


Trust must be earned


"The UK Chancellor, Rachel Reeves, proposed a budget featuring tax increases and reduced debt issuance, which helps to explain the recent decline in bond yields. This fiscal tightening could weigh on consumption and growth, allowing the Bank of England to cut rates."

Monica Defend

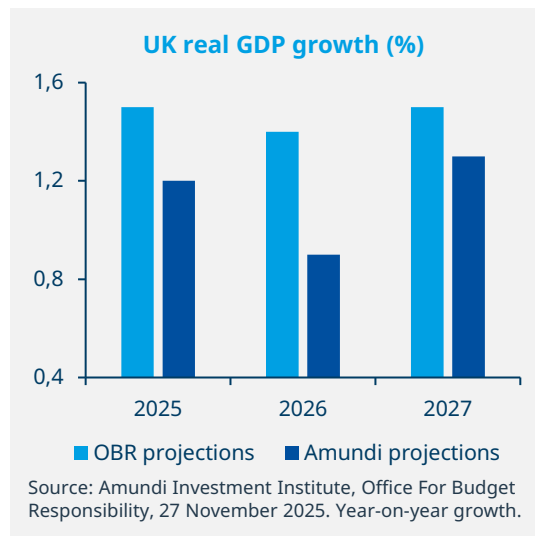
Head of Amundi Investment Institute

UK budget aims for a balance

UK budget projects less debt issuance in the near term (vs. market expectations), explaining the calm reaction in bond yields.

However, an increase in the tax burden in the coming years will weigh on demand and economic growth.

Consequently, the Bank of England could cut interest rates, although much would depend on its inflation assessment.



UK Chancellor Rachel Reeves presented the Autumn budget on 26 November, detailing government plans to improve the fiscal situation, hike some taxes on the wealthy and increase public spending. While the budget strives to reducing government borrowing (as a % of GDP) from 4.5% in financial year 2025-26 to 1.9% in 2030-31, it also raises certain taxes including on dividends and savings income among others. Overall, it balances fiscal prudence with economic growth, which we think will be subdued. As shown in the chart, our economic growth expectations are below the OBR's projections because we think uncertainty over government spending and external geopolitical risks persists. Collectively, these would weigh on consumption and hence on growth. As a result, the Bank of England will likely reduce interest rates in December and twice next year, bringing the official rates down to 3.25% by the end of 2026.

**Fiscal tightening is when a government raises taxes and/or cuts its spending to improve its financial situation.*

**Key
dates**



1 Dec

US ISM manufacturing,
South Korea trade
balance

2 Dec

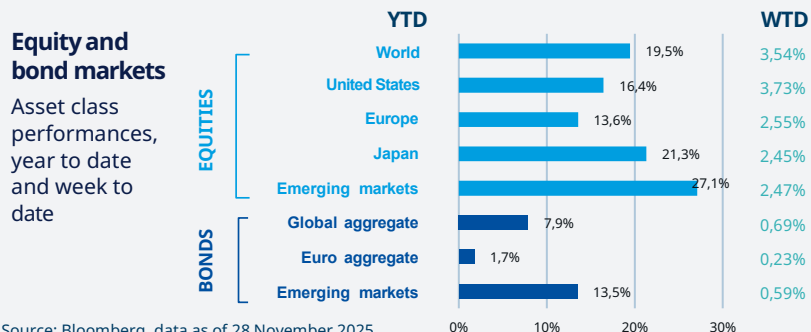
EZ unemployment rate
and CPI, Brazil
industrial production

5 Dec

US PCE, Germany factory
orders, Reserve Bank of
India policy

This week at a glance

Global stocks rebounded this week as weak US data reinforced expectations of rate cuts by the US Federal Reserve. Long-dated bond yields were generally lower, including in the UK, where the budget was well received by markets. Gold and oil prices also rose as peace talks aimed at ending the Russia-Ukraine war drag on, leaving little prospect of a swift, lasting ceasefire.



Source: Bloomberg, data as of 28 November 2025.
Please refer to the last page for additional information on the indices.

Government bond yields

2 and 10-year government bond yields, and 1-week change

		2YR		10YR	
	US	3,49	▼	4,02	▼
	Germany	2,03	▲	2,69	▼
	France	2,24	▼	3,41	▼
	Italy	2,18	▼	3,40	▼
	UK	3,74	▼	4,44	▼
	Japan	0,97	▲	1,81	▲

Source: Bloomberg, data as of 28 November 2025.
Please refer to the last page for additional information on the indices. Trend represented refers to 1-week changes. Please refer to the last page for additional information.

Commodities, FX and short-term rates, levels and weekly changes

							
Gold USD/oz	Crude Oil USD/barrel	EUR/ USD	USD/ JPY	GBP/ USD	USD/ RMB	Euribor 3M	T-Bill 3M
4239,43	58,55	1,16	156,18	1,32	7,07	2,06	3,80
+4,3%	+0,8%	+0,7%	-0,1%	+1,0%	-0,4%		

Source: Bloomberg, data as of 28 November 2025.
Please refer to the last page for additional information on the indices.

Amundi Investment Institute Macro Focus

Americas



US retail sales weak for September

Retail sales (released with a delay after the shutdown) rose only 0.2% in September and were essentially flat in real terms, signalling a pullback from consumers. In particular, discretionary spending was subdued, amid weakness in e-commerce, clothing, electronics, sporting goods and auto dealers. Overall, the pattern looks like a pause after a strong summer; it has not yet been impacted by the government shutdown.

Europe



Business and consumer survey for November

The business survey for the Directorate-General for Economic and Financial Affairs indicates that confidence grew notably in services, retail, and construction. This reflects stronger demand and brighter business prospects, whereas industry faced some headwinds from softer production and order expectations. Additionally, consumers remained steady in their outlook, balancing a slightly more positive view of the overall economy with caution about their personal finances.

Asia



Bank of Korea left policy rates unchanged

The Bank of Korea (BoK) held its interest rate steady at 2.5% on the back of an improving economic outlook underpinned by higher GDP growth and inflation expectations for 2025-26. Additionally, concerns about macro-financial stability related to the Korean won have increased the likelihood that the Bank will keep rates on hold through the end of 2026.

NOTES

Page 2

Equity and bond markets (chart)

Source: Bloomberg. Markets are represented by the following indices: World Equities = MSCI AC World Index (USD) United States = S&P 500 (USD), Europe = Europe Stoxx 600 (EUR), Japan = TOPIX (YEN), Emerging Markets = MSCI Emerging (USD), Global Aggregate = Bloomberg Global Aggregate USD Euro Aggregate = Bloomberg Euro Aggregate (EUR), Emerging = JPM EMBI Global Diversified (USD).

All indices are calculated on spot prices and are gross of fees and taxation.

Government bond yields (table), Commodities, FX and short-term rates.

Source: Bloomberg, data as of **28 November 2025**. The chart shows earnings growth for the S&P 500 stocks, the Magnificent 7 group, and the remaining S&P 493 stocks.

1Diversification does not guarantee a profit or protect against a loss.

GLOSSARY

Euribor: Euro Interbank Offered Rate

CPI: Consumer Price Index

EZ: Eurozone

Fed: Federal Reserve

GDP: Gross Domestic Product

PCE: Personal Consumption Expenditures (Price Index)

BoK: Bank of Korea

OBR: Office for Budget Responsibility

ISM: Institute for Supply Management

DG ECFIN: Directorate-General for Economic and Financial Affairs

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