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TITLE: BoJ Turns Seller, Fed Faces Strong Data, and M&A Sparks Life in Healthcare

TRANSCRIPT:

Q1: Eric, let's start in Japan—this morning brought a surprise from the Bank of Japan. What happened?

Eric:

Yes, a real curveball from the BoJ. For years, they've been the single biggest buyer of Japanese equities, hoovering up ETFs and REITs to support the market. Now, for the first time, they've announced they'll start selling—though only in very measured amounts.

They're sitting on nearly ¥70 trillion of ETFs at market value, which is just over 7% of the entire Japanese equity market. The unwind? Around ¥330 billion a year in ETFs and ¥5 billion in REITs. At that pace, it would literally take decades to clear their position.

So near-term, the flows are too small to disrupt daily trading. But the signal matters. The BoJ has switched sides—from buyer to seller. If sales accelerate towards ¥1 trillion a year, which some analysts suggest, pressure could build quickly. For now, markets took it in stride. The Nikkei dipped at first but then rebounded intraday, showing that as long as earnings keep improving and corporate restructuring continues, the market still has strong legs.

Q2: Turning to the U.S.—rate cut hopes collided with some stronger data this week. How are markets digesting that?

Eric:

It's a tug of war. On one hand, investors are hoping for early and deeper Fed cuts. On the other, U.S. data keeps surprising on the upside.

Take the Philadelphia Fed survey—it jumped back into positive territory with a blockbuster +23 reading, versus expectations of just +1. Add to that initial jobless claims falling more than forecast, and you get a picture of industrial momentum and labour resilience.

That strength challenged the “cuts are coming fast” narrative. Yields popped—10-year Treasuries rose about 10 basis points before settling. So while easing is still expected, the Fed's “higher for longer” stance has regained credibility. This tension between macro resilience and the demand for policy easing is the key axis driving both rates and risk assets right now.

Q3: What about equities? Tech seemed to find a fresh catalyst while consumer names stumbled.

Eric:

Exactly. It was a story of rotation.

Tech rallied despite higher yields—Nvidia jumped 3.5% on news it's making a \$5 billion strategic investment in Intel's data centre CPU business. That's about positioning deeper into AI and infrastructure. Investors loved it—it reinforces the long-term growth story even in a rising-rate environment.

By contrast, consumer-facing stocks struggled. Walmart gave cautious guidance on margins, and Darden Restaurants plus Cracker Barrel both missed earnings. That tells us the U.S. consumer is still feeling the pinch from higher prices and tighter budgets.

So you've got this divergence: tech and AI still powering ahead, while the consumer shows cracks. It makes market leadership look increasingly narrow.

Q4: And healthcare—what's the story with Roche's big deal?

Eric:

Yes, this was a real headline. Roche announced it will acquire 89bio, a biotech focused on liver disease, at a whopping 79% premium, valuing the company at almost \$3.5 billion.

The deal is anchored in late-stage assets with huge potential, but the bigger point is that large-cap pharma is back in buying mode. M&A is sending a message: these assets are worth paying up for, even in a higher-rate world.

That creates a kind of valuation floor for healthcare, which has been trading at depressed multiples. Investors may be underestimating how powerful M&A can be as a driver here—especially in high-value therapeutic areas like liver and cardiometabolic disease.

Q5: You've called M&A a "valuation anchor." Can you expand on that thought?

Eric:

Sure. When rates rise, valuations tend to compress. But M&A can counteract that. If big companies are willing to pay 70–80% premiums for strategic assets, it signals to the market that the sector is undervalued.

We're seeing it not just in healthcare but also in parts of tech. Strategic deals and partnerships are effectively telling investors: "don't price us too cheaply, because someone else will."

So in a world of higher-for-longer rates, M&A could be one of the most important stabilising forces for valuations.

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