

Turning views into action

Three themes for autumn 2025

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Updates to our investment outlook are underpinned by two key principles. Firstly, investing is all about the long term, so we try to identify opportunities that we think can stand the test of time. Secondly, we need to stay alert to opportunities and risks that might develop and adapt our outlook accordingly. Below, we outline how our existing investment themes have evolved and introduce some new ideas to position portfolios for today's markets.



As 2025 draws to a close, markets are balancing growth risks, government budget pressures, and geopolitical uncertainty. We see potential opportunities in financially strong developed market companies, particularly in US tech – despite concerns among some investors about valuations. Elevated uncertainty is also driving demand for stable income, with UK corporate bonds offering attractive yields and relatively low volatility in our opinion. We see gold maintaining its position as a useful hedge against geopolitical risk over the long term.

Natasha Sarkaria, CAIA
Investment Strategy, BlackRock Global Product Solutions

Our investment themes for autumn 2025:

1. Tailwinds still strong for US tech

We like companies with strong financial health, mainly in developed markets. We see potential opportunities in the US tech sector, which delivered blockbuster earnings in Q2 2025. Capital expenditure (investment in long-term assets) by tech firms has also remained strong, a signal of continued business confidence in the sector, in our view.

2. Room for sterling corporate bonds to catch up

US and European corporate bond markets have strengthened this year, with a narrowing of the gap in 'yield' – the income or interest investors earn from bonds – compared with government bonds. UK corporate bonds have lagged behind, but could catch up, since several sectors (excluding utilities) still appear attractively valued.

3. Diversifying with gold

Noting that gold prices are at record highs, we advocate for a modest allocation to the precious metal as a hedge against geopolitical uncertainty. Gold has delivered durable ballast in an environment where traditional safe-haven assets like long-term US Treasuries or long-term German Bunds have become less reliable diversifiers.

1. Tailwinds still strong for US tech

Investor demand for US stocks picked up in September, with \$76.4B flowing into exchange-traded products (ETPs) tracking US stocks – the strongest monthly inflows this year.¹ This comes amid tariffs under the Trump administration showing little sign of weakening the economy, while the Federal Reserve (Fed) has begun its long-awaited rate-cutting cycle, with two more cuts expected before year-end. These inflows were led by US investors, supported by rising international interest. We see room for further pickup in demand in the final few months of the year.

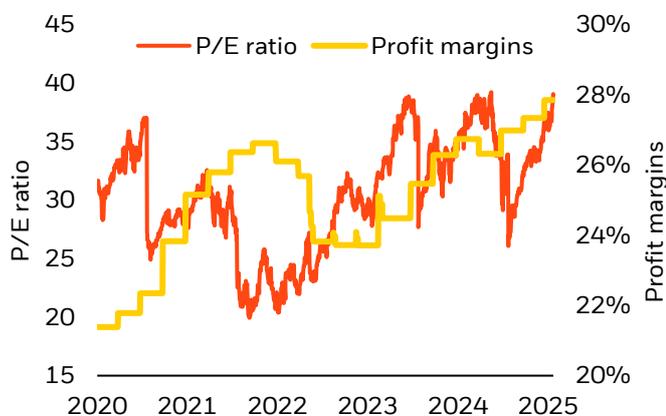
The tech sector has been in focus, with positive sentiment towards US tech and AI companies leading to concerns about elevated valuations and talk of this possibly becoming a 'bubble'. Valuations for the S&P Information Technology sector are near their highs, with the forward price-to-earnings (P/E) ratio – which measures how much investors are willing to pay for expected future earnings – now at 43.2x.² However, they remain below June 2024 levels, and we believe these valuations are justified: with stronger earnings and financial health, the sector may be less expensive than it first appears. Despite comparisons being drawn to the dot-com bubble, we think we're in a distinctly different environment. Big tech companies that run large data centres are currently spending about 25% of their revenue on buildings and expanding infrastructure – significantly lower than the roughly 40% that major telecom companies spent during the dot-com boom.³ Leverage (borrowing used to finance operations) is also a fraction of what it was in the early 2000s, as the ramp-up in companies' capital expenditure (capex) has been largely funded by their cash flows, rather than debt.⁴

1 Source: BlackRock and Markit, as of 6 October 2025. **2, 3** Source: Bloomberg, as of 6 October 2025. **4** Source: Barclays Research, as of 26 September 2025.

The S&P 500 Information Technology Sector Index offers diversified exposure to long-term growth trends driving US technology stocks, including semiconductors, software, hardware and related industries.

Chart 1: While P/E ratios have risen, US tech firms have continued to grow their profit margins

US Tech P/E ratio vs. Operating margin



Source: Bloomberg, as of 29 October 2025.

2. Room for sterling corporate bonds to catch up

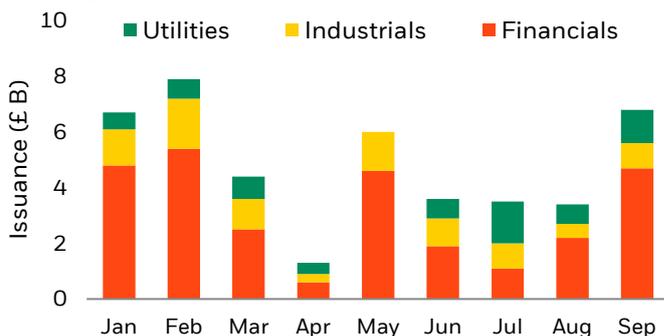
Investing in bonds helps diversify a portfolio while providing a steady income through regular interest payments. Bonds tend to offer relative stability and predictability for retail investors seeking consistent income, although it's important to note that unlike a cash holding, their price can change, and we therefore view them primarily as a tool for income to complement more growth-focused investments in stocks.

While investor sentiment towards European and US corporate bonds (bonds issued by companies) has improved this year, demand for UK corporate bonds has been slightly lower, suggesting room to catch up.⁵ We note the upcoming Autumn Budget as a potential trigger for some volatility in UK stocks and bonds. However, UK investment grade (IG) corporate bonds – those issued by companies with strong credit ratings – have historically proven less volatile than UK government bonds during periods of political or economic uncertainty, making us more confident about holding corporate bonds as we approach the Budget in late November. In addition, the outlook for the UK interest rates has become more uncertain. Against this backdrop, we prefer to shelter in corporates, while picking up strong income.

At a sector level, we've seen positive sentiment towards bonds issued by utilities companies, which has helped to push prices higher and yields lower, due to the inverse relationship between a bond's price and yield. This reflects investor confidence in utilities companies' strong balance sheets and profitability – traits we also see in the tech and financials sectors, which remain out of focus and may see catch-up. With financials leading September bond issuance, the sector is set to represent a larger share of UK corporate bond indices – a potential tailwind for these indices, given our positive view on the financials sector.

Chart 2: The financials sector is becoming a bigger part of UK corporate bond indices

Sterling IG issuance by broad sector 2025 YTD



Source: Barclays Research, as of 1 October 2025.

3. Sticking with gold

Gold continues to reaffirm its role as a long-term portfolio diversifier amid heightened geopolitical tensions and renewed concerns over the sustainability of government budgets. Over the long term, gold prices remain largely uncorrelated with stocks and bonds, reinforcing the value of a modest allocation to gold to play the role of diversification in portfolios. We see gold as a smaller holding in portfolios to play the role of diversification.

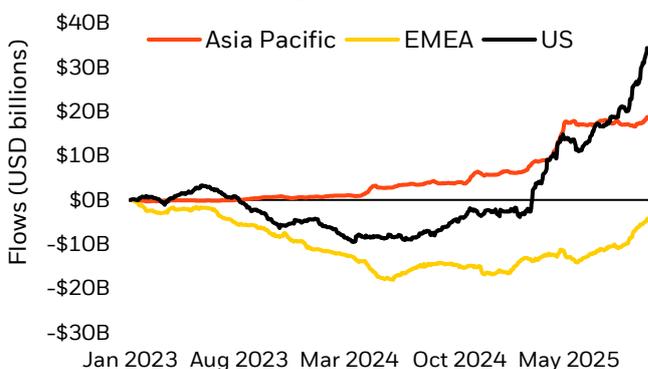
Gold has been in the headlines recently, with prices crossing \$4,000/oz,⁶ driven by the protracted US government shutdown and declining confidence in the reliability of government bonds as a diversifier in portfolios. Alongside this price rise, we've seen resilient demand for gold ETPs: September 2025 was a record month, with \$16.2B of inflows, taking year-to-date buying to \$60.3B – putting 2025 on track to be a record year.⁷

Although valuations are elevated, we believe gold prices will continue to be supported by renewed central bank buying and strong demand for defensive assets, which should help to limit the risk of significant falls.⁸

Also, while prices appear elevated in absolute terms, when adjusting for inflation, gold remains below historical peaks, underscoring its role as a long-term store of value. Factors that could challenge our view on gold include a potential recovery in the value of the US dollar or a significant easing in geopolitical tensions.

Chart 3: Global demand for gold ETPs has surged this year

Gold ETP flows split by region (2023-2025)



Source: BlackRock and Markit, as of 8 July 2025.

5 Source: Barclays Research, as of 1 October 2025. **6,8** Source: Goldman Sachs, as of 1 October 2025. **7** Source: BlackRock and Markit, as of 1 October 2025.

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