

December 2025

Economic and market overview

- **Global:** Cross-asset performance was mixed in December, with metal prices rising, while developed market bond yields broadly moved higher and global equities were mixed.
- Bond yields moved higher at the beginning of the month, driven by concerns that the global rate cutting cycle was nearing an end. While the 25bp cut from the Fed assuaged these concerns, it led to a divergence among global central banks, with further cuts priced in for the US and UK, while Australia, New Zealand and Canada saw a pivot to pricing rate hikes in 2026.
- Equity markets saw mixed performance during December, with Europe's STOXX600 gaining +2.7%, while major US indices were mixed, with the S&P500 and NASDAQ seeing monthly losses. The MSCI World Index traded +0.7% higher on the month.
- Silver and gold prices both reached record highs during the month, following the interest rate cut from the Fed and ongoing supply pressures. Despite a pullback into month end following changes to margin requirements from the CME, silver closed +26.8% higher, while gold notched a +1.9% gain.
- **US:** The Fed cut policy rates by 25bps to 3.50% - 3.75% at its December meeting, in line with expectations. Chair Powell advised that rates were in the "broad range" of neutral and that future decisions would be made on a meeting-by-meeting basis. At month end, markets had fully priced in two further rate cuts from the Fed in 2026.
- The delayed October and November employment data showed a 41k cumulative decline in payroll employment, largely due to federal workers accepting deferred resignation offers earlier in the year. Private employment increased by +121k. The unemployment rate rose to 4.6%.
- US equities were mixed on the month, with the DOW advancing +0.7%, while the S&P500 and NASDAQ declined -0.1% and 0.5% respectively.
- Retail sales printed flat in October and were revised slightly lower in September, to +0.1% MoM.
- November Core CPI rose +2.63% YoY, softer than consensus +3.0% YoY. Notably, there were likely measurement issues related to the lack of data collection during October and early November.
- Q3 real GDP increased +4.3% QoQ, above consensus expectations for +3.3% QoQ. Stronger real consumer spending drove the upside surprise, advancing +3.5% during the quarter. The trade deficit continued to shrink, with declining imports contributing to stronger than expected growth.
- Conference Board consumer confidence declined to 89.1 in December, down from an upwardly revised 92.9 in November. The labor market differential continued to fall, declining to 5.9.
- The DXY depreciated -1.1% during December, declining fairly steadily throughout the month on the Fed interest rate cut and soft economic data.
- **Australia:** During December, the bond market pivoted from pricing further monetary policy easing in 2026 to expecting rate hikes.
- The RBA kept interest rates on hold in December, as widely expected. While the statement was quite neutral, the press conference was more hawkish, with the Governor removing the easing bias for 2026.
- The ASX200 advanced +1.2% during the month, led by gains in major banks on hawkish rate expectations into 2026 and mining stocks on strong commodity prices.
- November Labour Force Data saw the economy lose -21.3k jobs, weaker than consensus expectations for +20k new jobs. The unemployment rate remained unchanged at 4.3%.
- **New Zealand:** Q3 GDP increased by a stronger than expected +1.1% QoQ. Consensus expectations had been revised upwards from +0.8% to +0.9% ahead of the print. While Q2 was revised down to -1.0%, yearly GDP was in line with expectations, at +1.3% YoY.
- During the month, the market priced out any further rate cut expectations from the RBNZ, changing to price the chance of hikes in 2026.
- **Europe:** European equities saw some of the strongest gains among its global peers during December, with the STOXX600 up +2.7%, while the UK's FTSE100 advanced +2.2%. The STOXX600 and FTSE100 both reset their record highs just before month end, boosted by strength in commodity-linked stocks.
- The European Central Bank held interest rates mid-month at 2%, as widely expected. Both growth and inflation expectations were revised upwards by the Governing Council of the ECB. The Bank of England cut interest rates by 25bps to 3.75%, in a tight 5-4 vote. This marked the sixth interest cut from the central bank since August 2024.
- Euro area HICP was slightly higher than expected, at 2.2% YoY in November against 2.1% YoY expectations. Core inflation remained steady at 2.4% YoY.
- UK Headline November CPI printed below expectations for +3.5% YoY at +3.2% YoY. The headline, core and services figures all missed expectations.
- UK October GDP underperformed consensus expectations, at 0.1% on both a MoM and quarterly basis. This was below +0.1% MoM and flat quarterly expectations.
- **China:** The Politburo held its final meeting for 2025, during which overall policy continuity was signalled, with social stability and high-quality development remaining the key policy goals.
- Export growth rebounded in November, to +5.9% YoY (above expectations for +4.0% YoY), while imports growth was +1.9% YoY. This saw the monthly trade surplus lift to a five-month high in USD terms.
- November CPI rose to +0.7% YoY, broadly in line with expectations and up from October's +0.2% YoY. The recovery was driven by vegetable prices, with food prices up +0.5% MoM.
- Retail sales rose +1.3% YoY in November, below market expectations for +2.9% YoY. Auto sales was the largest drag on overall retail sales, declining -8.3% YoY, potentially due to a pullback in government subsidies.
- December manufacturing PMI rose to 50.1, up 0.9 from November and above consensus expectations for 49.2. This was the first month of expansion after eight consecutive months of contraction. Non-manufacturing PMI also returned to expansion in December, up 0.7 to 50.2, above consensus 49.6. This was in part due to a recovery in construction, which accelerated to six-month highs of 52.8.

Australian dollar

- The AUD gained +1.9% against the USD during December, closing at 0.6673.
- The AUDUSD pair traded a 181-pip range, opening at its month lows and reaching its highest level near the end of the month, at 0.6725.
- The AUD gained steadily into the middle of the month on the back of diverging monetary policy rate paths between the US and Australia, with further rate cuts expected in the US into 2026, while the RBA removed its easing bias at its December meeting.
- Weaker than expected Australian labour force data eased some of the hawkish sentiment as the month progressed, reversing some of the gains in the Aussie. The Australian economy lost -21.3k jobs in November, against expectations for +20k new jobs.
- The AUD recovered sharply into month-end, boosted mechanically by softer US economic data that reiterated expectations for further rate cuts from the Fed.
- The Aussie Dollar touched its month high of 0.6725 on 29 December, before closing the year at 0.6673.

Australian equities

- The ASX200 gained +1.2% during the month, notching a +6.8% yearly gain.
- Materials led the index in December, with the sector advancing +6.6%. Mining giants BHP and RIO gained +9.2% and +11.0% respectively, boosted by broad gains in commodities during the month.
- Copper stocks CSC and SFR advanced +14.9% and +13.9% each following a +7.8% increase in underlying copper prices.
- Gold miners saw some of the largest percentage gains in the sector, with GGP and BGL gaining +38.9% and +28.7% respectively. Large cap gold miners EVN and NEM increased +6.7% and +7.7% each. Gold prices reset its record high close at US\$4533.21/oz near month-end, before paring gains on changing margin requirements from the CME.
- The Financials complex advanced +3.4% on the month, led by the banks. The major banks saw gains after the RBA removed the easing bias, with the bond market pricing in the chance of a rate hike in 2026. NAB +5.5%, CBA +5.3%, ANZ +4.9%, WBC +2.7%.
- Tech stocks underperformed, with the sector down -8.7% during the month. All stocks in the sector declined, tracking losses in large cap US tech stocks and increased rate expectations locally.
- REITs were mixed on the month, with the sector closing +0.8% higher. Sector heavyweight GMG saw the largest percentage gain in the sector, up +4.4%. GMG advanced following the announcement that it had formed a JV with CPP Investments for a \$14bn European data centre partnership, which included a \$3.9bn initial total capital commitment.
- Elsewhere in the sector, residential REITs MGR and SGP saw declines following a more hawkish rate outlook into 2026. They declined -5.1% and -4.8% respectively.
- DRO saw the largest percentage gain on the index, up +55.6% after announcing multiple new contracts throughout the month, including a \$49.6m European military contract.

Global equities

- Global equities were mixed in December, with the MSCI World Index gaining +0.7%. US equity indices diverged, with the NASDAQ and S&P500 declining -0.5% and -0.1% respectively, while the DOW advanced +0.7%. Despite finishing the month lower, the S&P500 reset its record high close during December.
- Large cap tech stocks underperformed towards the end of the month on renewed AI investment concerns. Broadcom saw one of the largest percentage declines in the sector, down -14.1% on the month. The stock traded over -11% lower after reporting a beat and raise for Q4, however guided gross margins lower than expected.
- European equities saw some of the strongest gains, with the STOXX600 up 2.7% and the FTSE100 up 2.2%.
- Basic Resources led the STOXX600, with the sector up +10.3%

on the month due to broad strength in commodities. Fresnillo +26.6%, Antofagasta +18.9%, Glencore +12.7%.

- The Food, Beverage and Tobacco sector underperformed the index, down -1.4%. Alcoholic beverage companies saw some of the largest percentage losses following a slew of divestments in the sector announced during the month. Pernod Ricard -5.8%, Diageo -7.6%.
- The MSCI Asia Pacific Index increased +2.0% on the month, driven by gains in Korea (+7.3%) and Taiwan (+4.8%). Hong Kong and China H-Shares weighed on the region, down -4.6% and -2.4% respectively.

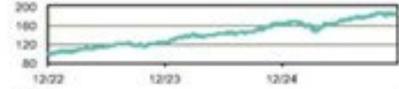
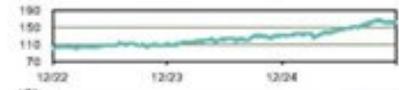
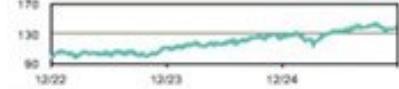
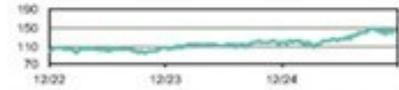
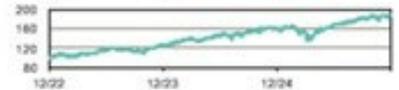
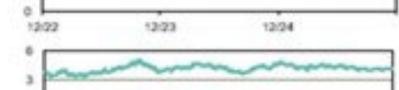
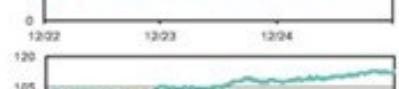
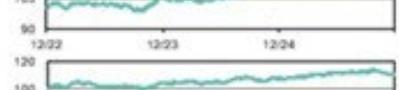
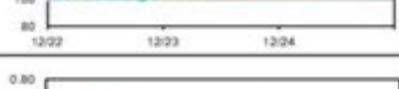
Property securities

- Global property securities had a softer December month, down 1.0% after a positive November. This brought down CY25 returns to a still strong ~11%. The movements reflected rising inflation and longer-term interest rates globally, as well as rising geopolitical concerns.
- The Americas region underperformed the Global average, down -2.2% in December, driven again by elevated interest rates and uncertain near-term rate expectations.
- Europe/UK returns were positive in December (+1.0%) and outperformed the global December average. Europe/UK performed strongly in CY25 with ~21% total return.
- The Asia Pacific region returns outperformed global averages but had a small positive month (+0.4%) in December, following a strong November (+1.6%). The key drivers were Japan and Singapore which continued to see stronger returns, with some gains seen in HK property sector as well. The APAC region outperformed global averages in CY25 with ~23% returns.
- Locally, AREITs were up +0.8% in December, after a weaker November (-4.0%). Despite higher CPI and rate hike fears, the positive sector return reflected a +4.4% rally in GMG following its data center partnership in Europe. On the other hand, rate sensitive names, particularly residential exposed, underperformed in the month with fears of negative impacts from rate hikes. In CY25, AREITs were up ~6%.

Fixed income and credit

- December saw a divergence in global central bank expectations, with the market continuing to price further rate cuts from the UK and US central banks, while pivoting to expect rate hikes from Canada, Australia and New Zealand in 2026.
- Alongside these rate expectation changes, developed market bond yields traded higher in the first week of December following hawkish commentary from several Fed Presidents. Yields remained steady after the Fed delivered a 25bp cut, trading rangebound into year-end.
- 10yr US Treasury yields closed +15.4bps higher at 4.169%, while the 2yr Treasury yield finished 1.6bps lower at 3.475%.
- Locally, murmurs of a potential rate hike from the RBA in February saw yields move higher. This gained further momentum after the RBA held rates at its December meeting and removed its easing bias for 2026 in its press conference. The 2yr AU government bond yield finished December +24.9bps higher at 4.056%. The 10yr yield closed +22.6bps higher at 4.741%.
- US credit spreads traded tighter on the month, with investment grade credit spreads finishing December 1.11bps tighter, while high yield spreads closed 5.98bps tighter.

MARKET WATCH DATA SHEET

		1 Month Return / Change	3 Month Return / Change	1 Year Return / Change	3 Year p. a. Return / Change	3 Year chart
Equities	<i>Points</i>					
MSCI World (AUD)	7,441	-0.83%	2.56%	12.90%	22.40%	
MSCI Emerging Markets (AUD)	1,521	1.32%	4.14%	24.75%	17.64%	
ASX 200	8,714	1.16%	-1.52%	6.80%	7.38%	
ASX Small Ordinaries	3,766	1.42%	1.80%	24.96%	13.44%	
S&P 500 (USD)	6,846	0.06%	2.65%	17.88%	23.01%	
REITs	<i>Points</i>					
ASX 200 A-REIT	1,819	1.95%	-1.40%	9.24%	15.03%	
FTSE EPRA/NAREIT Developed (AUD)	2,976	-1.43%	-0.20%	7.49%	6.03%	
Cash & Fixed Income						
Official Cash Rate Australia	3.60%	0.00%	0.00%	-0.75%	-	
10-year Yield Australia	4.74%	0.23%	0.44%	0.38%	-	
10-year Yield US	4.17%	0.15%	0.02%	-0.40%	-	
Bloomberg Global Aggregate Index, AUD Hedged	-	-0.23%	0.69%	4.42%	3.98%	
Bloomberg AusBond Composite 0+ Year Index	-	-0.63%	-1.15%	3.17%	3.72%	
Foreign Exchange	<i>US\$</i>					
AUD/USD	0.6673	1.88%	0.91%	7.84%	-0.69%	

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