# London stocks edge lower as central banks and US-China talks create cautious market tone



Stock markets in London closed mixed following a week dominated by central bank interest rate decisions and a high-profile phone call between US President Donald Trump and China’s President Xi Jinping. The FTSE 100 finished slightly down by 11.44 points, or 0.1%, while the FTSE 250 experienced a larger decline of 0.6%. Meanwhile, the AIM All-Share index saw modest gains of 0.2%, reflecting a nuanced market response amid ongoing economic and geopolitical developments.

Investors appeared to be digesting the US Federal Reserve’s recent 25-basis-point rate cut, the first since December of the previous year. According to financial commentator Frank Walbaum of Naga, the Fed's Chair Jerome Powell characterised this move as a cautious response to a cooling US labour market, with a careful stance maintained on future easing. Recent US data, including jobless claims dropping to 231,000, somewhat alleviated concerns about a rapid deterioration in employment conditions. This contrasted with other major central banks such as the Bank of England and the Bank of Japan, both of which held their interest rates steady during their latest meetings.

The Bank of England’s decision to maintain rates at the current level followed a quarter-point cut in August, reflecting persistent inflationary pressures in the UK economy where inflation stood at 3.8% as of August. Financial institutions including Goldman Sachs, J.P. Morgan, and Bank of America have indicated that further rate cuts by the BoE are unlikely before the end of the year. Market sentiment in the UK has also been tempered by expectations of forthcoming tax increases in the government’s November budget.

In Japan, the Bank of Japan upheld its short-term interest rate at 0.5% but made a significant strategic move by commencing the sale of its exchange-traded funds (ETFs) and real estate investment trusts (REITs). This marked a shift toward reducing the BOJ’s expansive balance sheet, a decision not without dissent among board members. BOJ Governor Kazuo Ueda was scheduled to elaborate on this policy in a subsequent press conference, signalling a cautious loosening of the accommodative monetary stance.

Corporate news in London saw mixed performances. Notably, NatWest shares dipped 1.7% amid reports the bank is considering selling Cushon, a workplace pensions provider it acquired two years ago for £144 million. The sale would align with CEO Paul Thwaite’s strategy to simplify the bank's operations and intensify balance sheet management. Kainos, a provider of IT services, also declined by 1.4% despite expanding its digital services footprint in Canada through the acquisition of consultancy Davis Pier. Conversely, Gelion, a battery energy storage specialist quoted on AIM, surged 11% following a £533,000 government grant awarded to advance lithium-sulphur battery technology in partnership with aerospace defence group Qinetiq.

The week’s broader geopolitical backdrop was shaped significantly by the Trump-Xi phone call, which raised hopes of a resolution to the ongoing US-China tensions. The leaders reportedly discussed the future of TikTok’s US operations, with President Trump expressing optimism about reaching an agreement that would see American investors take ownership stakes. The potential easing of tariffs, a key issue after months of trade hostilities and reciprocal levies that disrupted global supply chains, was also on the agenda.

On the commodities front, Brent crude oil prices slipped slightly to $66.56 a barrel amidst the cautious market mood. Gold prices remained robust above $3,640 an ounce, supported by safe-haven demand amid geopolitical tensions in the Middle East and Eastern Europe, despite some profit-taking and rising US Treasury yields dampening sentiment.

In the US, stock markets closed on a positive note. The Dow Jones gained 13.47 points, the S&P 500 saw a 0.1% rise, and the Nasdaq Composite increased by 0.2%. Treasury yields edged higher, with the 10-year yield rising to 4.14% and the 30-year yield reaching 4.75%, reflecting bond market reactions to the Fed’s policy adjustments and economic outlook.

Looking ahead, investors are awaiting further developments including China’s upcoming interest rate decision and corporate earnings reports in the UK from Wilmington and BioPharma Credit. Overall, the market's cautious posture underscores an environment of economic uncertainty shaped by central bank signals, geopolitical negotiations, and corporate strategies.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.independent.co.uk/news/business/donald-trump-xi-jinping-london-jerome-powell-aim-b2830057.html), [[4]](https://www.reuters.com/world/uk/london-stocks-set-weekly-decline-investors-weigh-central-bank-moves-2025-09-19/)
* Paragraph 2 – [[1]](https://www.independent.co.uk/news/business/donald-trump-xi-jinping-london-jerome-powell-aim-b2830057.html), [[6]](https://www.reuters.com/business/finance/global-markets-cenbank-graphic-2025-09-19/), [[7]](https://www.aa.com.tr/en/economy/us-federal-reserve-lowers-policy-rate-25-basis-points-1st-cut-this-year/3690746)
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* Paragraph 4 – [[2]](https://www.reuters.com/markets/asia/boj-keep-interest-rates-steady-tariff-us-slowdown-risks-loom-2025-09-18/), [[3]](https://www.reuters.com/markets/asia/boj-keeps-interest-rates-steady-decides-start-selling-etfs-2025-09-19/)
* Paragraph 5 – [[1]](https://www.independent.co.uk/news/business/donald-trump-xi-jinping-london-jerome-powell-aim-b2830057.html)
* Paragraph 6 – [[1]](https://www.independent.co.uk/news/business/donald-trump-xi-jinping-london-jerome-powell-aim-b2830057.html)
* Paragraph 7 – [[1]](https://www.independent.co.uk/news/business/donald-trump-xi-jinping-london-jerome-powell-aim-b2830057.html)
* Paragraph 8 – [[1]](https://www.independent.co.uk/news/business/donald-trump-xi-jinping-london-jerome-powell-aim-b2830057.html)

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## Bibliography

1. <https://www.independent.co.uk/news/business/donald-trump-xi-jinping-london-jerome-powell-aim-b2830057.html> - Please view link - unable to able to access data
2. <https://www.reuters.com/markets/asia/boj-keep-interest-rates-steady-tariff-us-slowdown-risks-loom-2025-09-18/> - On September 18, 2025, the Bank of Japan (BOJ) announced it would maintain its short-term interest rate at 0.5%, as expected, during a two-day policy meeting. However, a significant move was the BOJ's decision to begin selling its holdings of exchange-traded funds (ETFs) and real-estate investment trusts (REITs), signaling a move toward reducing its balance sheet. This policy shift was not unanimous, as board members Naoki Tamura and Hajime Takata dissented. BOJ Governor Kazuo Ueda is scheduled to hold a press conference at 3:30 p.m. (0630 GMT) to elaborate on the decision.
3. <https://www.reuters.com/markets/asia/boj-keeps-interest-rates-steady-decides-start-selling-etfs-2025-09-19/> - On September 19, 2025, the Bank of Japan (BOJ) announced it would maintain its short-term interest rate at 0.5%, as expected, during a two-day policy meeting. However, a significant move was the BOJ's decision to begin selling its holdings of exchange-traded funds (ETFs) and real-estate investment trusts (REITs), signaling a move toward reducing its balance sheet. This policy shift was not unanimous, as board members Naoki Tamura and Hajime Takata dissented. BOJ Governor Kazuo Ueda is scheduled to hold a press conference at 3:30 p.m. (0630 GMT) to elaborate on the decision.
4. <https://www.reuters.com/world/uk/london-stocks-set-weekly-decline-investors-weigh-central-bank-moves-2025-09-19/> - London stocks were poised for a slight weekly decline on September 19, 2025, as investors evaluated global central bank actions. The FTSE 100 remained flat, while the FTSE 250 dropped 0.6%, both signaling weekly losses amid persistent inflation concerns. The Bank of England held interest rates steady after a previous quarter-point cut, with major financial institutions like Goldman Sachs and J.P. Morgan not anticipating further cuts this year. Investor sentiment in the UK also dimmed due to tax hike prospects in the upcoming November budget.
5. <https://www.reuters.com/business/finance/major-brokerages-expect-no-more-boe-rate-cuts-2025-after-september-pause-2025-09-19/> - Most major financial institutions, including J.P. Morgan, Goldman Sachs, Morgan Stanley, and Bank of America, anticipate that the Bank of England (BoE) will not introduce further interest rate cuts in 2025. This expectation follows the BoE’s decision to hold rates steady in September after a 25-basis-point cut in August. The central bank is responding to persistent inflation—UK inflation held at 3.8% in August, the highest among major advanced economies—and ongoing uncertainty in growth and employment.
6. <https://www.reuters.com/business/finance/global-markets-cenbank-graphic-2025-09-19/> - As of September 2025, the U.S. Federal Reserve has initiated its first interest rate cut since December, diverging from other major central banks that are maintaining steady rates. This move reflects a response to a weakening labor market, with more cuts anticipated in October and December. Other global central banks show varied responses to economic conditions, with some holding rates steady and others cutting rates in response to inflation and growth concerns.
7. <https://www.aa.com.tr/en/economy/us-federal-reserve-lowers-policy-rate-25-basis-points-1st-cut-this-year/3690746> - The US Federal Reserve slashed its benchmark federal funds rate by 25 basis points on September 17, 2025, bringing it to a target range of 4% to 4.25%. This marked the first rate cut this year, as the bank had held the rate unchanged in the five previous meetings. The Fed stated that recent data showed that the growth of economic activity moderated in the first half of the year, with job gains slowing and the unemployment rate edging up but remaining low. Inflation has moved up and remains somewhat elevated.