NEWSLETTER – DECEMBER 2025

Period covered: 01 – 31 December 2025

1) Macro Summary

Global context: December 2025 closed a remarkable year for global markets, with U.S. equities achieving their third consecutive year of double-digit gains despite significant volatility. The S&P 500 finished the year up 16.4% at 6,845.50, surviving early-year tariff chaos, government shutdown disruptions, and persistent AI bubble concerns. The Federal Reserve delivered its third consecutive rate cut on December 10, lowering the federal funds rate to 3.50%–3.75%, though forward guidance signaled a more cautious path ahead with only one additional cut projected for 2026. Precious metals had a historic year, with gold surging over 64% and silver jumping an extraordinary 142%, both reaching multiple all-time highs in December. Oil prices struggled, with Brent crude ending around $61/barrel and WTI near $57/barrel, down approximately 18% for the year amid oversupply concerns. Bitcoin traded range-bound between $85,000–$90,000 throughout December, ending the year down approximately 10% from its October peak of $126,210.

Regional focus (UAE, UK, Turkey, U.S.): The UK's Bank of England cut rates to 3.75% in a tight 5-4 vote on December 18, marking the fourth cut of 2025 as inflation fell to 3.2% in November. Turkey's CBRT accelerated its easing cycle with a 150 basis point cut to 38%, exceeding market expectations as food inflation moderated. The UAE maintained its AED-USD peg alignment with Federal Reserve policy, with regional equities showing resilience despite global headwinds. The U.S. November CPI report showed unexpected cooling to 2.7% (versus 3.1% expected), though data quality concerns stemming from the 43-day government shutdown cast doubt on the reading's reliability.

2) Key Economic Indicators (snapshot as of late December 2025)

Indicator	Value / Latest	Notes
U.S. GDP Growth (Q3 2025)	4.3% (annualized)	Significantly above the 3.2% forecast, driven by robust consumer spending of 3.5%. Delayed report released December 22 due to government shutdown.
U.S. CPI (November 2025)	2.7% (year-over-year)	Unexpectedly lower than 3.1% forecast; core CPI 2.6% vs. 3.0% expected. October data missing due to shutdown, raising questions about data quality and reliability.
U.S. Unemployment (latest)	5.0% (October data)	Job gains slowed through the year; unemployment edged up from mid-year levels. Initial jobless claims fell to 199,000 in late December, showing resilience.
UK CPI (November 2025)	3.2% (year-over-year)	Down from 3.6% in October; easing inflation supported BoE's December rate cut decision.
UK GDP Growth (Q3 2025)	0.1% (quarterly)	Weak growth; October showed -0.1% monthly decline. Bank of England expects zero growth in Q4 2025.
Turkey CPI (November 2025)	31.1% (year-over-year)	Above the 24% year-end target but showing improvement; food prices came in lower than projections, supporting CBRT's accelerated easing.
UAE/GCC Context	Stable peg dynamics	CBUAE maintains alignment with Fed policy; local markets supported by tourism, corporate earnings, and liquidity despite global uncertainty.

3) Market Performance & Dynamics (focus: Dec 2025)

Equities

- **S&P 500** closed the year at 6,845.50, up 16.4% for 2025, marking three consecutive years of double-digit gains. December saw modest decline of 0.7% on final trading day but overall positive month.
- **Nasdaq Composite** finished up 20.4% for 2025 at 23,241.99, driven by AI enthusiasm despite late-year volatility and concentration concerns.
- **Dow Jones** gained 13.0% for the year, reaching 48,063.29, posting eight consecutive winning months through December.
- Market concentration remained extreme: top 5 companies now account for over 30% of S&P 500 value. Alphabet led Magnificent Seven with 65% gain; Amazon lagged with only 5% increase.
- Small-cap Russell 2000 rose 12.1% for 2025, underperforming large caps but posting solid double-digit gains.

Fixed Income

- U.S. Treasury yields moved lower through December as Fed delivered third consecutive cut; 10-year yields declined on dovish policy expectations tempered by cautious 2026 guidance.
- Emerging-market debt saw mixed flows; lower U.S. rates provided support but concerns over fiscal deficits and geopolitical risks limited gains.
- UK gilt yields stabilized following BoE's December cut to 3.75%; market pricing in 2-3 additional cuts for 2026.

Commodities

- **Brent crude** ended December around $61.1/barrel, down 2% for the month and 18% for the year amid oversupply concerns. OPEC+ expected to maintain production pause in Q1 2026.
- **WTI crude** closed near $57/barrel, down approximately 22% for 2025 despite geopolitical support from Venezuela tensions and Middle East instability.
- **Gold** had extraordinary year, surging 64%+ to finish near $4,325/oz after hitting all-time highs above $4,580/oz in late December. Set 54 record closes in 2025, best annual performance since 1979.
- **Silver** delivered historic gains of 142%+, reaching above $80/oz intraday before year-end profit-taking. Finished around $72/oz, marking 18 record closes in 2025.
- **Copper** rallied over 41% for the year, reaching record high of $11,881.5/ton on December 22.

FX & Crypto

- **USD** weakened through December, posting worst annual performance since 2017 (down 6%+) on Fed easing cycle and lower real rates expectations.
- Regional FX (UAE/GCC) remained anchored to policy pegs; AED-USD peg maintained stability.
- **Bitcoin** traded range-bound $85,000–$90,000 throughout December, ending year around $87,000–$88,000, down ~10% YTD and ~30% from October ATH of $126,210. Options expiry and hedging dynamics suppressed volatility.
- Major altcoins showed mixed performance; Ether hovered around $3,000, while XRP, Solana, and others posted modest gains in final week.

Takeaways for positioning

- Market concentration risk elevated: top 5 stocks represent over 30% of S&P 500. Consider diversification beyond mega-cap tech.
- Fed's hawkish December guidance suggests slower easing pace in 2026; only 1-2 cuts currently priced versus earlier expectations of 3-4.
- Precious metals remain attractive as inflation hedge and safe haven; Bank of America targets gold at $5,000/oz for 2026 on central bank buying and fiscal deficits.
- Oil oversupply narrative persists; cautious positioning warranted despite geopolitical tail risks.
- Bitcoin remains volatile and suitable only for risk-tolerant allocations; institutional adoption continues but price momentum stalled in Q4.

Notable sector performance

- Technology and Communications sectors led 2025 gains on AI infrastructure buildout; Nvidia reached $4.6 trillion market cap.
- Gold miners and precious metals producers posted exceptional returns: Newmont up 184%, tracking record gold prices.
- Consumer Discretionary lagged as higher prices for essentials squeezed non-essential spending.
- Energy sector underperformed on weak oil prices and oversupply concerns despite production discipline.

4) Long-Term Trends Shaping the Outlook

- **AI & productivity** – Corporate capex heavily biased toward AI infrastructure; market debates valuation sustainability as companies face pressure to convert investment into profits. Concentration risk in handful of mega-cap tech names.
- **Precious metals supercycle** – Gold and silver posted best annual gains since 1979, driven by central bank buying, fiscal deficit concerns, lower real yields, and safe-haven demand. Structural support expected to continue into 2026.
- **Energy transition vs. security** – Continued investment in renewables but traditional energy remains critical for regional economies. Oil oversupply narrative versus geopolitical risk premium creates uncertainty.
- **Labor market dynamics** – U.S. labor market showing clear signs of cooling; unemployment rising to 5.0% influences Fed's neutral rate expectations and policy trajectory.
- **Geopolitics** – Middle East tensions, Russia-Ukraine conflict, U.S.-Venezuela standoff, and tariff uncertainty maintain risk premium across asset classes.
- **Fiscal sustainability** – Growing deficit concerns in U.S., UK, Europe, and China support alternative assets like gold; sustainability of government spending questioned.

See BlackRock Global Outlook 2026, J.P. Morgan Asset Management Market Insights, Vanguard Economic and Market Outlook, and Fidelity 2026 Investment Outlook for deeper thematic analysis.

5) Central-Bank Decisions/Signals (focus: US, UK, UAE, Türkiye)

Bank	Decision/Signal	Date	Notes
Federal Reserve (U.S.)	Cut policy by 25 bps to 3.50%–3.75%; signaled slower pace ahead with only one cut projected for 2026.	10 Dec 2025	Contentious 9-3 vote (most dissents since 2019); three members dissented (two for hold, one for 50 bps cut). "Dot plot" shows divided committee; statement reintroduced "extent and timing" language suggesting prolonged pause. Fed also announced resumption of Treasury purchases ($40 billion/month initially) for reserve management.
Bank of England (UK)	Cut Bank Rate by 25 bps to 3.75%, fourth reduction of 2025.	18 Dec 2025	Narrow 5-4 vote in favor of cut; four members preferred to hold at 4.0%. Inflation fell to 3.2% in November. BoE expects zero growth in Q4 2025; indicated "gradual downward path" for rates if inflation continues to moderate. Market pricing 2-3 additional cuts in 2026.
CBUAE (UAE)	No independent policy change; maintains AED-USD peg alignment with Federal Reserve.	–	UAE policy stance follows Fed decisions to preserve currency peg stability and financial system resilience. Local markets supported by tourism, corporate earnings, and liquidity.
CBRT (Türkiye)	Cut one-week repo rate by 150 bps to 38.0%, accelerating easing cycle.	11 Dec 2025	Fourth consecutive reduction; exceeded market expectations of 50-100 bps cut. November inflation of 31.1% above 24% year-end target but food prices moderated. Overnight lending rate cut to 41%, borrowing rate to 36.5%. Policy remains data-dependent; further easing expected if disinflation continues.

6) High-Impact Events Scheduled – *January 2026 & near-term*

Date	Event	Why it matters
Jan 4, 2026	OPEC+ Virtual Meeting	Expected to maintain agreement to pause further output increases in Q1 2026 amid oversupply concerns. Critical for oil price trajectory.
Jan 13, 2026	U.S. CPI (December)	First reliable inflation reading post-shutdown; will heavily influence Fed's January 27-28 meeting decision and 2026 rate path expectations.
Jan 27-28, 2026	Federal Reserve FOMC Meeting	First Fed meeting of 2026; market currently pricing 75.6% probability of hold at 3.50%-3.75%. December CPI will be critical input.
Feb 5, 2026	Bank of England MPC Meeting	First UK rate decision of 2026; market expects potential cut depending on inflation and growth data.
Q1 2026	EU sanctions on Russian oil products	Scheduled restrictions on imports of products derived from Russian crude; expected to support refining margins but add supply uncertainty.
Ongoing	U.S. Presidential Transition / Policy Announcements	Second Trump administration policies on tariffs, fiscal stimulus, and regulatory framework will shape market expectations and volatility.

Check official release calendars—timing subject to change based on data availability and geopolitical developments.

7) Other Notable Trends/Highlights

- **Government shutdown impact**: The 43-day U.S. federal government shutdown (Oct 1 – Nov 12, 2025) severely disrupted economic data collection, with October CPI cancelled entirely and November data quality questioned. BLS unable to retroactively collect October data, creating information gaps for Fed policy deliberations.
- **Historic precious metals rally**: Gold and silver posted best annual performances since 1979. Gold set 54 record closes in 2025, finishing up 64%+. Silver surged 142%+, reaching above $80/oz for first time. Drivers: central bank buying, fiscal deficit concerns, lower real yields, geopolitical uncertainty, weaker dollar.
- **Market concentration concerns**: S&P 500 top 5 companies now represent over 30% of index value, creating structural risk. Any significant stumble from names like Nvidia or Microsoft could have outsized market impact. Bifurcation within Magnificent Seven (Alphabet +65%, Amazon +5%).
- **Fed policy divergence**: December FOMC decision featured most dissents (3) since 2019, with additional "soft dissents" visible in dot plot. Seven officials indicated preference for zero cuts in 2026. Committee deeply divided on inflation vs. employment risks.
- **Oil market disconnect**: Stark contrast between surging crude supplies and tight refined product markets. Refinery margins reached 3-year highs in November despite crude oversupply. Iran and Russia sanctions creating floating storage buildup ($213 million barrels on water since August).
- **Bitcoin institutional adoption stalls**: Despite ETF approvals and corporate treasury adoption (Strategy, Metaplanet), Bitcoin ended year down ~10%, trapped in $85k-$90k range through December. Options positioning and hedging dynamics suppressed volatility.

Sources & Links (selection)

- Federal Reserve — FOMC statement, press release, and minutes (10 Dec 2025); https://www.federalreserve.gov/monetarypolicy/fomcminutes20251210.htm (https://www.federalreserve.gov/monetarypolicy/fomcminutes20251210.htm)
- U.S. Bureau of Labor Statistics — CPI Summary November 2025; https://www.bls.gov/news.release/cpi.nr0.htm (https://www.bls.gov/news.release/cpi.nr0.htm)
- S&P 500, Nasdaq, Dow Jones historical data — CNBC Markets, Investing.com, Bloomberg (December 2025)
- Gold & Silver prices — Bloomberg, Investing.com, CME Group, various precious metals data providers (December 2025)
- Oil prices (Brent & WTI) — U.S. Energy Information Administration, Trading Economics, IEA Oil Market Report December 2025
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- Central Bank of Republic of Türkiye — Press Release on Interest Rates (11 Dec 2025); https://www.tcmb.gov.tr/ (https://www.tcmb.gov.tr/)
- Bitcoin & cryptocurrency data — CoinDesk, Coinbase, Bloomberg Crypto, VanEck Bitcoin ChainCheck (December 2025)
- Major asset manager research: J.P. Morgan Asset Management Global Market Outlook 2026, BlackRock Investment Institute 2026 Outlook, Vanguard Economic and Market Outlook 2026, Fidelity Investments 2026 Investment Outlook, Charles Schwab Market Perspective December 2025
- GDP data — U.S. Commerce Department, UK Office for National Statistics (Q3 2025 releases)

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