Weekly market commentary

Week ending 12 December 2025

Welcome to our weekly market update. Our focus is on providing clear, concise insights into stock and bond market movements and the broader economic landscape.

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This week's highlights

- **Global markets hit record highs** after the US Federal Reserve cut interest rates for the third time this year.
- **Oracle shares dropped over 10%** as revenue missed expectations, sparking concerns about the pace of returns on Artificial Intelligence (AI) investments.
- **UK GDP fell 0.1% in October**, marking four months without growth, while China posted a record trade surplus despite ongoing US tensions.

Market review

Global equity markets climbed to a new record following the latest Federal Reserve interest rate cut. During the week, investors also focused on Oracle's earnings, UK GDP growth for October, and China's November trade balance update.

Global equity markets surged to record levels this week after the US Federal Reserve announced its third consecutive interest rate cut. The Federal Open Market Committee reduced rates by 0.25%, bringing the range to 3.5-3.75%. While widely anticipated, the decision was not unanimous: nine members voted for the cut, two preferred no change, and one called for a larger 0.5% reduction. This marked the first split vote of this scale since 2019. Chair Jerome Powell highlighted rising risks to employment and noted that easing rates should support the labour market while inflation continues to decline. The move provided a boost to global equities.

Attention then shifted to Oracle's earnings. Seen as a key indicator for AI investment trends, the company reported weaker than expected revenue, sending its share price down 10.5%. This decline weighed on other AI related stocks as investors questioned the pace of returns on technology investments.

In the UK, economic data disappointed. GDP contracted by 0.1% in October, following a similar fall in September and defying expectations of modest growth. This marks four consecutive months without expansion. The services sector was the main drag, falling 0.3%, with wholesale and retail trade and motor vehicle repairs down sharply.

Meanwhile, China posted a record trade surplus of over $1 trillion for the first 11 months of the year, despite ongoing tensions with the US. November alone saw a surplus of $112 billion, the third largest on record, as exports outpaced imports. These figures underline China's ability to maintain strong global trade flows despite geopolitical challenges.

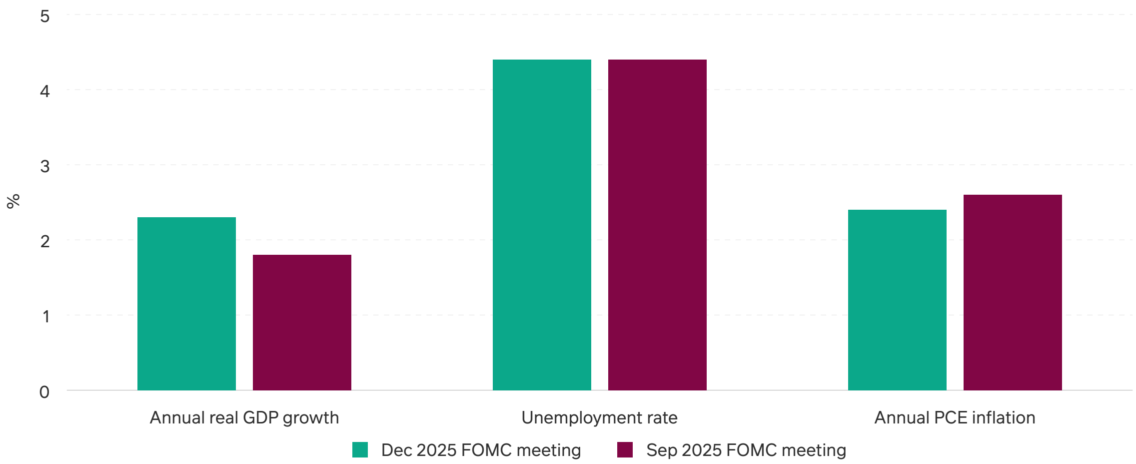
Outlook

Markets remain sensitive to shifting economic data and geopolitical risks, with volatility clustering around key announcements. Different inflation paths and uneven growth are driving increasingly uneven central bank policies, while fiscal dynamics and liquidity conditions add complexity. This backdrop sets the stage for greater variation across assets and regions in the months ahead.

Chart of the week

Change in 2026 estimates by the Federal Open Market Committee (FOMC)

The Federal Open Market Committee (FOMC) meeting on Wednesday also saw the release of its summary of economic projections. For 2026, the FOMC has increased its economic growth estimate and reduced its inflation estimate since its last meeting in September. The reduction in the Personal Consumption Expenditures (PCE) inflation estimate went from 2.6% to 2.4% and the increase in real GDP Growth from 1.8% to 2.3% for 2026. Chair Powell noted that government and continued AI spending will be supportive for growth next year along with ongoing US consumer spending. Powell noted that as the effects from US tariffs subside then inflation can come down in the US, suggesting that without US tariffs inflation would be closer to 2% already.



What this means for you

No matter what happens on a week-to-week basis, the importance of maintaining a well-diversified long-term investment approach, rather than reacting to short-term market swings continues to be key. By staying committed to carefully considered plans, investors can navigate through periods of volatility and uncertainty.

Need help?

If you have any questions in relation to this document, please discuss them with your financial adviser.

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