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28th November 2025

Renewed hopes of a December Fed rate cut

The see-saw in Fed rate cut expectations continues ahead of the 10th December policy meeting. The fine balance has tilted back towards a rate cut in December following dovish remarks from New York Fed President Williams. Williams' comments have revived investor sentiment. While a December rate cut depends on upcoming data, more cuts are expected in Q1 2026 as the job market cools. Fed rate cuts, combined with solid AI-driven corporate earnings growth, should sustain a risk asset rally into the year end. Nevertheless, prudence dictates a barbell approach to equity allocations, given concerns about valuations and the sustainability of the AI-driven rally. Bullish on the high growth technology sector, while scaling into US healthcare, especially the pharmaceutical sector. Globally diversified, with a preference for China equities, with earnings growth picking up sharply in Q3.

Equities

Constituents of the MSCI China index have reported 10% earnings growth in Q3 2025, led by technology, material and financial sectors. Looking ahead, MSCI China's 2026 earnings growth projections remain upbeat at 14%, and equity valuations remain compelling. Recent equity market consolidation provides an opportunity to add exposure.

Bonds &FX

Long maturity UK government bonds (Gilts) have priced the increased fiscal buffer created by the budget and the projected reduction in the supply of long-maturity bonds, with yields falling in reaction to the budget. However, fiscal sustainability concerns remain. The Office for Budget Responsibility expects only a modest near-term impact on growth and inflation to return to the Bank of England's 2% target by 2027. This should support the GBP. Expect GBP/USD to extend gain towards 1.34 in the coming weeks. The RBNZ cut its policy rate 25bps to 2.25% on 26 November, as expected. However, it signalled that the easing cycle may now be over. Bullish on NZD/USD in the near-term after the hawkish RBNZ cut. The pair is likely to test resistance at 0.58.

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