

December 19, 2025

Weekly Investment Insights



Written on 19 December,

The Weekly Investment Insights newsletter will be paused over the holiday period, returning on January 9. Thank you for your readership. We wish you a happy and safe holiday period, and a fortuitous New Year!

After a slight stagger early Friday, a Santa rally in stocks looked to be taking hold on Friday afternoon. A lower-than-expected US inflation print (2.7% YoY versus forecasts of 3.1%) allowed the merry vibes that set in with the Fed's 25bp rate cut to persist, while the expiration of around \$7.1 trillion in options also helped lift stocks, as it compelled traders to rollover positions or open new ones. Across the week, US equities saw near-record inflows, with the prospect of tax cuts next year stoking interest. Notably, flows into US tech stocks picked up, implying that fears about AI valuations have been somewhat allayed for the time being. Positive news and guidance from some household tech names helped. Bond yields rose virtually across the board after the Bank of Japan hiked rates by 25 basis points, to the highest level since 1995, while signalling more tightening on the horizon.

It was a busy week all round in terms of central bank meetings. While the ECB, the Riksbank and the Norges Bank held rates steady, the Bank of England delivered a 25 basis point cut. Policymakers on Threadneedle Street voted with a small majority to bring the base rate to

3.75%.

MARKET SNAPSHOT

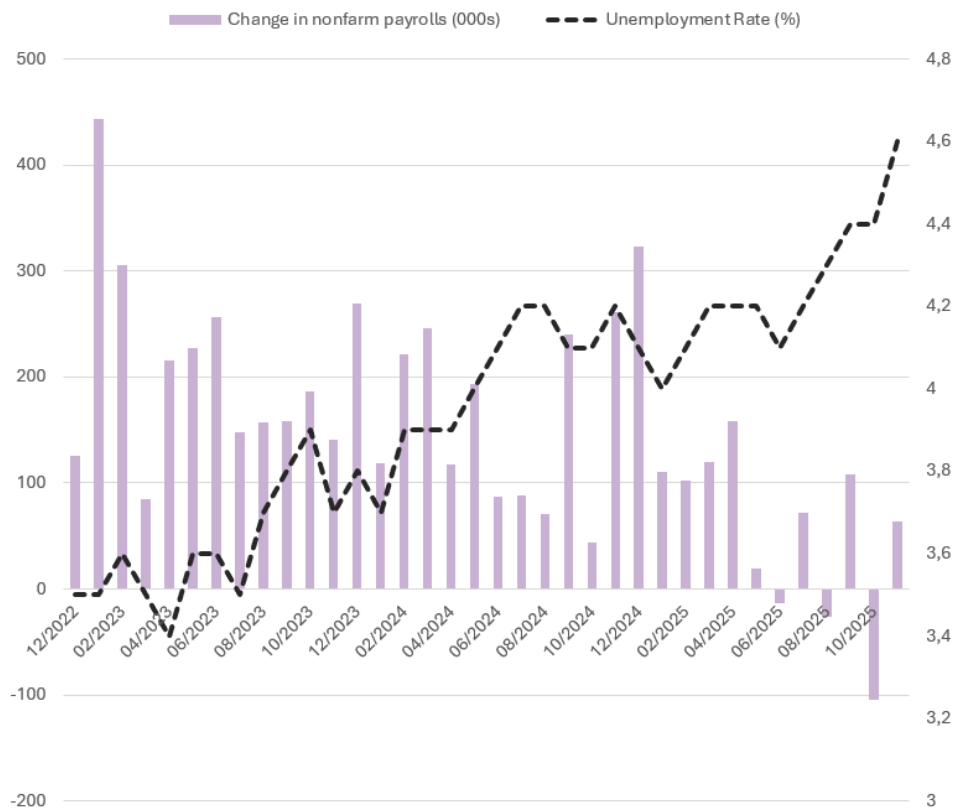
	Last Close	5 Day Percentage Change	MTD Percentage Change	YTD Percentage Change
S&P 500	6774.76	-0.02	-0.34	16.05
Nasdaq Composite	23006.36	-0.01	-0.74	20.10
EuroStoxx 50	5741.71	0.77	1.70	17.74
CAC40	8150.64	1.20	0.52	10.63
DAX	24199.5	0.43	1.91	22.01
CSI 300	4552.792	-0.28	0.92	16.09
US 10 Year Yield (%)	4.1217	-1.12	3.09	-9.45
Germany 10 Year Yield (%)	2.85	1.05	7.36	21.97
Gold Spot (\$/Oz)	4332.62	0.90	2.33	65.30

Source: Bloomberg, BIL (as of 16:27, 19 December)

MACRO SNAPSHOT

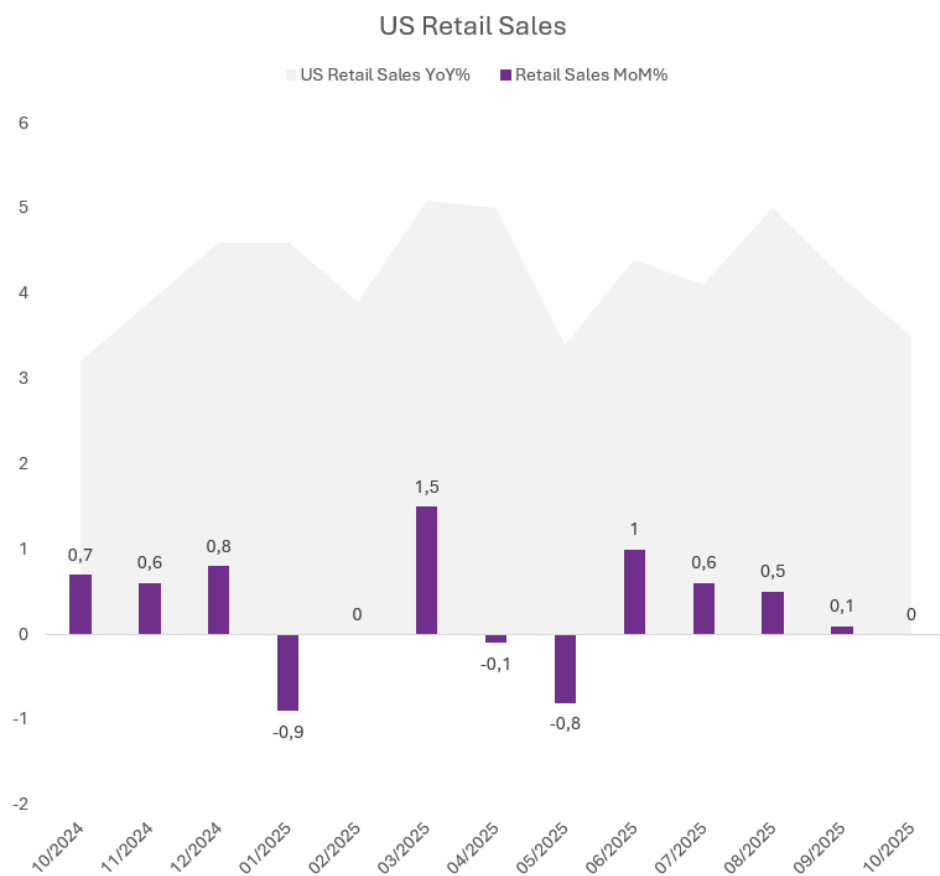
US Unemployment rate rises to a four-year high

Delayed data on the US labour market kept hopes about future Fed easing alive, with the unemployment rate rising to a four-year high of 4.6% in November, from 4.4% in September. Nonfarm payrolls grew by 64K during the month, failing to compensate for a 105K loss in October, and with most of the gains concentrated in healthcare and construction. Government positions continue to decline.



Source: Bloomberg, BIL

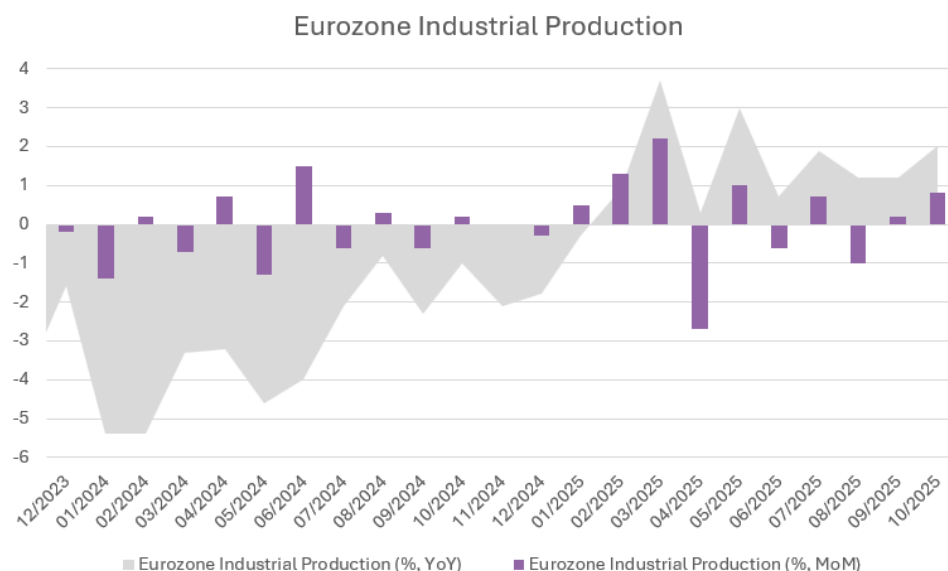
The key risk is that a weakening labour market derails consumption – the key growth engine of the US economy, accounting for roughly two-thirds of all economic activity. **Headline retail sales stagnated in October.** However, **control group sales** (which exclude food, gasoline, auto dealers and materials stores and which are used to calculate GDP), **surged 0.8%.**



Source: Bloomberg, BIL

Eurozone industry: cyclical stabilisation / structural drags

Industrial production in the Eurozone grew 2% YoY in October, or 0.8% from the previous month, suggesting activity is bottoming out after a string of misfortune.



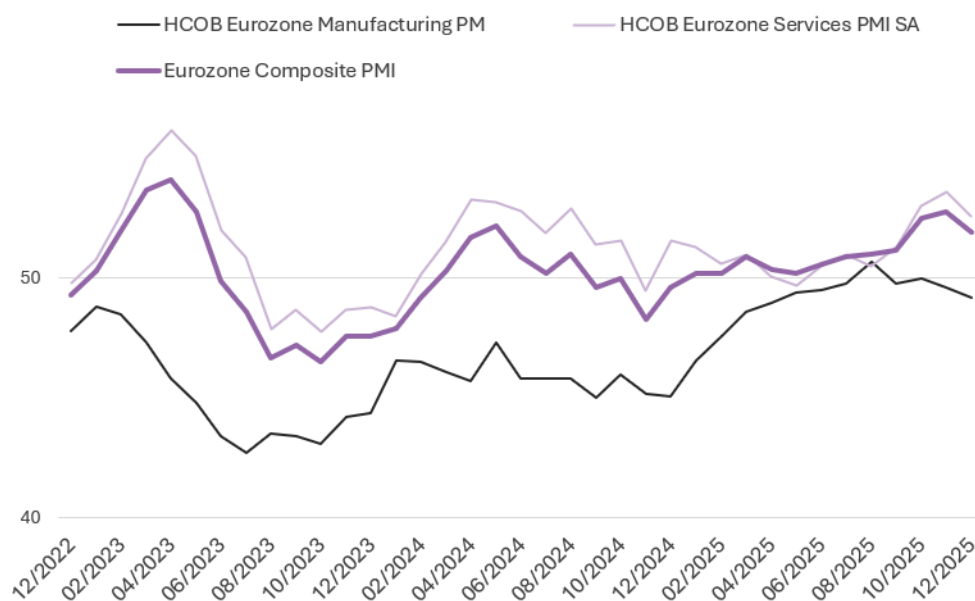
Source: Bloomberg, BIL

Looking ahead, we expect higher fiscal **spending on defence and infrastructure to provide further tailwinds**, however, structural headwinds persist such as intensifying competition from China.

In a bid to ease pressure on domestic industry, the European Commission will reportedly propose **softer emissions rules for new cars and discard an effective ban on combustion engines**. The current regulation, made law in 2023, requires all new cars and vans sold in the bloc from 2035 to be CO₂-emission-free, ultimately preventing sales of new gasoline and diesel-fuelled cars as of that date. While talks continue behind closed doors, financial media reports that emissions will have to be reduced by 90% rather than by 100% as originally proposed, paving the way for plug-in hybrids and EVs with fuel-powered range. According to the European Automobile Manufacturers' Association (ACEA), the **turnover generated by the automotive sector represents 7% of the EU's total GDP**. The industry has ripple effects throughout the economy, supporting a vast supply chain and generating an array of business services. While the latest move might provide mild relief, clearly more is required on the regulatory front to protect Eurozone industry in an increasingly fragmented world.

The latest **PMI data** suggests struggles continue for the goods-producing sector amid weak external demand. The **Manufacturing PMI fell to 49.2 in December**, its lowest level in 8 months, with production decreasing marginally and ending a 9-month growth streak. On a country-by-country basis, the downturn in German industry worsened, while in France, there were tentative signs of life.

Eurozone PMIs



Source: Bloomberg, BIL

The services sector PMI slipped down from 53.6 to 52.6 in December, again as a byproduct of weak external demand.

The composite PMI fell to 51.0. While this is the lowest level in three months, it still points to expansion and decent Q4 growth overall. The composite PMI has been above fifty for the past 12 months, meaning that private business activity in the Eurozone enjoyed a full calendar year of expansion in 2025, for the first time since the pandemic.

ECB holds main rate steady at 2%

At its final monetary policy meeting of the year on Thursday, the ECB held rates steady, as was widely expected. The refinancing operations rate and the marginal lending facility rate will also remain at 2.15% and 2.40%, respectively.

With the Eurozone having proved more resilient than expected, especially in the face of trade tariffs, the ECB revised up its growth forecasts for this year and next. It now forecasts the region's output at 1.4% in 2025 (up from its September projection of 1.2%) and at 1.2% next year (up from 1.0%).

Inflation is expected to undershoot the 2% target until 2028. However, core inflation, which excludes volatile items like food and energy, is envisaged slightly higher, at 2.2% next year

(previously 1.9%).

ECB economic projections, December

	GDP Growth		Inflation		Core Inflation	
	December Forecast	September Forecast	December Forecast	September Forecast	December Forecast	September Forecast
2025	1.4%	1.2%	2.1%	2.1%	2.4%	2.4%
2026	1.2%	1.0%	1.9%	1.7%	2.2%	1.9%
2027	1.4%	1.3%	1.8%	1.9%	1.9%	1.8%
2028	1.4%	N/A	2.0%	N/A	2.0%	N/A

Source: ECB, BIL

The accompanying statement did not offer forward guidance, with the central bank opting to let incoming data guide its next moves:

“The Governing Council is determined to ensure that inflation stabilises at its 2% target in the medium term. It will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance... The Governing Council is not pre-committing to a particular rate path.”

Overall, the tone was perceived as slightly hawkish and the euro pared losses following the meeting.

Bank of Japan hikes rate to highest level since 1995

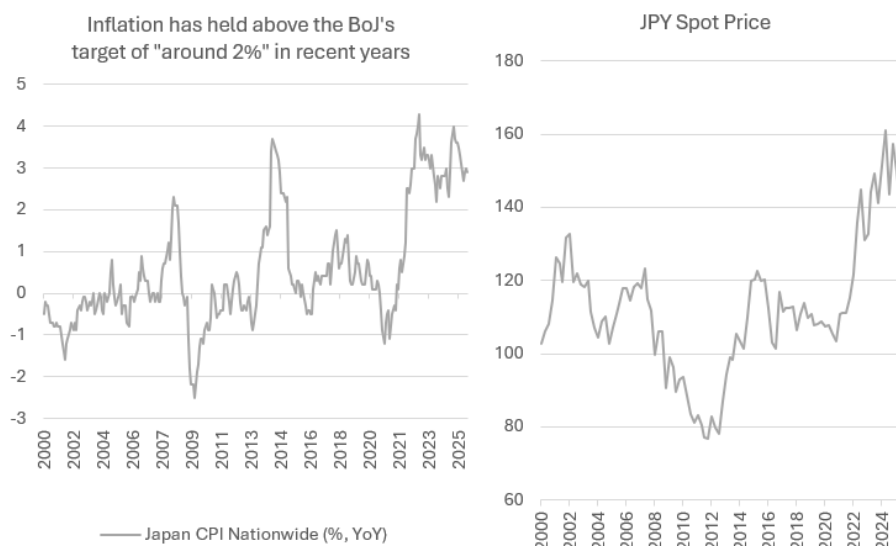
In a unanimous decision, the Bank of Japan raised its benchmark interest rate by 25 basis points to 0.75% at the tail-end of last week, while signalling that its hiking cycle will continue – *if* its economic outlook is realised. The likelihood of that happening has increased, according to the BoJ, given solid wage growth and receding risks from US tariffs. After years of feeble prices pressures, inflation has held above the BoJ’s target of “around 2%” since 2022.

Governor Ueda commented, “the pace as which we adjust our rate will depend on the state of the economy and prices.” He did not pinpoint where he views the neutral rate (the level at which policy is neither stimulating nor constraining growth); the BoJ sees it somewhere between 1% and 2.5%.

The yen weakened against the dollar after Ueda’s speech, suggesting markets had expected a more hard-line message about further hikes. The yield on the 10-year Japanese Government bond yield crossed 2% to reach its highest level since 1999, and the Nikkei 225 equity index

edged up.

Looking ahead, there could be a risk that the Japanese carry trade starts to unwind, as money flows back into domestic Japanese assets.



Source: Bloomberg, BIL as of 19 December

CALENDAR FOR THE WEEK AHEAD

Monday – China National People's Congress Standing Committee.

Tuesday – US Durable Goods Orders (October), GDP Growth Rate (Q3, 2nd Est.), Industrial Production (October and November), New Homes Sales and Building Permits. China National People's Congress Standing Committee.

Wednesday – Bank of Japan Monetary Policy Meeting Minutes. US Weekly Jobless Claims and Durable Goods Orders (November). China National People's Congress Standing Committee.

Thursday - Christmas Day

Friday – Japan Unemployment Rate, Retail Sales, Industrial Production, Inflation data. China National People's Congress Standing Committee.

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