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Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

Europe quietly steals the show in 2025

Key takeaways

Global stock market indices retreated marginally, while a rate cut from the Bank of England helped UK shares to be the top performers. Although Europe's stock markets proved to be the stars of 2025, gold and silver prices saw their strongest gains since 1979.

Investors flock to Europe in 2025

Thanks to a weakening US dollar and newfound German fiscal largesse, European stocks significantly outperformed US ones in 2025. Germany's €500bn infrastructure spending plan has helped to turn Europe back toward economic growth while inflation has eased. Meanwhile, Europe boasts a number of industrial champions that are well positioned to benefit from investor appetite for the energy, infrastructure, and semiconductor markets. Thanks to its profusion of luxury goods and autos names, it's also best positioned to benefit from a revival in Chinese demand.

The MSCI Europe ex UK Index gained 26.7% in sterling terms (to 19 December) compared to 25.2% for the MSCI UK Index and just 10.9% for the MSCI North America Index, which includes Canadian stocks.

Will Black Friday become Black November for UK?

Last week saw UK inflation, as measured by the Consumer Price Index (CPI), fall by significantly more than expected. The November report showed CPI was down to 3.2% against expectations of a 3.6% reading.

The number is still some way above the Bank of England's target of 2%, and a full 1% higher than in Europe, but was sufficient for its Monetary Policy Committee (MPC) to cut UK interest rates by 0.25% to 3.75%. However, much of the fall in the price of UK goods reflected an especially long and aggressive Black Friday period, as retailers were forced to pull out all the stops in the face of ailing consumer demand. Although any decline in inflation is welcome news, such significant and unexpected falls are also a portent of potential UK recession.

Market ignores flawed US inflation data

Although last week's delayed US inflation report for November showed a sharp decline to 2.7%, investors mostly ignored the seeming good news due to numerous flaws in the Bureau of Labor Statistics (BLS) data.

Thanks to the government shutdown, many missing data points were simply estimated. Core inflation, which strips out food and energy prices, came in at 2.6% against expectations of 3%. The bond market largely shrugged off the inflation report. While the US Federal Reserve (Fed) reduced interest rates to a three-year low, last week, the latest US CPI report could well fuel more calls from the Trump White House to accelerate US rate cuts.

Market moves

Global stock markets retreated slightly as investors continued to fret over AI-related stocks. The UK stock market was the top performer followed by Europe.

Gold prices eased slightly to leave the yellow metal up 55.8% in the year to 19 December after hitting new all-time highs. Silver prices finished 2025 113.3% ahead.

Bond markets made modest gains with both the Fed and the Bank of England delivering 0.25% rate cuts last week.

What to look out for this week

After a week crowded with delayed data releases, the last trading days before Christmas will see another busy week with US reports on durable goods, GDP, and consumer confidence.

Christmas Eve will feature an update on US jobless claims.

If you have questions about financial markets, or our investment services, please contact the Marketing team:

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