



FOUNDED IN

**1988**

EMPLOYEES

**80+**

LOCATED IN

**10+**  
COUNTRIES

ASSETS DIRECTLY  
UNDER MANAGEMENT

**USD 1.4**  
BILLION

ASSETS HELD BY INVESTEE  
& AFFILIATED COMPANIES

**USD 42.8**  
BILLION



# ICM Monthly Outlook

DECEMBER 2025

## Market Review

The end of 2025. A quarter-century review could be fun. Alas, not enough time. It'd be interesting to hear people's top three market-related events since Y2K. Who remembers Y2K, and where they were at the time? I got paid double time to play computer games in case the company's systems failed. Easy money.

A year-in-review is more manageable today. Last January, we wrote, "We expect 2025 to be another positive year for financial markets, albeit it is unlikely to be another 20%+ year." Close enough; year-to-date the S&P 500 is c. 16% higher. For the last three years, the S&P 500 has returned a whopping 76.9%; 23%, 24%, and 16% in 2023, 2024, and so far this year, equating to an annualised return of approximately 21% at the time of writing. In 2025, the S&P reached 36 new all-time highs, compared with 57 in 2024.

In euro terms, the S&P only returned 2.25%, given that the U.S. dollar has depreciated by 12% since the start of 2025. So not nearly so good for euro-denominated investors. Gold performed even better than equities in 2025, being 70% higher (45% in euros), and one of the year's best-performing line items.

We predicted an everything AI-rated rally, which pretty much came to pass. "We still see plenty more gains from AI adoption." The build-out of AI infrastructure was the primary driver of 2025's equity market rally, including the S&P's return. For example, Nvidia became the first company in history to reach a USD 5 trillion market capitalisation, and its CEO was named the FT Person of the Year. Fair. He is also one of the top ten richest.

Whether the Nvidia CEO makes the top 10 next year will depend on investors' primary focus on AI in 2026: circular dealmaking across the semiconductor/data centre/AI provider ecosystems. Said in layman's terms, is Nvidia lending to its customers just to fund them to keep buying Nvidia chips? What happens if Nvidia no longer lends the money? Can their customers stand on their own two feet? Yes, we believe.

It is pretty likely that some AI companies have overinflated valuations. But the AI debate has not shifted to whether the race for supremacy has gone too far. No one questions the utility value of AI, or whether it is merely shovelling an endless amount of unnecessary content at everyone with FOMO. It's just a question of the timeframe required to generate the necessary returns. We believe this is an equity valuation concern rather than a structural flaw in the technology or the industry. More businesses are scrambling to secure space in hyperscale data centres to run AI, according to industry leaders. For example, Google DeepMind's new weather forecasting model reportedly produces more accurate results than national weather services, with significant benefits for disaster prevention and response, energy consumption, and insurance costs. As an aside, heat and drought are expected to drive three-quarters of the cost of climate change readiness. We recommend the book *Supremacy* if you still want to learn more about the workings of AI and its origins.

While there is much to cheer about at the end of 2025, it is impossible to ignore a great deal of gut-churning volatility a few times during the year. Its defining moment was President Trump's tariff tantrum. Investors' year depended on how they played those cards. But, once again, investing in 2025 was no different from eleven of the past twelve years: get long, stay long, and buy the dips. The exceptional year was 2022, which proved to be a great entry point for the methodical investors who held their nerve.

Beyond market-related prognostication last January, we expressed scepticism that President Trump would secure a peace deal in Ukraine within six months (let alone one day) or that Elon Musk would cut USD 2 trillion from the U.S. Federal Budget. The Ukraine war and possible peace accord rumble on, but there's no talk about DOGE anymore, even though it was a huge swing factor in the 2024 election. The U.S. budget deficit also rumbles on. It hasn't gone away, you know, and will be back centre stage again before long. In January 2025, we suggested that oil prices would soften due to rising supply, consistent with President Trump's policy agenda as promoted by Treasury Secretary Scott Bessent; this prediction proved accurate. The Brent price fell 20% so far in 2025, currently c.\$60 per barrel compared to \$74 in January 2025.

Since November and our last letter, U.S. data (primarily from the private sector) indicated that employment was weakening to the extent that the U.S. Federal Reserve Bank favoured employment over inflation by cutting another 25 basis points<sup>1</sup> in December, one month earlier than I suggested in November's letter. As you'd expect, equity markets reacted positively, while credit held steady to the rate cut. The unemployment rate continues to edge up, reaching 4.6%, and job gains have slowed significantly. Average hourly earnings continue to trend downward. The Federal Reserve Bank more or less admitted that they are worried about the outlook for employment in the U.S., saying that they need to watch the employment data "very carefully" for fear that job creation is negative. A weakening employment situation will drag inflation down with it and slake any concerns of persistent inflation. There will be sackfuls of data before our next letter and Fed meeting, but at present, the market is wishing for two cuts in 2026 and none in 2027.

## Market Outlook

For fear of repeating ourselves, we expect 2026 to be another positive year, albeit unlikely to be another 16% year. We'll go with 10% for 2026. Last year started from a lower base. GDP growth forecasts for 2026 are lower than those for 2025 to begin with. Valuations in key companies are higher now than last year. The Chinese rebound has gathered considerable momentum already, and the oil price decline is largely complete.

For 2026, our optimism rests on higher earnings, follow-through from U.S. tax cuts, lower rates under a new dovish Trump-appointed Federal Reserve President, and a rollback in tariff policy, as we've seen with Brazil and China already.

AI will continue to disrupt work practices and boost productivity and earnings, irrespective of our earlier commentary on bubble concerns. Consider this: the dotcom bubble burst in 1999 didn't halt the ascent of the internet and e-commerce. The technology lived on. Amazon survived that crash. We expect computer learning to drive growth for years. In that regard, a key determinant of national success will be access to power. A nation's power will be its power, as increased computing power places greater demands on national grids and power suppliers. We touched on this last month.

President Trump's reversal on tariff policy will be one catalyst. A recent vignette is President Trump's rollback of tariffs on agricultural products. Brazil is one beneficiary of standing its ground in the face of undue pressure from President Trump, trying to influence the imprisonment of the former Brazilian President, Jair Bolsonaro. Another vignette is China gaining the upper hand in brief negotiations in November to once again be permitted to purchase Advanced Nvidia chips, which many in the U.S. government opposed. China has yet to place its order for soya beans. (Soya beans versus microchips!!!!). Either way, both countries improved their trade deal by not backing down and have the strength of a balance sheet to weather the debate.

Switzerland adopted the more primitive approach of bestowing gold gifts on the President to secure a deal to lower tariffs from 39% to 15%.

Last month, we discussed the White House's concern about the cost of living for middle Americans, the 'have-hads' who are starting to feel like the 'have-nots'. This will be especially closely watched ahead of the U.S. mid-term Elections in November. It could be before the midterms that we see dubious rate cuts, if they are to happen. The election outcome could influence corporations' decisions to relocate manufacturing plants at substantial cost. The health of the U.S. economy will decide that election, as always.

We expect the oil price to remain soft in 2026, consistent with this year's trend, albeit with a less pronounced decline. We expect a structural global oil surplus in 2026 to keep oil around its current price, even before the potential impact of increased incursions into Venezuela's oil industry by the U.S. There is a breakeven price where oil production will shut in and therefore, we expect the price will remain range bound between \$55 and \$65, assuming demand growth from emerging markets based on current global growth forecasts. Higher cost base producers will suffer, such as the U.K. North Sea, who are also under pressure due to the UK government's extension of the 38% Energy Profits Levy to 2030, the removal of investment allowances, and a ban on new exploration licenses, which, combined, will result in a 50% decline in North Sea oil production by 2030.

Every year brings unforeseen events, but the older we get, the calmer we become about what are typically melodramatic non-events. Treasury Secretary Scott Bessent remains the cornerstone of President Trump's cabinet. It is impressive how he has effectively steered the President away from his more eccentric fluctuations while also staying on the right side of the undisputed master of self-aggrandisement. Bravo.

We'll flesh out more of these themes next year. Until then, thank you for reading. Have a lovely break if you are off, and best of luck next year.

## And finally

We'll leave you this year with some of the books we read that someone looking for a gift idea might consider buying. Variety is the spice of life, so these are not necessarily business-related.

- Slaughterhouse-Five, Kurt Vonnegut.
- The Lonely Century, Noreena Hertz.
- Dark Wire, Joseph Cox.
- Fiesta, Ernest Hemingway.
- They tell me this is how the world ends, Nicole Perlroth.
- The Real Anthony Fauci, by Robert F. Kennedy Jr.
- Meltdown, Duncan Mavin.
- Going Infinite, Michael Lewis.
- The Escape, Pippa York & David Walsh.

## And finally, finally

### **Santa's Little Helper cocktail** (serves 2~ish)

5 tbsp of Irish cream Liqueur – Bailey's, Five Farms, or Cool Swan,  
5 tbsp of vodka,  
2 tbsp of amaretto – Disaronno,  
6 - 8 tbsp cream,  
Grated Toblerone on top.

Conor Spencer  
December 2025

Source Data: ICM, Bloomberg as of 30 November, 2025.

[1] Federal Reserve Board - Federal Reserve issues FOMC statement

### **Risk Warning**

This document is intended solely for use by professional investors and advisors. Opinions expressed, whether in general or both on the performance of individual securities or funds and in a wider economic context, represents the view of the fund manager at the time of preparation and may be subject to change without notice. This document may refer to past performance, which is not a guide to current or future results. All statements in this document, other than statements of past performance and historical fact, are "forward-looking statements". Forward-looking statements do not guarantee future performance. This document should not be interpreted as giving investment advice or an investment recommendation. It is produced solely for information purposes only and may not be copied or distributed without expressed permission. ICM is licensed to conduct business in Bermuda pursuant to S129A of the Companies Act 1981. Registered in Bermuda under the Investment Business Act 2003 to carry on investment business. The information in the title banner is as at 30 September, 2025. Issued and approved by ICM Limited.