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Market Snapshot

Published 5 December 2025

The third-quarter earnings season underscored corporate resilience, with S&P 500 companies on track for a 13.4% jump in earnings per share, marking a fourth straight quarter of double-digit growth. Strong results were driven by robust demand for artificial intelligence (AI) and technology, cost discipline, and a revival in dealmaking, which topped \$1tn as boards pursued scale and supply chain flexibility.

Mega-cap tech continued to deliver, but leadership broadened to small caps and cyclicals following the Federal Reserve's September rate cut, while international equities outperformed on a weaker dollar. Despite tariff-related cost pressures and lingering geopolitical risks, upbeat guidance from sectors such as cloud computing, cybersecurity and consumer discretionary reinforced confidence in the outlook. However, elevated valuations and mixed macro signals – including slowing industrial activity and uneven labour data – kept volatility in check, leaving investors focused on policy easing and earnings momentum heading into year-end.

The FTSE 100 was +0.1% over the week by mid-session on Friday, with the more UK-focused FTSE 250 trading flat.

Autumn budget

The fallout from the UK's Autumn Budget was marked by growing unease over its credibility, despite an initially calm market reaction. Economists warn that investor confidence could erode as the package relies on backloaded tax rises and offers no clear growth strategy, raising the risk of a "slow burn" in gilt yields and a weaker pound. While the Debt Management Office's decision to skew issuance towards shorter-dated gilts helped keep borrowing costs in check, analysts argue that the absence of pro-growth measures and reliance on complex, hard-to-forecast taxes undermine fiscal stability. Political tensions have added to uncertainty, with Chancellor Rachel Reeves facing scrutiny over pre-budget claims and Labour MPs pressing for spending concessions, fuelling speculation of future U-turns. Sterling has held firm for now, supported by broader

risk-on sentiment, but markets remain alert to signs of instability that could trigger a sharper confidence shock.

Donald Trump

The most significant market-moving action from Donald Trump this week was his renewed tariff threat against the Brics trade bloc, warning of duties as high as 100% if the group proceeds with plans for a rival currency. This escalation, alongside confirmation that sweeping import taxes imposed earlier this year remain in force, rattled global trade sentiment and revived fears of supply-chain disruption. Investors interpreted the move as a signal of prolonged trade tensions, prompting a risk-off tone in equities and a flight to safe havens, with gold extending gains and Treasury yields slipping. Analysts warn that such aggressive trade posturing could weigh on multinational earnings and amplify volatility into year-end, particularly for sectors reliant on global sourcing.

Economics

The most significant PMI release this week came from the US, where the ISM manufacturing index fell to 48.2 in November, down from 48.7, marking the ninth consecutive month of contraction and underscoring persistent weakness in factory activity. The decline was driven by shrinking new orders and employment, while prices continued to rise, reflecting tariff-related cost pressures. In contrast, S&P Global's US manufacturing PMI held at 52.2, signalling modest expansion, though slower than in October. The divergence between the two surveys highlights a mixed picture for the sector, but markets focused on the ISM reading, which reinforced expectations of a Federal Reserve rate cut later this month. The dollar slipped to a two-week low and Treasury yields eased as traders priced in an 88% probability of a 25-basis-point cut, while equity sentiment turned defensive amid concerns over slowing demand.

Nationwide reported annual house price growth of 1.8% in November, down from 2.4% in October, with monthly prices rising 0.3% to an average of £272,998. Halifax, meanwhile, showed a sharper slowdown,

with annual growth at 0.7%, down from 1.9%, and monthly prices virtually flat, edging up by just £138 to £299,892. Both lenders highlighted market resilience despite high borrowing costs, but Halifax stressed improved affordability, while Nationwide pointed to steady mortgage approvals as a support. The divergence suggests regional and lender-specific variations, with Halifax noting Northern Ireland as a standout performer, while Nationwide sees a broadly subdued but stable market.



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In the US, the ADP jobs report showed private payrolls unexpectedly falling by 32,000 in November, the largest drop in more than two years, driven by steep job losses among small businesses. This sharp decline contrasts with economists' expectations for a modest gain and raises concerns about underlying labour market momentum ahead of Friday's non-farm payrolls release. While some analysts caution that ADP data often diverges from official figures, the weakness reinforces bets that the Federal Reserve will cut rates at its meeting next week, with futures pricing in an almost 90% probability of a 25-basis-point reduction. Markets will now look to the government report for confirmation on Friday afternoon, but the ADP miss has tilted sentiment towards a softer headline number, potentially amplifying dollar weakness and supporting risk assets.

The delayed September US industrial production report showed output rising just 0.1%, following a downward revision for August to a 0.3% decline, underscoring the sector's sluggish momentum. Manufacturing and mining were flat, with gains concentrated in utilities, which rose 1.1%, while capacity utilisation held steady at 75.9%, well below pre-pandemic norms. On a year-on-year basis, production was up 1.6%, but the near-term trend remains subdued, reflecting weak consumer demand and tariff-driven cost pressures rather than supply constraints. The data, postponed by the government shutdown, reinforces expectations of a Federal Reserve rate cut in December but signals that industrial activity is unlikely to provide meaningful support to growth in early 2026.

Eurozone GDP grew 0.2% in the third quarter, slightly ahead of expectations and up from 0.1% in the

second quarter, signalling modest resilience despite persistent headwinds. The expansion was driven by strong performances in Spain and France, which posted quarterly gains of 0.6% and 0.5% respectively, offsetting stagnation in Germany and Italy. Year-on-year growth came in at 1.4%, underlining a fragile recovery marked by regional divergence and weak industrial output in core economies. For policymakers, the data reduces immediate pressure on the European Central Bank to cut rates further, though slowing momentum and forecasts of just 0.1% growth in Q4 keep the outlook subdued. Investors will watch for signs of whether domestic demand can sustain growth as trade tensions and soft manufacturing continue to weigh on the bloc.

Eurozone retail sales were flat in October month-on-month, missing expectations for a 0.1% rise, though annual growth accelerated to 1.5% from 1.2%, signalling steady but subdued consumer spending. The stagnation in short-term momentum reflects weak demand for non-food goods, offset by modest gains in food and fuel, and underscores the fragile nature of the bloc's recovery amid high borrowing costs and soft confidence. While the data suggests households remain cautious, the year-on-year improvement offers some reassurance that consumption is not collapsing, reducing immediate pressure on the European Central Bank to ease policy further. However, with PMI readings still pointing to sluggish activity and inflation edging higher, the outlook for retail remains constrained, keeping growth prospects muted.

Geopolitics

In the Middle East, Israel agreed to reopen the Rafah crossing under a US-brokered ceasefire, but only for Palestinians to leave Gaza, as drone strikes continued and humanitarian concerns deepened. Meanwhile, the US faced criticism over alleged war crimes linked to boat strikes in the Caribbean, prompting calls for a War Powers Resolution to curb hostilities against Venezuela. Elsewhere, the India-Russia annual summit underscored deepening strategic ties between Moscow and New Delhi, while security agencies warned of heightened terror risks during the holiday season across Western countries, adding to investor caution.

Companies

US-listed **CrowdStrike** posted another strong quarter, with revenue up 22% year-on-year to \$1.23bn, beating expectations, while adjusted earnings rose to \$0.96 per share, also ahead of forecasts. Annual recurring revenue (ARR) climbed 23% to \$4.92bn, boosted by record net new ARR of \$265m as customers consolidated security tools on its Falcon platform and embraced AI-driven capabilities. Management raised full-year guidance for both

revenue and earnings, citing robust demand and a record pipeline, and guided to fourth quarter sales of up to \$1.30bn. Despite the upbeat numbers and cash flow strength, analysts warn that the stock's lofty valuation leaves little room for error, even as the company frames its performance as one of the best in its history.

Topps Tiles delivered a strong set of full-year results, returning to profit with pre-tax earnings of £8.3m compared with a £16.2m loss last year. Trade sales now account for three-quarters of turnover and digital penetration growing at 21.1%. The company proposed a final dividend of 2.1p, taking the full-year payout up 20.8%, and highlighted progress towards its "Mission 365" growth strategy, including the £3m acquisition of premium brand Fired Earth. However, management flagged a softer start to the new financial year, with sales up 3.3% in the first nine weeks as weaker consumer confidence tempers momentum. Incoming chief executive Alex Jensen said the focus will be on accelerating digital growth and integrating recent acquisitions to sustain long-term expansion.

Inditex delivered its strongest quarter of the year, with third quarter sales rising 4.9% to €9.81bn, or 8.4% in constant currency, despite currency headwinds. Net profit jumped 8.9% to a record €1.83bn, reflecting robust demand for autumn/winter collections and disciplined cost control. Gross margin improved to 59.7%, and management reiterated guidance for a stable margin and confirmed strong early fourth-quarter trading.

US-listed **Salesforce** reported a mixed but largely positive third-quarter performance, with revenue rising 9% year-on-year to \$10.26bn, just shy of consensus, while adjusted earnings surged to \$3.25 per share, comfortably beating expectations. The company raised full-year guidance, projecting revenue of up to \$41.55bn and higher earnings, as its AI-driven Agentforce and Data 360 platforms delivered explosive growth, hitting nearly \$1.4bn in annual recurring revenue – up 114% year-on-year. Despite these gains, shares remain down almost

30% year-to-date amid investor concerns over AI monetisation and competitive pressures, although the upbeat outlook and record bookings helped lift the stock in after-hours trading.

MONEY Group said full-year expectations remain unchanged after delivering revenue growth in the five months to 30 November, despite headwinds in insurance and rising PPC costs. Performance was driven by strong gains in its Money division, buoyed by credit card deals and current account switching offers, and robust growth in Energy following the launch of its first collective switch since 2021. Insurance improved as motor market pressures eased, while cashback and travel continued to struggle amid weak consumer confidence. The group highlighted strategic progress, with its SuperSaveClub reaching two million members and contributing materially to revenue, alongside deeper B2B partnerships.

Balfour Beatty's trading update struck an upbeat tone, with the infrastructure group forecasting a 20% jump in its order book to around £22bn, driven by UK energy projects and major wins such as Sizewell C and HS2. Revenue for 2025 is expected to rise more than 5% from last year's £10bn, while underlying profit from operations should exceed £252m, supported by strong UK construction and support services, partly offset by weaker US construction margins. Average monthly net cash is set to finish at the top end of guidance at £1.1bn–£1.2bn, and gains from infrastructure investment disposals remain on track at £30m–£40m. New chief executive Philip Hoare highlighted "exciting opportunities" in end-markets and confirmed a further share buyback for 2026, reinforcing confidence despite a challenging backdrop for the wider construction sector.

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