



**financial
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group**

QUARTERLY MARKET COMMENTARY

DECEMBER 2025



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Quarterly Market Commentary

December 2025

Widespread rally across both equities and fixed income

Welcome to the December 2025 issue of *Quarterly Market Commentary* from Financial Options Group

This quarter started with a tough period for global markets, as investor confidence was shaken by persistent inflation and the likelihood of higher interest rates for longer. September and October saw risk assets fall as bond yields hit multi-year highs. However, a notable change happened in November. Cooler inflation figures and a more measured tone from central banks triggered a widespread rally across both equities and fixed income, helping many markets recover their earlier losses and finish the period in positive territory.

In the United Kingdom, equities faced headwinds from persistently high inflation and a muted economic outlook. While large-cap stocks demonstrated some resilience, domestically focused companies struggled amid concerns over consumer spending and future growth.

The Eurozone reflected this challenging environment, with economic data suggesting a potential recession. However, a significant drop in headline inflation towards the end of the period provided a much-needed boost, lifting shares as markets started to anticipate possible rate cuts from the European Central Bank.

Across the Atlantic, the United States went through a turbulent few months.

Technology stocks led a market decline into October before starting a strong recovery in November. This rebound was driven by growing confidence that the Federal Reserve has finished its interest rate hikes, sparking a broad-based rally.

Japanese equities continued their strong performance, supported by solid corporate earnings and signs that the country may finally be emerging from its long battle with deflation. Yen weakness provided an additional tailwind for the market's large exporters.

Asia ex-Japan markets showed a mixed performance, heavily affected by the trajectory of the Chinese economy, which continued to exhibit signs of weakness. Conversely, other markets in the region benefited from the global technology rally and rising investor risk appetite in November.

Emerging markets broadly followed the sentiment of developed markets, declining in September and October before rebounding strongly. A weaker US dollar and the prospect of a less aggressive Federal Reserve offered significant support, although country-specific risks remain an important consideration.

The global bonds market experienced a notable shift. Yields rose to their highest points in over a decade before falling sharply in November, delivering strong returns for investors.

This shift was a direct result of slowing inflation and the coordinated change in central bank messaging.

EXPERT INSIGHTS ON RECENT MARKET SHIFTS

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Quarterly Market Review

Strong performances extended beyond equities

Global financial markets surged in the final quarter of 2025, driven by increasing demand for artificial intelligence (AI) technologies, robust corporate earnings, and widespread expectations of a US Federal Reserve interest rate cut. Technology and communication sectors led equity markets higher, while consistent profitability across key industries further boosted investor confidence. The Fed's decision in September to lower rates injected fresh momentum, helping both developed and emerging markets achieve substantial returns. A weaker US dollar also played a key role, revitalising emerging markets by enhancing export competitiveness and attracting international capital.

Strong performances extended beyond equities, with credit markets, digital assets, and commodities like gold and silver experiencing record rallies. Investors were encouraged by the prospect of lower borrowing costs, which decreased yields and increased demand for higher-return assets such as corporate bonds. Commodities benefited from the

dollar's decline and persistent geopolitical tension, while the digital asset sector attracted renewed speculative and institutional interest, pushing major cryptocurrencies past key resistance levels.

Although there have been widespread improvements, investors remain cautious due to persistent risks. High stock valuations, especially in the technology sector, make markets vulnerable to corrections if growth expectations falter. Ongoing inflation and geopolitical uncertainties, such as conflicts and trade disputes around the world, also threaten the stability achieved this quarter. While optimism continues, careful navigation will be crucial to balance these opportunities with possible setbacks in 2026.

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UK

This quarter revealed a swiftly shifting economic landscape for the United Kingdom. From September to November, investors navigated an environment characterised by strong equity performance, persistent inflation, changing monetary policy, and intense fiscal debate. The Autumn Budget 2025 proved pivotal, shaping fiscal strategies and profoundly influencing market sentiment and investor confidence. This period highlighted the complex interplay between government policy, market forces, and the everyday economic realities for businesses and households across the nation. UK equities are demonstrating market resilience

UK equity markets maintained strong momentum throughout autumn, with the FTSE 100 recording above-average gains. September concluded with the index up 2.3%, bolstered by ongoing rises in technology and resource stocks. This rally extended into October, with the index closing at 9,717. By the end of November, a brief market dip in mid-month was swiftly followed by a rapid recovery after the Autumn Budget, closing November at 9,720. This rebound left the FTSE 100 just short of its all-time high, showing market resilience and a positive reaction to the government's fiscal plans.

UK-listed companies are attracting increasing attention from overseas investors, who are gradually surpassing domestic ones. In recent years, the FTSE 100's performance has accelerated upwards, with early signs of an earnings reacceleration. The main challenge for the UK market has been the lack of participation from UK investors, but this is likely to change. There have been significant net outflows from equity funds, especially UK funds (over 50 out of the last 51 months). Some UK investors have avoided equities, deterred by risk warnings, economic pessimism, and regulatory hostility, and unaware that cash declines in value over time in real terms. Over two-thirds of Individual Savings Accounts (ISAs) are held exclusively in cash.

Tech, resources, and a vibrant IPO market

Over these months, the communication services and technology sectors led the market. A renewed enthusiasm for artificial intelligence (AI) drove significant share price growth for software, digital infrastructure, and automation firms. In a notable development in October, two UK-based AI start-ups secured government contracts linked to newly announced digital investment initiatives in the Autumn Budget. The tech sector continued to report double-digit revenue growth, and analysts issued a series of earnings upgrades into November,

signalling strong confidence in its future performance. For businesses in this space, the new government's promised support is expected to accelerate growth and innovation.

Resource stocks also gave a significant boost to the market. In September, gold reached an impressive \$2,635.23 per ounce at the close, supporting mining shares. Elevated gold and commodity prices continued to be a key theme in October and November, reflecting global uncertainty and persistent inflation. This trend benefited investors with holdings in the materials sector, offering a hedge against inflationary pressures. The IPO market remained vibrant. In September and October, eight notable new listings took place, including firms in fintech, green energy, and health tech, which together raised over £2.3 billion. Although activity slowed somewhat in November before the Budget's release, several companies confirmed their plans to list in early 2026. They cited renewed investor interest, following the Budget's pro-business measures, as a key reason for their decision.

UK equity markets maintained strong momentum throughout autumn, with the FTSE 100 recording above-average gains.



The Bank of England, responding to persistent core inflation and mixed signals from the labour market, maintained the Bank Rate at 4.0% throughout October.

Inflation and interest rates

Inflation continued to challenge both policymakers and households. The Consumer Prices Index (CPI) was 4.1% in September, then slightly decreased to 3.8% in October. While food inflation gradually eased due to a bumper domestic harvest, ongoing cost pressures in housing, energy, and utilities kept overall inflation well above the Bank of England's (BoE) 2% target. For households, this meant ongoing budgetary strain, even as some price pressures began to moderate.

A key response was announced in the Autumn Budget 2025. The measures included targeted support for energy costs, adjustments to welfare payments to protect the most vulnerable, and new business tax credits designed to ease supply-chain bottlenecks. These policies were described by the Chancellor

as "growth-friendly," aimed at boosting business investment while reaffirming medium-term fiscal discipline.

The Bank of England, responding to persistent core inflation and mixed signals from the labour market, maintained the Bank Rate at 4.0% throughout October. However, minutes from the meeting revealed a cautious approach to future cuts. The committee expressed concern that the fiscal stimulus from the Budget could delay the decline of inflation, indicating that interest rate reductions might be further away than initially anticipated. Gilt yields, which had decreased in October, rose slightly following the Budget as investors contemplated the implications of higher planned spending.

Fiscal policy and market sentiment

The government's fiscal situation

remained a key focus throughout autumn. Public sector net borrowing exceeded forecasts, reaching £13.7 billion above target by the end of October and rising to £15.1 billion in November. The Autumn Budget outlined a plan for gradual deficit reduction, combining tax increases with strategic spending. Notably, several large public infrastructure projects were delayed or re-scoped, and new efficiency targets for government departments were announced to control costs.

Reactions to the Budget were mixed. Market sentiment initially weakened as concerns about higher debt levels and slower spending cuts unsettled some investors. However, this uncertainty was short-lived. The confirmation of business tax credits, targeted support for the digital sector, and the government's pledge to keep the UK an attractive market for listings ultimately boosted investor confidence. In the weeks following the chancellor's statement, gilt spreads narrowed, and sterling recovered against major currencies, reflecting a more optimistic outlook.

Political uncertainty and external risks

The economic landscape faced several challenges. Ongoing post-Brexit negotiations with the EU, especially on regulatory alignment and trade terms, re-emerged as a contentious issue in October and November. These talks led to minor fluctuations in currency and equity markets as investors considered the possible impact on UK trade.

Domestically, industrial action related to new budgetary measures and debates over public sector reform added further unpredictability, particularly in the transport and healthcare sectors. These developments highlighted the delicate balance the government must maintain between fiscal consolidation and public service provision, a challenge likely to persist into 2026.

EUROZONE



Investor confidence was rattled by rising inflation data and ongoing geopolitical concerns.

held back by underperformance in the telecommunications and communication services sectors, which together declined by 1.3%, amid competitive pressures and regulatory concerns.

October experienced a market decline, with the EURO STOXX 50 dropping by 0.9%. Investor confidence was rattled by rising inflation data and ongoing geopolitical concerns. Cyclical stocks bore the heaviest losses, with industrials falling 1.5% and consumer discretionary stocks dropping 2.2% as weaker manufacturing figures across the bloc signalled a potential economic slowdown. Conversely, investors shifted into defensive sectors, with utilities rising 0.7% and consumer staples increasing 0.9%, showing a clear preference for stability amid the uncertainty.

In November, equities experienced a modest rebound as the EURO STOXX 50 increased by 1.3%. Investor attention shifted towards the upcoming holiday retail season and early signs of easing supply chain constraints, which fostered a more positive outlook among consumers. Technology stocks rallied, rising 2.6% in line with their global counterparts, while energy shares lagged, falling 0.8% as Brent crude oil prices dropped below \$78 per barrel late in the month.

Eurozone equities showed mixed results during the autumn months, reflecting a complex interaction of corporate earnings, economic data, and shifting investor sentiment. In September, the EURO STOXX 50 index rose by 1.8%, supported by a strong corporate earnings season and a

stable European Central Bank (ECB) rate environment. Financials stood out, increasing by 2.6% as banking stocks benefited from healthy net interest margins. The healthcare sector also performed well, climbing 2.1% due to solid drug pipelines and its defensive qualities. However, broader indices were

Geographically, performance varied. The German DAX (+1.8%) and Spanish IBEX 35 (+1.4%) were among the top performers, supported by strong services sector data, with the German Services PMI rising to a healthy 51.2. French equities continued to underperform due to ongoing domestic political turmoil and the lingering impact of the September sovereign credit rating downgrade by Fitch, which dampened sentiment.

Inflation and interest rates

Inflationary pressures became a key theme throughout the autumn. In September, Eurozone headline inflation rose to 2.2% year-on-year, up from 2.0% in the previous month. This increase was mainly driven by a sharp rise in energy prices, which saw an inflation rate of 4.3% year-on-year, and by ongoing supply chain disruptions that pushed up the cost of consumer goods. The trend worsened in October, as headline inflation climbed again to 2.5%, surpassing both ECB and market expectations. More worryingly, core inflation (which excludes volatile energy and food prices) grew to 2.1% year-on-year, its highest level in 16 months, indicating that price pressures were becoming more widespread across the economy. By November, inflation remained high at 2.4% year-on-year, with food inflation also accelerating, adding to the cost-of-living pressures for consumers.

In response to persistent price pressures, the ECB kept its main policy rates, namely the main refinancing rate at 4.0% and the deposit facility rate at 3.75%, stable during both its October and November meetings, officially ending the rate-cutting cycle it had previously pursued this year. Market focus has now shifted entirely to the likelihood of future rate hikes. Although ECB officials continue to suggest that much of the current inflation is transitory and linked to energy and supply shocks, analysts



Complex policy talks added another layer of uncertainty to the Eurozone's economic outlook.

have started to factor in the possibility of monetary tightening as early as the first quarter of 2026 if inflationary pressures do not show signs of easing.

Macroeconomic and geopolitical events

On the macroeconomic front, Germany has taken steps to boost growth by announcing a €54 billion package for green infrastructure and defence investment during the fourth quarter. This fiscal stimulus aims to stimulate growth in the Eurozone's largest economy and help offset the significant shortfalls in manufacturing output, evidenced by the Eurozone-wide manufacturing PMI falling to 46.5 in October. These government commitments have provided a welcome, though partial, counterbalance to the regional economic headwinds.

Geopolitical instability remained a pressing concern, with France becoming a focal point of risk. The resignation of Prime Minister François Bayrou in September,

following his failure to pass key budget reforms, triggered significant political fragmentation. This has made the passage of essential fiscal legislation increasingly difficult, leading to deadlock. Citing the rising deficits and political impasse, Fitch downgraded France's sovereign credit rating, a move that has continued to weigh on French asset performance and poses a broader risk to the Eurozone outlook.

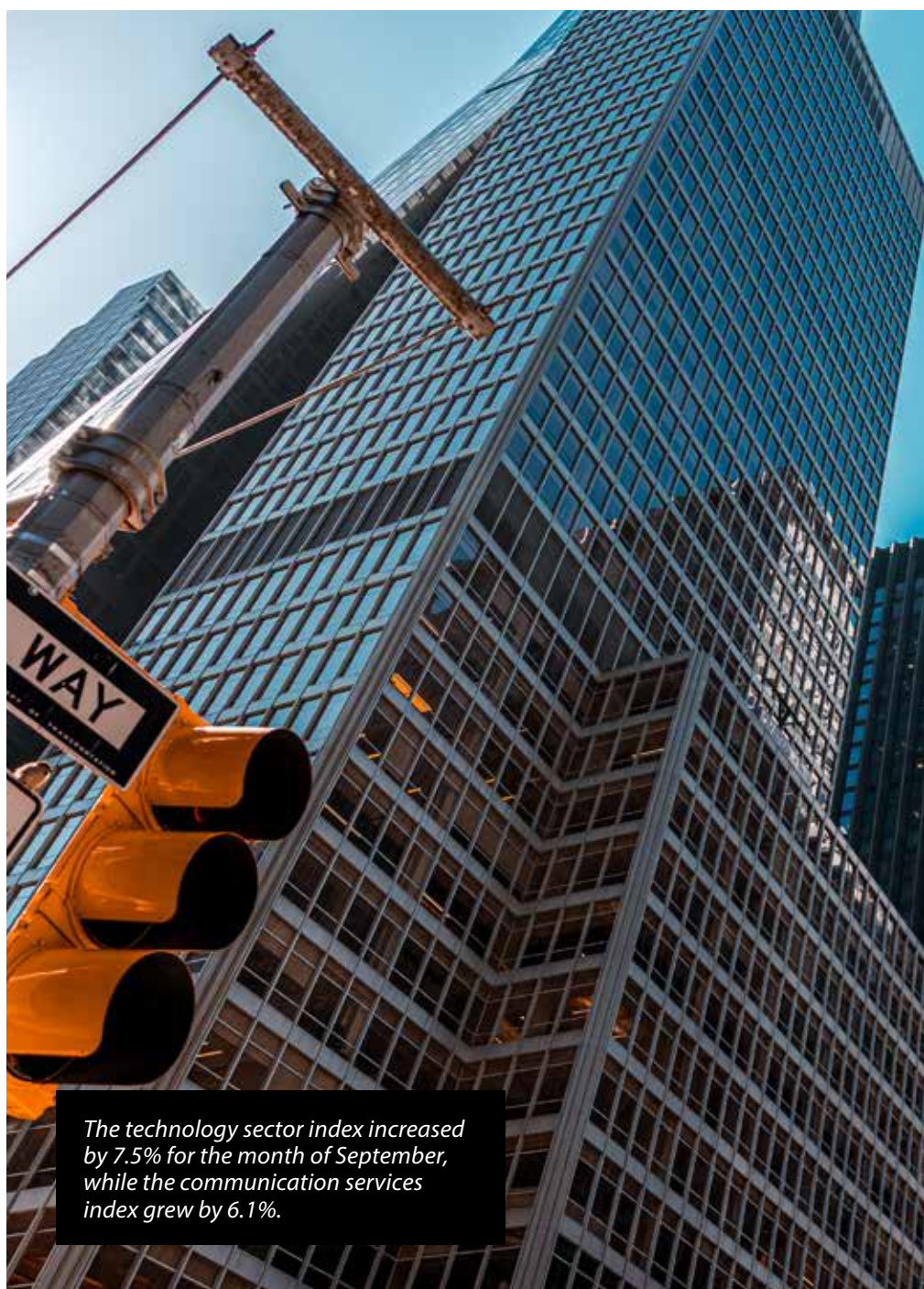
Elsewhere, energy policy dominated EU-wide debates as winter approached. In November, the European Commission reported that collective gas storage levels had reached 95% of capacity, a reassuring milestone. However, with energy costs remaining high, member states urgently sought to coordinate a unified policy response to secure future supplies and mitigate the impact of rising costs on households and businesses. These complex policy talks added another layer of uncertainty to the Eurozone's economic outlook, as leaders balanced the fight against inflation with the need to support growth and ensure energy security.

US

This quarter saw notable movements in US equities, reflecting both positive momentum and periods of volatility. In September, the S&P 500 rose by over 5.2%, reaching an all-time high of 5,320 on the 17th of September, while the Nasdaq Composite surpassed 18,000 for the first time. The technology and communication services sectors led the gains, with major tech firms such as Apple, Microsoft, and Alphabet reporting double-digit revenue growth driven by increasing demand for AI-driven products. The technology sector index increased by 7.5% for the month, while the communication services index grew by 6.1%. Despite these strong results, the healthcare sector gained only 0.4%, and the energy sector declined by 3.7% as WTI crude oil prices fell from \$78 to \$71 per barrel in September.

October was marked by significant volatility. The government shutdown that began on October 1st led to a 4.6% fall in the S&P 500 during the first two weeks, with the index reaching a monthly low of 5,079. Industrials (-2.8%) and consumer discretionary stocks (-3.3%) were particularly affected, signalling caution about consumer spending and capital investment. Conversely, defensive sectors provided support: utilities increased by 2.2% as investors moved to safer assets, and consumer staples rose by 1.4%. By the end of October, the S&P 500 had declined by 2.1% for the month, while the Nasdaq dropped by 2.5%. The energy sector continued its decline, falling an additional 2.9% as global inventories outstripped demand.

The mood shifted significantly in November. News of a tentative agreement to reopen the government and cooler inflation



The technology sector index increased by 7.5% for the month of September, while the communication services index grew by 6.1%.

figures sparked a strong recovery. The S&P 500 increased by 6.3% for the month, its best monthly performance since July 2023, finishing at 5,388. The Nasdaq rose 7.8% to close above 18,500, and the Dow Jones Industrial Average grew by 5.1%. Notably, the Russell

2000 small-cap index, which had underperformed for most of 2025, soared 8.6%, supported by renewed investor risk appetite and improving financial conditions. Sector-wise, technology (+9.2%), financials (+6.4%), and industrials (+5.9%) contributed to the month's gains.

“ECONOMIC DATA IN SEPTEMBER INDICATED THAT CORE PERSONAL CONSUMPTION EXPENDITURES (PCE) INFLATION REMAINED STEADY AT 2.8% YEAR-ON-YEAR, WHILE HEADLINE CPI ROSE BY 3.1% ANNUALLY.”

Inflation and interest rates

Monetary policy developments dominated headlines throughout the autumn. The Federal Reserve's decision in September to lower the federal funds rate by 25 basis points, from 4.25%-4.50% to 4.00%-4.25%, boosted stock market confidence and improved liquidity across credit markets. Following the rate reduction, 10-year Treasury yields initially fell from 4.35% to 4.21%, supporting further gains in equities.

Economic data in September indicated that core Personal Consumption Expenditures (PCE) inflation remained steady at 2.8% year-on-year, while headline CPI rose by 3.1% annually. GDP growth for Q2 was confirmed at an annualised rate of 3.8%, and early estimates for Q3 pointed to a continued strong pace at 3.6%, emphasising the resilience of domestic consumption and private investment.

October experienced a slight rise in headline inflation, with CPI increasing by 0.4% month-on-month mainly due to seasonal energy price adjustments. However, core CPI slowed to 2.7% year-on-year. The labour market softened as the unemployment rate increased to 4.2%, fuelling speculation of further Fed easing.

In November, market confidence was boosted by softer inflation data: the consumer price index increased by only 0.2% month

over month, and annual CPI inflation slowed to 2.9%. Producer prices also remained subdued, and wage growth showed signs of normalising. Fed funds futures markets started to price in at least one more rate cut in early 2026. Meanwhile, 10-year Treasury yields fell further to 4.13% by the end of the month, and mortgage rates dipped below 7%, providing relief to housing markets.

Geopolitical and domestic events

The period was marked by the intense government shutdown, which started on October 1 and lasted 22 days. The deadlock led to temporary furloughs for over 800,000 federal employees and delays in certain government services, which temporarily reduced consumer confidence, as shown by the University of Michigan Index, which fell from

71.3 in September to 66.9 in October. Despite the initial market shock, a breakthrough occurred in mid-November when lawmakers agreed to extend funding until March 2026, restoring business and investor trust.

Trade policy developments continued to shape market dynamics. Although no major US-China agreement was reached, tariffs on certain electronics and machinery were lifted, easing supply chain bottlenecks and assisting industrial exporters. Corporate earnings calls highlighted ongoing investment in supply chain diversification, with leading manufacturers reporting a 12% increase in capital expenditures for logistics and reshoring.

Internationally, geopolitical tensions in the Middle East briefly increased oil prices in early October, but the effect was short-lived as global production levels stabilised and inventories remained plentiful.

Looking ahead, US companies are expected to keep a cautious yet positive outlook. Capital continues to flow strongly into equities and bond markets, and the macroeconomic environment, despite ongoing risks from political, trade, and inflationary uncertainties, suggests ongoing resilience into 2026.



Trade policy developments continued to shape market dynamics.

JAPAN

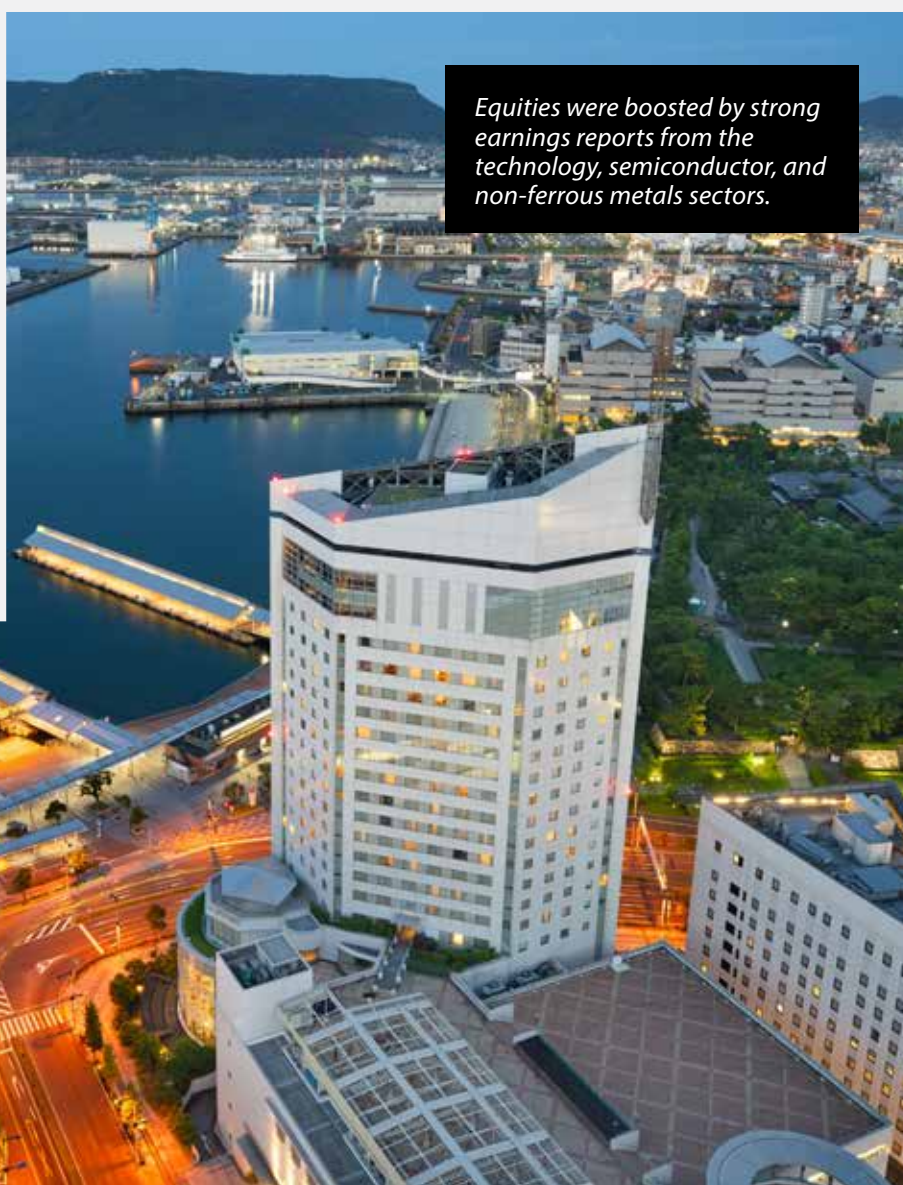
Japanese equities maintained their impressive performance through September, October, and November 2025, with both the TOPIX Total Return and Nikkei 225 indices recording notable gains and reaching new record highs. In September, the Nikkei 225 broke the 36,500 level for the first time in decades, climbing nearly 4.2% month-on-month, while TOPIX increased by 3.8%. Equities were boosted by strong earnings reports from the technology, semiconductor, and non-ferrous metals sectors, supported by rising global demand for advanced components related to artificial intelligence. Notably, major firms like Tokyo Electron and Advantest reported double-digit year-on-year revenue growth, benefiting from surging chip demand and increased industry investment.

October experienced increased volatility as profit-taking surfaced and foreign exchange markets faced turbulence. The yen strengthened to ¥143 against the US dollar towards the end of the month, putting pressure on exporters like Toyota and Sony. Despite these challenges, some defensive stocks

in the consumer staples and utility sectors delivered stable returns. Transaction volumes remained high on the Tokyo Stock Exchange, with daily turnover averaging over ¥4 trillion. IPO activity accelerated, particularly in the tech sector, indicating strong market demand.

November marked a strong rebound as both indices regained earlier losses. The Nikkei 225 finished the month above 37,200, up 5.1% compared to October, driven by optimistic Q3 earnings

across the financial and technology sectors. Banking giants such as MUFG and Sumitomo Mitsui reported net profit increases of 18% and 16% respectively, aided by growth in fee-based revenues and improvements in credit quality. Foreign investor inflows surpassed ¥1.3 trillion for the month, the largest capital influx since early 2024. Market breadth expanded, with small- and mid-cap stocks participating in the rally, reflecting increasing confidence in Japan's domestic growth outlook.



Equities were boosted by strong earnings reports from the technology, semiconductor, and non-ferrous metals sectors.





The BoJ, consistent with its ultra-loose monetary stance, maintained the short-term policy rate at -0.1%.

Inflation and interest rates

Inflationary pressures featured prominently throughout the period. Consumer Price Index (CPI) data for September came in at 2.7% year-on-year, well above the Bank of Japan's (BoJ) 2% target, mainly due to ongoing increases in food and energy costs. Producer prices also remained high, rising 2.9% year-on-year. The BoJ, consistent with its ultra-loose monetary stance, maintained the short-term policy rate at -0.1% and continued its yield curve control policy, keeping 10-year government bond yields close to the 0% mark.

In October, inflation concerns sparked fresh debate among policymakers, especially as utility and imported goods prices increased further. Core CPI (excluding fresh food) rose to 2.5% year-on-year. Despite this, BoJ officials pointed out the absence of significant wage inflation and reiterated the need for ongoing stimulus, with Governor Ueda stressing patience and data dependence in future monetary policy decisions. The

central bank did not reduce its asset purchase programme, maintaining its substantial presence in the government bond and equity markets.

By November, the latest CPI figures showed a slight slowdown, with headline inflation dropping to 2.3%, due to stabilisation of global commodity prices and improved supply chain conditions. Wage growth data, however, remained modest, with real wages increasing only 0.7% year-on-year, reinforcing the BoJ's dovish stance. The government announced a new supplementary budget totalling ¥22 trillion, aimed at supporting households and SMEs facing higher prices, further boosting market liquidity and backing risk assets. Japanese government bond yields remained steady, with the 10-year JGB ending November at 0.09%.

Geopolitical and domestic events

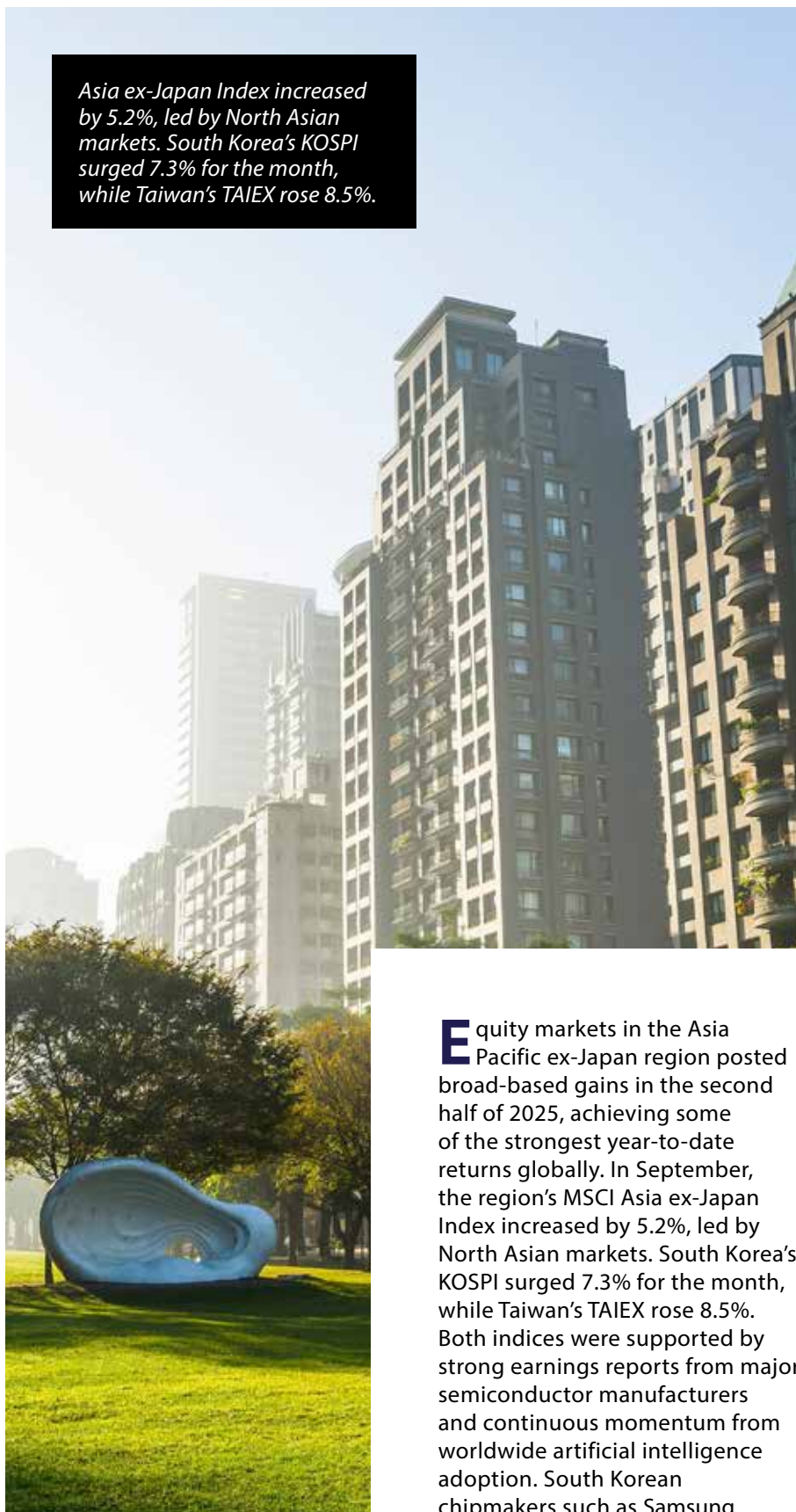
Japan's political landscape served as a vibrant backdrop for markets during the period. In September, increased speculation about potential leadership changes within the ruling Liberal Democratic Party (LDP) sparked a surge in equity market optimism, particularly as pro-business measures—including corporate tax incentives and regulatory reforms—were proposed by leading party figures. Cabinet reshuffles and policy commitments were closely monitored by both domestic and international investors.

October saw heightened calls for additional fiscal stimulus as consumer confidence surveys indicated increasing caution among households amid rising living costs. The government's fiscal measures, announced later in the month, focused on energy subsidies and infrastructure spending. Meanwhile, reforms in corporate governance made significant progress: over 20 major listed companies announced new share buyback schemes and dividend increases, directly responding to the Tokyo Stock Exchange's demands for greater capital efficiency and better shareholder returns.

Japan's stable diplomatic stance globally served as a steadying force amid ongoing international tensions. Although export restrictions on semiconductors remained a subject of bilateral discussions with the US and China, Japan largely avoided disruptions to trade. Multinational companies concentrated on strengthening resilient supply chains within Japan, leading to increased investment in logistics, warehousing, and domestic manufacturing capacity. Foreign direct investment surpassed ¥450 billion over the three months, emphasising Japan's strategic importance in regional supply networks and further supporting corporate earnings.

ASIA (EX JAPAN)

Asia ex-Japan Index increased by 5.2%, led by North Asian markets. South Korea's KOSPI surged 7.3% for the month, while Taiwan's TAIEX rose 8.5%.



Equity markets in the Asia Pacific ex-Japan region posted broad-based gains in the second half of 2025, achieving some of the strongest year-to-date returns globally. In September, the region's MSCI Asia ex-Japan Index increased by 5.2%, led by North Asian markets. South Korea's KOSPI surged 7.3% for the month, while Taiwan's TAIEX rose 8.5%. Both indices were supported by strong earnings reports from major semiconductor manufacturers and continuous momentum from worldwide artificial intelligence adoption. South Korean chipmakers such as Samsung

Electronics and SK hynix reported double-digit revenue growth, while Taiwanese foundry TSMC raised earnings guidance for the upcoming quarter due to increased demand for advanced chip fabrication.

Chinese equities also experienced a notable rebound in September, with the Shanghai Composite rising by 4.7% and the Shenzhen Component advancing 6.1%. Capital inflows into China's STAR Market surpassed RMB 230 billion during the quarter as both domestic and international investors shifted into high-growth chip and software companies. The government announced an additional RMB 500 billion investment fund to promote semiconductor independence, further boosting investor confidence.

October saw increased divergence. While North Asia's momentum persisted, with KOSPI rising by another 2% and TAIEX maintaining its gains, Southeast Asian markets such as Malaysia's FBMKLCI and Indonesia's JCI declined by 1.5% and 1.1%, respectively, pressured by uncertainty in energy and commodity markets. Hong Kong's Hang Seng Index remained volatile, ending the month nearly unchanged as property sector concerns were offset by robust tech earnings.

Chinese markets saw modest profit-taking in October, but the decline was limited to less than 2% as new fiscal stimulus aimed at tech infrastructure and advanced manufacturing was introduced. In India, the Nifty 50 index increased by just 0.8% for October as exporters faced ongoing tariff uncertainty.

November experienced a strong rebound across the region. The MSCI Asia ex-Japan Index rose by 6.7% for the month, its highest monthly return since 2020. South Korean and Taiwanese technology

giants like Samsung, SK hynix, and TSMC all reported record Q3 earnings and issued optimistic Q4 forecasts, causing their stocks to rise sharply. The KOSPI achieved a total increase of 12.1% over three months, while the TAIEX increased by 14.4%.

Chinese equity benchmarks rebounded strongly, with the Shanghai Composite rising 5.9% in November—driven by renewed confidence in fiscal support and an uptick in industrial output. ASEAN markets staged a comeback, led by Vietnam's VN-Index (+9.8%) and Thailand's SET (+6.5%), as foreign inflows returned and the outlook for regional tourism and manufacturing improved. India's Nifty 50 closed November up 3.4%, supported by gains in IT and consumer sectors.

“INFLATION FIGURES VARIED ACROSS THE REGION. SOUTH KOREA'S HEADLINE CPI ROSE TO 3.1% IN OCTOBER BUT DECREASED TO 2.8% BY NOVEMBER AS ENERGY PRICES STABILISED.”

Inflation and interest rates

The macroeconomic environment remained mostly positive for regional equities during this period. The US Federal Reserve's 25 basis point rate cut in September was a key factor, boosting inflows to Asian equity markets and strengthening local currencies against the US dollar. Ten-year government bond yields declined across most of the region, with South Korea's dropping from 3.11% in August to 2.96% by November, indicating improved risk appetite.

Rising prices for key industrial metals, copper increased by 9% in USD from September to November, while gold hit an all-time high of \$2,230/oz, indicating sustained industrial demand and ongoing investor concern about inflationary pressures. This benefited mining stocks in Australia and Indonesia, which recorded quarterly returns of 13% and 8%, respectively.

Inflation figures varied across the region. South Korea's headline CPI rose to 3.1% in October but decreased to 2.8% by November as energy prices stabilised. Taiwan's inflation stayed subdued, around 1.7% throughout the period. Conversely, India and the Philippines both experienced headline inflation above 5% during September and October, prompting cautious comments from their respective central banks, but rates were left unchanged to avoid hindering growth.

Regional central banks largely maintained accommodative or neutral policy stances. The Bank of Korea and the Bank of Thailand held policy rates steady, citing easing core inflation and stable labour markets. The People's Bank of

China continued targeted easing through reserve requirement cuts and liquidity injections to support economic growth, while reaffirming a goal of maintaining price stability.

Geopolitical and domestic events

Geopolitical developments affected market performance across Asia. Ongoing US tariffs on Indian and ASEAN exports during September and October reduced investor confidence and trade volumes, especially impacting sectors such as autos, electronics, and agricultural commodities. The Philippines' PSEi index was the regional underperformer, dropping 3.8% over the period, due to declining remittances, trade challenges, and concerns over fiscal sustainability.

North Asian markets saw significant gains from improving US-China relations. The October Shanghai APEC summit resulted in a commitment to stabilise trade relations and enhance cooperation on technology standards, which markets saw as reducing short-term risks. China's drive for technological self-reliance led to new state-supported initiatives in chips and clean tech, resulting in record venture capital flows into these sectors, over \$11 billion was invested in mainland Chinese startups in November alone.

By November, trade-related anxieties in Southeast Asia started to lessen as the US dollar weakened and global investors shifted their focus to long-term growth opportunities, such as digital infrastructure and renewable energy. Diplomatic talks between ASEAN leaders and key trading partners in November led to new bilateral agreements aimed at diversifying supply chains and increasing foreign direct investment.



Monetary policy and inflation trajectories remained crucial for developing markets during the period.

EMERGING MARKETS

Emerging market equities continued to outperform developed markets towards the end of 2025. The MSCI Emerging Markets Index returned 12.8% from September to November, with an 8.6% rise in November alone, according to Bloomberg data. Technology-driven gains in North Asia kept leading the way,

with China's CSI 300 increasing by 10.2%, Taiwan's TAIEX advancing 7.8%, and South Korea's KOSPI rising 9.1% during the period, supported by strong earnings from semiconductor and hardware manufacturers and record-high export volumes in both tech components and consumer electronics.

In Latin America, markets exhibited mixed performance. Brazil's Bovespa declined by 4.5% over September and October due to ongoing political tensions, proposed fiscal policy changes, and concerns over government intervention in Petrobras impacting equities. However, in November, Brazilian markets recovered alongside strong risk-on sentiment, ending the month up 6.2% as foreign inflows returned to the region. Mexico's IPC increased by 7.4% over the quarter, supported by a robust manufacturing PMI and close trade relations with the US, while Chile's IPSA surged more than 11%, benefiting from rising copper prices and heightened Chinese demand. EMEA (Emerging Europe, Middle East, and Africa) equities also experienced notable gains. South Africa's JSE All Share Index rose by 10.7%, supported by a rally in gold and platinum prices as geopolitical uncertainty and dovish signals from central banks in the US rekindled investor interest in precious metals. Meanwhile, Turkey's BIST 100 saw double-digit increases following aggressive rate hikes and a rally in banking shares, while declines in the Russian equity market persisted amidst ongoing sanctions and energy export issues.

Inflation and interest rates

Monetary policy and inflation trajectories remained crucial for developing markets during the period. The US Federal Reserve's rate cut in September and subsequent dovish remarks eased external financing pressures, resulting in an average appreciation of 2-4% for major emerging market currencies against the US dollar by late November. This change in global liquidity prompted yield compression across local-currency bonds, with the JPMorgan Emerging Markets Bond Index (EMBI) spreads narrowing by over 30 basis points since the September Fed meeting.

“SOUTH AFRICA'S JSE ALL SHARE INDEX ROSE BY 10.7%, SUPPORTED BY A RALLY IN GOLD AND PLATINUM PRICES AS GEOPOLITICAL UNCERTAINTY AND DOVISH SIGNALS FROM CENTRAL BANKS IN THE US REKINDLED INVESTOR INTEREST IN PRECIOUS METALS.”



Geopolitical developments continued to play a vital role in emerging markets.

Inflation, however, remained a complex story across regions. In Brazil, consumer inflation rebounded to 4.8% annually in October, driven by fuel price increases and food cost pressures, but it stabilised in November. Conversely, China's official CPI was a modest 0.9% year-over-year, highlighting ongoing domestic demand weakness. South Africa's

CPI stayed above the central bank's 4.5% midpoint, primarily due to food and utility costs—yet, the South African Reserve Bank (SARB) kept rates steady at 8.25% on expectations of softer inflation in early 2026.

Elsewhere, Turkey maintained a tight monetary stance, with the Central Bank raising policy rates to 40% in November to stabilise the lira amid double-digit inflation. India and Indonesia adopted a wait-and-see approach, keeping benchmark rates unchanged through Q4 as domestic inflation remained within tolerance bands. Overall, emerging market central banks showed a cautious bias, balancing external tailwinds with local inflation concerns and the uneven effects of rising commodity prices.

Geopolitical and domestic events

Geopolitical developments continued to play a vital role in emerging markets. Steady progress in US-China trade negotiations alleviated some concerns for North Asian markets reliant on supply chains and encouraged new investments in China's chip and electric vehicle industries. Additionally, a relaxation of

export controls on certain tech components by the US in November significantly boosted trading volumes and confidence in Shanghai and Taipei.

In Latin America, Brazil's political landscape remained turbulent, with Congressional debates over government spending and an unexpected cabinet reshuffle in October. This fostered volatility in domestic equities and the real, but markets stabilised after commitments to fiscal discipline were reiterated. Meanwhile, Mexico and Chile benefited from improving relations with major trading partners and rising commodity exports.

South Africa's rally was supported by precious metals, but the country also faced energy shortages and periodic labour disputes, which threatened economic momentum. Turkey's recovery was influenced by aggressive central bank measures and efforts to stabilise the currency, even as inflation continued to diminish consumer spending power.

Across emerging markets, investor flows turned notably positive in November, with EPFR Global recording \$16.8 billion of net new equity and bond inflows, the highest since early 2021. This risk-on sentiment reflected not only improved macro conditions and better access to capital but also growing optimism that peaking US rates and a weaker dollar would continue to support asset allocations into 2026.

As these dynamics unfolded, the period from September to November highlighted both the diversity and resilience of emerging markets, emphasising opportunities in technology, commodities, and selective domestic stories, but also reminding investors of the volatility that still originates from both global and local sources.



GLOBAL BONDS

Global government bond markets showed mixed and often diverging results in the second half of 2025, reflecting both global macroeconomic shifts and regionally distinct policy responses.

United States

In September, US 10-year Treasury yields dropped from 4.10% to 3.86% as the Federal Reserve implemented a widely anticipated 25-basis point rate cut, aligning with investor expectations of a dovish shift. This caused ripples across risk markets, supporting both government bonds and credit. Two- and five-year yields followed suit, leading to a slight steepening of the yield curve for the month. By October, volatility increased: yields briefly reversed higher, reaching 4.24% mid-month as oil prices surged above \$92/barrel, before safe-haven buying and softer inflation data drove yields lower into November. The 10-year finished November below 3.70%, its lowest since May, supported by declining CPI and PPI readings. Over three months, US investment-grade corporate spreads narrowed by more than 15 basis points, closing near 98 bps, levels not seen since 2007. High-yield markets also surged, erasing much of the year's risk premium.

Europe

September saw UK gilt yields rise from 4.25% to 4.39%, while German 10-year bunds climbed from 2.49% to 2.62%, driven by persistent inflation and the European Central Bank's hawkish rhetoric. By October, however, divergence emerged as German bunds stabilised amid strong fiscal support announced for the industrial sector. In November, bund yields edged down to 2.34% as trade disputes eased and production data strengthened in Germany and France. UK gilts, by

contrast, remained volatile: political uncertainty caused sharp daily fluctuations, and short maturities were most affected by changing rate expectations. European investment-grade corporates fared better, with spreads tightening to 130 bps by the end of November, reflecting increased risk appetite.

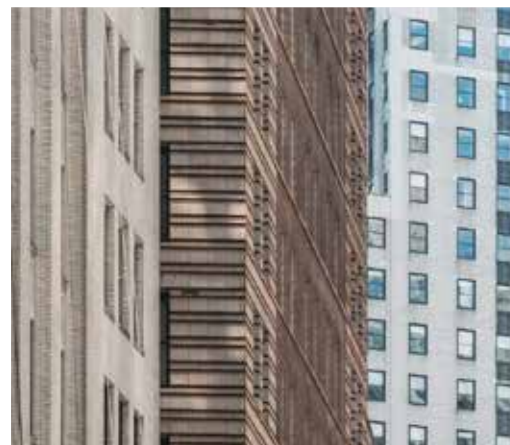
Japan

Japanese government bonds (JGBs) experienced less dramatic but still notable movements. The 10-year JGB yield increased from 0.78% in September to 0.89% by late October, influenced by domestic inflation consistently exceeding the BoJ's 2% target and speculation about eventual policy normalisation. Some speculative pressure emerged ahead of key BoJ meetings, but the bank's ongoing quantitative easing kept yields capped. By November, with inflation slightly retreating and political uncertainty unresolved, JGB yields settled at 0.84%. Japanese corporate credit remained steady, with spreads remaining tight due to strong fundamentals and sustained foreign inflows.

Geopolitical and economic drivers

Eurozone

Tariff resolutions on US-EU industrial goods, finalised in September, eased supply chain frictions and boosted export sentiment in key countries, especially Germany and the Netherlands. In October, Germany announced a €30 billion fiscal package aimed at energy transition and infrastructure, which added to bund supply expectations and caused yields to rise slightly before the broader rally continued in November. The ECB maintained its balance sheet unwinding but indicated openness to pausing rate hikes.



United Kingdom

The UK bond market experienced upward pressure on yields due to ongoing fiscal and political uncertainties. During September and October, market participants absorbed news of new deficit spending and contentious debates in Parliament over tax policies. Gilt auctions saw fluctuating demand, driving 10-year yields up to 4.53% amid market anxiety. It was only in November, when UK inflation unexpectedly fell and global risk appetite improved, that gilts rallied, with yields stabilising around 4.28%. Sterling-denominated corporates benefited from narrower swap spreads and a stronger GBP.

Japan

JGB volatility increased throughout the quarter, reflecting a complex interaction of high inflation, rumours of currency intervention, and internal party leadership debates. Overseas buyers continued to acquire JGBs, attracted by the rise in yields from previous lows, yet fundamentally limited by BoJ purchases and negative policy rates. Talk of BoJ policy normalisation remained speculative; Governor Ueda stayed firm, with the central bank reiterating its yield curve control framework and postponing any clear timetable for moving

away from negative rates. Japanese authorities provided stability to regional credit markets by extending liquidity operations and highlighting the resilience of domestic banks.

Credit markets globally

Across regions, credit markets outperformed sovereign bonds, with a global increase in yield appetite as US rate-cut probabilities became clearer. In the US, the Bloomberg US Investment-Grade Index delivered a +2.6% return for the period, while Euro IG returned +1.9%. High-yield indices worldwide gained over 3%, driven by demand for both duration and spread risk. Emerging market bonds, particularly in Latin America and Asia, saw spreads narrow by up to 30 basis points due to stronger local currencies and diminishing US dollar strength.

The overall backdrop for global bond investors from September to November 2025 was characterised by shifting central bank rhetoric, changing inflation forecasts, and notable progress on key geopolitical and trade issues. This environment supported strong relative performance in credit markets and led to significant cross-market volatility in government bonds, setting the stage for further re-pricing in the global bond markets into 2026.



“SEPTEMBER SAW UK GILT YIELDS RISE FROM 4.25% TO 4.39%, WHILE GERMAN 10-YEAR BUNDS CLIMBED FROM 2.49% TO 2.62%, DRIVEN BY PERSISTENT INFLATION AND THE EUROPEAN CENTRAL BANK’S HAWKISH RHETORIC.”

Summary

Slowing inflation rates and a more cautious tone

In summary, the autumn period began with global equity markets facing significant challenges, as persistent inflation and the likelihood of prolonged higher interest rates weighed heavily on investor confidence. September and October were particularly tough months, with risk assets falling sharply as bond yields reached multi-year highs. However, November marked a turning point. Slowing inflation figures and a more cautious tone from central banks sparked a broad rally across both equity and fixed-income markets. This recovery helped many markets

regain earlier losses and end the period on a positive note.

The global bond market also experienced a significant shift during the quarter. Yields climbed to their highest levels in over a decade before falling sharply in November. This reversal provided strong returns for investors and was driven by slowing inflation and a coordinated shift in central bank messaging. Overall, the period highlighted the delicate balance among inflation trends, central bank policies, and market sentiment, which together shaped the investment landscape.







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