November Market Review 2025

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November Economic Background

- Chancellor Rachel Reeves announced several measures to increase government revenue in Autumn budget, including freezing tax thresholds, cutting ISA allowances, and capping salary sacrifice.
- With the US government shutdown obscuring key economic data, investor caution rises ahead of the Federal Reserve's upcoming rate decision.
- AI anxiety builds amid an accelerating wave of capex commitments from major tech players.

Equities & Bond Performance % (As of 30/11/2025, in GBP terms)			
	SEP	OCT	NOV
Global Equity Market	3.75 ▲	4.56 ▲	-0.66 ▼
Global Bond Market	1.01 ▲	2.21 ▲	-0.61 ▼

Source: Morningstar (Morningstar Global Markets; Bloomberg Global Aggregate)

Market Review

Rachel Reeves Announces Tax Rises and Spending Plans in Autumn Budget

Following weeks of rumours around proposed manifesto-breaking policy shifts, Chancellor Rachel Reeves delivered her Autumn Statement on November 26th. Caught between economic necessity and political caution, she aimed to reduce the UK's debt (c. £2.9 trillion, c.94.5% of GDP) by raising revenue without severely alienating voters. The potential increase in income tax rates was avoided, and instead she extended the freeze on income tax thresholds from 2028 to 2031. Dubbed the 'stealth tax' by some, this will pull more workers into higher tax brackets as wages rise with inflation, gradually increasing government tax revenue over time. Other key announcements included:

CAP ON SALARY SACRIFICE

Only the first £2,000 of an employee's pension contribution made via salary sacrifice each year will be exempt from employee and employer national insurance contributions (N/Cs).

DIVIDEND TAX CHANGES

From April 2026, the government will raise the tax paid on dividend income by 2% for both basic & higher rate taxpayers. Additional rate taxpayers will face no change, and the £500 tax-free dividend allowance also remained unchanged.

CASH ISA ALLOWANCE CUT

Cash ISAs (for under 65's) have had their annual cash contribution limit cut from £20,000 to £12,000, with the remaining £8,000 allowed only for investments in stocks and shares.

CAPITAL GAINS TAX CHANGES

CGT rates remain the same, but Employee Ownership Trusts (EOTs) face newly imposed restrictions.

The bond markets initially reacted favourably to the budget, the contents of which were released prematurely by the OBR. In reaction to the leak, the yield on 10-year gilts (UK government bonds) - a key benchmark for borrowing costs - initially dropped by around 0.07%, signalling lender relief over the government's apparent commitment to fiscal discipline and the avoidance of inflationary stimulus.

However, the yield dip was short-lived, and market attention quickly shifted to inherent risks, primarily the delayed onset of many revenue measures. For instance, the tax threshold freezes and the salary sacrifice cap are implemented years away (2029-2031), and these future measures won't immediately counterbalance the near-future increase in government spending announced by the Chancellor, including new funding for the NHS and energy-support payments.

Federal Reserve Looks to Make Tough December Call on Interest Rates in Midst of Data Fog

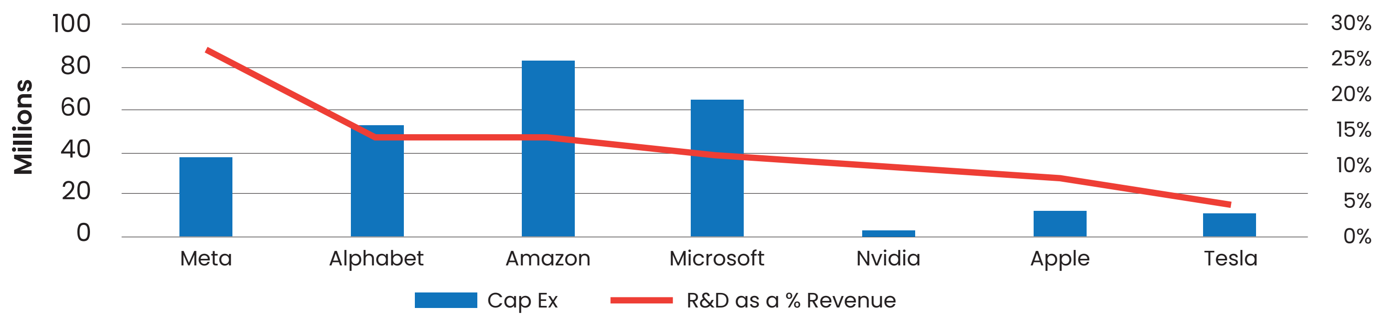
The recent 43-day US government shutdown created a delayed conundrum for the Federal Reserve (the Fed). Following October's rate cut, the Federal Open Market Committee (FOMC) now faces a choice between two conflicting realities: weakening job markets and persistent inflation. If inclined to prioritise the weakening labour market, the Fed will likely make a dovish move and cut rates, which could incentivise consumer spending and spur economic growth, in turn supporting the jobs market. Alternatively, to prioritise the fight against inflation, the Fed could maintain rates (or theoretically, even raise them), discouraging lending and inflationary pressure. However, the shutdown severely restricted the pool of economic data available to the Fed, leading Chair Jerome Powell to describe the predicament as "driving in the fog." The Fed retains the last-resort option to delay its decision until new data emerges, but this lack of certainty has already driven volatility in bond markets, which are struggling to anticipate the FOMC's next move.

Mega-Cap Tech Shares Wobble as Investors Balance Fear of Missing Out Against Perceived Overvaluations

Fears of an AI-related bubble persisted despite impressive earnings from tech giants. Nvidia, now the largest stock by market capitalisation, saw its share value dip even after record performance - a signal of market anxiety over stock valuations. Alphabet (Google) posted its first $100 billion revenue quarter, driven largely by Google Cloud and the release of its competitive Gemini 3 large language model (LLM). Other strong results came from Apple (largely via its services revenue) and Amazon.

The common thread was a commitment to massively accelerated capital expenditure (CapEx) to build out AI infrastructure. The major 'hyperscalers' (Amazon, Microsoft, Alphabet, Meta) are locked in a race to secure Nvidia GPUs and build vast data centers. This costly, existential arms race is largely financed by astronomical debt issuance. This large-scale corporate leveraging tends to fuel volatility. If technical limitations occur, and projected AI revenues fail to meet expectations, these companies could struggle to service their increasingly high debt load. Compounding this risk is the circular nature of parts of the financing, which is known to be happening amongst the tech giants. Critics warn this heightens systemic fragility, increasing the risk of a domino-style downturn if the AI bet doesn't pay off.

Capital Expenditure and R&D as a % of Revenue for the Magnificent Seven at the End of Their Latest Fiscal Year



Source: Global Data Intelligence Centre and Annual Reports, November 2025. (R&D = Research & Development).

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