



INVESTMENT UPDATE

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INVESTMENT UPDATE

Index	Level 31 Oct	Level 30 Nov	Change*
S&P 500	6840	6849	+0.1%
FTSE 100	9717	9720	+0.03%
Euro Stoxx 600	571	576	+0.9%
Nikkei 225	52411	50253	-4.1%
Shanghai	3954	3889	-1.6%
US 10 Yr Treasury Yield	4.10%	4.02%	-0.08
UK 10 Yr Gilt Yield	4.40%	4.44%	+0.04
Bund 10 Yr	2.64%	2.69%	+0.05

*all returns in local currency terms. Past performance is not a guide to future returns.

Overview

After an exceptionally positive October, global equity markets were generally more subdued in November, seemingly as the AI trade lost momentum. AI optimism remains a key driver, but valuations came under scrutiny mid-month, causing tech-led pullbacks before Nvidia's stellar earnings report reignited confidence.

Away from technology, in many markets, we saw some sectors that had previously been overlooked, such as smaller companies, improve substantially. Value and high-yielding dividend stocks also performed well,

perhaps signalling that investors were looking to diversify away from some of the more richly priced stocks that have been benefitting from the AI theme of late. A similar theme ran concurrently in Asia, where many companies, particularly in Korea and Taiwan, had also been a beneficiary of AI spending. China also faltered on negative economic news.

Mid-month, the longest US government shut down came to an end, which although it had little impact on the market while in place, should help provide some clarity for investors once data about the current state of the US economy begins to be produced by government agencies again.

In the UK, the stock market was similarly uninterested in the eventual outcome of the budget, despite the weeks of speculation, rumour and apparent U-turns by the Chancellor. UK bond markets were equally as subdued as equities, which in the UK's case should be regarded as a positive. Rachel Reeves' apparently unnecessary tax rises *do* give her more room for error, should the OBR revise its outlook for the UK economy downwards in future.

In the US, we saw 10-year bond yields fall and prices rise, providing some diversification benefits for investors. Corporate bond yields have continued to stabilise, as speculation over the health of the sector continues to dissipate, following the defaults of First Brands and Tricolour.

The net effect of market activity meant that all portfolios were down slightly on the month, although year-to-date returns remain strongly positive across all risk grades.

US

The dearth of economic data, which had been delayed due to the US government shutdown, meant that US investors were very much focussed on the AI spending story. Whether it was merely profit taking after an exceptional run in October, or genuine concerns over the AI economics, technology stocks led an initial pullback in the main index early in the month. This was evidenced by the technology laden Nasdaq index declining nearly 7%.

However, the strong earnings growth reported by Nvidia, and the unveiling of AI platform Gemini by Alphabet, sparked a rally, both in the companies' shares and the Nasdaq index as a whole, which finished down only 1.5% over the month. In contrast, S&P indices, which are either dividend or value stock orientated, rallied as much as 3% throughout the month, perhaps as investors looked for more reasonably priced stocks away from the AI trade. It's a reminder of how you can achieve diversification within a single stock market.

The government shutdown itself, ended on 13 November, following a deal between Republicans and Democrats to hold a vote on proposed cuts to healthcare tax credits.

UK

The Autumn Budget (26 November) introduced £26bn in tax hikes, including extended freezes on income tax thresholds, higher dividend and savings taxes, and a new mileage tax for electric vehicles. Despite controversy over whether the Chancellor overstated fiscal challenges, bond markets welcomed the perceived stability, with gilt yields steady near 4.45%.

However, housebuilder's share prices were hit particularly hard following the imposition of the so-called 'mansion tax'. Inflation eased slightly to 3.6%, but remains above the Bank of England's 2% target. Rate

cuts are anticipated in early 2026 following a narrow hold vote in November. The more internationally focussed FTSE100 was relatively unmoved by the budget, but the more domestically exposed FTSE 250 was down 1%.

Europe

Eurozone business activity remained resilient, with Purchasing Manager's Index (PMI) coming in at 52.4 for November (anything above 50 is regarded as positive), marking 11 consecutive months of expansion despite manufacturing weakness, particularly in Germany. Inflation stabilized near 2.1%, reinforcing the ECB's decision to hold rates at 2% into 2026.

In political developments, French Prime Minister, Lecornu, continues to struggle to get parliament to approve his 2026 budget proposals. Germany's industrial malaise persists, with the auto sector under continued pressure from Chinese EV competition, leading Chancellor Merz to call for an extension to the EU ban on combustion engines post the current deadline of 2035.

Italy, meanwhile, has managed to drastically curb imports of a slightly less high-ticket product from China: tomatoes. Following a campaign by the Italian farming association to encourage consumers to boycott Chinese imports, which consequently led China to build up a stockpile of the fruit. Meanwhile, Italy's stock market continues to outpace that of Germany's and France (and its government debt now yields the same as the latter), as political stability generated by Prime Minister Merloni allows her to improve the fiscal deficit.

Japan

Following its astonishing returns of 16% in October, the Nikkei gave up some of these gains, falling just over 4%. However, the contrast between this index and the broader Topix remained in place, with the latter up over 1%.

New Prime Minister, Sanae Takaichi, unveiled a ¥21.3 trillion (\$135bn) stimulus package on 21 November, spooking bond markets and sending 10-year government bond yields to 1.83%, their highest since 2008. Takaichi also escalated China-Japan tensions following her remarks that Japan might get involved militarily if China attacked Taiwan.

Following these comments, Beijing imposed economic sanctions, including seafood bans, as well as sending coastguards to disputed islands in the Pacific. Additionally, they announced a travel advisory against visiting Japan, which contributed to market volatility, as Chinese tourists account for over a quarter of spending in the tourism sector.

Asia and Emerging Markets

Following an excellent October and representing some of the best performing markets this year, Korea and Taiwan retreated on the same AI spending concerns that affected the US market during November. China, also one of the year's better performers, was one of the worst over the month, as retail sales and other economic activity measures suggested a weakening economy. Despite the optimism over the resolution of a trade dispute with the US, the overhang of a weak property market and manufacturing overcapacity, with the resulting deflationary pressures, suggests these were more of a focus for investors.

In contrast, Taiwan forecasted the highest economic growth for 15 years, as GDP grew at 8.2% in the third quarter - boosted by Taiwan Semiconductor Manufacturing Company producing 90% of the world's most advanced chips, as well as other AI-related infrastructure producers in Taiwan benefiting from the boom.

Summary & Outlook

The AI stock related pull back at the start of November and the subsequent reversal following Nvidia's strong earnings, demonstrate how volatile the technology sector can be, especially when accompanied by historically high valuations. It also demonstrates why it's prudent not to blindly chase an individual theme, but rather spread our assets across as wide a range of markets as possible. We will start to receive data on the state of the US economy, now that the shutdown has been resolved, and this may influence markets through December. The latter part of the month can be more volatile as we head into the holiday season, as markets can be influenced by a smaller number of participants. However, barring any unforeseen surprises, 2025 looks like it will have been a good year for investors.

Rockhold Asset Management, with contributions from 7IM, December 2025



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