Dear clients, Dear readers,

2025 began with the start of Donald Trump's second term. As soon as he was inaugurated in January, he issued a series of executive orders and decisions to deliver his key campaign promises immediately. He rekindled the trade war by announcing tariffs for some trading partners and threatening others. In terms of immigration and administrative policies, he introduced strong and controversial measures.

In Europe, in response to the US president's unpredictability, in March, the President of the European Commission presented the ReArm Europe Plan, which could leverage €800 billion in defence spending for the continent. Germany followed suit with a €500 billion special defence and infrastructure fund and a long-term reassessment of its defence, with officials suggesting that military spending could remain high over the next decade to build up the country's capabilities. These announcements stimulated European markets, particularly defence and infrastructure stocks.

On Liberation Day in early April, Trump's announcement of a widespread increase in US tariffs sent shockwaves through global markets. These measures, explicitly aimed at reducing the US trade deficit, mainly fuelled instability in global trade. However, Trump back-tracked in May with a 90-day pause to negotiate new trade deals. In the following months, Trump reached agreements with the United States' main partners (European Union, China, etc.). The negotiations were often punctuated by threats, U-turns and improvised statements, sustaining financial market volatility. Despite some progress, the uncertainty caused by US trade policy weighed on exporting companies and fuelled investor caution throughout the year.

The last quarter of the year saw the longest government shutdown in US history (43 days) caused by the failure of Congress to pass the necessary funding bills. Despite this shutdown and the uncertainty it caused, the stock markets continued to rally, buoyed by hopes of monetary easing in the US, strong corporate earnings and continued strength in artificial intelligence (AI) stocks.

The year once again closed on a strong performance for the global stock markets, which had high valuations at the end of 2025, especially AI-related stocks. These valuations, sometimes built on massive debt and complex financial arrangements, are causing growing concerns about the sustainability of the cycle. However, optimists believe that AI is still in its infancy and that the bull market could continue. Clearly, the market is showing a combination of tech-driven enthusiasm and persistent structural weakness, making 2026 a year of opportunities and risks.

On the monetary policy front, after two interest rate cuts in March and June, the European Central Bank (ECB) remained in a wait-and-see position, with its key rates ending the year at 2%. Across the Atlantic, the Federal Reserve (Fed) cut rates by 0.25% three times (in September, October and December), bringing its target range to between 3.5% and 3.75%.

At the geopolitical level, successive waves of tensions and partial resolutions influenced market sentiment throughout the year. In Ukraine, negotiations stalled amid a gradual erosion of US support under the new administration. At the end of the year, peace talks were progressing, but with no tangible results to date. In the Middle East, after several months of escalation between Israel and Iran, tensions eased faster than expected. Strikes by Israel and the US briefly pushed up oil prices, but in the absence of further escalation, a relative calm returned. In Gaza, Donald Trump imposed a fragile peace by exerting political and military pressure to achieve a lasting cessation of hostilities. However, the situation currently seems rather shaky.

On the commodities markets, gold had an extraordinary year with an impressive rise of 64.6% (in USD) in 2025. Despite this rally, gold remains underpinned by central bank purchases and retains its strategic role in portfolio diversification. Oil prices fell sharply, losing 18.5% in 2025.

The dollar depreciated by 13.4% in 2025, affected by expectations of a downward cycle in US interest rates. This decline was reinforced by Donald Trump's stated desire to encourage a weakening of the dollar to make the US more competitive. All of these factors exerted persistent downward pressure on the dollar throughout the year, and this trend could continue into 2026.

The outlook for 2026 remains positive overall despite an environment of contrasts. Global growth is expected to remain moderate, driven by a resilient US economy and a gradual recovery in Europe. Inflation is continuing its normalisation, paving the way for a further gradual decline in interest rates in the United States. In Europe, our central scenario forecasts stable interest rates, possibly with one final rate cut if inflation were to fall sharply. The equity markets still have upside potential but greater selectivity will be required due to their high valuations. Geopolitics will remain a factor of uncertainty though the markets are now showing a much more muted response to new developments. Discipline, diversification and rigorous risk management will be key to navigating this new phase of the cycle.

Performance of the main markets in 2025

	2025
EURO STOXX 50	18.29%
STOXX Europe 600	16.66%
BEL 20	19.09%
S&P 500	16.39%
S&P 500 Equal Weight	9.34%
NASDAQ 100	20.17%
NIKKEI 225	26.18%
HANG SENG	27.77%
MSCI EMERGING	30.58%
MSCI WORLD	19.49%

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