

Weekly market commentary

Week ending 28 November 2025

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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

- **Chancellor Reeves delivered the budget:** what was announced?
- **Tax thresholds:** freeze extended for a further three years.
- **Equities rallied:** following encouraging headlines on Russia-Ukraine war.

Market review

Chancellor Rachel Reeves delivered her second Budget on Wednesday, setting the tone for the remainder of this Parliament. While the Office for Budget Responsibility (OBR) has slightly upgraded its growth forecast for 2025 to 1.5%, projections for 2026 and beyond have reduced, reflecting persistent economic challenges. Fiscal headroom increased, doubling to £22 billion by 2029-30, but Reeves stressed that the UK's net financial debt will hit £2.6 trillion this year. This means one in every £10 will be spent repaying debt interest.

One of the most debated measures was the extension of frozen income tax thresholds for a further three years (now 2031). Originally introduced by former Conservative Chancellor Jeremy Hunt, this freeze creates 'fiscal drag' – as wages rise, more taxpayers are pulled into higher bands, increasing revenue without altering headline tax rates. Often described as a 'stealth tax', this approach tightens policy without obvious rate changes.

Reeves reaffirmed her commitment to fiscal discipline, maintaining rules that prohibit borrowing for day-to-day spending and require debt as a share of Gross Domestic Product (GDP) to fall by 2029-30. The Budget is forecast to deliver a £3.9 billion surplus by 2028-29, though many revenue-raising measures are backloaded. If growth underperforms, this headroom could quickly diminish.

Markets responded positively. UK gilt (government bonds) yields fell slightly, with the 10-year yield 0.1% lower, showing investor confidence in the approach. Equity markets also rallied, recovering most of the losses from the recent AI-driven sell-off. Talk was lifted by encouraging headlines on the Russia-Ukraine conflict, constructive US-China dialogue, and renewed expectations of interest rate cuts.

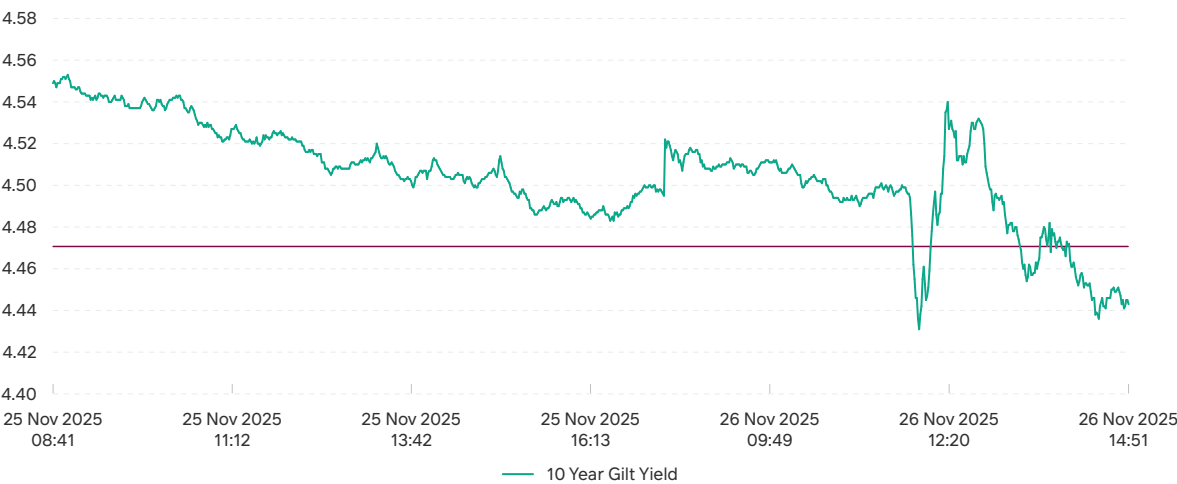
Outlook

Markets remain reactive to a mix of economic and geopolitical signals, generating volatility around key data points and announcements, while questions are being asked of current tech company valuations. As inflation trends diverge and labour markets evolve, central banks may take increasingly different paths, raising the potential for greater dispersion across asset classes and regions in the period ahead.

Chart of the week

The OBR's early surprise

The Budget was expected to take centre stage on Wednesday, but an unexpected slip by the OBR stole the spotlight. Around 45 minutes before the Chancellor was due to speak at the Despatch Box, the OBR accidentally published its report early, triggering an immediate reaction in the gilt market. The yield on the 10-year gilt fell sharply on the news before rebounding as investors absorbed the details. From there, markets moved in real time with the Chancellor's remarks, at one point climbing more than 0.1% in just over 20 minutes – well beyond the usual intraday range – highlighting how sensitive investors remain to signals about the UK's long-term fiscal credibility.



Source: LSEG Datastream & MAPM (M&G Investment Office) 27 November 2025.

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.