# THE TREASURY HUB
# Markets Bulletin

# Q3 2025 Review

# 1. Executive Summary



## 1.1 Introduction

Welcome to the third TREASURY HUB Markets Bulletin of 2025.

**As you are aware, these bulletins cover quite a wide range of topics and are a comprehensive review of all the various interest rate, foreign exchange, commodity and stock markets. Table 1 across sets out the 2025 movement in a number of key metrics. And after a volatile first half of the year mainly due to geopolitical issues, there have been a number of key developments in Q3.**

While the focus of markets over 2024 was on inflation/interest rate cuts, and this still remains the case, there has been a quite a lot of movement in foreign exchange rates and equity markets have continued to climb with very large valuations by historic standards despite large government deficits driving debt higher.

- 3-month Euribor continued to fall over the first two quarters as expected in line with the actual (and ongoing) cuts in the ECB Base Rate. The ECB Deposit Rate has been cut four times in 2025 to date (most recently on June 11th) to its current level of 2.00%. 3-month Euribor has reflected this.
- The shape of the EUR yield curve is now normal i.e. upward sloped from 1 year whereas both the UK and US yield curves decline between 1 and 2/3 years respectively and climb thereafter.
- All this points to the bottom of the interest rate cycle being reached in 2025 (EUR) or 2026 (UK and US).

## 1.2 Markets in a Table: what's up and what's down?

**Table 1. Key Metric Movements: 2025 to date**

| Category | Metric | YTD move | From | To |
|---|---|---|---|---|
| Interest Rates | 3-m euribor | -0.73% | 2.74% | 2.00% |
| | EUR 3-year | 0.06% | 2.17% | 2.23% |
| | GBP 3-year | -0.32% | 4.39% | 4.07% |
| | USD 3-year | -0.70% | 4.31% | 3.61% |
| Foreign Exchange FX | EUR/GBP | 5.18% | 0.8273 | 0.8725 |
| | EUR/USD | 11.81% | 1.0353 | 1.174 |
| Equities | ISEQ | 19.18% | 9753 | 11624 |
| | FTSE 100 | 14.40% | 8173 | 9350 |
| | Nasdaq | 16.85% | 21120 | 24679 |
| Commodities | Brent Crude | -10.56% | 74.93 | 67.02 |
| | Carbon | 4.94% | 72 | 75.35 |
| | Gold | 46.92% | 2626 | 3858 |
| Inflation | EU Core | -0.40% | 2.70% | 2.30% |
| Gilts | IE 10-yr | 0.31% | 2.65% | 2.96% |
| | GB 10-yr | 0.12% | 4.58% | 4.70% |
| | US 10-yr | -0.42% | 4.57% | 4.15% |

Please note that the % moves are in green if the metric has moved upwards and in red if it has moved downwards. It is NOT a statement as to whether this is a positive or negative move as one could be a borrower or depositor, a seller or buyer of currency, etc. Also, the % move for interest rates is in absolute terms while for currency and equities it is expressed in relative terms. **PLEASE NOTE THAT INTEREST RATE TRENDS ARE FROM A DEPOSITOR PERSPECTIVE.**

- Oil prices have moved around a lot – initially declining in the first 4 months of the year as the prospects of a recession loomed but the military strikes on Iran led to a sudden rise in price. Matters and prices have settled since.
- Gold continues on its amazing run as countries and others hedge their bets on the continuing dominance of USD.
- US stock markets recovered after the slump earlier in the year but continue to rise driven by AI-related expectations. FTSE and ISEQ are both in positive territory.
- Both GBP and USD have weakened against EUR over the year to date.

### 1.2 Forward-looking Indices

Forward-looking indictors known as Purchasing Manager Indices or PMIs are useful to monitor the economic outlook for Ireland and the UK. Readings above 50 indicate expansion while below 50 denote contraction.

- All three ROI indicators have deteriorated over the past few months with Construction PMI falling further into contraction territory
- In the UK, two of the three readings remain below 50 indicating a contraction in activity while the Services figure remains above 50 but lacks a solid trend.

**Table 2. Irish and UK PMI readings**

| | Ireland | UK |
|---|---|---|
| **Manufacturing PMI** | **51.6** | **46.2** |
| **Services PMI** | **50.6** | **51.9** |
| **Construction PMI** | **45.9** | **45.5** |

### 1.3 Inflation

**Table 3. Selected Inflation Rates**

| | CPI/Core Inflation |
|---|---|
| **ROI** | **2.10%** |
| **EUROZONE** | **2.30%** |
| **UK** | **3.50%** |
| **US** | **3.10%** |

Note: Core figures exclude energy, mortgages and food.

Irish core rate dropped as low as 1.80% in July but crept back up again. Food prices rose again recently (+5.1%) while energy is also under scrutiny as higher electricity charges were announced by the suppliers.

Eurozone core inflation is trending well over the past 12 months. With the exception of April when it rose, prices have been steady/falling with the current rate unchanged for the past 4 months. As it appears to have stalled at this level which is still slightly higher than the ECB target of 2.00%, the market has adopted a view that we are at the end of the current interest rate cycle.

UK core inflation data is far more volatile by comparison and, looking at a graph of the metric, the trend, if anything, is slightly upwards since September of last year.

Finally, US core inflation was at its lowest rate (2.8%) since March 2021 for three months to May but it has since increased to 3.1% in July and August.

**As we shall see in Section 3, interest rate trends are slightly out of alignment in some places based on recent inflation data.**

## 2. Foreign Exchange, Oil & Carbon

### 2.1 EUR/USD

- Graph 1 looks at the EUR/USD rate trend for the year to date
- The trend in the graph is self-evident: USD is pretty much weakening since the start the year when the rate was as low as EUR/USD1.0244. Most of the reaction has been to uncertainty relating to tariffs although interest rate cut expectations are increasing which will also support EUR. As a result the high/low range for the year to date of 17% is larger than the FULL YEAR range for every year since 2010 with one exception (2022). The average FX rate for the year to date is also weaker (and trending toward further weakness) than the previous three years at EUR/USD1.1187
- And while volatility has reduced in the last few weeks as the tariffs situation evolves, the threats of further tariff imposition combined with rate cuts and concerns about long-term fiscal trends in the USA are more likely to lead to USD weakness than USD strength.

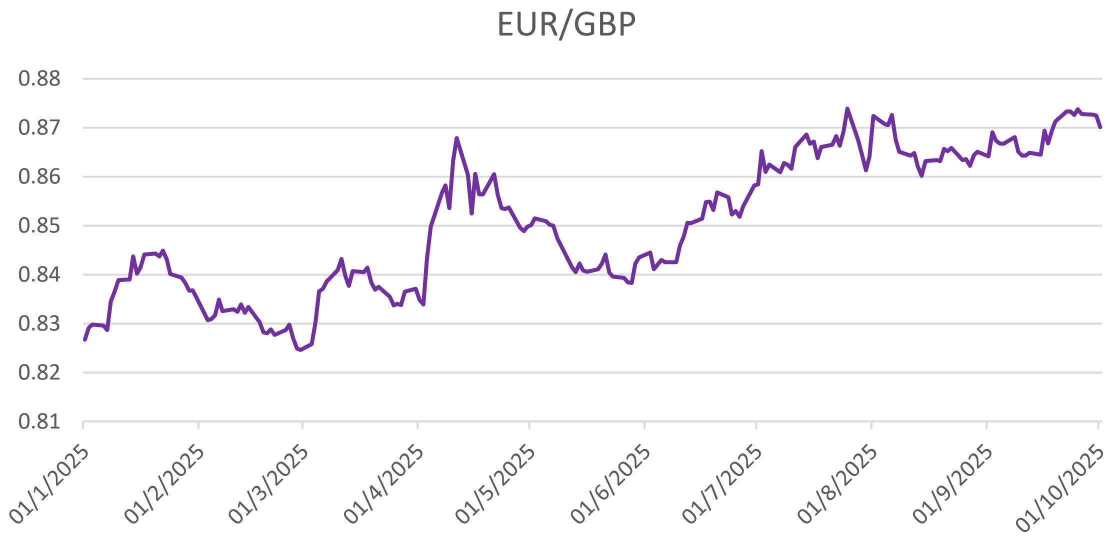
**Graph 1. EUR/USD: YTD trend**


### 2.2 EUR/GBP

- Similarly, EUR/GBP has mirrored the trend in EUR/USD to a certain degree although the scale of the moves has not been as extreme
- The high/low range for the year-to-date remains at 6.06% (prior year 12-month figure was 5.64%)
- GBP has weakened further over the past two weeks as economic and political data from the UK is not encouraging

- As the graph below indicates, the GBP strengthening that arose throughout 2024 was a welcome trend for exporters and gave them some respite after a lot of weakness post Brexit. 2025 has still seen retracements to EUR/GBP0.8250 in March and EUR/GBP0.8380 in May. But the YTD average of EUR/GBP0.8507 is drifting higher (average for the month of September was EUR/GBP 0.8688)
- And forward points also work against exporters – broadly speaking equating to .0015 per month making rates that can be achieved via forward contracts “worse” for exporters.

**Graph 2. EUR/GBP: YTD trend**

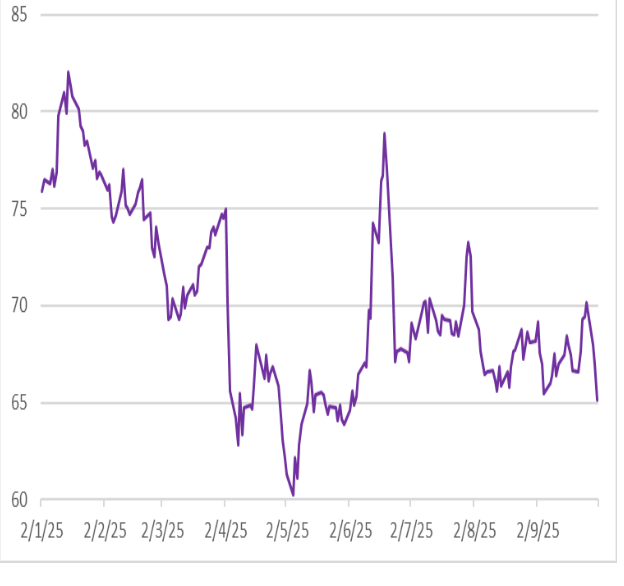



### 2.3 OIL & CARBON

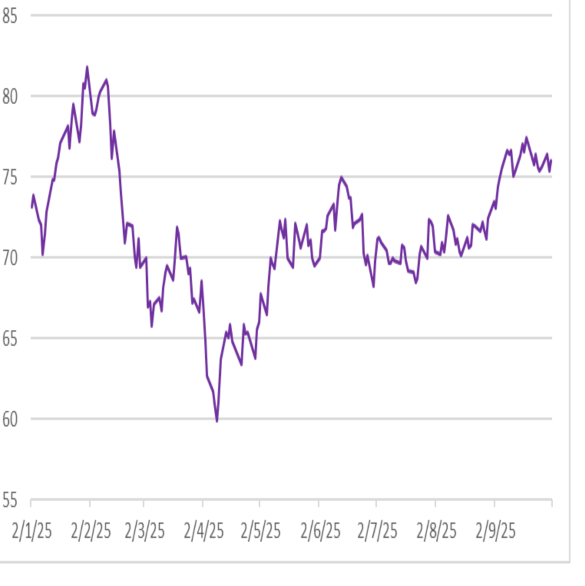
Brent Crude had jumped around a lot in 2025. It weakened at the start of the year mainly due to concerns around global GDP growth but spiked in Q2 due to the Israeli and US strikes on Iran potentially reducing the flow of oil tankers through the Strait of Hormuz thereby impacting negatively on supply. However, the recovery was swift and the price settled into a USD66-USD70 range for the Summer. The recent rise again is mainly due to possible risk premium if the US continues to place pressure on countries to reduce oil purchases from Russia.

The price of Carbon dropped to EUR60 at the start of April but has moved back into an upward trend since. Having held within a tight EUR68-EUR72 range for a lot of the Summer, it has since broken upwards to breach EUR 75 in the past few weeks.

**Graph 3. Oil YTD trend**




**Graph 4. Carbon: 12-month trend**



## 3. Interest and Economic Review

### 3.1 EUR Short-term Rates

Interest rates peaked in 2024 and commenced a downward trend thereafter. They now appear to be at the bottom of the current interest rate cycle within the Eurozone while there is still further to go in both the UK and the US.

We continue to monitor the 3-month Euribor rate for the purposes of this bulletin (as it is the most relevant one for variable rate debt).

**Key Observations**

- 3-month Euribor tracks the ECB Base Deposit Rate very tightly. The former changes every day while changes in the latter only arise on ECB meeting dates. As a result, Euribor tends to anticipate the ECB move a few weeks in advance
- The graph below shows 3-month Euribor is now in or around 2.00% having briefly dropped below that. The ECB Deposit Rate was cut to 2.00% at the meeting in June
- Earlier in the year, there was a market view that the ECB Base Deposit Rate will bottom out at 1.50%/1.75% but that has been revised to 2.00% after the last ECB meeting.

**Graph 5. 3-month Euribor: YTD trend**


### 3.2 EUR Medium-term Rates

- We always look at 3-year swap rates as they are a better indicator of the future direction of interest rates
- The 3-year fixed rate (before margin) fell from 3.21% in June 2024 to a low of 2% at the start of December 2024 as the market anticipated (and received) falling shorter-term rates in advance of similar ECB rate cuts
- In 2025, the graph below shows that the rate trended, albeit somewhat erratically, downwards to bottom out at 1.90% at the start of May
- Since then, the rate has climbed slowly but steadily as the market re-evaluated the likely low point in the ECB Base Rate cutting cycle
- Given the stabilization of Eurozone core inflation rate over the past few months at a level in excess of the target 2% level, in the short term, it is expected to ease back up slowly
- Clearly as the picture on tariffs (both final levels and their impact on prices) emerges, interest rate expectations will adjust
- Equally any associated economic slowdown could be offset by increased government spending on defence and infrastructure
- And as EU governments, to varying degrees, have debt capacity unlike the US, Eurozone interest rates are likely to remain supported.

**Graph 6. EUR 3-year swaps YTD trend**

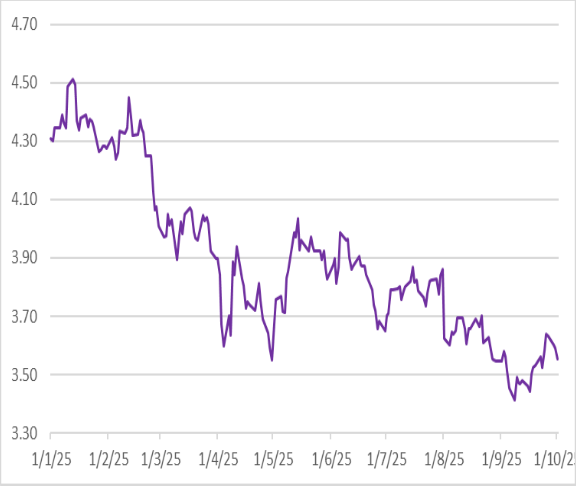

### 3.3 EUR Summary

- The trend in Graph 5 was predictable (downward then bottoming out).
- Tariff developments referenced above will remain relevant at least in the short-term
- Geopolitical uncertainties are also to the fore and material increased defence spending looks inevitable given recent drone incursions in Poland, Denmark, etc.
- And with unemployment stable and economic growth treading water, it is difficult to see further interest rate cuts in the Eurozone at this time
- Eurozone yield curve i.e. the line that joins together all market rates from 3 months to 40 years is now a normal curve meaning that short-term rates are much lower than longer-term rates (the curve peaks at 2.90% for 22-year swaps). This would indicate that the next move in interest rates will be (eventually) upwards
- Eurozone would appear to be ahead of both the UK and US in this respect which could also impact on the respective exchange rates.

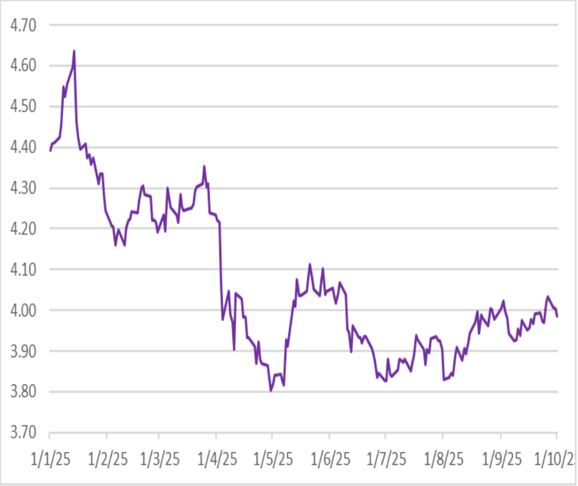
### 3.4 UK and US Interest Rates

- **Graph 7 below shows the US 3-year swap rate while Graph 8 is the UK 3-year rate, both for the year to date**
- **Similar to EUR fixed rates, these are a better indicator of the likely path/trend of medium-term rates**
- **And while both have been trending downwards, the UK graph has stabilized for a number of weeks whereas the US graph has just recently "bottomed out".**

**Graph 7. USD 3-year swaps YTD trend**




**Graph 8. GBP 3-year swaps YTD trend**




- In the US, the yield curve is shaped differently to Europe where there is a normal curve peaking at 22 years and very gradually dipping thereafter. In the US the curve is inverted up to 3 years (short-term rates being higher than long-term rates), then normalizes out to 25 years (at 4.2%) dropping thereafter to the 50-year rate
- The States continues to be a contradiction in terms in some aspects: tariff negotiations continue to drag out, geopolitics dominate and evolve (ref US threats to India and others for buying Russian oil) and the efforts to target migrants continue at pace
- Headline data in the US remains largely positive – the economy grew at +3.8% in Q2 which was larger than expected, unemployment is low (4.3%), PMI readings are above 50 and consumer confidence is stable. But there are other signs of possible trouble: the housing market is displaying stress in certain states with a jump in houses for sale and for longer, job openings are falling and the level of personal debt is high
- The level of political "interference" also remains high - the President has tried (but failed to date) to sack a member of the Fed and he has continually called for lower interest rates and for the Chair of the Fed, Jerome Powell, to resign
- The stock market, which is one of the main metrics watched by President Trump, remains very high but valuations are well above historic averages, and the general consensus is that it has been fueled by large availability of credit
- One of the main US banks recently commented on the 25% jump in the share price of Oracle: "Oracle's stock jumped by 25% after being promised $60 billion a year from OpenAI, an amount of money OpenAI doesn't earn yet, to provide cloud computing facilities that Oracle hasn't built yet, and which will require 4.5 GW of power (the equivalent of 2.25 Hoover Dams or four nuclear plants), as well as increased borrowing by Oracle whose debt to equity ratio is already 500%"
- And, of course, Berkshire Hathaway were sitting on $344bn of cash at the mid-year representing 30% of its total assets. The markets interpret this as both a view of overvalued stock markets and a readiness to buy cheaply if there is a material stock market correction
- In the UK, the Government seems to be running from one crisis to another as it appears to try to appease both moderate and more left-wing parts of the party. GDP grew by only 0.3% in Q2 while they try to rein in the fiscal deficit and the cost of servicing high sovereign debt. The markets also remain worried about stubbornly high inflation.

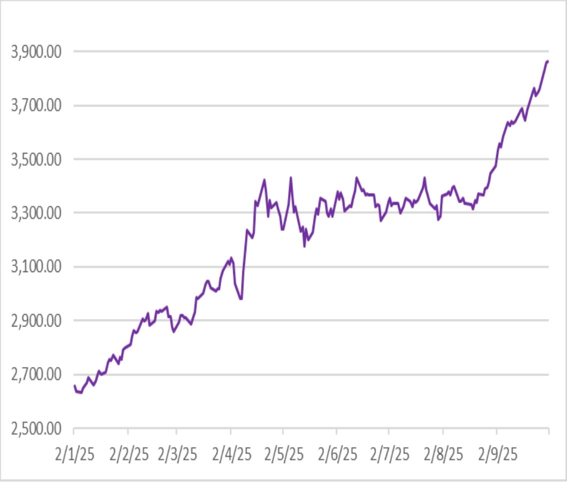
### 3.5 UK and US Summary

- **Markets are currently forecasting one rate cut in the UK but two in the US before year-end.**

## 4. Wealth Management

### 4.1 Gold

**Graph 9. Gold prices YTD trend**

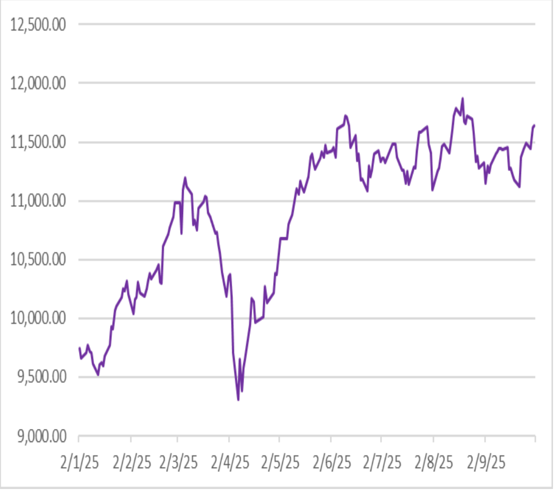



Gold was one of the best performing asset classes in 2024 and it has continued its ascent in 2025 - moving from just under US$2,700/oz at the start of the year to current levels over US$3,800. Some of this move is now interpreted as being a "safe haven" in the event of a stock market correction. Silver is having a similar positive run on the pricing front. For now, there doesn't appear to be a reason for the price to materially retreat.

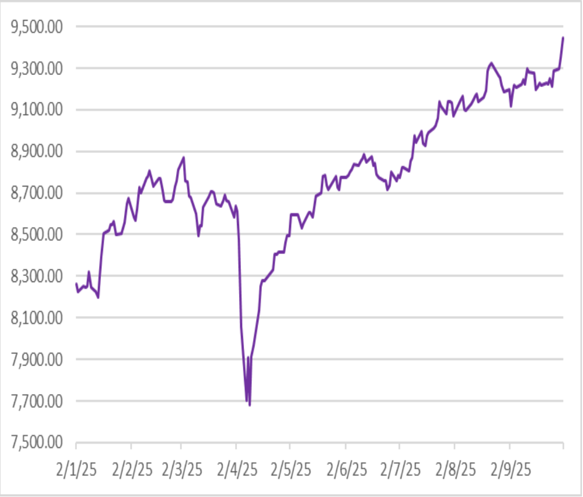
### 4.3 Equity Markets

Equity markets have had a broadly positive run in 2025 with the odd tariff-related retracement depending on the utterances of President Trump. The ISEQ is now over 10% higher than the 2007 peaks with a smaller number of participants.

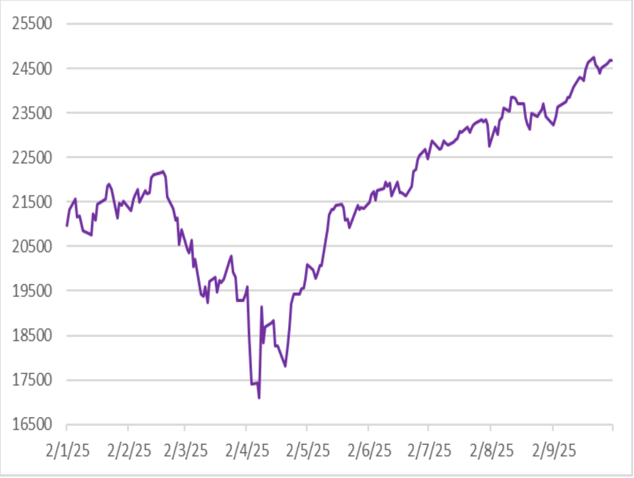
**Graph 10. ISEQ: YTD trend**




**Graph 11. FTSE: YTD trend**




**Graph 12. NASDAQ: YTD trend**




The FTSE 100 reflects a similar trend reaching record levels having experienced a fairly benign period in 2022 and 2023. The NASDAQ is powering ahead, driven by AI-related positivity, and continues to rise (in USD terms). Nvidia alone is now valued at $4bn which, according to Deutsche Bank is more than the stock market capitalisations of the UK, France and Germany. On the negative side, the dollar has weakened versus the EUR so investors on this side of the Atlantic need to bear that in mind.

We have previously referenced our nervousness around the US government debt and deficit. We are now seeing some high profile bankruptcies in the US motor sector which has a whiff of 2008 again in its genesis. More on this in Section 5.

In summary, Nasdaq current PE ratio is 33.7 versus a 15-year average of 25.6. It is driven by 7 key stocks which account for close to 35% of the total S&P 500 value. Concentration risk is large on top of values that appear to be well in excess of fair value.

## 5. 2025/2026 Forecasts

**As this is the third quarter edition of the bulletin, it is appropriate to look forward to 2026 as most firms have either started or are about to start their budgeting process.**

### 1. Macroeconomic Overview and Summary

We have reviewed the output of central banks (CBI, ECB, Fed) to produce the summary forecast table below:

**Table 4. Forecast Data by main Geographies**

| | GDP 2025 | GDP 2026 | CPI 2025 | CPI 2026 | UNEMPLOYMENT 2025 | UNEMPLOYMENT 2026 |
|---|---|---|---|---|---|---|
| Ireland | 2.00% | 2.10% | 1.80% | 1.40% | 4.60% | 4.80% |
| EU | 1.20% | 1.00% | 2.10% | 1.70% | 6.40% | 6.00% |
| UK | 1.20% | 1.30% | 3.80% | 2.70% | 4.80% | 4.90% |
| US | 1.60% | 1.80% | 2.80% | 2.70% | 4.50% | 4.40% |
| World | 3.30% | 3.10% | 3.20% | 2.90% | [redacted] | [redacted] |

- Overall global growth remains strong but with increased concentration in emerging economies and Southeast Asia. By way of example. Indonesia is now the 7th largest economy in the world
- But even in those countries there are issues especially on the property front in China, on the growing disparity between rich and poor in emerging countries and the need to keep a large middle class happy in China
- There is also increasing recognition that the West has allowed China to steal a march in many aspects of technology and innovation with some US venture capital companies now seeking to invest directly in China rather than look to build local companies
- The other common problem is ongoing deficits which, in turn, are driving government borrowings up in many countries.

**Table 5. Debt, deficits and demographics**

| | Debt as % of GDP | Surplus/(Deficit) as% G%P | Debt 2000 | Debt 2024 | Population change: 2000-2024 |
|---|---|---|---|---|---|
| Ireland | 67.9%* | 17.2% | (€39.5bn) | (€218.0bn) | +41.5% (5.35/3.78) |
| EU | 87.4% | -3.1% | [redacted] | [redacted] | +9.3% 350.0/230.4 |
| Germany | 62.5% | -2.8% | (€1.2tn) | (€2.5tn) | +1.6% 83.6/82.3 |
| UK | 95.9% | -4.8% | (£333bn) | (£2.8tn) | +17.5% 69.2/58.9 |
| US | 124% | -6.4% | ($5.66tn) | ($36.2tn) | +20.9% 341.1/282.2 |

* Debt:GNI

## 5. 2025/2026 Forecasts

**2. Ireland**

- Irish population trend is an outlier in the West. The population is also ageing which has its own implications for government spending over the coming decades. Not only does it normally lead to higher health and social welfare spend accompanied by lower tax revenues, but pension costs (including the public service) are funded from current expenditure – there is no pension pot established to pay them
- % of population over 65 was 15.7% (781k) in 2022 compared to 11.1% (436k) in 2002
- While the birth rate is now 1.5 (natural replacement rate is 2.1)
- Not surprisingly, in 2022, the % of population born outside the country was 20% (1.017m) up by 0.207m in 6 years as the working population gap must be bridged
- The deficit is the other key variable: headline GGB (General Government Balance) in 2023-26 (2023/24 =actual, 2025/26=forecast) were (€bn): 7.9, 23.2, 4.4 and 6.5
- Underlying comparative figures (excluding "excess CT") were (€bn): -3.7, -6.6, -11.2 and -13.9
- Dependence on windfall taxes similar to Celtic Tiger era
- The labour force participation rate is also low versus peers. This is the % of population aged 18-64 that is available for work. The Irish figure is only 66% versus EU and UK comparable figures of 75.8% and 78.9% respectively – in other words 1 in 3 working age adults are NOT available for work in Ireland versus 1 in 4 in Europe and almost 1 in 5 in the UK
- Annual Government Expenditure is up from circa €30bn in 2001 to €96.6bn in 2024 Budget - 322% increase versus population growth of 41.5% and low or zero inflation for a substantial part of that time period.

**Conclusion**
It is difficult not to conclude that, similar to the Celtic Tiger era, the economic performance miracle is overstated. The impact of multinational Corporation Tax is similar to housing taxes – not sustainable but concentrated - a lot of growth has been driven by increasing government expenditure (which is NOT explained by inflation and population growth) and despite underinvestment in housing and other infrastructure on top of extraordinary tax receipts, government debt is still as high in € terms as it was in Q3 2014. Add in a clear requirement to increase spending on defence and law enforcement and a need, like so many countries, to reduce the gap between rich and poor, it points to a need for some new and radical policies to futureproof the economy. That would probably require unpopular short-term decisions for long-term benefit. Who will break from populist politics?

The saving grace? Corporate and personal debt are both drastically lower and deposit levels higher than in 2008. This is at odds with other countries as we shall see below but is an important consideration.

**3. UK and US**

In the case of the former, the UK has been "treading water" for a number of years since Brexit. Similar to the US, it has been running continual deficits resulting in steadily increasing government debt levels for over two decades - the last Budget surplus was in 2000. Productivity has lagged behind its peers, an estimated 12.8% of all youths aged 16 to 24 are not in education, employment or training. And while the savings rate is largely unchanged since the 1970s at 11%, household debt:GDP has fallen steadily (with the exception of Covid) from 98.1% in Q1 2010 to a current level of 75.9%.

Although the Labour government is attempting to bring some order to public finances, they are facing resistance both internally (within the party) and externally. The outlook at this stage is for matters to get worse before they get better.

The US presents the biggest challenge in assessing its outlook.

On the positive front, GDP growth remains strong, unemployment is low, retail sales are holding up and interest rates look like they are on the way down. But the government finances are, to be blunt, in rag order. The Debt:GDP number is higher than Cuba, the Congo, Ukraine and Argentina just to mention a few.
Layer in high levels of personal and corporate debt and what we have is a picture of a leveraged economy which is largely being saved by the fact that the dollar is the world reserve currency: the States can continue to print dollars and foreigners will accept them….for now.

However, there are signs of bubbles and stress:

## 5. 2025/2026 Forecasts

As already referenced in Section 4, stock market valuations are historically high, there is a high level of retail investment in such markets and that's before we mention crypto – could consumers be spending based on the value of their crypto assets?

The breaking story that grabs attention monitoring is the recent bankruptcies in the auto sector.

According to the Financial Times a company called Tricolor sold used cars and offered financing to primarily Hispanic immigrants throughout the US Southwest. The sector was referred to as sub prime auto loans…..**sound familiar?** They bundled and sold over $1.4bn in debt across 14 bond offerings. They were packaging them in different tranches according to risk and the least risky tranches were rated AA earlier this year…..**sound familiar?**

In more recent days a second player in the auto market (manufacturing replacement components such as brake solutions and wiper blades), First Brands, has also filed for bankruptcy estimating its liabilities at between $10bn and $50bn while its assets are estimated to be between $1bn and $10bn. It was a big user of inventory and customer financing.

While some are dismissing these as being unsurprising given high interest rates, clampdown on immigrants and labour market weakness having a disproportionate impact on low-income workers, there is also a broader concern around the state of asset back securitization and whether other sectors are storing similar problems.

Throw in the yet to be seen impact of tariffs on inflation and demand, large budget deficit, increasing debt levels that continually hit the federal debt ceiling and a large amount of government debt refinancing due in 2026 ($12 trillion and counting) and one can see a lot of uncertainty surrounding US economic outlook…none of which is likely to strengthen the US dollar.

**Conclusion**
While the outlook for the world's major economic blocs is not great, the UK looks like things might have to get worse before they get better while the US is majorly dependent on the rest of the world not losing faith in the dollar. The risk of a major stock market or broader financial market crash is probably relatively small at the minute, but the consequences should it happen would be 2008 or worse all over again.

The USD would collapse, gold prices likely rise, and credit become extremely tight globally again (US banks would be nursing loan and possible other losses resulting in global tightening of credit).

**Suggested Actions**
1. Businesses would be well advised to do a high-level stressed scenario reflecting the above to see how/if they might be impacted from a macroeconomic perspective
2. Exporters and the tourism sector should model their business based on both weaker USD and GBP implying lower spending power and possible lower visitor numbers in 2026
3. Borrowers must assume that credit would tighten in the event of financial sector or fiscal problems in the US and assess how it may impact on their financial planning both for refinancing existing facilities for establishing new facilities for growth purposes. Regardless, given the lack of competition in the Irish banking market, expect low risk appetites and slower credit decision-making in 2026
4. Assess the impact of a material correction on stock and bond markets on both personal and company pension values/assets and consider appropriate defensive actions
5. Engage in AI in a focused manner. It has the potential to create efficiencies which may be welcome in the event of an economic slowdown but also consider both how it facilitates implementation of corporate strategy and how best to use it. Data analysis becomes a higher priority for finance teams as AI can facilitate the production of a lot of data very quickly but finance teams need to consider which data to focus on and how best to use it for maximum impact on the business.