

November 24, 2025

Weekly Investment Insights



Even though last week brought some good news from both corporate earnings reports and economic data, global stocks ended in the red as fear over the valuations of artificial intelligence companies rose. The losses started on Wall Street on Thursday but made their way to Asia and Europe on Friday. Investors are becoming increasingly concerned about the significant AI spending by major US tech companies and how long it might take for the investments to generate significant return. By Monday, however, a cautiously optimistic mood was returning to markets, with global tech stocks leading gains, ahead of a busy data week. New York Fed President Johan Williams helped sentiment by commenting that a near-term rate cut remains a possibility.

This week, UK Chancellor Reeves will announce the much-awaited Autumn Budget, in which she is expected to raise taxes in order to plug an estimated £20 billion fiscal hole. Investors will be listening carefully to find out which taxes will be raised, given that Reeves recently backtracked on income tax hikes after revised forecasts from the UK's fiscal watchdog showed that the country's fiscal deficit is smaller than previously expected.

US markets will be closed on Thursday for Thanksgiving, and will close early on "Black" Friday, kicking off the major shopping weekend as consumers race to get the best deals for their holiday purchases.

MACRO SNAPSHOT

European Commission releases Autumn Economic Forecast

The European Commission's Autumn Forecast projects growth of 1.3% in the currency union this year --up from 0.9% in its Spring forecast. It noted that economic growth had exceeded expectations in the first nine months of the year, thanks to export front-loading (ahead of US tariffs) and an uptick in investment in equipment and intangible assets, especially in Ireland. It added that the continuation of growth we are seeing now in Q3, is testimony to the "resilience of the European economy and its ability to navigate unprecedented shocks". A resilient labour market, lower inflation and favourable financing conditions are also helping matters.

The question, however, is whether the bloc can now turn that resilience into renewal – and the verdict is still out. By the Commission's estimates, growth is expected to slow to 1.2% next year, below the 1.4% predicted in Spring.

European Commission Autumn Forecasts

Eurozone GDP		Eurozone Inflation	
2025	1,30%	2025	2,10%
2026	1,20%	2026	1,90%
2027	1,40%	2027	2,00%

Source: European Commission, *BIL*

ECB September Forecasts

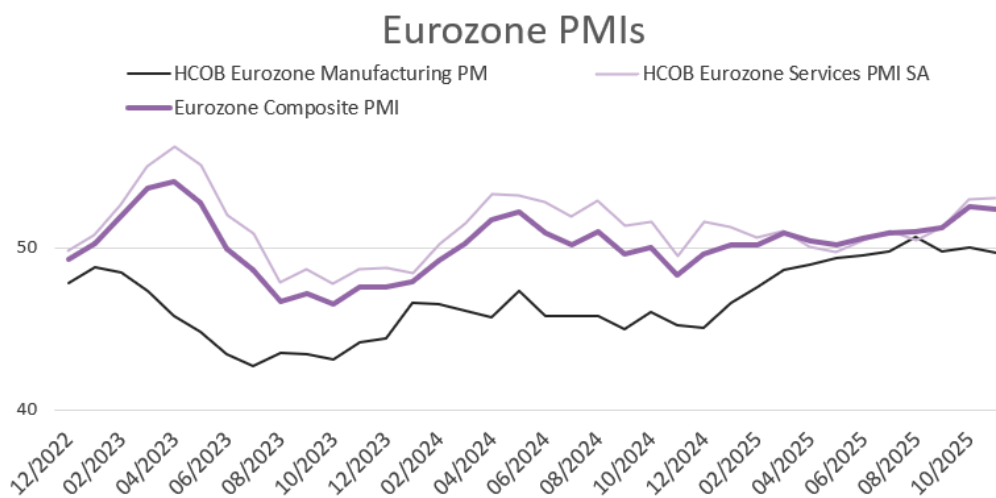
Eurozone GDP		Eurozone Inflation	
2025	1,20%	2025	2,10%
2026	1,00%	2026	1,70%
2027	1,430%	2027	1,90%

Source: ECB, *BIL*

That said, the Commission's upgrades might precede upgrades to the ECB's projections, due December. If that materialises, it further corroborates the case for monetary policy to be kept as is for the coming months, especially considering that inflation is also expected to float around the target level of 2%.

PMIs suggest the Eurozone economy is holding up, with the services sector doing the heavy lifting

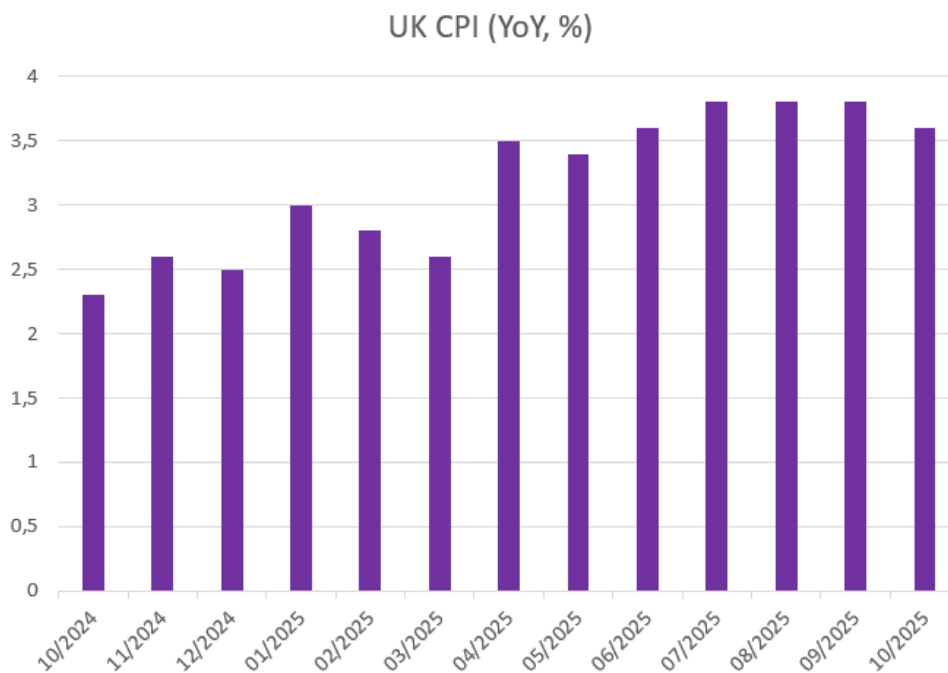
Business activity in the Eurozone grew at a solid pace in November, with the Composite PMI at 52.4, down slightly from 42.5 in October, according to preliminary estimates. Growth continued to be driven by the services sector, which grew at the fastest pace in 18 months, while the manufacturing sector dipped into contraction territory. The services PMI rose to 53.1 in November, up from 53,, driven by solid growth in new orders. Employment rose at a slower pace, indicating that firms are becoming slightly more cautious when it comes to hiring. The manufacturing PMI slipped to a five-month low of 49.7, down from 50 in October, as input costs rose sharply, and output barely grew.



Source: Bloomberg, BIL

UK inflation eases but remains significantly above the BoE's target

Price pressures in the UK eased in October, with the annual inflation rate dropping to 3.6% from 3.8% in the three months prior. A change to the energy price cap introduced by the Office of Gas and Electricity Markets in October led to slower price increases for housing and utilities, while smaller price rises were also seen for restaurants and hotels, services, and clothing and footwear. Meanwhile, inflation accelerated for food and non-alcoholic beverages, as well as for recreation and culture. Core inflation, which excludes volatile categories such as food and energy, fell to a six-month low of 3.4%. This easing of price pressures aligns with the expectations of the Bank of England (BoE) and strengthens the case for an interest rate cut in December, given the continued sluggish growth and weakening labour market.



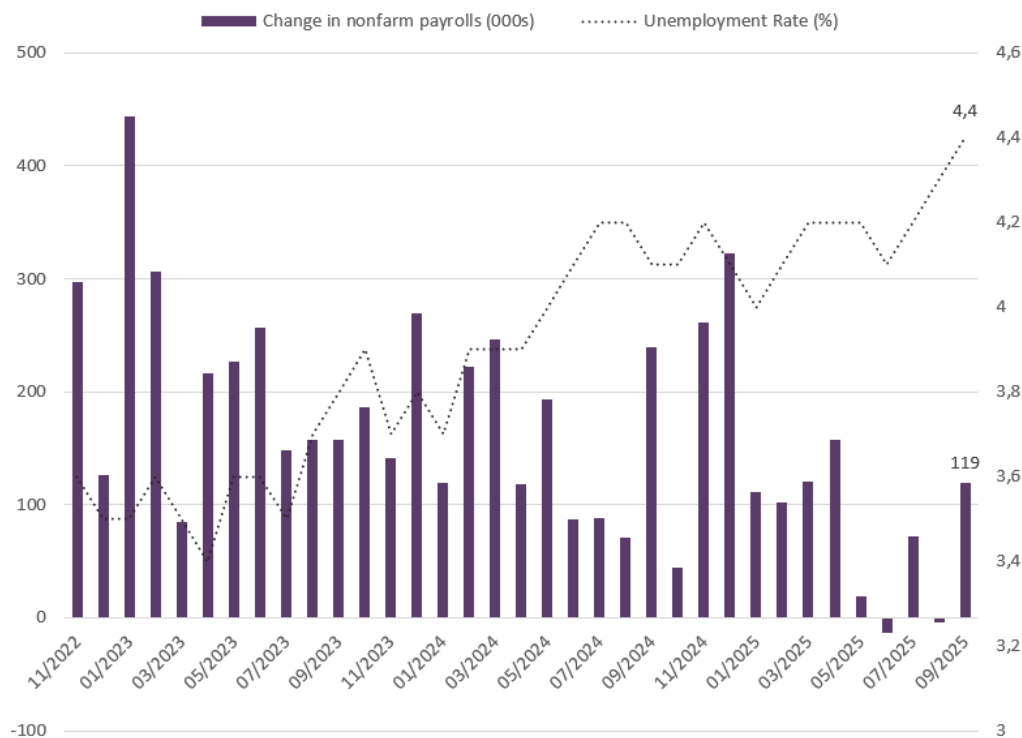
Source: Bloomberg, BIL

US tariff impact hits Swiss growth

Switzerland struggled in the third quarter of the year when the US imposed 39% tariffs on Swiss goods. This caused the economy to contract by 0.5% quarter-on-quarter. The sharper-than-expected contraction followed growth of 0.1% in Q2 and was driven by a decline in the chemical and pharmaceutical sectors. Meanwhile, the services sector continued to grow, albeit at a 'below-average' rate. In November, however, the US and Switzerland reached a deal that lowered US tariffs to 15%, offering some relief to Swiss export-heavy industries.

US unemployment rate rises, but companies are still hiring

Data on the US economy has finally started to roll back in following the reopening of the federal government, but the latest data may not provide investors and the Federal Reserve with as much clarity as hoped. Mixed messages from the labour market show that the unemployment rate has risen to its highest level since 2021, while the economy added 119,000 jobs in September — far more than the expected 50,000. While the acceleration in hiring is positive for the labour market, fears arose that it could cause the Fed to keep interest rates on hold in December while it considers the risks to inflation. However, the rise in the unemployment rate to 4.4% in September might compel a more dovish stance; it is a delicate balancing act. The central bank has reduced interest rates by 25 basis points twice this year and governors aren't strongly divided on a December rate cut, according to the minutes from the October monetary policy meeting. With the October employment report cancelled due to the lack of data collected during the government shutdown, the Fed will have to base its decision on the September data, combined with weekly jobless claims and private data reports.

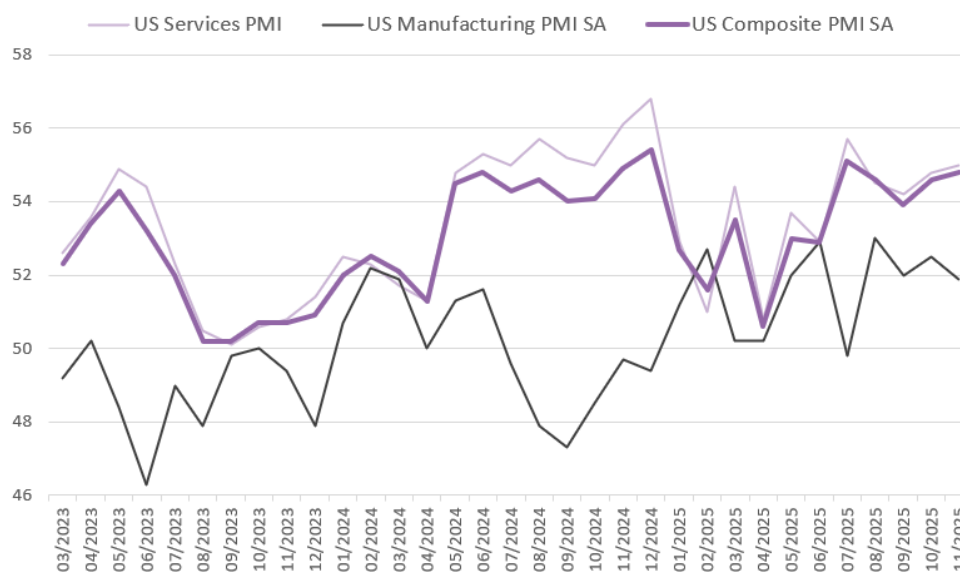


Source: Bloomberg, BIL

US PMIs point to continued growth momentum

Preliminary estimates of business activity in November were also released, showing that activity rose more than expected, with the Composite PMI rising to 54.8 from 54.6. This was the fastest expansion since July, driven by strong activity in the service sector (the PMI rose from 54.8 to 55), while manufacturing activity remained solid (the PMI eased from 52.5 to 51.9). New orders increased at the fastest rate since December, indicating robust demand despite high inflation and economic uncertainty. In manufacturing, employment increased at the fastest rate since August. However, employment growth in the services industry moderated as firms struggled to replace employees who had left. Most concerning was a rise in price pressures. **Input costs rose at one of the fastest rates in the last three years, leading to an increase in selling price inflation attributed to tariff-related impacts.** This fact adds to an already-complicated stew for the Fed: business activity is strong, inflation is picking up (albeit price increases might be transitory this time) and the labour market is still showing signs of cooling.

US PMIs surpsie on the upside



Source: Bloomberg, BIL

Japan's new Prime Minister unleashes fiscal firepower

Japan's Prime Minister, Sanae Takaichi, announced a stimulus package worth \$135.4 billion, aimed at boosting economic growth and reducing the financial burden on households amid rising living costs. The package, which includes gas and electricity subsidies, financial support for parents and rice coupons, is Japan's largest stimulus measure since the pandemic. Prior to the announcement, market participants were concerned that substantial government spending could damage the country's finances, resulting in a sell-off of the yen and bonds. With the stimulus package smaller than anticipated, investors are now waiting to find out how much additional bond issuance will be needed to fund it.

Calendar for the week ahead

Monday – Germany IFO Business Climate.

Tuesday – France Consumer Confidence. US House Price Index, CB Consumer Confidence, Pending Home Sales.

Wednesday – US Durable Goods Orders, New Home Sales, Personal Income and Spending, GDP Growth and PCE Inflation (Q3, 2nd est.), Weekly Jobless Claims.

Thursday – Germany GfK Consumer Confidence. Eurozone M3 Money Supply, Economic Sentiment, Consumer Confidence (final), Inflation Expectations. Spain Business Confidence. Italy Industrial Sales.

Friday – Japan Unemployment Rate, Industrial Productions, Retail Sales, Inflation. Germany Retail Sales and **Inflation (Preliminary, November)**. UK House Prices. France Inflation and GDP Growth (Final, Q3). Spain Inflation and Retail Sales. Germany Unemployment Rate. Italy Inflation and GDP Growth (Final, Q3). France Unemployment.

Sunday – China NBS PMI (November).

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