Global Markets

Equities Extend Rally as Fed Delivers Second Rate Cut and US–China Tensions Ease

Global markets advanced in October, supported by moderating inflation, solid corporate earnings, and continued monetary easing. The MSCI All Country World Index rose 2.18 percent, recording its seventh consecutive monthly gain, as investor optimism grew around the prospect of a soft landing for the global economy. The Federal Reserve delivered its second 25-basis-point rate cut, bringing the policy rate to 3.75-4.0 percent amid signs of a cooling labor market and contained price pressures. Bond markets strengthened for a third straight month as the Bloomberg US Aggregate Bond Index rose 0.6 percent, with the 10-year Treasury yield declining from 4.16 to 4.11 percent. Mortgage-backed securities led fixed-income returns, while Treasuries and corporate bonds also delivered gains.

Geopolitical sentiment improved after a preliminary US–China trade deal that paused tariff escalations and eased rare earth export restrictions. Meanwhile, President Trump and President Xi's meeting signaled progress on agricultural trade and fentanyl regulation. Despite a record US government shutdown lasting 31 days and a partial data blackout, investors remained focused on monetary easing and robust corporate earnings.

AI Momentum and Strong Earnings Drive Global Equity Gains

Equities extended their rally in October as artificial intelligence momentum and strong corporate results continued to drive performance across major markets. In the United States, the S&P 500 gained 2.3 percent, its sixth straight monthly advance, while the Nasdaq rose 4.7 percent, led by AI-linked large caps and resilient consumer demand. Nearly 83 percent of reporting companies beat earnings estimates, highlighting the strength of corporate fundamentals.

In Asia, the MSCI Asia ex-Japan Index climbed 4.5 percent, driven by South Korea's 23 percent surge and Taiwan's 10 percent gain, as semiconductor and AI-related sectors benefited from improving trade sentiment. Japan's Nikkei 225 reached record highs above 52,000, supported by policy continuity under the new prime minister and a weaker yen. European markets advanced by 2.4 percent as inflation eased to 2.2 percent and the ECB held rates steady, while the UK's FTSE 100 gained 3.7 percent amid lower gilt yields and energy sector strength. Emerging markets outperformed, with the MSCI EM Index up 4.2 percent, marking its strongest run since 2017.

Credit Events and Policy Risks Temper Optimism

Despite the positive backdrop, credit and policy concerns introduced volatility. A series of corporate bankruptcies and fraud allegations, including those involving First Brands Group and Tricolor Holdings, unsettled regional banks and business development companies before stabilizing later in the month. The US government shutdown, the second-longest in history, extended to 31 days and was estimated by the Congressional Budget Office to trim fourth-quarter GDP by roughly one percentage point. Inflation edged up slightly to 3.0 percent in September, below expectations, while futures markets reflected a 70 percent probability of another Fed rate cut in December.

Overall, October reinforced investor confidence in a soft-landing scenario, but elevated valuations, political uncertainty, and fragile credit markets suggest volatility may persist. Maintaining diversification, selective exposure, and disciplined risk oversight remains key as markets approach year-end.

Regional Markets

Saudi Market Gains Momentum in October amid Rising Foreign Participation

The Saudi equity market extended its rebound in October, with the Tadawul All Share Index (TASI) rising 1.3% month-on-month to close at 11,656 points, supported by resilient domestic liquidity and a pickup in foreign inflows. Trading activity remained healthy, totaling SAR 122.3 billion, only slightly below September's strong levels. Gains were led by the Utilities (+10.9%) and Consumer Discretionary (+8.7%) sectors, while Materials and Banks accounted for nearly one-third of total market turnover.

Investor sentiment improved as corporate earnings proved resilient despite softer oil prices, and qualified foreign investor (QFI) ownership increased to 11.12% of free float, continuing an upward trend.

The market's breadth remained positive, with 11 of 21 sectors advancing, while the overall index is down 3.2% year-to-date, reflecting stabilization after mid-year volatility.

Preliminary 2026 Budget Emphasizes Fiscal Discipline and Diversification Momentum

The Ministry of Finance's FY2026 Pre-Budget Statement projects continued fiscal discipline and growth momentum as Saudi Arabia enters the third phase of Vision 2030, focusing on sustainable diversification and spending efficiency amid moderating oil revenues. Total revenues are forecast at SAR 1.15 trillion, with expenditures of SAR 1.31 trillion, resulting in a deficit of about SAR 165 billion (3.3% of GDP), which is expected to narrow over the medium term. Non-oil revenues are set to rise on the back of tax and fee reforms and robust activity across tourism, logistics, and technology, while public debt remains sustainable at below 30% of GDP supported by strong reserves and proactive debt management. The 2026 budget maintains priority spending on health, education, infrastructure, housing, and technology, reinforces social programs, and preserves fiscal flexibility to respond to external shocks. Inflation is expected to average around 2%, and real GDP is projected to grow by 4.6%, driven by non-oil activities now contributing more than 55% of GDP.

Global Market Indices

Global Data: As End Of:	**31-Oct-25**
Saudi Market Data: As End Of:	**30-Oct-25**

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2022 (%)	2023 (%)	2024 (%)
World	DJIM World TR	13,044.94	3.8	19.5	21.7	27.4	22.4	13.3	12.8	(24.2)	27.0	18.0
Developed	DJIDEV TR	7,505.14	4.0	19.1	21.8	27.7	22.7	14.5	13.3	(24.2)	29.4	18.5
Emerging Markets	DJIEMG TR	6,514.74	2.2	23.6	20.9	24.5	19.5	3.3	8.5	(24.2)	6.4	13.3
Saudi	TASI	11,655.85	1.3	(3.2)	(3.0)	5.2	0.1	7.5	5.1	(6.4)	14.2	0.6
NAREIT	All REITS (EM Inc) TR	3,284.88	(1.5)	9.9	4.6	16.1	8.9	6.1	3.8	(23.6)	9.8	1.6
GSCI	All Commodities	557.00	1.3	1.3	4.3	(1.7)	(4.4)	10.3	4.4	8.7	(12.2)	2.6
Currencies	Euro	1.15	(1.7)	11.4	6.0	4.4	5.3	(0.2)	0.5	(5.8)	3.1	(6.2)
	Yen	153.99	(4.0)	2.1	(1.3)	(0.8)	(1.2)	(7.4)	(2.4)	(12.2)	(7.0)	(10.3)
	GBP	1.32	(2.2)	5.1	2.0	4.0	4.7	2.6	2.1	(10.7)	5.4	(1.7)