

## Monthly Market Commentary - December 2025

Global equities dipped 0.5%, pulled down by significant US weighting, as December marked a distinct rotation in global markets, characterised by a sharp divergence between US technology and European value sectors. However, bond markets were mixed, with the global aggregate index falling by 0.2%, as investors reassessed 2026 inflation expectations.

US large-cap equities retreated 1.4% and the US technology large-cap fell 2.0% as high valuations in the AI and tech sectors prompted a wave of profit-taking. Investors grew cautious ahead of fourth quarter earnings, rotating capital out of "overcrowded" growth trades.

Conversely, UK equities rallied 2.3%. The UK market's heavy weighting in "old economy" sectors like energy and financials attracted inflows as investors sought undervalued assets.

European equities were the month's standout, as they rose by 2.4%. Lower valuations compared to the US and a supportive outlook from the ECB fuelled a relief rally, particularly in industrials and consumer discretionary holdings.

Japanese equities slipped 1.0%, as a strengthening Yen weighed on major exporters. As a result, this dampened investor sentiment, despite solid domestic earnings figures.

Emerging Markets displayed resilience, rising 1.5%. This was achieved despite a 2.2% drag from China, as investors pivoted aggressively towards high-growth markets like India and Latin America, capitalising on a softer US Dollar.

Elsewhere, commodities saw extreme divergence. Brent crude slumped 3.9% on oversupply fears, while precious metals soared. Gold gained 2.0% as a safe-haven, but silver staged a historic 31.5% rally, driven by a speculative squeeze and acute shortages in industrial inventory.