Oxonian Capital

# Monthly Market Update

## December 2025

## MARKET VIEWS

**EQUITIES:** Equity markets were choppy in November, with the S&P 500 index at one stage down -5% on the month, before recovering to end up a fraction (+0.2%). The large technology names remain key drivers of performance, and the Mag-7 fell by -1.1% in November. The largest fall of -12.5% came from Nvidia, although for context the shares had seen a +50% year-to-date return prior to November. Nvidia's fall was partly driven by a new chip developed by Google's parent, Alphabet, which saw their shares rise almost +14%. These opposing moves highlight how it is not always simple to group 'tech' names into one when looking for returns. The equal-weight S&P 500 index has trailed the market cap-weighted index by c.7% since January, highlighting the narrowness of index returns. Some of this was unwound in November, with good performance from healthcare, materials and consumer staples, with biotechnology also having a very strong month.

Beyond the U.S., attention shifted towards areas offering more compelling valuations. Latin American markets posted a good month, driven by the Brazilian market up by +6.4%. This was buoyed by signs of improving corporate fundamentals, including some significant dividend increases, and inflation coming in lower than expected, increasing the chances of interest rate cuts. Other major markets were unexciting, with the FTSE 100 index up +0.4%, the TOPIX (Japan) up +1.4% and the CAC 40 in France flat.

**CURRENCY & DEBT:** The Japanese Yen was the most significant mover of the major currencies, up +1.4% against the U.S. Dollar. This continued previous months moves with inflation coming through in the Japanese economy, and growing expectations of rates tightening. The pound strengthened, with the budget mostly viewed as a minor positive, with fiscal headroom lifted, easing some fears over the government's economic credibility.

In debt markets, there was some divergence in November, with U.S. Treasury yields falling by around -1% amid commentary from Federal Reserve officials suggesting a December rate cut could be forthcoming. Gilt yields rose slightly over the month, as did Japanese government bond yields, the latter hitting multi-decade highs.

**ALTERNATIVES**: Silver led commodity gains in November, up by +16.5%, with strong industrial demand and limited supply. Gold added +5.4%, bringing the year-to-date return to +61%. With commentary around interest rates signalling moves lower in the U.S., investor interest in non-yielding assets, like Gold and Silver, continues to grow. Brent was down by -3.6%, helped by talk of price cuts muted by Saudi Arabia and higher than expected production.

In the U.K., the big story in alternatives was the announcement, and subsequent reversal, of the merger of two large infrastructure investment trusts (HICL and TRIG). This highlights the difficulty facing investment trust boards in trying to better manage wide discounts. In our view the reversal, under significant shareholder pressure, was the right outcome.

## MACRO VIEWS

**POLITICS:** Key geopolitical developments in November included stalled European fiscal positioning, with France's National Assembly rejecting a budget bill and forcing the government to shelve key pension reforms. Italy saw nationwide strikes over defence-heavy spending plans and the U.K. government announced its latest budget, with several policies leaked to the press also shelved.

Diplomacy gained momentum regarding the Ukraine/Russia conflict, with several high-profile meetings and Moscow calling U.S. brokered talks "serious". Kyiv also signalled conditional support for a proposed framework agreement, despite continued strikes on its cities and counter strikes. The initial 28-point peace plan put forward by the U.S. was quickly revised, given the territorial disagreements. Details remain sparse, but more parties are now seemingly actively engaging with the framework agreement.

**MONETARY POLICY:** The theme of monetary policy divergence covered last month continued again in November. While the Federal Reserve is clearly in an easing cycle, having reduced rates five times now since August 2024, the Bank of England remains with a delicate balancing act. The BoE's decision to hold rates at 4.0%, having reduced by 0.25% in August, was a close call (voting members were split 5 to 4 in favour of holding rates steady). This reflects lingering concern that above-target inflation (3.6% in October) could become more persistent. Markets are now fully focused on the BofE's and Fed's next move in December, which will dictate the relative performance of the respective bond and currency markets as we head into 2026.

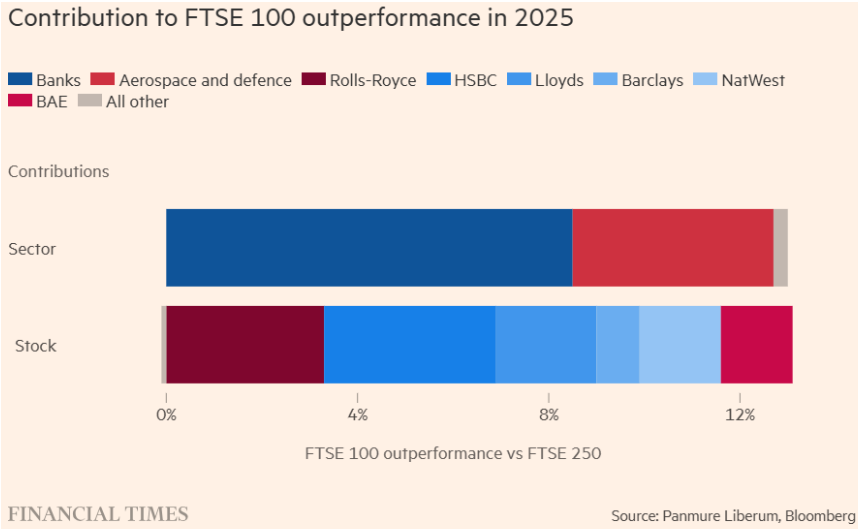
**UK BUDGET:** To an extent Rachel Reeves' budget came and went without much by way of market reaction. The pound strengthened slightly on the day, and gilt yields fell marginally, but in comparison to recent budgets, this felt somewhat muted. This was perhaps helped by the slow leak of policy ideas right up to the day itself, with markets having a good idea of what to expect.

Rather than too many headline grabbing tax and spending changes, the budget instead included a smorgasbord of smaller measures, most of which will see benefit to the Treasury coffers in the later part of the current government's term.

According to the Office for Budget Responsibility's forecasts, the budget results in the Chancellor meeting her fiscal mandate, with a margin of £21.7bn in 2029/30, well above the £9.9bn forecast at the Spring Statement This is where markets saw some relief, as well as the budget not containing as many obviously inflationary measures as the Spring Statement. Despite the policies seeming to be piecemeal, the budget has resulted in nearly £30bn in taxes announced, with the tax take rising to 38.3% of GDP over the forecast period (up to 2030).

## CHART OF THE MONTH

Market concentration in the U.S. is frequently mentioned as a concern amongst market commentators and active fund managers. However, this is far from just a U.S. phenomenon. The Financial Times published an interesting article on U.K. market concentration, highlighting how narrow returns have been in the U.K. from a sectoral standpoint. The returns of the largest companies in other indices are also stark though and to an extent this goes to show why active investing has proven so hard over the last few years.




**Most highly concentrated markets**

| Index | Weighting of top 10 |
|---|---|
| Nikkei 225 | 48.4% |
| FTSE 100 | 46.1% |
| S&P 500 | 40.2% |
| MSCI Asia ex Japan | 35.6% |
| MSCI Emerging Markets | 31.5% |
| Euro STOXX | 26.2% |
| MSCI ACWI | 25.6% |

*Sources: Financial Times, The UK stock market concentration problem, 04-12-25. Available at: https://www.ft.com/content/761bb68f-6273-4948-a798-c4c219d73550 and Trustnet, The most concentrated equity markets in the world, 14-11-25. Available at: https://www.trustnet.com/news/13463229/the-most-concentrated-equity-markets-in-the-world-and-its-not-the-us*

## MARKET DATA

| Index | Value | %1m | %3m | %6m | %YTD | %1yr | %3yr | %5yr |
|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 9,717 | -0.2 | 6.1 | 11.9 | 23.0 | 20.5 | 43.5 | 78.4 |
| FTSE All-Share | 5,240 | -0.1 | 5.8 | 11.3 | 21.4 | 19.0 | 41.2 | 69.1 |
| FTSE AIM | 752.11 | -0.5 | -1.8 | -0.3 | 4.5 | 2.1 | -11.6 | -29.6 |
| FTSE World (ex-UK) | 777.60 | -1.0 | 7.4 | 16.9 | 14.7 | 12.7 | 56.6 | 78.0 |
| S&P500 | 6,857 | 1.0 | 6.1 | 16.2 | 18.0 | 14.3 | 79.1 | 99.5 |
| Dow Jones | 47,851 | 1.1 | 5.4 | 13.1 | 12.5 | 6.9 | 41.0 | 58.4 |
| Nasdaq 100 | 25,582 | -0.1 | 8.2 | 18.7 | 21.7 | 19.4 | 117.0 | 104.0 |
| S&P Smallcap 600 | 1,482 | 2.5 | 2.2 | 14.4 | 5.3 | -1.8 | 22.4 | 36.6 |
| Eurostoxx 50 | 5,718 | 0.9 | 7.5 | 5.7 | 16.8 | 15.5 | 44.5 | 61.6 |
| Nikkei | 50,492 | 0.6 | 17.4 | 34.4 | 26.6 | 28.2 | 81.5 | 88.7 |
| Hang Seng | 26,085 | 0.6 | 2.6 | 9.1 | 30.0 | 33.4 | 33.6 | -2.8 |
| Shanghai (SSE) | 3,876 | -2.4 | 1.7 | 14.5 | 15.6 | 15.0 | 20.7 | 12.5 |
| FTSE Government All-Stocks | 130.47 | 0.8 | 3.1 | 3.6 | 5.1 | 3.0 | 0.7 | -22.1 |
| GBP/USD | 1.3353 | 2.3 | -1.2 | -1.7 | 6.7 | 4.7 | 9.5 | -0.7 |
| GBP/EUR | 1.1461 | 0.9 | -0.6 | -3.3 | -5.2 | -4.9 | -1.3 | 3.4 |
| Gold $ | 423,355 | 6.5 | 18.0 | 25.9 | 61.3 | 60.7 | 139.0 | 130.0 |

*Source: Alpha: data as at 05-12-25. Data is taken mid-day and as a result may differ to the returns quoted publicly, which tend to be as at the close of business.*

## Get in touch

If you are interested in using a discretionary investment manager or are contemplating switching from your existing manager, we would be delighted to hear from you. We are passionate about what we do and unincumbered by any large corporate mindset, free to act independently in your best interest.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