



## CIO Office Morning Notes

15 December 2025

Last week combined high volatility with dispersed returns. Stocks were marginally up in emerging regions and marginally down in developed ones, with US tech being the worst contributor. The fixed income asset class reacted to the December Fed policy meeting with a steepening of the Treasury curve: short-dated yields fell -5 basis points on average while anything longer than 5-year rose by a few basis points. The dollar was -0.6% weaker against trade-weighted counterparts. Gold accelerated, up +2.4% over the week to touch \$4,300. Oil prices suffered from oversupply concerns, with Brent futures falling -4% to \$61.1.

Two key events shaped returns last week. The Fed's FOMC, first, decided to cut interest rates by 25 basis points, in line with our and markets' expectations, with three members voting against: two recommended holding, and one to cut deeper. The Fed updated their economic projections with faster growth and slightly lower inflation as compared to their previous quarterly announcement. Still, the median curve of voting members' projections for policy rates -the dot-plot- was unchanged, with one 25bps cut in 2026 and one more in 2027. Importantly, the FOMC also announced the resumption of balance-sheet expansion, with \$40bn of monthly T-bills purchases. Balancing the statement, which suggested patience, and the chair comments, quite relaxed on inflation, markets decided it was less hawkish than feared. Future markets confirmed their anticipation of 2 cuts in 2026, while long-dated yields slightly rose in reaction to the better growth outlook.

The second market-moving event, a few hours later, was the announcement from Oracle of another substantial increase in AI-related investments, from data centers to equipment. Its credit default swap rose and its stock price tumbled -12% over the week, reigniting broader concerns on the entire sector: rich valuations, massive investments, little visibility on returns.

On the trade front, China released impressive export numbers in November, the September US trade deficit was lower than expected, and Mexico imposed tariffs on 1,400 products from Asian countries. Moving to geopolitics, in an unprecedented and probably dangerous move, the EU voted to seize Russian frozen assets to fund Ukraine help, at a time when peace negotiations progress, with the news this morning that Ukraine may accept security guarantees from Europe and the US instead of bidding for a NATO membership. Still, signs abound that the US administration is taking distance with Europe. Whispers from Washington talk about some form of withdrawal from NATO and even the constitution of a "Core 5" group that would replace the G7, without any EU member. Rhetoric or real turn? It's a fast-changing world, and on a positive tone, the very impressive Abu Dhabi Finance Week confirmed that the UAE is ideally placed.

### Markets this morning

The mood is overall negative on Asian stock markets as we write this morning, in sympathy with Friday's risk aversion on Friday, and following the release of some monthly data. On the latter, Japan's leading indicators look reassuring but both retail sales and industrial production in China came out lower than expected. At only +4% year over year so far in 2025, retail sales in particular are a concern, which can be seen as a confirmation for more stimulus ahead. Stocks are down -1.6% in tech-rich Korea, -1.5% in Japan as the yen is rising, -0.7% in Hong-Kong and marginally positive in Shanghai/Shenzhen. US Treasury yields are stable in Tokyo trading at respectively 3.5% for the 2-year, 3.7% for the 5-year and just below 4.2% for the 10-year. Both gold and oil prices are up half a percent, and bitcoin trades just below \$89,500.

### Upcoming key events/data

The week ahead will unveil a few interesting data: flash PMIs for all regions, Non-Farm Payrolls for November and retail sales for October in the US (better late than never), November CPI in Europe. The Bank of England, the ECB and the Bank of Japan will hold their policy meeting, with the latter being most probably the most interesting of the three with a potential hike. This is probably the last really active week of 2025 for global markets, have a great one.

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