GENERAL INVESTMENT CLIMATE

Economy

The eurozone narrowly avoided a technical recession in the final quarter of 2025 despite sluggish economic growth in both Germany and France. Although economic growth eased in December, the region ended the year with its strongest quarterly growth in more than two years. The HCOB composite PMI, which measures expected activity across manufacturing and services, declined to 51.5 in December from 52.8 in November but remained in expansionary territory. Growth was supported primarily by strong momentum in the services sector despite continuous low consumer sentiment. Manufacturing activity, however, remained weak. Eurozone factory activity moved further into contraction in December when production further declined as order intake continued to fall at an accelerating pace.

Euro area annual inflation was 2.0% in December 2025, slightly down from November. With inflation trending around its target, the ECB opted to keep monetary policy unchanged, maintaining the key deposit facility rate at 2%. The labour market remained resilient: unemployment stood at around 6.4% in November, only marginally higher than October's 6.3% and broadly in line with levels observed throughout 2025.

In the US, inflation remained elevated, rising to an annualized 2.7% in November. Manufacturing activity contracted more than expected in December, prolonging its slump to 10 months consecutively as new order fell again and input costs remained elevated while supply chains attempt to deal with the burden of Donald Trump's import tariffs.

Consumer sentiment weakened further as uncertainty continued to dominate and disposable income growth reached a cyclical low. Unemployment continued to rise, reaching its highest level post-Covid, as the economy entered a "no hire, no fire" phase driven by lack of visibility on policies. Against this backdrop, the Federal Reserve cut its policy rate by 25 basis points for the third time in 2025, citing labour market and policy uncertainty. This brought the federal funds rate to a range of 3.5–3.75%.

The Chinese economy showed increasing signs of stabilization, although conditions remain far from ideal. The IMF recently upgraded China's 2025 growth forecast to its targeted 5%, reflecting the impact of effective fiscal stimulus. Despite this, domestic consumption remains weak, with several sectors, including real estate, continuing to weigh on activity.

On the external front, Chinese exports posted a new record after 11 months in 2025, with export values exceeding $1 trillion in Q4 for the first time in a single quarter. China successfully diverted trade outflows away from the US toward other Asian economies and the EU, causing the latter to impose additional import tariffs as a result.

Foreign exchange and money markets

While US Dollar depreciation was a dominant theme throughout much of 2025, the currency's decline lost momentum in the final quarter as the Fed adopted a more measured approach to its easing cycle. Furthermore, as trade tensions with key partners began to ease after a period of significant disruption, safe-haven inflows provided a floor for the Greenback. In Asian markets, the CNY continued the rally it began in Q3, finally breaching the significant psychological threshold of 7.00 USD/CNY.

Stock markets

Table 1.1 - General

	31-Dec-25	30-Sept-25 - 3 mnth	30-Jun-25 - 6 mnth	31-Mar-25 - 9 mnth	31-Dec-24 - 12 mnth
AEX	951,29	0,90%	4,16%	5,84%	8,27%
BEL20	5078,43	5,35%	13,46%	17,14%	19,09%
DAX	24490,41	2,55%	2,43%	10,50%	23,01%
EU50	5791,41	4,73%	9,21%	10,35%	18,29%
DJ	48063,29	3,59%	9,00%	14,43%	12,97%
SP500	6845,50	2,35%	10,32%	21,98%	16,39%
Nasdaq	23241,99	2,57%	14,10%	34,35%	20,36%
EUR/USD	1,1746	0,10%	-0,35%	8,60%	13,46%
Euribor 3 maanden	2,03	0,01	0,08	-0,31	-0,69
NL govt 10 jaar	2,97	0,10	0,16	0,01	0,37

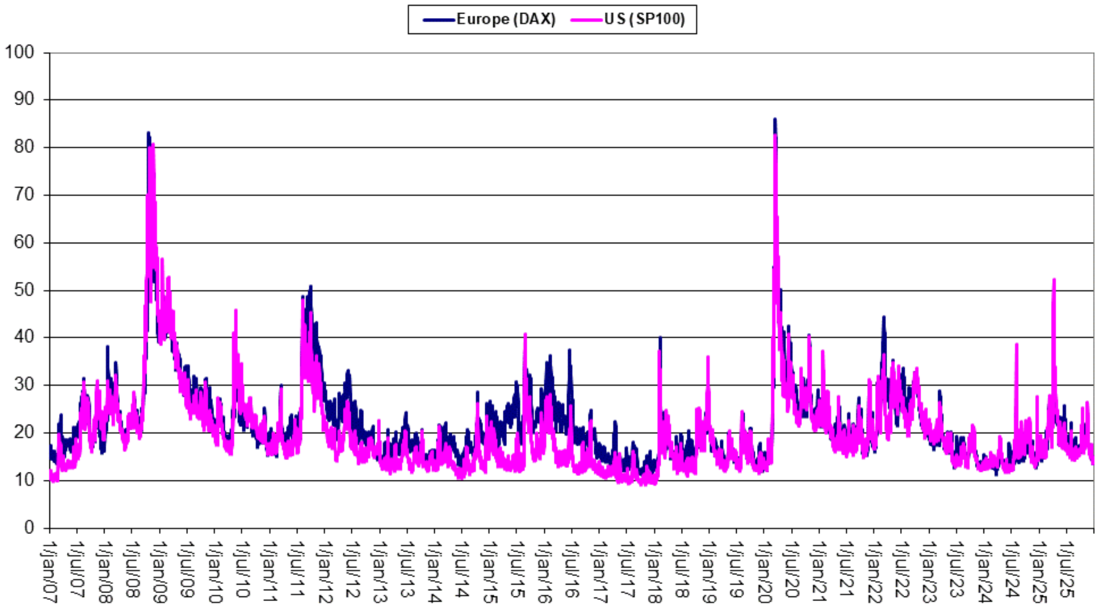
Despite US stock indices dominating the headlines for another quarter, only European stock indices displayed a traditional Santa Claus Rally this festive season, posting new all-time highs. The easing monetary and fiscal policy in the US supported gains, but signs that AI-related stocks are taking a breather with significant selloffs led to only moderate aggregate gains in Q4. The main reason for the sudden loss in momentum is concern about the aggressive and deceitful way of financing for AI datacenters.

Other markets

Driven by persistent geopolitical tensions and macroeconomic uncertainty, 2025 witnessed an unprecedented surge in precious metals. Both gold and silver reached record peaks as investors prioritized capital preservation and safe-haven assets.
Also copper set new records.
Conversely, the energy market remained range-bound; Brent crude fluctuated between $60 and $70 per barrel, ending a volatile year at $60.85. This stability persisted despite trade sanctions and the rerouting of tankers, as a growing surplus of supply at sea effectively capped price gains.

Implied volatility
In Q4, implied volatility signaled a relatively calm period in both Europe and the US, while the latter spiked slightly after a few sobering earnings calls mid-November. Since then, both markets have shown relatively stable development across the board, ending the year around their highest point for both indices.

Table 1.2 Development of the implied volatility jan 07 - dec 25



The long term
After a short break in its positive trajectory since the start of November, the Dutch stock index again gained towards the end of the year as uncertainties eased and confidence returned. Therefore, the index ended the year with positive momentum, at a price level above its 200-day moving average.

Table 1.3 Long-term development AEX jan 03 - dec 25