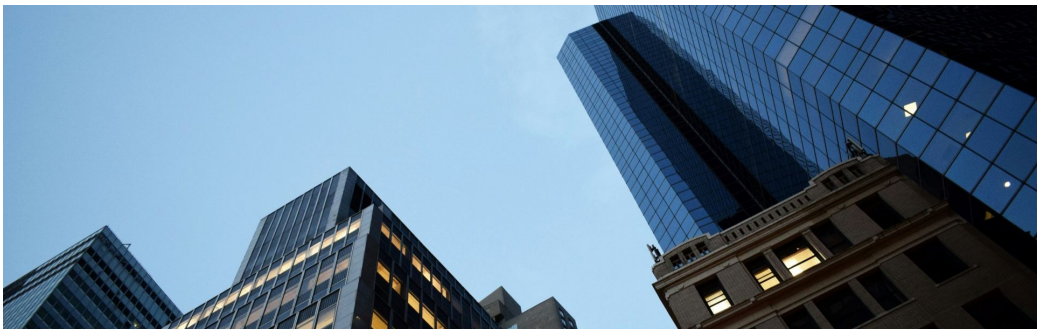
December 1, 2025

Weekly Investment Insights



Thanksgiving meant that last week was cut short for the US stock market, but that did not stop major indices from ending the week higher. Optimism about a potential interest rate cut by the Fed in December boosted the market. The Nasdaq recovered from the previous week's sell-off, during which investors took some chips off the table due to fears about high valuations, as attention turned to the upcoming FOMC meeting on 10 December.

A UK gilts rally brought the 30-yr to the lowest levels since June this year as the newly announced Autumn Budget somewhat eased concerns for long-term bonds by instating a much bigger fiscal headroom. In addition, a planned reduction of long-term gilt issuance by the UK government, also helped push yields lower.

MACRO SNAPSHOT

Can Trump spare US consumption?

Data released last week showed US consumer spending slowed at the end of Q3. Retail sales grew 0.2% MoM in September – the smallest increase in four months and only half of the +0.4% expected by economists.

Miscellaneous store retailers and gas stations saw the strongest spending, while sales fell quite markedly at sports, clothing and book stores.

Core retail sales, which are used to calculate GDP, declined 0.1%. Nonetheless, consumption is still on track to make a solid contribution to Q3 growth statistics, given that real spending was

robust in July and August.

The path from here is, however, less certain. The outlook has been further dashed by a dismal consumer sentiment reading from the Conference Board. Its gauge plummeted from 95.5 to 88.7 last week, with households increasingly pessimistic about the labour market and future income streams. The unemployment rate recently reached a four-year high of 4.4%, while wage growth continues its downward trend.

Sticky inflation is exacerbating the gloom. Cognizant of this, the Trump Administration has been actively trying to lower grocery prices by striking trade deals with several Latin American countries, covering items such as coffee and beef. At the annual Thanksgiving turkey pardoning ceremony, President Trump said, "This Thanksgiving, we're also making incredible strides to make America affordable again."

A fresh CBS News/YouGov survey* revealed that 36% of Americans approve of Trump's handling of the economy, down from 51% in a poll conducted early March. The drop in economic approval is steeper than the overall decline: Today, 40% of Americans approve of Trump's performance in office, down 11 points from the March survey.

Trump spared a turkey. But the most pressing issue now is whether he will be able to keep consumption alive ahead of the midterm elections. Household spending is the driving force behind the US economy, accounting roughly two-thirds of overall activity.

*The survey included 1,489 adults and was conducted Nov. 19-21.

UK Autumn Budget raises taxes by £26bn

Following the accidental early leak of the Office for Budget Responsibility's outlook on Wednesday, Chancellor Rachel Reeves finally unveiled her second Autumn Budget. This will increase taxes by around £26 billion and boost her fiscal headroom to £22 billion. The announced tax hikes will further squeeze household incomes at a time when British households are already struggling with high inflation and a weakening labour market. However, not all of the tax increases will be implemented right away, and they will come into force over the coming years. Many of the most significant personal tax changes will not take effect until 2028.

The main policy announcements in the budget include:

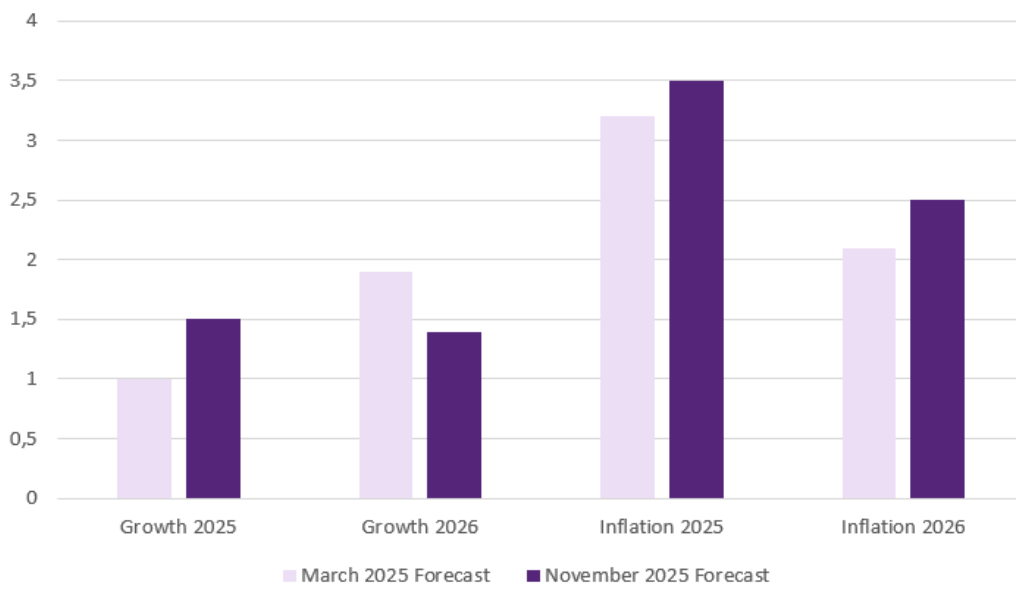
- A **freeze on the personal income tax threshold** until 2030-31.
- **Salary sacrifice** pension contributions to be capped at £2 000 a year before national insurance applies.
- A 2% **tax increase on dividends, savings and property income**.

- Council tax surcharge on homes worth more than £2mn from April 2028.
- Two-child benefit cap
- Cash Isa allowance for those under the age of 65 to be cut from £20 000 to £12 000, as of April 2027. Over-65s will retain the existing allowance.
- A 3p pay-per-mile tax on electric vehicles.
- Online gaming tax to rise from 21 to 40%, and the levy on online sports betting will increase from 15 to 25%.
- Fuel duty rates frozen until September 2026.

These measures are expected to increase the tax take to an all-time high of 38% of GDP in 2030-31.

The enlarged tax revenue should offset the additional spending of £11.3 billion included in the budget to fund the reversal of welfare cuts made over the summer and the lifting of the two-child benefit cap. However, the OBR has warned that the Chancellor's margin for error is still small. Several tax hikes are only set to be implemented in the next few years, meaning spending will increase sharply now while much of the tax revenue will only come in later.

In its outlook, the OBR also updated its economic forecasts for 2025 and 2026. Stronger growth than expected is foreseen for this year, but growth in 2026 was downgraded. Inflation is also expected to remain stickier than initially expected.



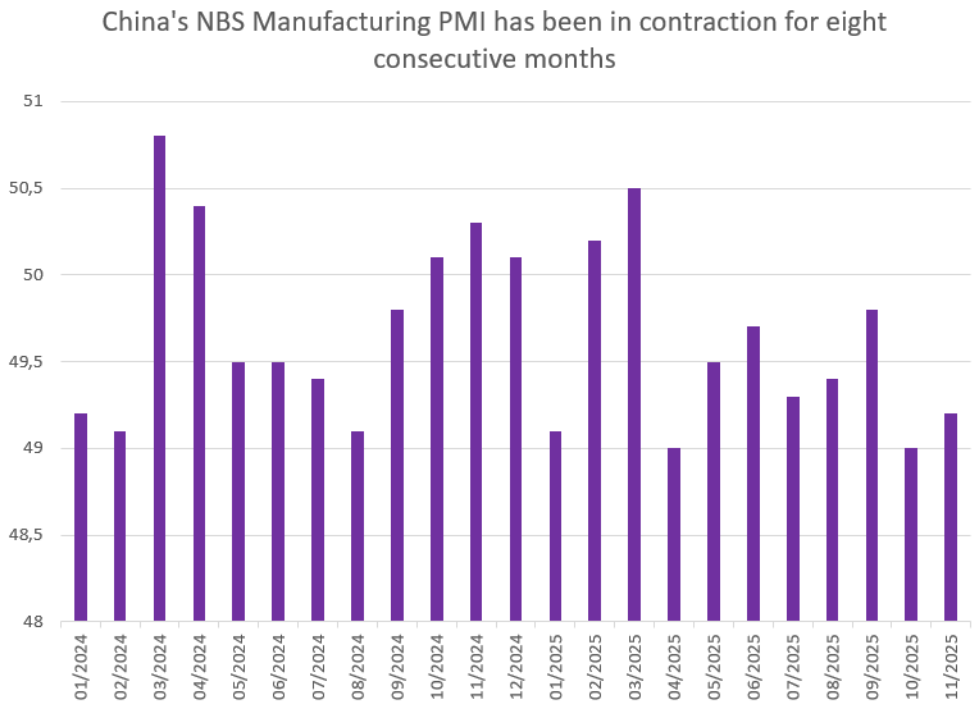
Source: OBR, BIL

The OBR also forecasts that the productivity outlook will be 1% over the medium term, 0.3 percentage points below the March estimate.

UK stocks fell on the announcement as market participants anticipate weaker growth.

Chinese manufacturers continue to struggle despite trade deal with the US

According to Beijing's official manufacturing PMI, China's factory activity continued to contract in November, albeit at a slower pace, with the index rising to 49.2, up from 49 in October. This marks the eighth consecutive month of contraction, despite the easing of trade tensions in November following the deal struck between the US and China. Manufacturers are still facing weak demand, intense domestic price competition, and global trade uncertainty. According to a private sector PMI (RatingDog), the manufacturing index contracted again after three months of expansion, with new orders stagnating amid job cuts and subdued demand.



Source: Bloomberg, BIL

Calendar for the week ahead

Monday – Switzerland Retail Sales (October), Manufacturing PMI (November). Eurozone, US, UK, France & Germany Manufacturing PMI (November, Final). US ISM Manufacturing PMI (November).

Tuesday – Japan Consumer Confidence (November). UK Housing Prices (November). Eurozone Inflation Rate (Flash, November), Unemployment Rate (October).

Wednesday – Switzerland Inflation Rate (November). Eurozone, France, Germany, UK & US Composite & Services PMI (Final, November). US ISM Services PMI (November).

Thursday – Switzerland Unemployment Rate (November). Eurozone Retail Sales (October). US Challenger Job Cuts (November), Jobless Claims.

Friday – Germany Factory Orders (October). Eurozone GDP Growth Rate (Final, Q3). US Michigan Consumer Sentiment (Prel, December).

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