

Garry White, Chief Investment Commentator, Charles Stanley

Market Snapshot

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Central bankers were in the spotlight in the last full week of trading Ahead of the Christmas holiday. The Bank of England cuts its Base Rate by 25 basis points, but the European Central Bank opted for no change. On Friday, the Bank of Japan raised its benchmark interest rate by 25 basis points to 0.75%, its highest level in three decades, and left the door open for more hikes.

Oil prices ticked higher as tensions between the US and Venezuela escalated. Meanwhile, talks in Berlin to end Russia's war in Ukraine continued.

The FTSE 100 was up 2.0% over the week by mid-session on Friday, with the more UK-focused FTSE 250 trading 1.72% ahead.

Donald Trump

Washington is ratcheting up the pressure on Caracas. US President Donald Trump claimed this week that Venezuela has stolen "all" of the oil from the US – and he wanted "whatever we had" back. The relationship between the US and Venezuela has sharply deteriorated over the last year, escalating into what officials describe as a limited standoff. The Trump administration has deployed a substantial military presence in the southern Caribbean, including aircraft carrier USS Gerald R Ford, F-35 fighters, and 15,000 troops, framing operations as counter-narcotics while also preparing for the possibility of land strikes on Venezuela. The US introduced fresh sanctions targeting six Venezuela-flagged tankers, three of President Maduro's nephews and associates linked to drug trafficking, and shipping firms accused of facilitating illicit crude exports. President Trump escalated further by designating the Maduro government a foreign terrorist organisation and ordering a "total and complete blockade" of all sanctioned oil vessels entering or leaving Venezuelan waters. Caracas denounced these measures as piracy and an illegal assault on its sovereignty, while analysts warn the confrontational posture risks broader regional instability despite the administration's insistence its actions target narcotics trafficking and regime criminality.

Donald Trump addressed the nation in a primetime speech from the White House, touting what he claimed were achievements in his second administration's first 11 months. "Eleven months ago, I inherited a mess, and I'm fixing it," Mr Trump said. In the speech he announced that nearly 1.5 million US military servicemembers would receive a \$1,776 so-called "warrior dividend," claiming the payment would come from tariff revenue. Notably, President Trump did not address the blockade of all sanctioned oil tankers from entering and leaving Venezuela or potential military action in the country.

President Donald Trump has signed an executive order that would reclassify marijuana as a less dangerous drug and open new avenues for medical research. The move is a major shift in federal drug policy. The switch would move marijuana away from its current classification as a Schedule I drug, alongside heroin and LSD. Cannabis would instead be a Schedule III substance, like ketamine and some anabolic steroids. Reclassification by the Drug Enforcement Administration does not make it legal for recreational use by adults nationwide, but it could change how the drug is regulated and reduce a hefty tax burden on the cannabis industry.

Economics

The Bank of England's Monetary Policy Committee cut interest rates by 25 basis points, lowering the bank rate from 4% to 3.75 %, marking the fourth cut this year and taking the Bank Rate to its lowest level since early 2023. The decision was narrowly passed by a 5-4 vote, with Governor Andrew Bailey siding with the dovish majority amid signs inflation is easing. Indeed, November's Consumer Prices Index (CPI) ticked down to a lower-than-expected 3.2 % from 3.6% – and the UK economy showing stagnating growth and mounting labour-market slack. In a statement, the committee affirmed that rates are likely to follow a "gradual downward path", though it warned future moves will be "a closer call" depending on inflation trends. Looking ahead, economists expect further cuts in early 2026 as disinflation continues and economic slack grows.

UK retail sales volumes slipped 0.1% in November, following a revised 0.9% decline in October, although overall three-month sales were up 0.6% year-on-year. Monthly weakness was broad-based, with non-store retailers losing momentum, supermarkets recording a fourth straight decline, while clothing and computer-and-telecoms retailers remained bright spots. Despite the slight monthly drop, the three-month trend points to modest growth compared to pre-pandemic levels, remaining about 3.0% below February 2020 volumes. The data underlines a consumer backdrop marked by caution, with discretionary spending subdued even as underlying demand holds up over the quarter. With the Christmas shopping season now underway, economists will be watching to see if the December figures can provide a firmer signal on retail resilience – or reinforce concerns over a sluggish end to the year.

The S&P Global flash PMI released this week revealed the UK economy regained momentum in December, boosted by a rebound in manufacturing. The latest flash UK PMI composite output index from S&P Global came in at 52.1, up from November's 51.2 and ahead of consensus for 51.6. A reading above the neutral 50.0 benchmark suggests growth, while one below it indicates contraction. The composite is a weighted index of the manufacturing and services PMI, both of which performed better than expected.



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The latest US CPI data revealed that inflation eased further in December, with headline CPI rising 2.7% year-on-year – its slowest pace since July – falling below the 3.1% forecast. Core CPI, which strips out volatile food and energy prices, came in at 2.6%, marking its lowest level since March 2021. Key inflation components showed mixed movements: energy costs rose 4.2%, driven by higher fuel oil and natural gas prices, while food inflation moderated to 2.6% and shelter inflation held around 3%. Despite this cooling trend, analysts caution the data may still be distorted due to a 43-day government shutdown in October that disrupted price collection.

The European Central Bank (ECB) held its three key interest rates steady. In its updated projections, the ECB slightly upwardly revised Euro-area inflation

to 1.9% for 2026 and growth to 1.2%, signalling confidence in domestic demand while adopting a data-driven, meeting-by-meeting approach. President Christine Lagarde emphasised that rates remain “in a good place”, though policymakers made no pre-commitments to further movements, leaving the door open for either a cut or hike later depending on evolving inflation dynamics.

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1.2%

In contrast, the Bank of Japan opted for a significant move, raising its benchmark overnight call rate by 25 basis points to 0.75% – the first increase since January and taking rates to the highest level in three decades. The decision was unanimous, with the board citing moderate inflation and wage growth and indicating scope for further tightening at roughly semi-annual intervals. The move pushed ten-year Japanese government bond yields to 2%, the highest since 2006.

Geopolitics

The US this week formally designated Taiwan a “core interest” in its updated national security strategy, a move that marks a sharp escalation in Washington’s stance toward Beijing. The declaration places Taiwan on par with issues such as homeland security and nuclear deterrence, signalling that any attempt to alter the island’s status by force would be met with a robust US response. Analysts say the shift could harden China’s posture, as Beijing has long viewed Taiwan as a non-negotiable sovereignty matter, and raises the risk of military friction in the Indo-Pacific. The decision also strengthens US commitments to regional allies, with Washington expected to deepen defence cooperation with Japan, Australia and the Philippines, while accelerating arms deliveries to Taipei. Markets reacted nervously, with Asian equities sliding and the yuan weakening on fears of prolonged geopolitical tension.

Ukraine peace talks in Berlin this week marked a significant diplomatic shift, as Kyiv signalled readiness to drop its Nato membership bid in exchange for binding security guarantees from the US, Canada, Japan and key European powers. The proposal, tabled during negotiations mediated by Germany and Turkey, aims to unlock a framework for a ceasefire and eventual settlement after nearly three years of war. Russian delegates insisted on recognition of territorial changes as a precondition, while Western envoys pushed for phased sanctions

relief tied to compliance. Analysts say the talks underscore growing pressure on both sides amid economic strain and battlefield stalemate, though deep divisions over sovereignty and security architecture mean a breakthrough remains elusive.

Companies

FedEx, often regarded as a bellwether of the US economy, surpassed expectations in its second-quarter results, posting revenue of \$23.5bn – a 7% increase year-on-year – and adjusted earnings per share of \$4.82, beating analyst forecasts of around \$4.11. The adjusted operating margin expanded to 6.9%, up from 6.3% a year earlier, reflecting strong package-yield growth in both domestic and international priority segments alongside cost-reduction gains under its Network 2.0 strategy. FedEx Freight experienced a slight decline in shipments, resulting in a dip in segment performance and adding \$152m in one-off spin-off costs. The company also repurchased \$276m of its shares and exited the quarter with approximately \$6.6bn in cash. Management raised its full-year outlook.

Nike posted its second-quarter results, reporting revenue of \$12.4bn – a 1% year-on-year increase and flat on a currency-neutral basis – surpassing analyst estimates of \$12.2bn. Profit was driven by strong wholesale performance, which rose 8% to \$7.5bn, offsetting an 8% drop in its Nike direct channel, with digital sales down 14% and store sales down 3%. Gross margin contracted by 300 basis points to 40.6%, weighed down by tariffs and higher product costs. Regionally, North America saw robust 9% growth, while greater China slumped 17%, marking continued softness in the region. Nike's shares fell around 10% in after-hours trading, as investors reacted to margin pressures, the China downturn and escalating tariff costs. Chief executive Elliott Hill described Nike as being in the "middle innings" of its turnaround, highlighting the success of its "Win now" strategy but underscoring the need for margin recovery and stronger international performance.

Micron Technology reported first-quarter results that beat expectations, posting revenue of \$6.8bn, up 35% year-on-year, driven by strong demand for AI-related memory products and data centre growth. Adjusted earnings per share came in at \$1.12, compared with a loss of \$0.04 a year earlier, as pricing improved across DRAM and NAND segments. Gross margin expanded to 34.5%, reflecting cost reductions and a favourable product mix. The company highlighted robust uptake of high-bandwidth memory for AI accelerators and projected second-quarter revenue between \$7.2bn and \$7.6bn, signalling continued momentum.

WH Smith delivered a mixed full-year performance, reporting a 5% rise in group revenue to £1.55bn,

driven by growth in the UK (+5%), North America (+7%) and rest-of-world (+12%) travel retail markets. However, headline trading profit dropped to £159m from £170m a year earlier, while group profit before tax and non-underlying items declined to £108m from £114m. Diluted headline earnings per share fell 28% to 43.4p, while net debt rose to £390m. The board confirmed ongoing remediation following a £30–£50m accounting overstatement in North America, prompting an independent Deloitte review and a Financial Conduct Authority investigation. Interim chief executive Andrew Harrison acknowledged the need to "rebuild confidence", emphasising progress as WH Smith completes its transformation into a pure-play travel retailer following disposals of its high-street and Funky Pigeon businesses.

Currys reported a challenging first half, with revenue down 4% year-on-year to £4.1bn as weak consumer demand and supply-chain pressures weighed on sales. UK and Ireland like-for-like revenue fell 3%, while Nordics dropped 8%, offset partly by a 2% rise in Greece. Adjusted pre-tax profit slipped to £41m from £54m a year earlier, though cost-cutting and improved gross margins helped cushion the decline. The retailer highlighted strong growth in services such as credit and repairs but warned that trading conditions remain tough heading into the peak season. Currys reaffirmed its full-year guidance, banking on operational efficiencies and resilient demand for essential tech, even as discretionary spending stays under pressure.

Accenture released a strong first-quarter fiscal 2026 report, with revenue rising 6% to \$18.7bn, the top of its guided range. New bookings at the consultancy hit \$20.9bn, up 12%, with \$2.2bn coming from advanced AI initiatives. CEO Julie Sweet cited continued momentum in strategic AI and ecosystem partnerships and reiterated full-year revenue growth guidance of 2%–5% in local currency, with further margin and earnings per share expansion expected.

Serco issued a buoyant pre-close trading update yesterday, indicating that for full-year 2025 it expects revenue of about £4.9bn – up 3% at constant currency with 1% organic growth, and underlying operating profit of around £270m, equating to a 5.5% margin. The group disclosed a £5.5bn order intake – two-thirds defence-related – and a record-high contract pipeline. Looking ahead to 2026, Serco outlined initial guidance expecting revenue near £5.0bn with 3% organic growth, operating profit around £300m (a 6% margin). The upbeat outlook, driven by a defence-leaning backlog and robust cost discipline, sent Serco's shares to their highest level in more than a decade.

IG Group delivered a strong trading update for the three months ending 30 November, with organic net

trading revenue rising 29% year-on-year to £270.7m and total revenue up 26 %to £307.6m, driven by robust client engagement and strategic expansion across its product portfolio. The US emerged as its fastest-growing market. Net interest income fell 18% to £27.7m, reflecting lower rates and increased pass-through to clients, though customer cash balances grew to £4.9bn. The group extended its share buyback programme by £75 m to £200m, expressing confidence in meeting medium-term revenue growth targets ahead of schedule in 2026, and provided guidance for the transitional seven-month year ending 31 December, forecasting revenue around £630m.

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