This is contrary to the 1999/2000 dotcom bubble where valuations were bid up on the hope of eventual profit which never came.

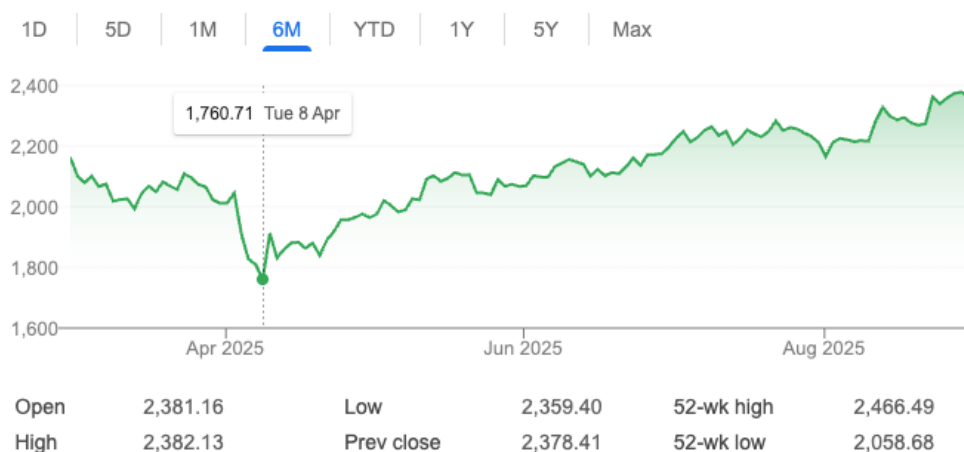
While leading tech stocks have predominated activity since April, **US smaller companies** have been neglected but heightened expectation of a rate cut in the US have helped propel the smaller company sector to a fourth consecutive month of gains, the sector's longest positive monthly streak since 2021. There is greater value at present in smaller companies than in large caps, and if the sector can continue its current momentum, they should help propel US indices to further record highs this year.

Market Summary > Russell 2000 Index

2,366.42

+203.35 (9.40%) ↑ past 6 months

29 Aug, 16:30 GMT-4 • Disclaimer



Source: google.com

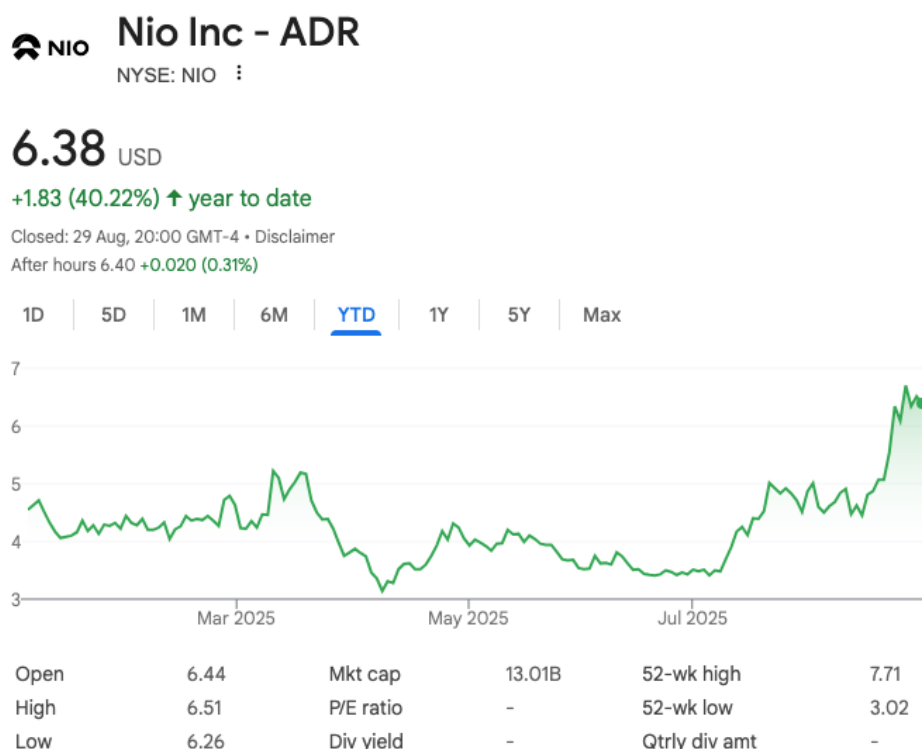
Expectation of lower US interest rates have also seen gains across **Asia** and **Emerging Markets** as the dollar has weakened. **China's** main index the Shanghai Composite is up over 35% for the last 12 months despite the furor Trump has created between the US and China. Trump's administration has sought a protectionist stance, looking to restrict imports into the US from China and exports to the country, particularly AI chips which the US believes could be turned against it by its fast-growing economic competitor.

Trump has introduced a 'pay and play' arrangement for NVDA to be able to export chips to China, requiring the company to pay 15% of its sales revenue from Chinese business as part of an export license agreement with the Federal government. NVDA CEO Jensen Huang argued successfully with Trump that barring his company altogether 'from trading in China would simply accelerate Chinese microchip development as the country would have no reliance on US technology. China however is looking to clamp down on its purchases of NVDA chips because of US Commerce Secretary Howard Lutnick's comments that henceforth chips sold to China would not be second or even third tier quality.

In the meantime China continues to develop in its own way, seeking a self-reliant and internal consumer consumption future rather than heavily relying on export demand as it has hitherto.

China's BYD is the world's largest electric vehicle (EV) manufacturer (4 million per year) and the company is mightily efficient, producing 1,000 cars a day (including an SUV which can be driven into water and float for up to 30 minutes) and requiring just 2,000 employees to do so on a highly automated production line. (The US requires six employees per car made.) According to Bill Gurley on his podcast "BG2Pod" with Brad Gerstner (<https://podcasts.apple.com/gb/podcast/bg2pod-with-brad-gerstner-and-bill-gurley/id1727278168?i=1000723956218>) Ford's CEO Jim Farley was given a tour of BYD by BYD's senior executives and was truly impressed by BYD's manufacturing facility. He asked BYD to ship him one of their top-of-the-range cars (at \$40,000) to him in Chicago so he could show it off and extol the quality as being far superior to what he sees in the West. Farley said he found the tour of BYD's factory to be extremely humbling.

China's CATL is the world's largest EV battery maker and it has developed battery-swapping technology which enables a car to be AI self-driven into a car-wash-looking hub for an automated battery swap in a matter of minutes. CATL plans to complete construction of 1,000 battery swapping-stations in China this year. Chinese EV maker NIO has a stake in CATL. Another Chinese EV maker Geely, producer of the Polestar brand, has formed an alliance with NIO to share in CATL's technology. NIO plans to see CATL roll out 10,000 swapping-stations across China by 2028 and ultimately 30,000 to serve China country-wide. Sales of EVs across China have this year now overtaken sales of internal combustion engines (ICEs), as reported by the Financial Times podcast News Briefing.



Source: google.com

Lowering US interest rates, Putin, Trump, Israel and Palestine, Trump's increasing attempts to influence the Federal Reserve, tariffs, moves away from reliance on the dollar - all these factors have encouraged investment in **gold and silver**, with both precious metals hitting record highs in August and silver closing on Friday above the important technical level of \$40 for the first time in 14 years.

Most attention this year has been on gold's bull run but silver has been surging in support, buoyed by increasing demand for its essential properties for solar panels, EVs and green infrastructure. The website thetradable.com reported the following over the weekend: "With this technical breakout confirmed, silver now has a clear path toward its 2011 peaks around \$48-\$50. The current market structure points to solid support in the \$37.50-\$38 range, while sustained momentum above \$40 could attract institutional money that's been waiting on the sidelines. History suggests that during precious metals bull runs, silver often outperforms gold on a percentage basis. If this pattern holds, we could be looking at the beginning of silver's own independent rally rather than simply following gold's lead."

For sterling investors Fresnillo (FRES) is a popular way to play the silver trade. FRES is the world's largest silver producer from mining ore and it is Mexico's largest gold producer. Listed on the London Stock Exchange (LSE) it is up over 170% year to date. The company has a reputation for returning free cash to shareholders rather than retaining it in the business, hence its attractiveness to investors, however its silver mining capacity appears to be reducing due to diminishing ore quality and availability at its mines, so how long its share price can keep rising is questionable. Alternatives to betting on a single stock include Jupiter's Gold & Silver fund or an out-and-out pure play through Wisdom Tree's Physical Silver ETF.

Outlook

The equity market outlook for September is cautiously optimistic; no more than that. For August and September to both be up in the same year is rare. September on average since 1950 is the worst month for stocks. Over the last 10 and 20 years on average it is the worst month for stocks. However, last week there was a rare and highly bullish event: a 90/90 day when 90% of US stocks ended higher when trading volume was 90% of average trading activity. While September may be a reversal month (which would not be surprising and would even be healthy given the large gains in stock prices since April 2nd tariff announcements), the equity bull market remains firmly in tact and any meaningful dips are likely to be bought.

Worth listening to?:

<https://podcasts.apple.com/gb/podcast/the-rest-is-politics-leading/id1665265193?i=1000723891627>

*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**, **China**, India, US smaller companies, **Gold & Silver**

Disclosure:

Nicholas Chappell has the following personal investment exposure: Technology (all US, including fintech, cybersecurity & defence) 50%, Crypto 5%, Pharmaceuticals (US) 1%, Global Multi-Asset 8%, UK Equity 4%, China 14%, Emerging Markets 2%, Gold/Silver 15%, Cash 1%

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