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MARKET UPDATE

IN UNDER 5 MINUTES

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TOPIC OF THE MONTH

2025 in Review: Strong Returns in a Noisy World

2025 delivered another year of strong asset-class performance, extending a rally that has now defied skeptics for three consecutive years. U.S. equities led the way, with the S&P 500 rising more than 16% over the year and nearly 90% from its October 2022 low, placing this cycle among the strongest multi-year advances in recent decades. What stood out was not only the scale of returns, but the market's ability to absorb persistent macro noise. Throughout the year, investors navigated rising unemployment concerns, sticky inflation, trade-war rhetoric, affordability pressures, and ongoing debate around monetary policy credibility. None proved sufficient to derail risk appetite for long. The artificial intelligence theme remained the dominant structural driver, but importantly broadened beyond a handful of mega-cap names. Capital spending accelerated across data centers, storage, power infrastructure, and enabling technologies, supporting the view that this cycle has been anchored in tangible investment and earnings growth rather than pure speculation. Elsewhere, bonds regained relevance as yields stabilized, gold and silver outperformed, commodities delivered mixed signals amid diverging growth expectations, and digital assets reminded investors of their inherent volatility.

Taken together, 2025 was a year where fundamentals mattered - but confidence, liquidity, and positioning mattered even more.

IN SHORT - MARKET TWEETS

Bonds

Long end treasury yields increase, 2y falls

- U.S. Treasury Yields
  - 2Y: 3.46% (MoM -0.91%)
  - 10Y: 4.15% (MoM +2.77%)
  - 30Y: 4.82% (MoM +2.74%)
- Bloomberg Global Aggregate Bond Index
  - 501.29 (MoM +0.46% / YTD +8.17%)

Equities

China stocks lower MoM, but outperform for the year

- Major Indices
  - S&P 500: 6,845 (MoM -0.05% / YTD +16.38%)
  - Nasdaq100: 25,249 (MoM -0.72% / YTD +20.14%)
  - FTSE: 9,931 (MoM +2.29% / YTD +21.59%)
  - EuroStoxx50: 5,791 (MoM +1.62% / YTD +18.56%)
  - HangSeng: 25,630 (MoM -1.55% / YTD +27.77%)
- Top 3 Sectors YTD:
  - Communication Services (+40.02%), Technology (+27.00%), Utilities (12.60%)
- Bottom 3 Sectors YTD:
  - Real Estate (-4.1%), Consumer Defensive (+4.02%), Consumer Cyclical (+6.00%)

Commodities

Gold and copper with stellar 2025 performance, brent retreats further

- Gold: 4,310 (MoM +1.95% / YTD +64.45%)
- Copper: 5.69 (MoM +7.43% / YTD +41.29%)
- Brent: 60.91 (MoM -3.67% / YTD -18.48%)

FX & Digital Assets

BTC and USD closes the year negative

- DXY: 98.32 (MoM -1.08% / YTD -10.13%)
  - EURUSD 1.17 (MoM +1.14%)
  - GBPUSD 1.34 (MoM +1.87%)
  - USDCHF 0.79 (MoM -0.80%)
  - USDJPY 156 (MoM +1.21%)
- BTC: 87,549k (MoM -0.82% / YTD -6.28%)

Global Macro / Geopolitics

Inflation edges lower, hope for more rate cuts

- US Inflation: 2.7% (-0.30%)
- FED Funds Rate: 3.50-3.75% (-0.25%)
- Unemployment Rate: 4.6% (+0.2%)
- Non-farm payroll: 64k (November)

Middle East in Focus

- Saudi Arabia is recalibrating Vision 2030 ambitions as weaker oil revenues and a widening fiscal deficit force prioritization, reshaping regional deal-making for global banks and private equity firms as capital is redirected toward AI and strategic sectors.
- Dubai and Abu Dhabi continue to attract global hedge funds at record pace, pushing the UAE's manager count past 100 and driving large-scale investments into new office, residential, and financial infrastructure to accommodate the influx.

WHAT'S COMING NEXT?

Looking into 2026, market consensus has turned decisively bullish. Major banks and boutique investment firms broadly expect U.S. equities to rise for a fourth consecutive year — a run of gains not seen since the period preceding the Global Financial Crisis. This confidence persists despite well-known risks. Questions remain around the durability of the AI investment cycle, the path of inflation and interest rates, and the potential for renewed political or trade-related shocks. Yet after three years in which bearish calls consistently failed, skepticism has largely disappeared from forecasts. Current projections imply high-single-digit upside for the S&P 500, with virtually no major institution anticipating a decline. Even long-standing market bulls have noted that such uniform optimism is unusual. While economic growth and earnings expectations remain supportive, history suggests that markets become more vulnerable when consensus narrows. For 2026, the challenge is less about predicting direction and more about managing risk in an environment where expectations are high and margins for error are thin.

INVESTMENTS IN FOCUS

After several years of strong market performance, the main risk heading into 2026 is not pessimism, but complacency. Extended bull markets tend to reduce investors' sensitivity to downside risk, encouraging concentration and overconfidence precisely when uncertainty has not disappeared.

A resilient investment approach does not rely on forecasting turning points. Instead, it emphasizes robustness — the ability to stay invested through volatility without being forced into reactive decisions. History shows that portfolios built with balance, diversification, and liquidity tend to compound more reliably across market cycles than those optimized solely for late-stage upside.

In an environment where optimism is widespread and expectations are elevated, resilience becomes a strategic advantage. The objective for 2026 is not to anticipate every shock, but to remain positioned when markets inevitably test conviction.

DON'T LEAVE BEFORE YOU READ THIS!

Did you know?

2025 was an extraordinary year for global wealth creation. The world's 500 richest individuals added a record $2.2 trillion to their collective fortunes, according to the Bloomberg Billionaires Index. Strikingly, roughly 25% of those gains accrued to just eight people! It is a powerful reminder of how concentrated returns have become and how strongly asset ownership continues to shape outcomes. For investors, it underscores a simple truth: Markets reward participation, but concentration amplifies both opportunity and risk.