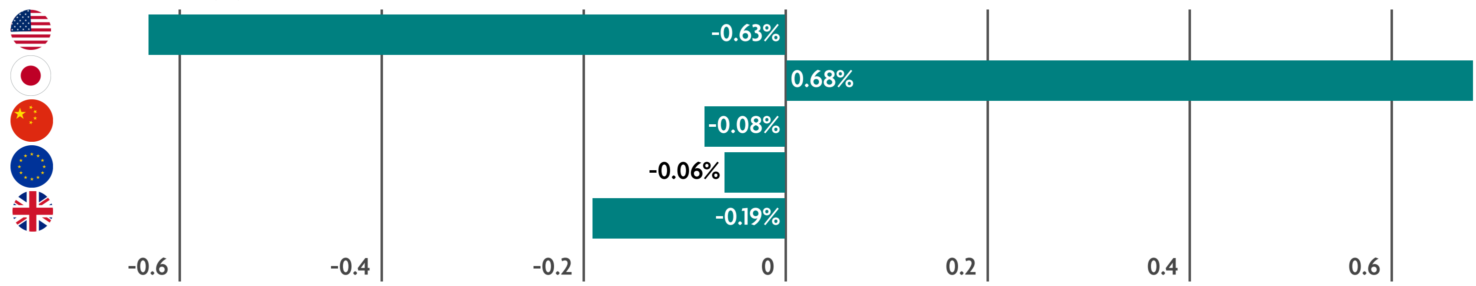
Weekly Market Update

15 December 2025

Last week's performance – major stock markets

Market Monitor (%): How did major stock markets perform last week*?



Key stories from last week

US: MIXED PERFORMANCE AS FEDERAL RESERVE CUTS INTEREST RATES BY 0.25%, BUT AI VALUATION CONCERNS RE-EMERGE

Most major stock indices rose and hit all-time highs during the week, supported by the Federal Reserve's third consecutive interest rate cut and commentary from central bank officials that some investors interpreted it as less hawkish than feared. Meanwhile, renewed concerns regarding technology stock valuations and questions around whether elevated spending on artificial intelligence (AI) infrastructure will pay off weighed on the S&P 500 and Nasdaq indices. These concerns came back in to focus after enterprise software company Oracle's quarterly revenue results fell short of expectations. The Federal Reserve concluded its final meeting of the year on Wednesday by lowering interest rates by 0.25% to the 3.5%-3.75% range. Three policymakers dissented, with two officials favouring no change and one preferring a 0.5% cut. The central bank's policy statement also included language that has previously signalled a pause in policy actions, noting that policymakers "will carefully assess incoming data" to determine "the extent and timing of additional adjustments to interest rates".

JAPAN: THE BANK OF JAPAN IS ANTICIPATED TO RAISE INTEREST RATES THIS WEEK, MARKING ITS FIRST HIKE SINCE JANUARY

Japanese equities rose over the week, with the Nikkei Index gaining 0.68% and the broader TOPIX index up 1.82%. Markets overwhelmingly priced in the likelihood of a Bank of Japan (BoJ) interest rate hike at its December 18–19 meeting, reflecting perceptions of improved communication by the central bank as it seeks to prevent a bout of market turmoil like the one triggered by its July 2024 rate hike, which came as a surprise to many investors. Ahead of the BoJ's December 18–19 monetary policy meeting, all of the 50 economists polled by Bloomberg expected the central bank to raise its key policy rate by 25 basis points to 0.75% at its final meeting of 2025.

CHINA: EQUITIES HOLD LARGELY FLAT DESPITE SIGNS OF PROFIT TAKING

Mainland Chinese stock markets eased slightly for the week, as investors took profits following recent months' gains. November inflation data underscored the weight of deflationary pressures on China's economy. The consumer price index (CPI) rose to 0.7% in November year on year, staying above zero for the second straight month. But the producer price index fell 2.2%, marking the 38th straight month of declines. Core inflation data, which excludes food and energy, was unchanged at 1.2%, Bloomberg reported.

EUROPE: MIXED RETURNS FROM KEY MARKETS, AS THE EUROPEAN CENTRAL BANK IS EXPECTED TO HOLD RATES STEADY THIS WEEK

Major European equity markets were mixed for the week. Germany's DAX gained 0.66%, Italy's FTSE MIB rose 0.19% and France's CAC 40 Index fell -0.57%. European Central Bank (ECB) Executive Board member Isabel Schnabel told Bloomberg that she was "rather comfortable" with market expectations for an increase rather than a decrease in borrowing costs but indicated that any potential rate hike would hinge on incoming economic data. Schnabel asserted that risks to growth and inflation are tilted to the upside. ECB Present Christine Lagard stated that the economy is proving resilient to trade tensions and growing close to its potential. Separately, a Reuters poll of 96 economists showed that all of them expected the ECB to keep interest rates steady this week.

UK: BUDGET UNCERTAINTY AND RISING TAXES SEES THE UK ECONOMY UNEXPECTEDLY CONTRACT IN OCTOBER

UK data indicated that budget uncertainty and higher taxes were curbing UK economic growth and the housing market. The UK economy unexpectedly shrunk in October. Gross domestic product (GDP) contracted by 0.1% month-on-month, having shrunk by a similar amount in September. Economists were expecting a 0.2% expansion. Construction performed worst in October, with output falling 0.6%. The services sector, the biggest part of the economy, declined by 0.3%. The Royal Institution of Chartered Surveyors, the realtors' trade body, said its latest survey showed a "notable cooling" in the UK housing market in November as demand for homes hit a two-year low.

The Omnis Investment Club

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*Source: Bloomberg. All performance measured in local currency.