GIBRALTAR ASSET MANAGEMENT

STOCKBROKERS & INVESTMENT MANAGERS

Market Commentary - December 2025

FTSE 100	**9,649**	S&P 500	6,827
Resistance	9,785	Gold	$4,346
Support	9,500	GBP/EUR	1.1394
VIX	16%	GBP/USD	1.3369

Introduction:

Some commentators have been comparing the AI trade to the dot-com bubble. There are certainly parallels, but there are also clear differences. Investors who took part in the boom of the late 1990s bid stocks higher on the promise of future technology, at a time when profits were scarce. As a result, price-to-sales multiples for leading tech names at the time were higher than price-to-earnings multiples for most of the market. The subsequent selloff is haunting AI investors who wonder if the AI trade will end the same way. Investors in search of a little peace of mind should consider that AI leaders are not trading on inflated P/S multiples. In fact, some are trading at P/E ratios that are close to the broader market. And given their growth potential, PEG ratios for AI industry leaders are in many cases more attractive than those of industry leaders in other sectors.

Market Outlook:

Over the long term *(since 1984), the FTSE 100 has returned 6% per annum and that does not include the dividend yield (~3.3%) earned on top. Therefore, 'strategically', it pays to be in the market. Also, considering inflation averaged 6.2% over the same period, it is vital that an investor invests in equities in order to preserve the purchasing power of their money. However, markets can be subject to swings in the interim and investors should be mindful of these with a view to protecting their capital and thus maintain a 'tactical' view.*

Our allocation to the stock market remains at overweight. Despite a deep correction in April related to tariffs, the bull market continues. Investors are starting to ask themselves how much further it has to run and whether we are due a correction. We do not see one likely at this moment in time.

The *"Misery Index"* consists of the sum of the Consumer Price Index (CPI) plus the unemployment rate. With a US unemployment rate of 4.4% and CPI inflation running at 3%, the current Misery Index is 7.4%. Interestingly, that is below the long-term average of 9.2% since 1949. The federal government is back up and running, but the 43-day shutdown has complicated and delayed release of multiple key economic reports. In the absence of hard data, the Atlanta Fed's GDPNow model estimates that US Q3 GDP grew by 3.9%, above the average 3.1% since 1949. The VIX Volatility index is also trading at just 16%, below its long-term average of 19%. This is not a market that is overly concerned over valuations.

Is there a stock-market bubble? We do not see the current situation as comparable to the "dot-com" era, which led to the 2000-2002 market collapse, or the sub-prime period, which led to the 2008-09 recession. In those periods, valuations in the market did not reflect the reality of what was to come. Across this market, real earnings growth is underpinning valuations.

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Market Outlook (cont):

Whereas the 2009-2020 bull market began with stocks deeply depressed on valuation, stocks are near fair value in the current market environment. Even so, if rates continue to head lower on mild inflation news, while earnings growth accelerates and the economy avoids a recession, then this bull market, led by the performance of disruptive technology companies, will have room to run.

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Recommended Investment:

Ethereum

Ethereum is the world's second-largest cryptocurrency and the leading programmable blockchain. It was proposed by developer Vitalik Buterin and launched in 2015 with the goal of creating an open, decentralised, open-source network that anyone can use. Like Bitcoin, it runs on thousands of computers worldwide, maintaining a public ledger where transfers are recorded and can be verified by anyone, without relying on a bank or government.

At its core, Ethereum adds smart contracts. These are pieces of code that live on the blockchain and execute when conditions are met. This turns Ethereum into a platform for building applications such as stablecoins, decentralised finance (DeFi), NFTs and tokenised assets.

Ethereum's native asset, ether (ETH), plays a central role in the system. ETH is required to pay "gas" fees - costs paid to use the network and execute smart contracts. Because of this, ETH is sometimes described as a productive commodity: it's the fuel that powers activity on the chain. Unlike Bitcoin, Ethereum does not have a fixed maximum supply. Instead, its supply changes over time based on protocol rules, staking rewards, and fee mechanics. A key part of Ethereum's modern design is that some transaction fees are removed from circulation, which can offset new issuance during periods of heavy usage. The end result is that ETH's supply dynamics are more flexible and can be influenced by network demand.

For investors, this leads to a different kind of thesis than Bitcoin's *"digital gold"* story. Bitcoin's value proposition is dominated by scarcity and store-of-value narratives. Ethereum's case is more like owning a stake in an open, global settlement layer for programmable finance. If more economic activity moves on-chain then demand for blockspace will rise, and ETH becomes more essential as collateral, gas, and staking capital. That doesn't guarantee price appreciation, but it frames ETH as a *"use-driven"* asset: adoption matters in a very direct way.

Still, Ethereum remains volatile. Its price can rise or fall sharply based on risk appetite, interest rates, regulatory headlines and technical developments. It also faces competition from other networks. Despite the risks, major institutions have published bullish long-term scenarios for ETH. Standard Chartered has raised its forecast to $25,000 by 2028, linking the upside to expanding stablecoin usage, higher network fees, and Ethereum's role in tokenisation. VanEck has published a price target of $22,000 by 2030 based on its ecosystem - Stablecoins and DeFi have made Ethereum central to crypto market plumbing.

We recommend exposure via the WisdomTree Physical Ethereum ETP, which also generates a staking yield based on the portion of the assets staked which helps to participate in and secure the Ethereum network. It trades on the London Stock Exchange in GBP (WETP.L) and USD (ETHW.L) and has a TER of 0.35%. Note this investment is suitable only for high-risk investors who have passed an Appropriateness Assessment.

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Post of the Month:

Notorious stock market bear, Nouriel Roubini, has changed tack and is now predicting a brighter future. "US exceptionalism will persist", says the economist formerly known as 'Dr Doom'

Nouriel Roubini is not generally known for being an optimist. The economist's warning of a widespread housing crisis that presaged the 2008 global financial crisis earned him the nickname 'Dr Doom'. Now, though, Roubini is forecasting a near-term period of technological innovation that he said is *"going to be the most important in human history"*.

Roubini argues that advancements in artificial intelligence, semiconductors, automation, robotics, quantum computing, biomedical research, space exploration and other technologies such as nuclear fusion will be transformative. He says these sectors have the ability to create a world where there is *"less scarcity, more abundance, more welfare and more potential growth"*. Dr Doom, it seems, has turned into Dr Boom.

Roubini believes predictions of the death of US exceptionalism have been exaggerated. Although a new *"pessimistic convention"* has emerged that suggests high trade tariffs and protectionism may trigger a recession and a decline in overvalued equity markets, his central thesis is that *"tech trumps tariffs"*. He predicts above-average 4% trend growth by 2030, roughly two percentage points above the long-run average. By contrast, the drag on GDP from the Trump administration's trade and migration restrictions, meddling with Fed independence and concerns about the rule of law amount to no more than half a percentage point.

Stronger GDP growth should also quieten some of the pessimism about the US's fiscal position, he said. The Congressional Budget Office's long-term forecast for government debt to hit 156% of GDP by 2055 assumes near-term annual GDP growth of 1.8%. *"My view is that potential growth is going to be at least 3%, and therefore the problems of debt are short-term"*.

Roubini acknowledged that much could go wrong. Advancements in AI could trigger *"permanent technological unemployment"*. This would require a larger social safety net, such as a universal basic income funded through taxed gains. But this is an easier problem to deal with in a fast-growing economy. *"Do you want to be in a world of 10% growth where we have to redistribute, or a world where growth – like in the Eurozone - is close to 1%?"*

Of course, the stock market is very high and there is the risk that investors are underpricing the risk of a bubble emerging. But the market is not there yet. P/E multiples of US tech stocks are currently only at a premium of about 40% to the wider market, compared with 160% during the dotcom boom.

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Quote of the Month:

"I own a lot more Ethereum's than I do Bitcoins" - Mark Cuban

Cuban's rationale is mostly utility. He argues Ethereum's smart-contract platform supports real applications - DeFi, digital commerce, tokenised ownership and other decentralised apps - that can create broader, stickier demand than Bitcoin's primarily store-of-value role. He also believes these applications can make ETH a better store of value than BTC. If more products and daily activity are built on Ethereum, he expects network usage and fees to justify holding more ETH than BTC.

Economics:

Britain's economy shrank unexpectedly by 0.1% in the three months to October, losing momentum in the fraught run-up to finance minister Rachel Reeves' budget. *"Contractions in both services and construction indicate broad-based weakness, potentially reflecting uncertainty in the run-up to the budget,"* said Fergus Jimenez-England, associate economist at the National Institute of Economic and Social Research. The data casts doubt on the BoE's expectation that the economy will grow by around 0.3% in the fourth quarter as a whole. Economists polled by Reuters are unanimous that the BoE will cut interest rates on December 18 and financial markets assign a roughly 90% probability.

Business activity in the eurozone held firm in November, maintaining the solid pace of growth recorded in October - the strongest expansion in over two years - largely thanks to continued resilience in the services sector. However, manufacturing suffered on the back of US tariffs and rising electricity prices. The ECB is expected to hold interest rates steady on 18th December marking the fourth consecutive meeting without a cut since the central bank lowered rates by 0.25 percentage points in June. Interestingly, the October 2026 implied rates are above the current level. ECB executive board member Isabel Schnabel says that eurozone growth risks *"are clearly tilted to the upside"* and that *"risks to inflation are tilted to the upside."*

A host of delayed employment, inflation and other data in the coming week will give a long-anticipated view of the US economy that could help guide markets into year-end. The upcoming data is especially critical because investors and the Federal Reserve have been navigating with little certainty since a 43-day federal government shutdown postponed key reports. The Fed recently cut interest rates by a quarter percentage point for a third-straight meeting as it seeks to shore up a weakening labour market. US payrolls are expected to have climbed by a tepid 35,000 in November. Fed Chair Jerome Powell said while payrolls have been averaging an increase of 40,000 per month since April, the Fed thinks those numbers are overstated and could instead be an average loss of 20,000 per month. *"If we start getting negative prints around jobs, you can't avoid the recession discussion,"* said Marvin Loh, senior global macro strategist at State Street.

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Seasonality: *"History doesn't repeat itself, but it does rhyme" - Mark Twain*

The January Barometer

Historically, the returns in January have signalled the returns for the rest of the year. If they are positive, the returns for the whole year tend to be positive and vice versa. First mentioned by Yale Hirsch in the Stock Trader's Almanac in 1972, a variant has it that returns for the whole year can be predicted by the direction of the market in just the first 5 days of the year. Judging by the first 5 days, 2025 is likely to be a positive year for the stock market.

December

December is the FTSE 100's best performing month since 1984, rising 2.2% on average, 78% of the time. In an average month, the market tends to increase slightly in the first two weeks, but then rises strongly in the final two weeks. Indeed, this is the strongest two-week period in the whole year, with the three strongest days of the year all occurring in this period.

Fourth Quarter

The FTSE 100 has risen 30 of the 41 years (73%) between 1984 and 2024, posting an average gain of 3.3%.

November - April

The FTSE 100 has returned 6.7% since 1984 during the winter 6-month period. This compares with -0.2% for the summer 6-month period. There is a 1-in-1,000 chance of this occurring by luck. One explanation for this is that as the nights draw in during winter, we become anxious and depressed, which means share prices fall and expected returns rise. This then leads to a decent winter rise.

First-Year US Presidential Cycle

The stock market tends to bottom out during the second year of each new presidential term and then recover strongly in the final two years. This is due to each Administration ensuring that the economy is strong by re-election time. Unfortunately, the excessive stoking of the economic fires creates excesses, including over-priced stocks, leading to poor stock market returns in the first two years of the next term.

Chinese New Year - Year of the Snake

Chinese calendar revolves around a 12-year cycle where each year is associated with an animal (rat, ox, tiger, rabbit, dragon, snake, horse, goat, monkey, rooster, dog and pig). Each New Year starts between 21st January and 21st February, the exact date being dependent upon a variety of complex factors. The best performing animals since 1950 have been the goat and dog. The worst performing animals have been the rooster and snake. *In Chinese astrology, the Snake symbolises wisdom, caution, and strategic thinking. These traits might culturally inspire investors to adopt a more analytical or conservative approach. Interestingly, this is the Wood Snake Year, which comes about every 60 years. Wood represents expansion, innovation, and flexibility. This could favour industries like tech, renewable energy, and AI, which thrive on evolution.*

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Investment Calendar:

17th December	UK CPI. Headline inflation likely lower, continuing downward trend
18th December	BoE Interest Rate Decision. Consensus strongly favours a 0.25% cut to 3.75%
	ECB Interest Rate Decision. No change expected (remain at 2%)
	US CPI. Expected to come in at 3%
19th December	Options Expiry Day
20th December	New Moon (markets tend to reach a high point around this time)

Technical Analysis:

The FTSE 100 rose just 33 points last month (0.3%). The market has certainly unwound its overboughtness and sits squarely in the middle of the upper and lower Bollinger bands lying at 9785 and 9500 respectively. With the ADX at 11, these represent the new levels of support and resistance. We are bullish at this time. Markets remain supported by disinflation optimism and resilient earnings. December is the market's best performing month, rising 2.2% on average, 78% of the time. With little in the way of bad economic news expected for the remainder of the month, there is little to stop the typical *"santa claus rally"* in the final few weeks of the year.

"The illusion of randomness gradually disappears as the skill in chart reading improves" - John Murphy

Chart Legend:

(red dashed line)	20 day moving average	(signifies the short-term direction of the security. prices tend to gyrate around their 20 day m/a)
(red thin line)	50 day moving average	(signifies the medium-term direction of the security)
(red thick line)	200 day moving average	(signifies the long-term direction of the security - whether it is in a bull or bear market)
(blue line)		(an indicator that measures 2 standard deviations away from the 20 day m/a)

Technical Analysis Guide:

RSI (relative strength index) - indicates whether a security is overbought (above 70) or oversold (below 30). Also when the RSI moves above 50 that is considered bullish (or vice versa).

ADX (average directional index) - indicates whether a security is in a trend (above 20) or not in a trend (below 20). For trending markets moving averages work best when considering lines of support/resistance. ending markets Bollinger Bands work best (sell at upper band, buy at lower band).

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