December 2025

Investment News

Our market round-up and news affecting UK investments

Markets hold their nerve after chaotic build up to Autumn Budget

Month in brief

Markets glide through the Budget announcement despite OBR leak

Domestic investors flocked out of UK equities in the build up to the Budget

Markets are pricing in rate cuts from UK and other major central banks before the end of the year

Funding of UK DB pension schemes ended the month broadly where it started

All eyes were on the Chancellor of the Exchequer in November as she unveiled her Autumn Budget. Press leaks and an error by the Office for Budget Responsibility (OBR) made for a chaotic build up to the Chancellor's speech in Parliament but markets reacted in a composed manner.

The market's reaction to the Autumn Budget suggests that the Chancellor's plans to balance the books without any additional borrowing appear credible – at least for now. In the immediate aftermath, gilt yields fell slightly and Sterling appreciated against the Euro and the Dollar but neither fluctuated outside of typical daily market movements.

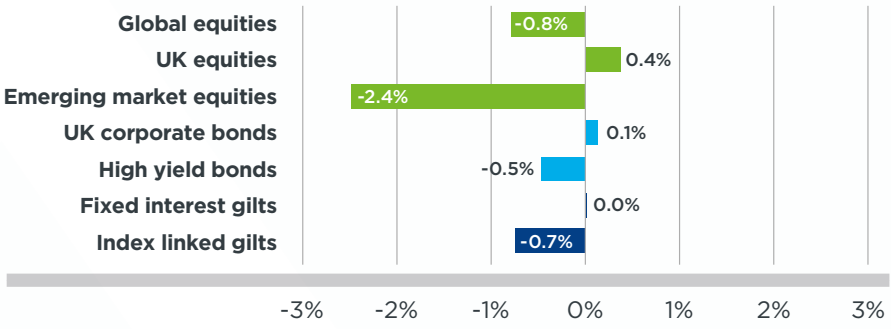
The Chancellor has raised taxes to an all-time high in order to fund public spending without breaking her self-imposed fiscal headroom. This reduces the risk of the government having to make sudden changes in government policy in response to changes in the economic outlook.

UK investors have fled the FTSE 100 at a record rate in the year to-date with outflows totalling £26bn, of which £3.9bn was during October in the run up to the Autumn Budget. Despite this, the UK stock market has been propped up by foreign investors seeking to diversify their holdings away from concentrated US stock markets. In mid-November, the S&P 500 and the more tech-heavy Nasdaq closed 1.6% and 2.2% down respectively in just a single day due to renewed fears over inflated tech stock valuations. The S&P 500 recovered to finish the month broadly flat whilst the Nasdaq finished 1.5% down.

The rate of inflation in the UK remained above target at 3.6% in the 12-months to October but investors are betting on a further rate cut by

UK equities finished positive despite the uncertainty of the Budget.

One month to 30 November 2025



Click to watch Karanjot's two-minute video.

Karanjot Singh
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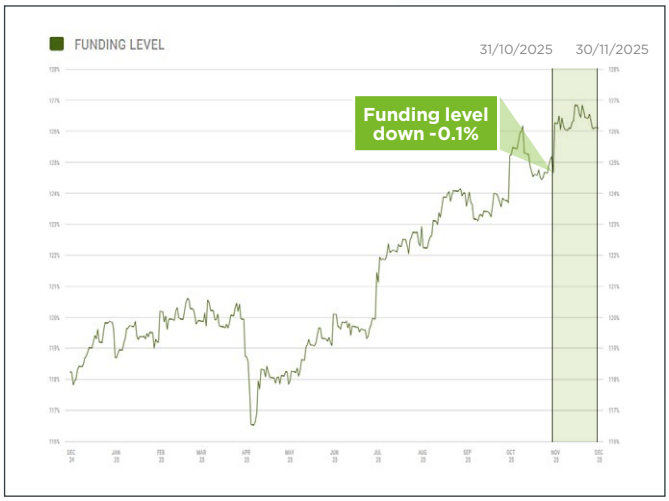


the Bank of England (BOE) in December with a market-implied probability of 90% following the Budget. The BOE held the Bank rate at 4% in their November meeting as it seeks to combat sticky inflation and stagnant UK productivity. Meanwhile, investors in the US are now pricing in a 70% chance of a third rate cut by the Federal Reserve (Fed) before the end of 2025. More bullish Fed officials claim that Trump's tariffs have not significantly impacted inflation, giving the US central bank greater scope to reduce rates in an attempt to bolster a stalling jobs market in the US.

Emerging market equities fell over the month, a blip in an otherwise strong year, having outpaced global equities so far in 2025 driven by a cheap dollar and offering appealing sector exposures such as precious metals. UK investment grade corporate bond spreads rose marginally in the run up to the budget and then drifted back, ending November slightly higher than at the start. Fixed interest gilt returns were flat over the month whilst index-linked gilts were negative as long-term inflation expectations came down.

Aggregate funding for UK DB pension schemes on a low-risk basis ended the month largely unchanged over November, with no particular aspect on the liability or asset side moving the dial.





Source: XPS DB:UK www.xpsgroup.com/services/xps-pensions/xps-dbuk-funding-watch

The charts above are based on data from The Pensions Regulator, the PPF 7800 Index and the XPS data pool. The assumptions used in the UK:DB long-term target basis include a discount interest rate of gilt yields plus 0.5%. The assumed asset allocation is 16.9% equities, 20.0% corporate bonds, 6.9% multi-asset, 5.1% property, 3.8% private markets and 47.3% in liability driven investment (LDI) with the LDI overlay providing a 60% hedge on inflation and interest rates.

Find out more

To discuss any of the issues covered in this edition, please get in touch with Karanjot Singh. Alternatively, please speak to your usual XPS contact.



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