



Markets Close 2025 on Firm Footing as Liquidity Thins and Structural Winners Dominate.

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The **U.S. and European stock markets closed mixed on the final trading day of 2025**. Thin liquidity, year-end positioning, and a light economic calendar kept price action subdued. In the U.S., equities traded narrowly, but major benchmarks are set to close the year with strong double-digit gains. European markets finished mixed in a shortened session. Defense and select healthcare names continued to extend powerful multi-year themes.

U.S. Markets

U.S. equity markets were steadily lower in holiday-thinned trading. The S&P 500 closed in 2025 up 16.39%. The Nasdaq gained 20.36%. The Dow Jones Industrial Average added 12.97% for the year. Trading volumes stayed muted as investors refrained from establishing new positions ahead of the New Year.

Treasury markets softened modestly following better-than-expected labor data. **The 10-year U.S. Treasury yield rose, closing at 4.18%**, reflecting continued confidence in economic resilience rather than renewed inflation concerns.

In commodities, precious metals declined, led by silver, after exchanges announced higher margin requirements following recent volatility. Despite the pullback, gold is on track to finish 2025 up roughly 65%, while silver has surged approximately 150% year to date. Oil prices are near \$58 per barrel set to close the year down about 18%, reflecting ample supply and softer global demand expectations.

Labor Markets Show Resilience

Labor market data continues to signal resilience. Initial unemployment insurance claims fell to 199,000, among the lowest readings of the year. While holiday effects can introduce volatility, the four-week moving average remains near 220,000, a level consistent with stable employment conditions. Continuing claims have also declined in recent weeks, reinforcing the view that layoffs remain contained heading into 2026.

U.S. Food Affordability in 2025: What the Farm-Level Data Actually Shows

To assess widespread claims about food affordability in 2025, we examined the pricing structure at its source. We used U.S. farm prices received—prices paid directly to farmers before any intermediaries, processors, distributors, or retailers add margins. This approach provides a clear view of underlying price pressures. It separates production economics from supply-chain markups. The results show a far more nuanced picture than headline narratives suggest.

1. **Egg prices experienced the sharpest correction.** After peaking earlier in the year, farm-level egg prices fell dramatically as production normalized and avian flu disruptions eased. By year-end, egg prices were down 47.7%. This marked a historic reversal and provided clear evidence that extreme price spikes in recent years were largely supply-driven rather than structural.
2. **Livestock markets moved in the opposite direction.** Farm prices for hogs rose 25.8%. Cattle prices increased 23.8% in 2025. These gains reflect tight herd sizes, higher operating costs, and

sustained domestic and export demand. From an affordability standpoint, beef and pork remain the most persistent pressure points. This is the case even before processing, and retail margins are applied.

3. **Dairy prices softened meaningfully.** Farm-level milk prices declined 10.3%. This reflected improved supply conditions and easing input costs. The decline contributed to moderation in several dairy-related food categories. It acted as a stabilizing force within the broader food basket.
4. **Grain prices declined across the board**, reducing cost pressures for both food manufacturers and livestock producers:
 - **Corn prices fell 6.4%**
 - **Wheat declined 11.8%**
 - **Barley dropped 13.5%**

Improved yields and more favorable weather helped unwind prior supply shocks. Stabilizing global trade flows also lowered feed and ingredient costs.

What This Means for Affordability

At the farm gate, food prices in 2025 did not rise uniformly. In fact, **most major categories—eggs, dairy, and grains—fell outright**. The areas of continued inflation were almost exclusively in livestock proteins, where structural supply constraints remain unresolved.

The key conclusion:

If consumers do not see equivalent relief at the grocery store, the disconnect is not rooted in farm-level pricing. Instead, it lies in processing, transportation, labor, and retail markups added further along the supply chain.

Farm prices in 2025 show normalization and deflation in many core food inputs. Affordability pressures persist, but they no longer originate at the farm. The data clearly distinguishes production economics from consumer price outcomes.

European Markets

European equities closed mixed in a half-day trading session ahead of the New Year's Day holiday. The pan-European Stoxx 600 slipped 0.1%, following a strong prior session that pushed the index to fresh record highs.

- The U.K. FTSE 100 fell 0.2%, but ended 2025 up 21.5%, its strongest annual performance since 2009.
- France's CAC 40 declined 0.2% on the day.
- Germany's DAX rose 0.6%.
- Italy's FTSE MIB gained 1.1%, closing the year up 31.5%, its best annual return since 1998.

Sector & Single-Stock Highlights

Defense stocks extended their structural outperformance, rising for a second consecutive session. Shares of Saab, Renk, and Rheinmetall advanced between 2% and 3%. This brought full-year gains to an extraordinary 130%–193% range. The gains were supported by elevated defense spending and multi-year order backlogs.

In healthcare, Abivax finished as both the top performer of the day and the year. It gained 3.8% and closed 2025 up an exceptional 1,616%. The rally followed a better-than-expected clinical trial readout for its ulcerative colitis treatment. Ongoing buyout speculation also helped.

Policy & Outlook

Markets have lacked near-term direction amid holiday liquidity constraints. Volatility and volume are expected to normalize quickly in early January. Key catalysts next week include the December employment report, ISM surveys, and consumer sentiment data.

Federal Reserve minutes released earlier this week indicated that most FOMC members expect rate cuts in 2026. Several policymakers favor a pause following three consecutive reductions. Only a materially weaker labor report would justify a January rate cut, in our view. Policy will likely remain data-dependent in the early part of the year.

Bottom line: 2025 closes with equities firmly higher and labor markets resilient. Market leadership is concentrated on structural themes such as defense, technology, and selective healthcare. As markets turn to 2026, attention will shift rapidly from holiday calm to data-driven conviction.

Birling Capital's Outlook for 2026

Want to dive deeper into what's next? Check out our reports—**9 Issues & 9 Answers: Ending 2025 with a Sturdy Global Backdrop and a Constructive Setup for 2026**, and **Power, Capital, and Political Control: 2025 The Structural Shifts That Reshaped the Global Economy**—by clicking on the links below:

- <https://birlingcapital.com/publications/TS.9Issues9Answers.Ending2025withaSturdyGlobalBackdrop.pdf>
- <https://birlingcapital.com/publications/TS.PowerCapitalandPoliticalControl.2025TheStructuralShifts.pdf>

Economic Data:

- **U.S. Initial Claims for Unemployment Insurance:** fell to 199,000, down from 215,000 last week and down -7.44%.
- **U.S. 4-Week Moving Average of Initial Claims for Unemployment Insurance:** rose to 218,750, up from 217,000 last week.
- **30-Year Mortgage Rate:** fell to 6.18%, compared to 6.21% last week.

Eurozone Summary:

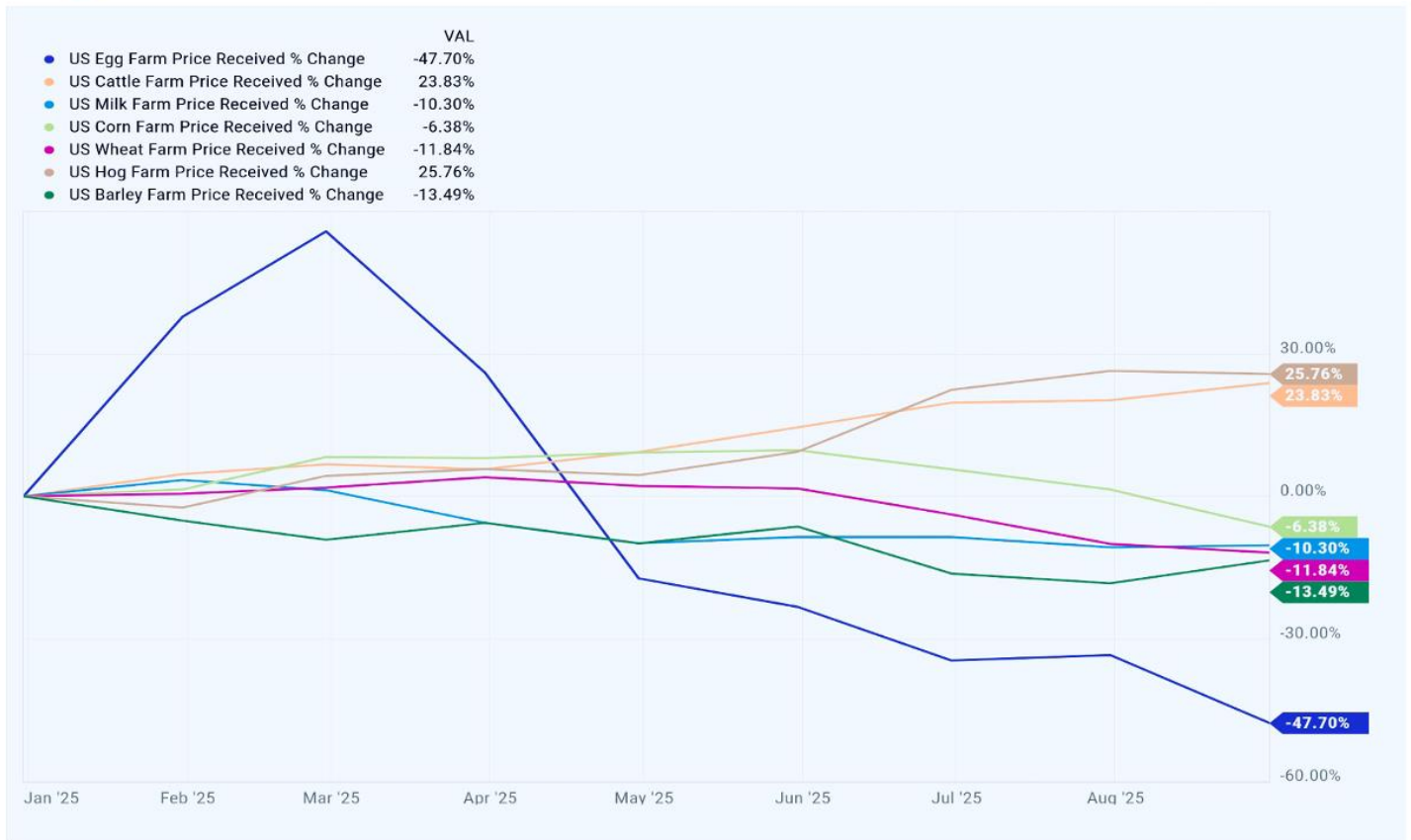
- **Stoxx 600:** closed at 592.28, down 0.50 points or 0.08%.
- **FTSE 100:** closed at 9,931.38, down 9.33 or 0.09%.
- **DAX Index:** closed at 24,490.41, up 139.29 or 0.57%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 48,063.29, down 303.77 points or 0.63%.
- **S&P 500:** closed at 6,845.50, down 50.74 points or 0.74%.
- **Nasdaq Composite:** closed at 23,241.94, down 177.08 points or 0.76%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,982.96, down 26.76 points or 0.67%.
- **Birling Capital U.S. Bank Index:** closed at 9,214.62, down 40.41 points or 0.44%.
- **U.S. Treasury 10-year note:** closed at 4.18%.
- **U.S. Treasury 2-year note:** closed at 3.47%.



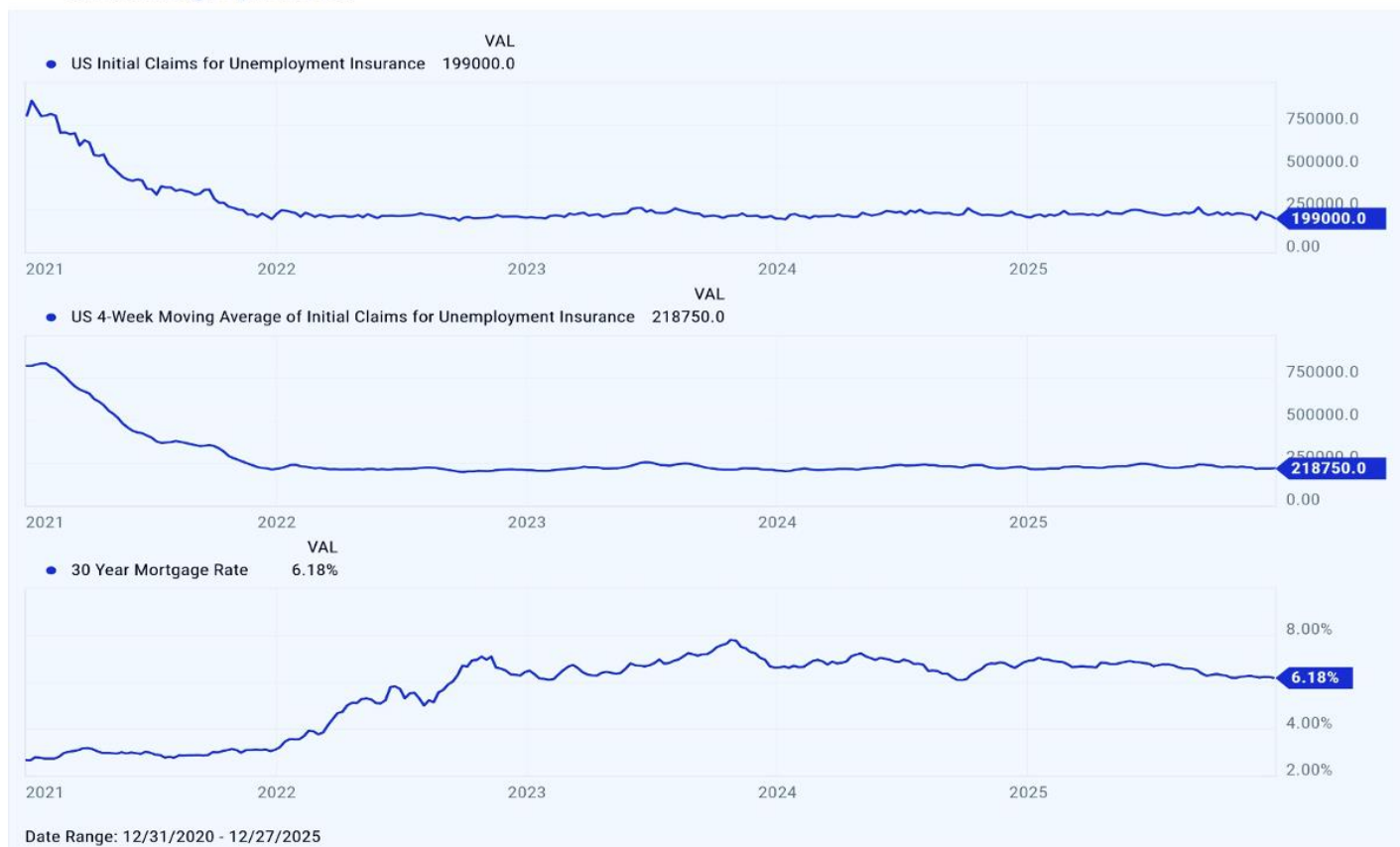
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US Initial Claims for Unemployment, US 4-Week Moving Initial Claims Average & 30-Year Mortgage Rate



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