

Market Commentary

December 2025



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SNAPSHOT

- Global markets broadly unchanged over the month, slightly lower in Sterling terms.
- AI valuations questioned amid Nasdaq weakness.
- US government shutdown ended, releasing mixed economic data backlog.

All percentages below are monthly returns for November 2025

EQUITIES



BOND MARKETS

BONDS

Yields drop on dovish Fed

	UK GILTS	0.1%
	US TREASURIES	0.6%
	GLOBAL CORPORATE BONDS	-0.1%
	GLOBAL HIGH YIELD BONDS	-0.1%

*Values represent bond index returns

CURRENCIES

Sterling gained despite budget uncertainty



CURRENCIES

Pound vs Other Currencies

	0.6%
	2.0%
	0.1%
	0.1%

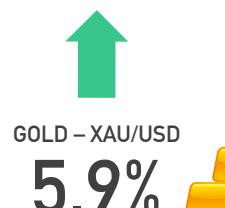
GBP vs USD

GBP vs JPY

GBP vs EUR

GBP vs CNY

KEY INDICATORS



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GLOBAL MARKETS

Global equities were volatile amid US rate uncertainty and AI valuation concerns, though key European and UK indexes achieved record highs during the month.



US MARKETS

Mixed results on AI pullback and fresh economic data

US equities began November robustly on AI optimism and strong Q3 earnings, extending Nasdaq's seven-month bull run. However, mid-month saw a significant tech sector pullback amid concerns over stretched AI valuations, worries over the scale of off-balance sheet debt and capital expenditure accounting. The prolonged government shutdown ended, releasing delayed, mixed, economic data, which fed market concerns over unemployment, though the underlying growth prospects remained solid. December Fed rate cut expectations rose substantially by the month end.

0.1%

US 500



UK MARKETS

Budget uncertainty and outcome weighed on the markets

The FTSE 100 reached a new all-time high in November. Investor focus centred on Chancellor Rachel Reeves' budget amidst reports of tight fiscal constraints and potential tax increases to address the fiscal gap. When the budget finally arrived, the underlying fiscal situation was stronger than expected, which provoked further controversy. The economic outlook for the UK remained subdued. The Bank of England held rates steady but eased monetary policy expectations as October inflation slowed to 3.6%.

0.0%

UK All Share



EUROPEAN MARKETS

Still hitting new all-time highs

Eurozone equity indices largely trended higher, with the STOXX 50 hitting a new all-time high. PMI data showed continued expansion, mainly driven by services activity reaching an 18-month high, even as manufacturing activity slightly contracted, particularly in Germany. French political tension over the budget was kicked down the road. The European Commission upgraded the Eurozone 2025 GDP forecast, citing strong pre-tariff US exports. ECB policymakers signalled they expect rates to remain steady throughout 2026, anchoring market expectations despite the robust service sector growth.

0.9%

Euro 600 Index ex UK



JAPAN MARKETS

Slightly ahead on mixed economic activity

Japan saw mixed economic activity, with the Composite PMI rising to 52.0 on solid services growth, offsetting a persistent, albeit slower, contraction in manufacturing. The Reuters Tankan Index surged to a near 4-year high due to tailwinds from a weaker yen boosting car and electronics exports. Inflation in Tokyo's core area held firm at 2.8% in November, above the BOJ's target, increasing speculation about a potential December rate hike. Retail sales growth accelerated strongly in October, rising 1.7% year-on-year. TOPIX was one of the best performing global equity markets, despite mounting tension with China.

1.4%

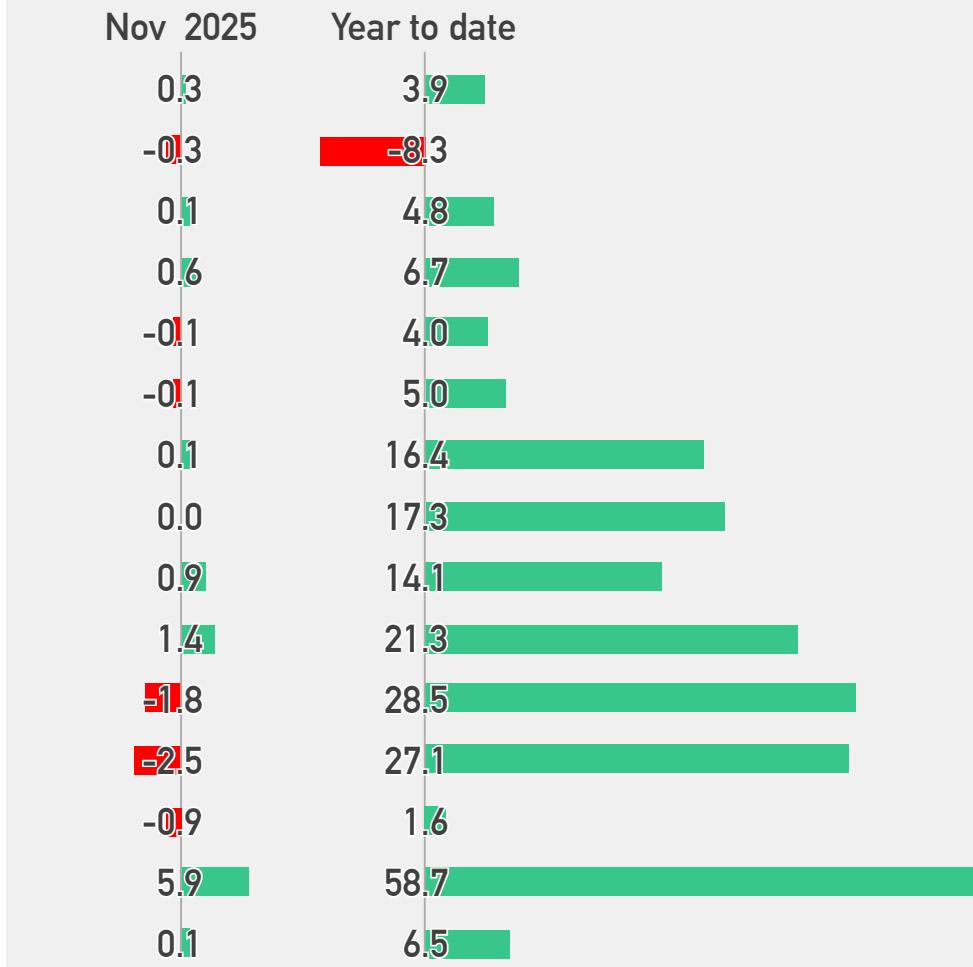
Japan Index



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THE WORLD AT A GLANCE

	2020	2021	2022	2023	2024
UK CASH	0.2	0.0	1.4	4.7	5.2
US DOLLAR INDEX	-6.7	6.4	8.2	-2.1	7.1
UK GILTS	8.3	-5.2	-23.8	3.7	-3.3
US TREASURIES	8.0	-2.3	-12.5	4.1	0.6
GLOBAL CORPORATE BONDS	7.1	-1.9	-6.8	4.0	2.8
GLOBAL HIGH YIELD BONDS	3.8	2.0	-2.3	8.2	11.0
US 500	16.3	26.9	-19.4	24.2	23.3
UK ALL SHARE INDEX	-12.5	14.5	-3.2	3.8	5.6
EURO 600 INDEX EX UK	1.0	22.5	-15.0	14.9	4.5
JAPAN INDEX	4.8	10.4	-5.1	25.1	17.7
ASIA EX JAPAN	22.4	-3.1	-15.4	6.4	16.2
EMERGING MARKETS	15.8	-4.6	-22.4	7.0	5.1
COMMODITIES	-26.1	41.6	41.9	-9.7	11.2
GOLD	20.9	-4.3	-0.7	12.8	26.6
HEDGE FUNDS	6.8	3.7	-4.4	3.1	5.3

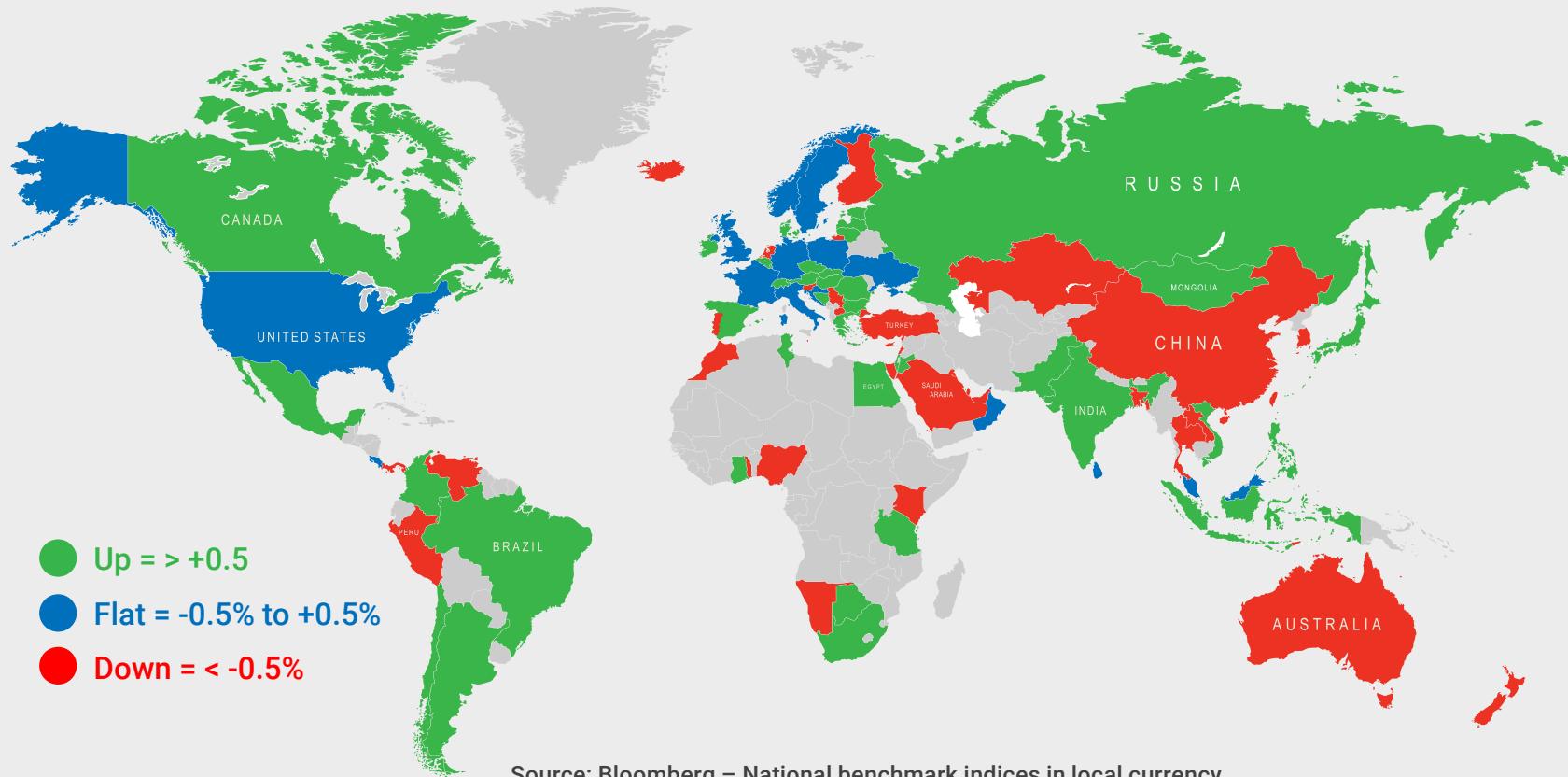


Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS



Source: Bloomberg – National benchmark indices in local currency

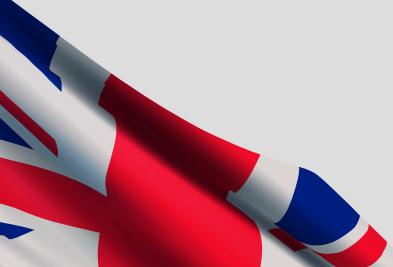
Key Points

- US stocks were highly volatile; the Nasdaq fell over 2% after AI valuation concerns sparked a significant mid-month tech selloff, breaking a seven-month streak. But the wider US equity market was more resilient with the S&P500 flat over the month.
- The UK FTSE 100 hit an all-time high of 9,788 points, supported by earlier momentum before facing declines due to fiscal uncertainty from the approaching budget.

- European equity benchmarks reached new record highs, driven partly by optimism surrounding economic resilience and easing geopolitical concerns.
- Gold rallied after the volatility of October, driving double digit returns for gold miners. Silver was particularly strong on low inventory concerns.

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CURRENCIES



GBP VS OTHER CURRENCIES



USD VS OTHER CURRENCIES

Key Points

- The Dollar Index surged toward a six-month high early in November before falling sharply late in the month as Fed rate cut expectations rose significantly on perceived weak employment data.
- The British pound rallied over \$1.32 on the expectation of tax increases to stabilise the fiscal position and increase the fiscal headroom.



EUR VS OTHER CURRENCIES

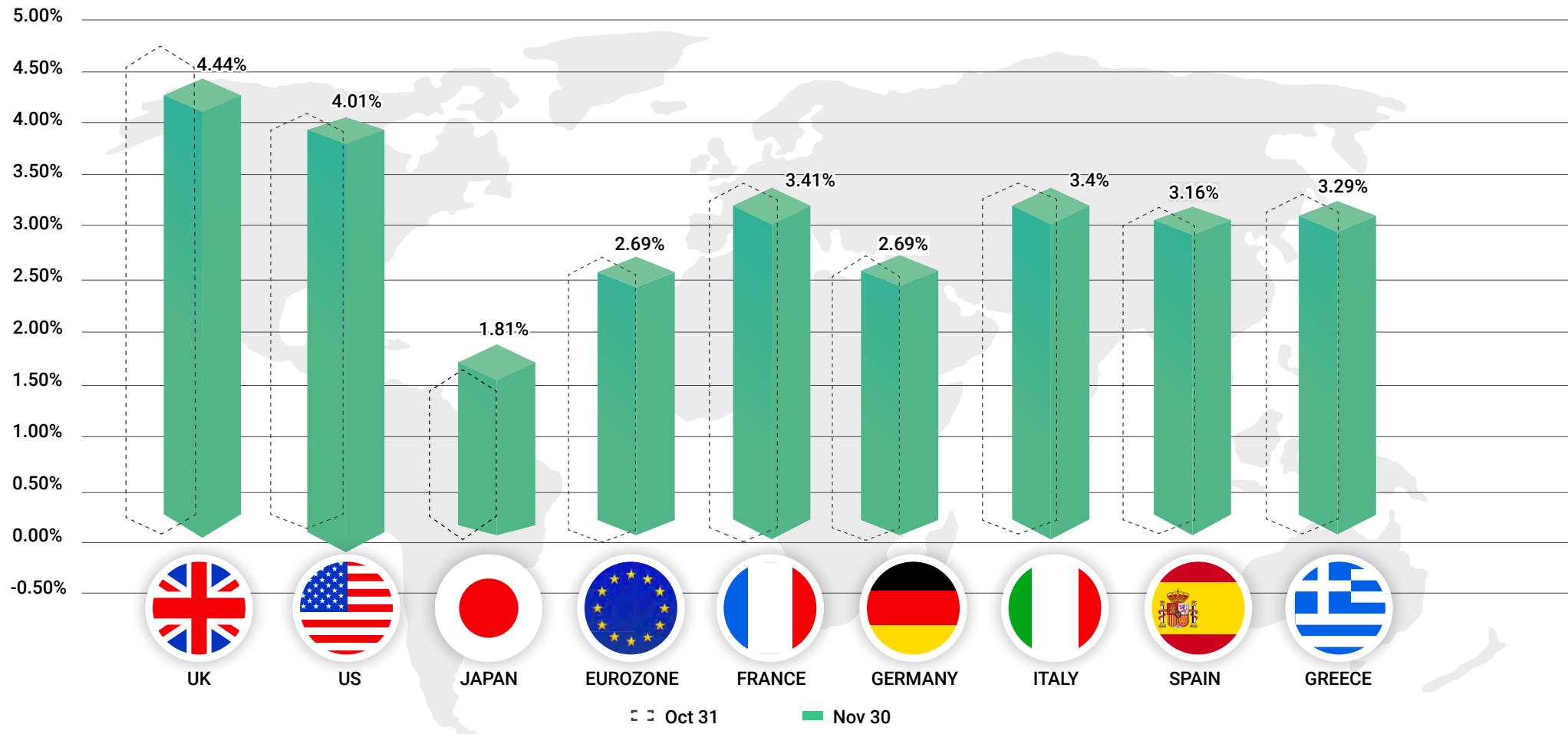


JPY VS OTHER CURRENCIES

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GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- The US 10-year Treasury yield fell toward the 4.0% mark, declining significantly for the month due to dovish Fed comments bolstering December rate cut expectations.
- The Fed announced the end of its balance sheet runoff, shifting to net buying of Treasury bills to offset maturing MBS assets and ease funding stress.
- German 10-year Bund yields stabilised near 2.7%, as investors cemented expectations that the ECB will keep policy rates unchanged throughout 2026.

- UK 10-year Gilt yields were volatile, surging mid-month to 4.56% on reports planned income tax increases were being abandoned. The initial response to the budget was positive, with yields falling back, but they then started to move higher again.
- Japan yields continued their remorseless rise on concerns over lax fiscal and monetary policy from the new administration: 10yr yields touched 1.82%, an 18-year high.

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GLOSSARY OF TERMS

BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People's Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy "loose" or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency
The 'Fed'	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks
GBP	British Pound – sometimes referred to as 'sterling'
GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries

Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
Hawkish	The approach in which central banks are likely to keep monetary policy "tight" or restrictive
JPY	Japanese Yen – currency of Japan
Macro	or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole
PMI	Purchasing Managers' Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
YoY	Year over year

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Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK