

Weekly Market Report For 1 – 4 December 2025


Overview




- ❖ U.S. stocks rally as S&P 500 gains 0.37% and Nasdaq increases 0.9% on Fed rate cut expectations.
- ❖ U.S. economic data weak in November: Private payrolls drop 32,000, core PCE at 2.8% YoY; markets see nearly 90% chance of Fed rate cut this week.
- ❖ BOJ Governor Kazuo Ueda signals possible rate hike at the December 19 meeting.
- ❖ ECB President Christine Lagarde says current interest rate is appropriate after eight consecutive 0.25% cuts.


Market Brief



 **U.S. equities advanced over the past week, with S&P 500 +0.3% and Nasdaq +0.9%, as recent economic data reinforced expectations that the Federal Reserve will cut interest rates at its meeting this week.**

-  **U.S. economic data strengthens expectations for Fed rate cut**
- o U.S. private-sector employment fell by 32,000 in November, marking the steepest decline in nearly two years, according to ADP data. The drop was driven largely by small businesses. This contrasts with October's upwardly revised gain of 47,000 and came in well below economists' expectations.
 - o The core PCE price index in the US, which excludes volatile and energy prices, rose by 2.8% from the previous year in September, less than market expectations. On monthly basis, core PCE went up 0.2% as expected, implying that inflationary pressures have not accelerated.
 - o The CME Group's FedWatch tool now shows traders assigning roughly 86% to 90% probability to a December rate cut at upcoming FOMC meeting.

-  **Japan**
- o BOJ Governor Kazuo Ueda signaled that the central bank may consider raising interest rates at its December 18–19 meeting. His remarks pushed market expectations for a hike from below 25% to 86%. Analysts anticipate any increase will be gradual.
 - o Bank of America expected that the terminal rate would reach around 1.5%, up from the current 0.5%. The bank forecasts a rate hike at the December meeting, another in June next year, and two additional increases in 2027, likely in January and July.
 - o Japan's government is preparing an additional economic stimulus package. Markets fear this will require additional issuance of Japanese government bonds (JGBs), putting upward pressure on long-term yields, which recently hit multi-year highs. Analysts warn that rising yields could increase volatility and revive concerns about unwinding yen carry trades, similar to 2024 when the Nikkei fell over 10%. However, most strategists see the risk of severe wind as relatively low this time.

-  **Europe**
- o Eurozone inflation edged up to 2.2% YoY in November, slightly above October's 2.1% and close to the ECB's 2% target. Core inflation, excluding food and energy, held steady at 2.4% YoY.
 - o ECB President Christine Lagarde stated that current interest rates are appropriate after eight consecutive 0.25% cuts, bringing the deposit rate to 2%. With eurozone inflation hovering slightly above 2% and economic growth showing resilience, markets expect the ECB to keep rates unchanged at its next meeting.


 **We expect overall market will move sideways ahead of Fed meeting.**

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