

Monthly Market Snapshot

December 2025

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets

Market commentary

Global investment markets ended the year with a more cautious tone in December, as investors weighed divergent central bank actions, and the resumption of US economic data releases with government functions reopening in the prior month. Risk sentiment fluctuated between brief risk-off episodes and relief rallies as investors tried to reconcile competing signals from monetary policy shifts and economic data trends.

Global equities delivered mixed but modestly positive results. US equities ended December broadly unchanged after a strong year overall. Technology stocks, which had driven much of the year's gains, eased slightly amid profit taking and rising bond yields. Financials and materials held up better, supported by optimism around economic resilience. The Federal Reserve's decision to cut rates, while signaling caution on future moves, added to the mixed tone.

European equities posted solid gains in December, underpinned by the European Central Bank's steady policy stance. Banking and resource stocks led the advance, while defensive sectors provided stability. The UK market rose following the Bank of England's resumption of rate cuts and on steady economic conditions.

Japan's equity market delivered robust gains as investors welcomed signs of economic resilience and policy normalisation. The Bank of Japan's decision to raise rates to the highest level in decades triggered a brief risk-off move. However, markets were reassured by the BOJ's cautious tone and ended the month higher.

Australian equities posted a positive month overall, with broad-based gains. Resources were particularly strong as industrial metals rallied. Firmer copper and gold prices aided miners, while energy names lagged amid weaker crude oil prices. Financials were moderately stronger.

Across China and broader emerging markets, equities were mixed. China underperformed in December amid ongoing property-sector stress and fragile buyer sentiment despite renewed pledges of fiscal support. Elsewhere, select EMs benefitted from continued strength in global risk appetite and a softer US dollar.

Bonds were generally weaker as longer dated yields drifted higher, resulting in modestly negative returns for several composite and government bond indices. In the US, a hawkish cut by the Federal Reserve, its third of the year, came with split votes and cautious guidance, keeping yields elevated. The ECB held rates steady, while the BOE resuming rate cuts saw front end yield lower, but long end yields remained higher. The BOJ hike pushed Japanese bond yields to multi-decade highs. Australian yields rose over the month, consistent with stronger-than-expected inflation data, prompting a more hawkish stance by the Reserve Bank of Australia and shifting expectations towards rate hikes in 2026.

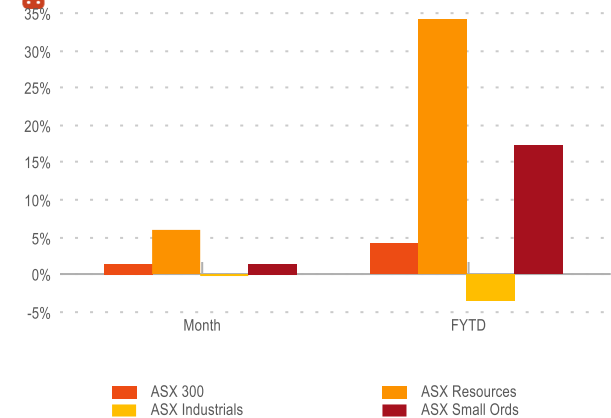
The US dollar eased over the month on softer-than-expected inflation data and year-end dynamics. The Australian dollar appreciated against major peers, consistent with relative rate expectations and stronger commodity prices. Sterling was resilient into the BOE's cut, while the yen's path was volatile around the BOJ decision and the unwind of carry trades.

Listed property and listed infrastructure were soft, with rising long yields weighing on rate-sensitive assets globally. REITs and global infrastructure benchmarks mostly posted negative results. Australian listed property rose due to valuation gains, favourable capital structure adjustments and seasonal revaluations.

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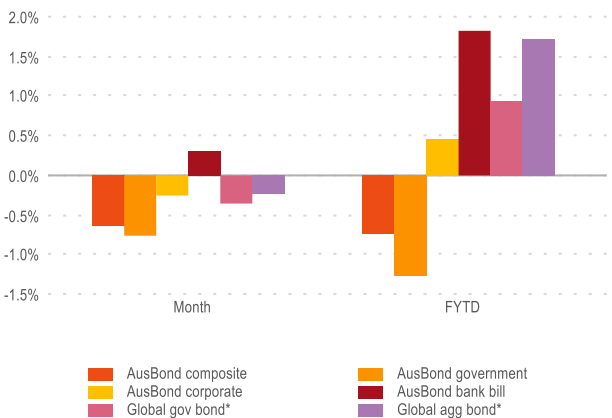
Australian equities



Source: LSEG Datastream



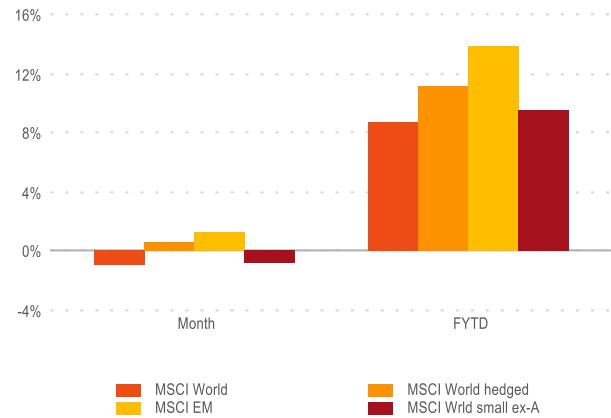
Fixed income



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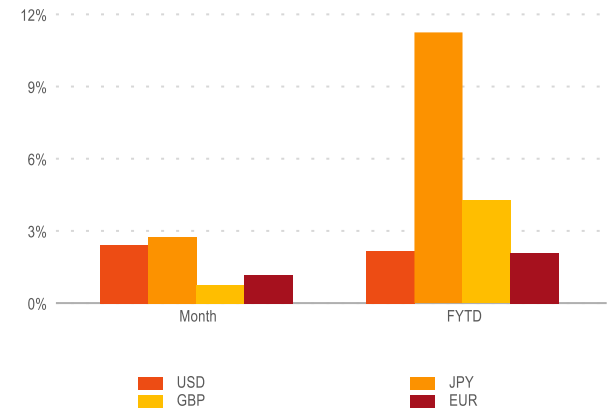
International equities (\$A)



Source: LSEG Datastream



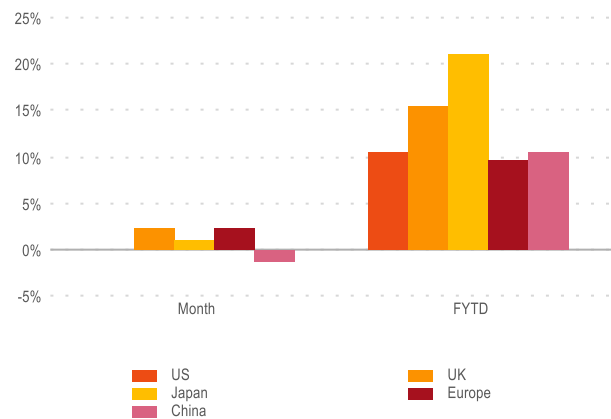
Australian dollar



Source: LSEG Datastream



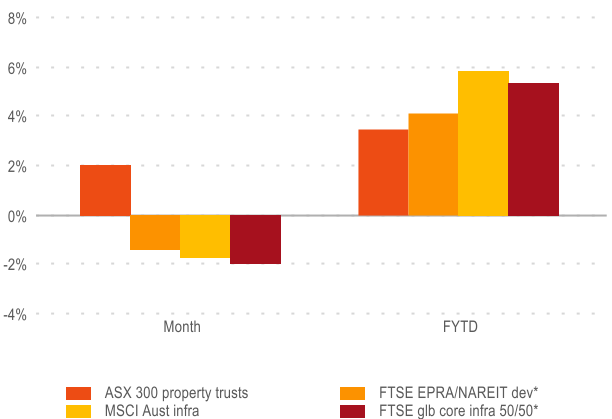
International equities



Source: LSEG Datastream



Real assets



Source: LSEG Datastream *Hedged A\$



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