



December Opens on a Dismal Note as Markets Struggle for Direction Amid Global Policy Crosswinds and Wall Street Tanks.

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by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets opened the final month of the year on a cautious note, with sentiment turning defensive after a volatile November.

U.S. equities slipped to open the month, with the **Dow Jones** down 427.09 points, **the S&P 500** down **0.53%**, and the **Nasdaq** down **0.38%**, marking a sluggish start to December after the S&P 500 secured its **seventh straight monthly advance** in November.

Japan's **Nikkei** tumbled **almost 2%** as speculation mounted that the Bank of Japan may be preparing for its first rate hike in years. This announcement triggered a wave of selling in both local and international government bonds. U.S. Treasuries mirrored that pressure at the open, with the **10-year yield climbing seven basis points**.

The **U.S. dollar weakened** against a broad basket of global currencies, **oil edged up to \$59 per barrel**, and **gold extended its strength** on a safe-haven bid, climbing to **\$4,250 per ounce**, now just 2.5% below its November high.

Bitcoin, however, surrendered more than **5%**, reversing much of last week's rebound.

President Trump Signals Decision on the Next Fed Chair

A major political headline is amplifying market uncertainty. Over the weekend, **President Trump confirmed he has chosen Jerome Powell's successor**, stating, *"I know whom I am going to pick."* Treasury Secretary **Bessant** indicated that the formal nomination could arrive **before Christmas**, with **Kevin Hassett**, the President's chief economic adviser, viewed as the leading contender. Hassett has recently argued that the Fed should begin easing policy based on his interpretation of the data. However, the economic picture remains blurred as federal statistical agencies continue to recover from a record-length shutdown. This week brings a heavy slate of sentiment surveys, along with delayed September and October data that should help refine estimates of Q3 GDP. Markets are already leaning dovish: **Fed funds futures are pricing in nearly 100% odds of a 25-basis-point rate cut**, following soft labor-market signals in last week's Beige Book and a series of dovish remarks from Fed officials.

Is a Santa Claus Rally Still Possible?

Despite the turbulence, 2025 has been a remarkably resilient year for U.S. markets. After plunging **19%** from peak to trough in April, the **S&P 500 has rebounded sharply**, closing November with a **16% year-to-date gain**.

Although fundamentals—not seasonal patterns—ultimately drive markets, history shows December has often been a constructive month for equities. Since 1980:

- **December has produced positive returns 71% of the time**,
- with an **average gain of 1.2%**,
- compared with **63% positive months** and **0.9% average gains** across all months.

While not a guarantee for 2025, the historical backdrop suggests the year could still end on a firm footing.

Europe Opens December Lower as Policy Uncertainty Lingers

European equities also started the month in the red. The **Stoxx 600** traded **0.3% lower** in London afternoon trading, with most major sectors under pressure. Shares of **Airbus slid more than 5%**, weighing on the index.

Investors continue to grapple with unclear monetary policy trajectories. Markets are now assigning an **87.4% probability of a quarter-point U.S. rate cut** at the Fed's December 9–10 meeting, according to CME FedWatch.

Bank of England policymaker **Megan Greene** noted that nearly **half of the movements in the U.K. yield curve are driven by global factors**, underscoring the spillover risk from a U.S. rate cut. Still, the BOE has refrained from signaling that it will follow the Fed's lead in December as the U.K. contends with **stubborn inflation, above-target wage growth, and a cooling labor market**.

Regional European markets ended November mixed, reflecting investor hesitation amid renewed concerns over **stretched AI valuations**.

GDPNow Update:

- The **GDPNow** for the third quarter was updated on December 1 and is unchanged at **3.90%**.

Economic Data:

- **U.S. ISM Manufacturing PMI**: fell to 48.20, down from 48.70 last month, decreasing by 1.03%.
- **Japan Consumer Confidence Index**: rose to 35.80, up from 35.30 last month.

Eurozone Summary:

- **Stoxx 600**: Closed at 577.09, down 1.33 points or 0.23%.
- **FTSE 100**: Closed at 9,708.25, down 12.51 or 0.13%.
- **DAX Index**: Closed at 23,605.72, down 231.07 points or 0.97%.

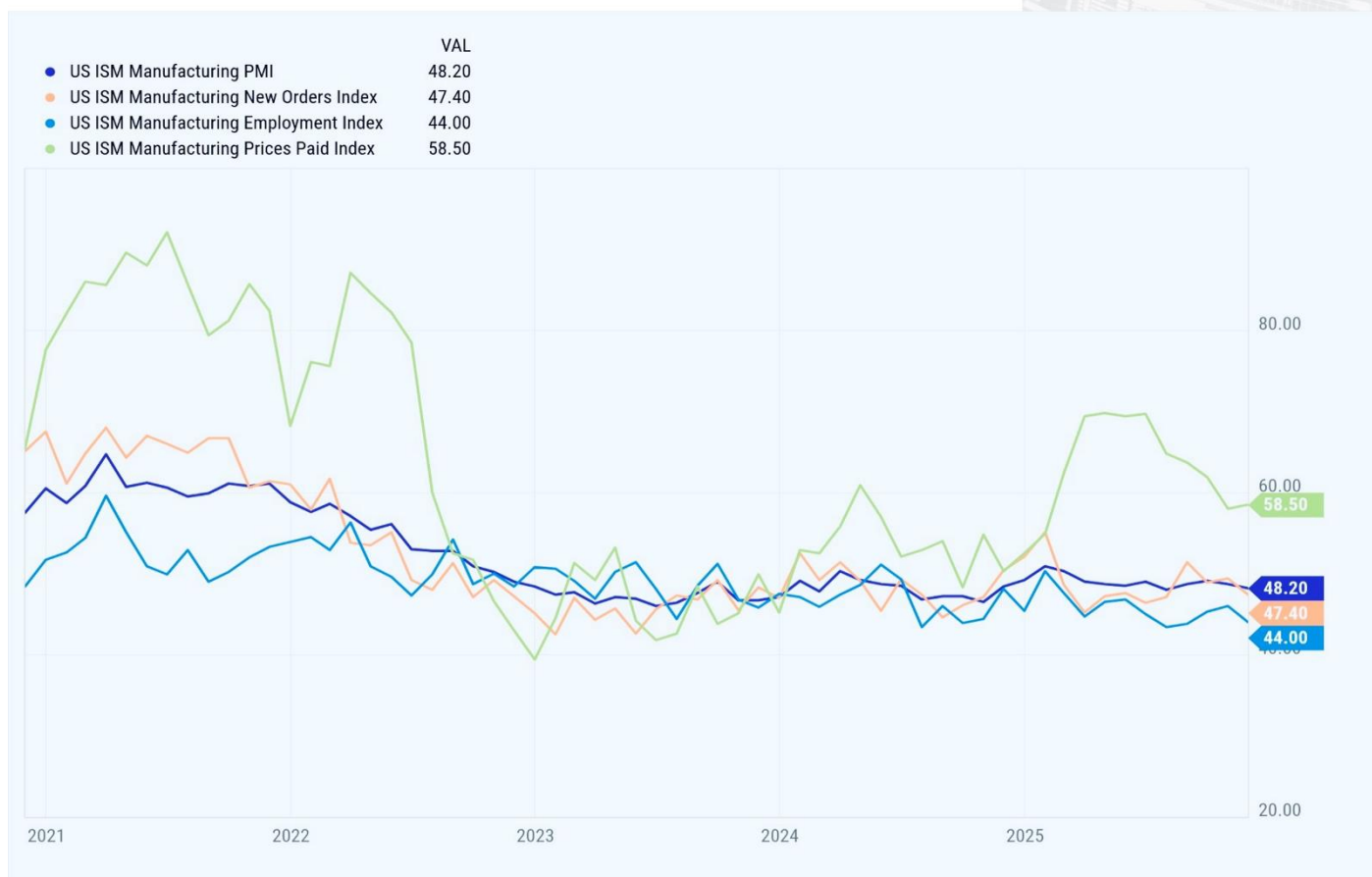
Wall Street Summary:

- **Dow Jones Industrial Average**: closed at 47,289.33, down 427.09 points or 0.90%.
- **S&P 500**: closed at 6,812.63, down 36.43 points or 0.53%.
- **Nasdaq Composite**: closed at 23,275.92, down 89.76 points or 0.38%.
- **Birling Capital Puerto Rico Stock Index**: closed at 3,772.68, down 15.25 points or 0.40%.
- **Birling Capital U.S. Bank Index**: closed at 8,598.24, up 94.68 points or 1.11%.
- **U.S. Treasury 10-year note**: closed at 4.09%.
- **U.S. Treasury 2-year note**: closed at 3.54%.

GDPNow

Date	GDPNow 3Q25	Change
7/31/2025	2.30%	Initial Forecast
8/1/2025	2.10%	-8.70%
8/5/2025	2.50%	19.05%
8/7/2025	2.50%	19.05%
8/15/2025	2.50%	0.00%
8/19/2025	2.30%	-8.00%
8/26/2025	2.20%	-4.35%
8/29/2025	3.50%	59.09%
9/2/2025	3.00%	-14.29%
9/4/2025	3.00%	0.00%
9/10/2025	3.10%	3.33%
9/16/2025	3.40%	9.68%
9/17/2025	3.30%	-2.94%
9/26/2025	3.90%	18.18%
10/1/2025	3.80%	-2.56%
10/7/2025	3.80%	0.00%
10/17/2025	3.90%	2.63%
10/27/2025	3.90%	0.00%
11/3/2025	4.00%	2.56%
11/17/2025	4.10%	2.50%
11/19/2025	4.10%	0.00%
11/21/2025	4.20%	2.44%
11/25/2025	4.00%	-4.76%
11/26/2025	3.90%	-2.50%
12/1/2025	3.90%	0.00%

US ISM Manufacturing PMI; US ISM Manufacturing New Orders Index; US ISM Manufacturing Employment Index & US ISM Manufacturing Prices Paid Index

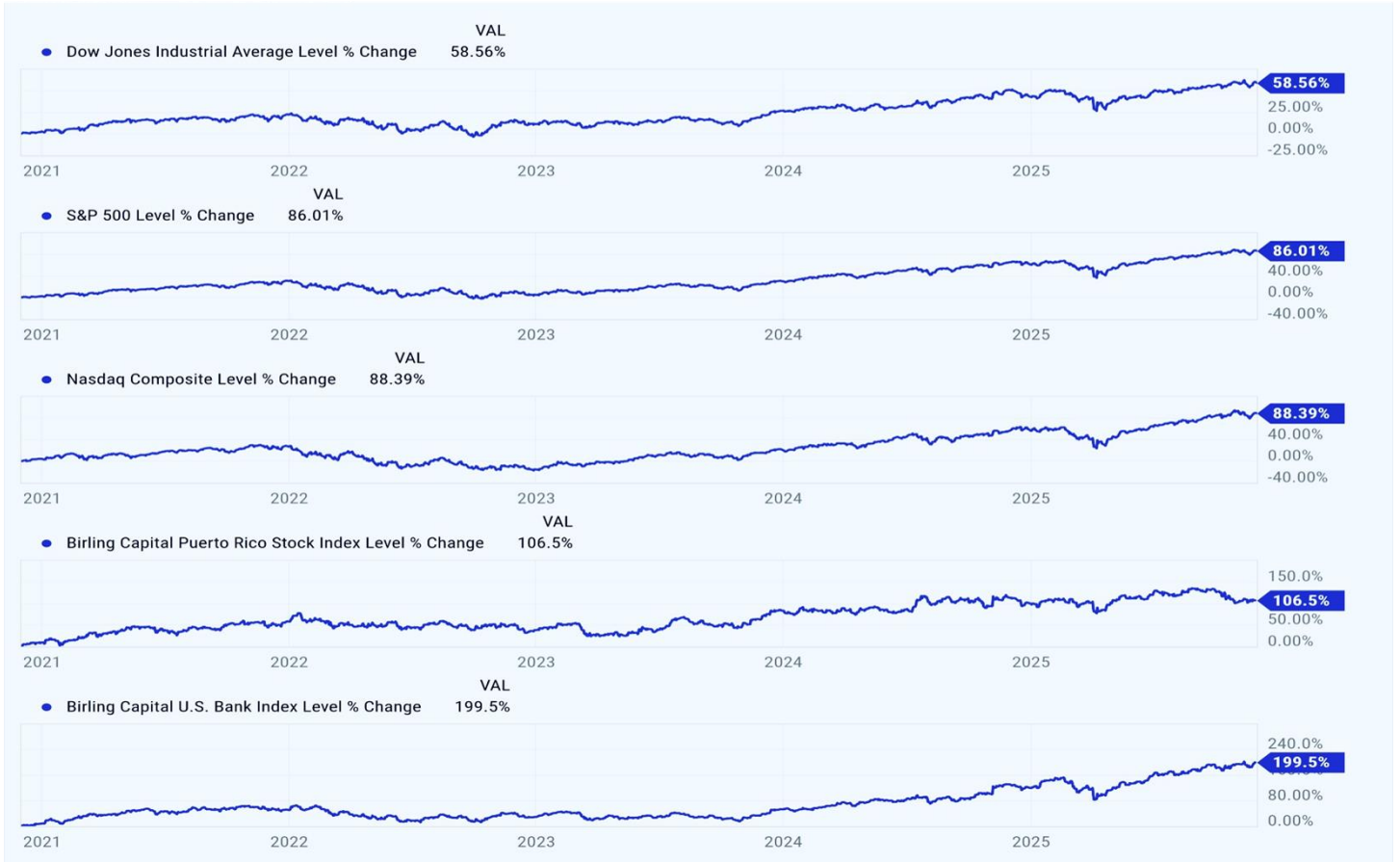




Wall Street Recap

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