

## GLOBAL MARKETS

# WEEKLY MARKET BRIEF



### Highlights.

U.S. equities rose during the first week of December, extending the prior week's gains as investors grew more confident that the Federal Reserve may cut rates at its upcoming meeting. The Nasdaq Composite led the major benchmarks, climbing 1.01%, while the small-cap Russell 2000 added 0.84%. The S&P 500 posted a smaller weekly increase of 0.31% adding on to the prior week's gains. The manufacturing sector shrank for a ninth straight month in November, with the ISM manufacturing PMI falling to 48.2%, from 48.7% in October. Conversely, the ISM services PMI ticked up to 52.6%, its strongest level since February. Meanwhile, ADP data showed private employers cut 32,000 jobs in November—the biggest monthly decline since March 2023—reversing October's revised gain of 47,000 positions. ADP's chief economist noted that hiring has been uneven amid cautious consumers and macro uncertainty, with small businesses driving much of the decline. Further, weekly jobless claims unexpectedly fell to 191,000 in the week ending November 29, the lowest figure since September 2022. Separately, the University of Michigan's early December consumer sentiment report showed a 2.3-point increase to 53.3, driven mainly by improving personal-finance expectations. Despite the uptick, sentiment remains subdued due to persistent price pressures. One-year inflation expectations fell to 4.1% from 4.5%, the lowest level since January 2025 and the fourth straight monthly decline. In Europe, the pan-European Euro STOXX 600 rose 0.69% amid expectations of rate cuts in the U.S. and U.K. Preliminary data showed eurozone headline inflation increased to 2.2% in November from 2.1% in October—slightly above forecasts but still close to the ECB's target. Rising services prices offset declining energy costs while core inflation held at 2.4%. Unemployment held steady at 6.4%. Retail sales were flat month over month but rose 1.5% year over year, beating expectations. Moreover, U.K. house prices remained stable even amid tax concerns and stamp-duty adjustments. Nationwide's index showed a 0.3% monthly rise, surpassing expectations of zero growth and improving on October's 0.2% increase. Moving on to Asia, Japanese equities were mixed: the Nikkei 225 advanced 0.47%, while the TOPIX slipped 0.47%. Rising global yields and a speech from BoJ Governor Kazuo Ueda—interpreted as hawkish—pushed Japanese government bond yields and the yen higher. Governor Ueda reiterated that the BoJ still sees the economy as steadily recovering, with broad-based price increases. He emphasized that if the bank's projections materialize, rate hikes will continue. He also said confidence in this outlook is improving due to reduced uncertainty around U.S. growth and trade policy. In China, Mainland Chinese stocks rose despite signs of slowing growth, with investors favouring domestic tech and AI themes. The CSI 300 gained 1.28%, the Shanghai Composite edged up 0.37%. China's official manufacturing PMI improved slightly to 49.2 in November but remained below the 50 threshold for the eighth consecutive month—a record-long downturn. The nonmanufacturing PMI dipped to 49.5, marking its first contraction in nearly three years due to weakness in construction and consumer services. Despite the ongoing drag from property markets and deflationary pressures, most economists still expect China to achieve its roughly 5% growth target for the year.

**Data highlights:** : Canada unemployment, November jobs report added 54K jobs and unemployment rate fell to 6.5% (a 16-month low) versus expectations for a rise to 7.0%. Eurozone unemployment held at 6.4%, unchanged on the month and slightly above consensus, confirming a soft but not collapsing labour market. Eurozone inflation drifted up to 2.2% y/y, November CPI showed headline inflation rising from 2.1%, with core around 2.4%, above expectations and still just over the ECB's 2% target. Switzerland unemployment, stayed at 2.9%, unchanged on the month. Australia GDP in Q3 slowed to 0.4% QoQ and about 2.1% y/y, below market expectations of ~0.7%.

**Week ahead:** Australia Interest Rate Decision - Tuesday | China Inflation Rate, US Interest Rate Decision, Canada Interest Rate Decision - Wednesday | Swiss Interest Rate Decision, Australia Unemployment Rate - Thursday | U.K. GDP MoM - Friday

## Global Markets Overview

**Treasury yields:** The yield on the 10-Year US Treasury note rose to a two-week high above 4.14% as markets gauged the outlook of the Fed's rate path for the upcoming year. The Michigan consumer confidence index reflected a rebound in consumer sentiment in their December print, slightly easing concerns that high living costs and slow hiring could hamper spending. While President Trump is expected to name a Fed Chair that should align with his dovish policy view, feedback solicited by the Treasury showed market players expressed concerns that the new Fed Chair would overdo rate cuts to please President Trump. Still, rate futures show a loose consensus over a 25bps rate cut this week, further consolidated following the lack of upside surprises to the delayed release of September's PCE price indices. Meanwhile, Germany's 10-year Bund yield climbed above 2.80%, its highest level since early September, as strong economic data reinforced expectations that the European Central Bank is unlikely to cut rates soon, while the German budget signals higher borrowing next year.

**Equities:** US stocks closed higher to close the week as a light PCE print and firmer Michigan sentiment reinforced odds of a 25bp Fed cut next week, with traders pricing roughly an 87% chance of a move. Mega caps largely drove the advance while tech breadth broadened as the Technology Select Sector ETF (XLK) notched a tenth straight session of gains. Meanwhile, the FTSE MIB slipped 0.2% to close at 43,433 on Friday, reversing earlier gains as financials dragged the index lower. In the news, Netflix has agreed to buy the film and streaming businesses of Warner Bros Discovery for \$72bn (£54bn) in a major Hollywood deal. The streaming giant emerged as the successful bidder for Warner Bros ahead of rivals Comcast and Paramount Skydance after a drawn-out battle. The takeover is set to create a new giant in the entertainment industry, but the deal will still have to be approved by competition authorities. The cash and stock deal is worth \$27.75 per Warner Bros share, with a total enterprise value - which includes the company's debts and the value of its shares - of about \$82.7bn.

**Currencies:** The dollar index held at 98.99 on Friday, a one-month low, as the prospect of more rate cuts by the Federal Reserve contrasted with those from other central banks. Rate futures maintained the consensus of a 25bps cut by the Fed in its December meeting, bolstered after a series of pessimistic labour market data and dovish comments from FOMC Governor Waller and New York Fed President Williams. Conversely, ECB policymakers showed some consensus that rates will remain stable in the meantime on inflation risks, while the BoJ signalled it will deliver a hike this month. Meanwhile, the Canadian dollar strengthened past 1.3 per US dollar, reaching two-month highs, as a surprisingly firm labour report tightened the domestic policy outlook while the US dollar softened. Unemployment unexpectedly fell to 6.5% in November, the lowest in 16 months, making it much likelier the Bank of Canada will pause after its October cut because officials have stressed that they will be data driven and will stop easing if activity and inflation prove firmer than expected.

**Commodities:** Gold settled around \$4,210 per ounce on Friday, close to its highest levels since late October, paring an earlier rally as a string of US data reinforced the case for an imminent Fed cut. Meanwhile, silver rebounded above \$58, nearing all-time highs after a profit taking rout was swiftly reversed when fresh data reinforced conviction in a near term Fed cut and restored the focus that pushed the metal to records earlier this week. The delayed September PCE and the University of Michigan survey together left the odds of a near term Fed cut intact and eased one year inflation expectations, which made non yielding metals more attractive. Structural factors also underpinned the recovery, with low visible exchange inventories, renewed ETF accumulation and industry estimates of a 2025 supply deficit tightening the market and magnifying short covering, while durable industrial demand from solar and other green technologies sustain the medium-term case for higher prices.

Bond Yields	Close	% W/W	% YTD
US 10Y	4.14	3.04	-9.50
Bund 10Y	2.80	4.05	18.21
Gilt 10Y	4.48	0.81	-2.01
Japan 10Y	1.95	7.45	76.84

Indices	Close	% W/W	% YTD
S&P 500	6870	0.31	16.81
EU Stoxx 600	602	0.69	19.17
FTSE 100	9667	-0.55	18.28
Nikkei 225	50492	0.47	26.56

Currencies	Close	% W/W	% YTD
EURUSD	1.1642	0.38	12.44
GBPUSD	1.3328	0.70	6.49
USDJPY	155.33	-0.54	-1.19
USD Index	98.99	-0.47	-8.75

Commodities	Close	% W/W	% YTD
Gold	4198	-0.98	59.95
Copper	538.20	3.79	33.66
WTI Crude	60.08	2.61	-16.23
Wheat	535.75	-0.51	-12.71

## Performance of Major Global Financial Assets

% Change.

W/W	3.0	4.1	0.8	7.5	3.8	2.5	0.3	1.0	1.0	0.8	-0.6	0.5	0.9	-0.5	0.4	0.7	-0.5	0.0	-1.0	2.6	-1.0	3.8	-1.7	-0.5
MTD	3.0	4.1	0.8	7.5	3.8	2.5	0.3	1.0	1.0	0.8	-0.6	0.5	0.9	-0.5	0.4	0.7	-0.5	0.0	-1.0	2.6	-1.0	3.8	-1.7	-0.5
YTD	-9.5	18.2	-2.0	76.8	7.4	-1.1	16.8	22.3	16.9	20.7	18.3	26.6	30.0	-8.8	12.4	6.5	-1.2	-3.1	-10.1	-16.2	59.9	33.7	34.2	-12.7
	US 10Y	BUND 10Y	GILT 10Y	JAPAN 10Y	AUSSIE 10Y	ITALY 10Y	S&P 500	NASDAQ	EU STOXX 50	DAX INDEX	FTSE 100	NIKKEI 225	HANG SENG	USD INDEX	EURUSD	GBPUSD	USDJPY	USDCNY	USDZAR	WTI CRUDE	GOLD	COPPER	COFFEE	WHEAT
	GOV. BOND YIELDS						EQUITY INDICES							CURRENCIES						COMMODITIES				

KEY: -100%

+100%

Data Sources: Bloomberg, Investing.com, Trading Economics, T. Rowe Price, Standard Investment Bank

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