



December 2025

## Market Commentary

**Equity markets were more mixed in November when there were concerns over the high level of spending and of valuations for companies riding the artificial intelligence boom. There was support from the expected cuts in interest rates by central banks, even as that reflected some softening in what has been a resilient global economy, while the Autumn Budget in the UK confirmed the challenges for governments dealing with a high level of spending and debt as well as modest growth.**

The economic outlook has seemed a little less encouraging in the US where retail sales rose by just 0.2% in September in the latest data. The University of Michigan index of consumer confidence was at a three-year low in the November figures; for those Americans with large equity holdings confidence was up by 11% although that points to possible fragility if markets falter. The September jobs data was stronger than expected with 119,000 additions to payrolls although job losses for October were the most in that month for two decades while an unemployment rate at 4.4% was the highest level since 2021. The US government shut-down at least came to an end; it had been the longest on record and caused a shortage of economic data as well as disruption to spending. The trade disputes or the negotiations rumbled on; while Switzerland secured a reduced rate of 15% rather than 39% for its exports to the US there were concerns over the methods used to persuade President Trump. Swiss companies committed to invest \$200bn into America, one factor that might help the US which also sought to strike further deals to secure important commodities such as rare earths. The Japanese economy shrank by 1.8% in the third quarter on an annualised basis, hit by a drop in exports of car parts in particular.

In the UK the economy was reported to have grown in the third quarter by 1.3% on the previous year and by just 0.1% on the prior quarter, while unemployment reached 5%, the highest level since 2021. The Office for Budget Responsibility released economic data (a little early) that pointed to economic growth of 1.5% for 2025 and it did not see any particular boost coming from the Autumn Budget; this forecast spending to rise by £12bn, including lifting the two-child benefit cap, and taxes by £26bn, mostly on individuals and through freezing income tax thresholds for longer. The increases were weighted to later years such that at the end of the current parliament the overall tax burden will be at 38%, similar to that in Germany. Bond markets were reassured by the increase in the government's headroom to £21.7bn by 2029-30 from the previous £9.9bn.

In the UK the consumer price index (CPI) was down to 3.6% in October from 3.8% in the previous three months; the central bank had judged the peak to have been in September. In the US the CPI is around an annualised level of 3%; the authorities cancelled their November report given the inability to harness data. In the eurozone the headline rate of consumer price inflation in October was at 2.1%, down from 2.2% in the previous month. In Japan the annual rate of inflation rose again to 3% from 2.9% in September.

The Bank of England held its interest rate at 4% in the latest meeting, by a majority of 5:4 with a larger minority than expected favouring the cut that is now likely to come in December. The US Federal Reserve is also widely expected to cut its interest rate again in December, by twenty-five basis points from the current 3.75-4%, although the lack of full economic data and some indications that tariffs are now squeezing prices higher might prompt some caution. The European Central Bank appears unlikely to cut rates further from the current 2%. The Bank of Japan rate is at 0.5%.

The excitement over artificial intelligence waned further, with pressure on Palantir over its lofty valuation and in spite of strong results from Nvidia, which was later seen to be losing out to Google's new chip technology. The number of corporate transactions of \$10bn or more in the US reached 63, which was more than in any year since 1988 (in part as markets are higher). The earnings reported for the third quarter in the US, Europe and Japan were above forecasts; margins seem unlikely to increase much more.

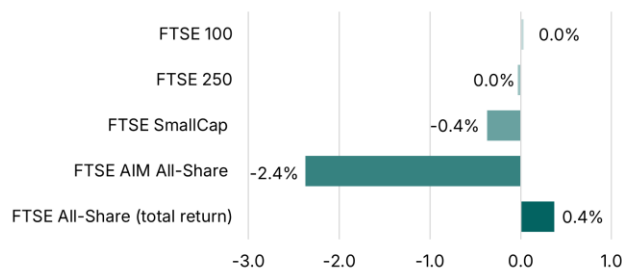
The socialist Zohran Mamdani was elected as mayor of New York with 50% of the vote, while the Democratic party made gains in various elections with the cost of living a factor. Russian attacks on Ukraine continued as President Trump's initial 28-point peace plan which looked to give Russia all it wanted was revised. Taiwanese president Lai Ching-te pledged to spend \$40bn on weapons in the face of continued Chinese pressure and apparent US disdain, although the new Japanese prime minister, Takaichi Sanae, offered her support which prompted China to protest at the United Nations and to dissuade its tourists from visiting Japan. The COP30 event in Brazil fizzled out with no new measures on fossil fuels. Floods hit several countries in south-east Asia; the city of Hat Yai in Thailand saw its heaviest rainfall in three hundred years.



### United Kingdom

The FTSE 100 index was up marginally by 0.03% over the month to 9721 while the FTSE 250 index of mid-sized companies and the FTSE SmallCap index saw declines of 0.03% and 0.4% respectively; the FTSE AIM All-Share index was down by 2.4%.

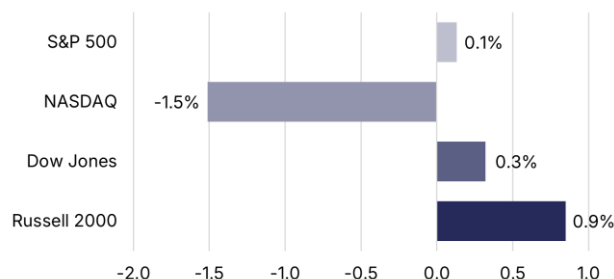
The total return for the FTSE All-Share index, including income, was 0.4% in the period.



### United States

In the US the S&P 500 index was up by 0.1% in the month, although an equal-weighted version was 1.7% higher; the technology-oriented NASDAQ index was 1.5% lower while the Dow Jones Industrials index rose 0.3%.

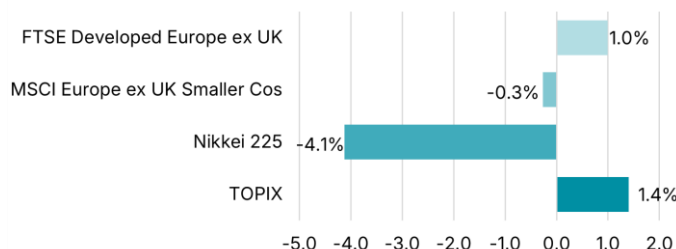
The Russell 2000 index of smaller companies was up by 0.9%.



### Europe & Japan

The FTSE Developed Europe ex UK index was up by 1% over the month, when the Spanish and Italian markets saw useful gains, while the French market was broadly flat and that in Germany down. The MSCI Europe ex UK Smaller Companies Index declined by 0.3%.

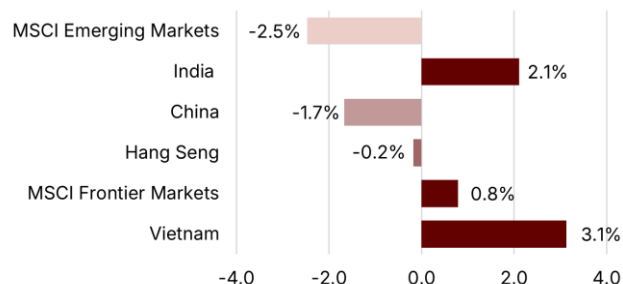
In Japan the Nikkei 225 index was down by 4.1% and the more representative TOPIX index rose by 1.4% in the period.



### Emerging Markets

The MSCI Emerging Markets index in US\$ was down by 2.5% in the month, when the Korean market fell back by 4.4%, although there were gains of 6.4% in Brazil and 2.1% in India. The Shanghai index was down by 1.7% while the Hang Seng index in Hong Kong slipped 0.2%.

The MSCI Frontier Markets index was 0.8% higher and the Vietnamese market gained by 3.1%.

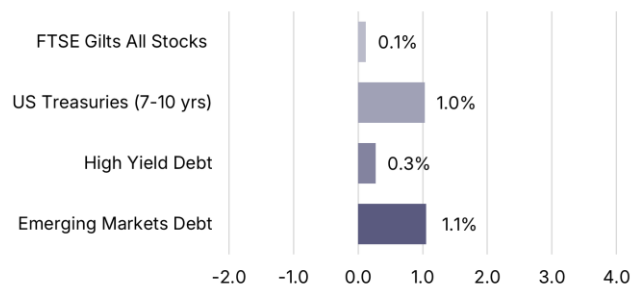




### Bond Markets

In bond markets the UK 10-year gilt yield rose slightly from 4.41% to 4.44% and the total return for the FTSE Gilts All Stocks index in the month was 0.1%. In Germany the 10-year bund yield moved from 2.63% to 2.69% while in the US the ten-year yield was lower at 4.01% from 4.08%.

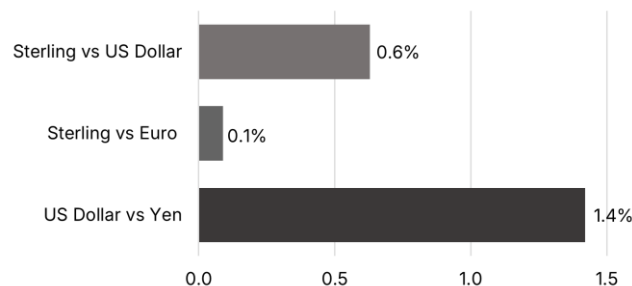
There were gains in the major bond markets aside from index-linked gilts in the UK, with US Treasuries and emerging market debt doing best.



### Currencies

Sterling was up by 0.6% against the US\$ in the month, ending at a rate of \$1.32:£, while against the euro Sterling was 0.1% higher to end at a rate of €1.14:£; the currency rallied after the Budget.

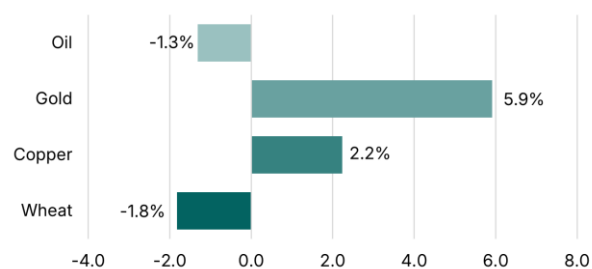
The US\$ was up by 1.4% at ¥156:\$ against the Japanese yen.



### Commodities

The price of Brent crude oil ended the month down by 1.3% at a level of \$64 per barrel. Gold gained over the month by 5.9% to close at \$4239 per troy ounce.

The main metals were mostly higher in the month, with the bellwether copper up by 2.2%, and the main agricultural commodities were mixed, with wheat down by 1.8%.



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