

FINMETRIX

MARKET COMMENTARY

ANALYSIS OF THE MONTH

FINANCIAL RISK MANAGEMENT



DECEMBER 2025

GOOD DAY

INTRODUCTION

November offered a clearer view of a global economy still navigating uneven momentum. In Canada, inflation eased again as policymakers debated the direction of interest rates. The United States faced data disruptions and a divided Federal Reserve. Europe showed improving inflation dynamics but remained sensitive to fiscal pressures and trade frictions. The United Kingdom continued adjusting to slower growth while preparing for potential policy easing. China balanced fragile demand with resilient exports, and cocoa markets reflected the shifting interplay between supply recovery and softer consumption.

Enjoy your reading.

CAD



ZOOM ON ▼ THE CANADIAN DOLLAR

MORE DETAILS

The USDCAD pair moved from 1.4056 to 1.3941 in November. October inflation eased to 2.2%, driven by slower gains in gasoline and food. Bank of Canada Governor Tiff Macklem said the data “shows encouraging progress, but inflation is not yet durably at the 2% target.”

Expectations for policy remain unsettled. A broad financial survey signaled that the next move could be a rate hike, driven by persistent services inflation and patchy wage growth. Claire Fan, Senior Economist at RBC, cautioned that “the labour market is no longer overheated, but it hasn’t cooled enough for the Bank to be confident inflation will stay subdued.” RBC’s latest assessment highlights signs of stabilization, with hiring gradually recovering after months of uneven momentum.

Economic momentum improved more than expected. Third-quarter GDP grew 2.6% annualized, driven by stronger crude-oil exports and renewed public investment. Analysts note that business investment remains weak and household spending soft, but the rebound was strong enough to ease concerns about a technical recession. Transport Minister Pablo Rodriguez said Ottawa’s latest infrastructure commitments reflect “a long-term bet on Canada’s competitiveness and resilience.”

Housing continues to present structural vulnerabilities. Ottawa’s new national housing agency, launched in 2024 to streamline federal programs, coordinate funding, and speed up affordable-housing delivery, is still in its early stages, and analysts note gaps between its mandate and its operational capacity. Real estate economist John Pasalis argues that the framework “sets the right direction, but the constraints on affordability and execution remain substantial.”

With shifting U.S. tariff rules and stricter border procedures, Canadian exporters are exploring U.S. free-trade zones to limit cost pressures. Dennis Darby, CEO of Canadian Manufacturers & Exporters, warned that “firms are adjusting as fast as they can, but the tariff landscape is moving faster.”



USD



ZOOM ON ▼ THE AMERICAN DOLLAR

MORE DETAILS

The DXY index moved from 99.87 to 99.46 in November. The month was marked by political uncertainty and delayed inflation data, leaving the Federal Reserve to assess the economy with limited visibility. With key CPI figures postponed by the shutdown, investors relied on provisional indicators. Fed Governor Christopher Waller warned that “policy decisions can’t rely on estimates alone,” stressing the need for confirmed data before adjusting rates.

Expectations for interest rates have tilted more hawkish. Minutes from the latest FOMC meeting revealed a committee divided over whether the current policy stance is restrictive enough. Chair Jerome Powell reiterated that “the risks to achieving price stability remain significant,” adding that further cuts are not a certainty despite progress on inflation. Several officials pointed to the resilience of core pricing pressures, particularly in housing and services.

Consumer sentiment weakened notably as households grew more cautious about high living costs. According to economist Lydia Boussour of EY-Parthenon, “the slowdown in job gains is eroding confidence at the margin,” with wage growth normalizing and labour shortages easing across multiple sectors. This shift has weighed on discretionary spending, even as travel demand surged following the end of the shutdown. Airlines reported record booking volumes heading into Thanksgiving, citing pent-up demand and lower fuel costs.

Trade policy developments added new variables to the inflation outlook. The White House’s decision to cut tariffs on beef, coffee and several agricultural products was framed as a move to relieve cost pressures. Former CEA economist Jason Furman argued that “the inflation impact will be modest, but directionally helpful in a tight environment.”

Overall, the United States enters winter with a softer dollar, a cautious consumer, and a central bank still searching for clarity. The path forward will depend on the return of reliable data, the resilience of household spending, and the Fed’s ability to navigate uncertainty.



EUR



ZOOM ON ▼ THE EURO

MORE DETAILS

The EURUSD pair rose from 1.1520 to 1.1596 in November, supported by a cautiously improving outlook as inflation eased and growth indicators stabilized. Headline inflation slowed to 2.1%, the lowest since 2022. ECB President Christine Lagarde noted that “inflation is moving toward our target, but uncertainties remain high,” adding that policymakers are not ready to signal a shift.

Despite the moderation in prices, the ECB continues to underline persistent risks. Chief Economist Philip Lane stressed that “services inflation and wage dynamics require careful monitoring,” arguing for a restrictive stance until disinflation is firmly secured. PMI data point to a recent pickup, but momentum remains uneven across member states. According to Lucia Quaglia, a professor of European political economy at the University of Bologna, “the recovery is real, but fragile, and highly dependent on fiscal coordination.”

Trade tensions remain central to the outlook. An ECB study suggested that Chinese goods dumping “started well before the recent tariff announcements,” intensifying debate overprotective measures. European Commission Vice-President Valdis Dombrovskis warned that “Europe must strengthen its economic resilience without retreating from global markets,” illustrating the balance between openness and strategic autonomy.

Fiscal constraints add further pressure. Governments face rising budgetary strain as they support households and fund energy transitions. IMF economist Petya Koeva Brooks observed that “Europe’s fiscal space is narrowing, and choices are becoming more binding.” France and Germany, historically the bloc’s anchors, continue to struggle with weak industrial output and disputed budget reforms.

Still, the medium-term outlook holds pockets of optimism. The European Commission’s Autumn Forecast anticipates steady growth through 2027, assuming trade stabilizes and energy prices remain contained. Europe enters the end of the year with risks tilted toward caution, but a clearer inflation path offers welcome stability.



GBP



ZOOM ON ▼
THE POUND

MORE DETAILS

The GBPUSD pair rose from 1.3140 to 1.3240 in November, supported by expectations that the Bank of England may soon begin easing policy as inflation continues to cool. Headline inflation fell sharply, and household surveys put expectations at 3.7%, the lowest in nearly two years. Governor Andrew Bailey said inflation “is clearly on a downward trajectory,” while stressing that the Committee “will not cut prematurely.”

Market sentiment has shifted noticeably. Investors now anticipate a first rate cut in December, followed by another early next year, after months of stubborn core inflation. MPC member Catherine Mann warned that “services inflation remains too persistent for comfort,” emphasizing the need to stay vigilant on wage dynamics even as headline numbers improve. The Bank faces a delicate balance between safeguarding disinflation and supporting weak growth.

Economic activity remains subdued. Third-quarter GDP barely grew, highlighting structural productivity challenges. Labour-market signals are mixed: vacancies have declined from last year’s peak, yet hiring in finance and technology shows tentative improvement. Economist Yael Selfin noted that “the labour market is loosening, but not collapsing,” suggesting the Bank may have some room to maneuver, though cautiously.

Housing pressures remain significant. Demand softened through the fall, but analysts expect a gradual pickup now that the government’s budget direction is clearer. Housing analyst Tim Bannister observed that “buyers are re-entering the market cautiously, encouraged by the prospect of lower mortgage rates,” though affordability constraints and higher borrowing costs continue to weigh on activity.

Fiscal policy has become a central focus. The government’s latest budget introduced targeted tax increases aimed at restoring stability after years of volatility. Chancellor Rachel Reeves argued that the measures are needed to “maintain credibility and restore balance.”



CNH



ZOOM ON ▼ THE RENMINBI

MORE DETAILS

The USDCNH pair fell from 7.1268 to 7.0673 in November, reflecting a cautious improvement in sentiment as inflation showed early signs of stabilizing and policymakers maintained a steady stance. Consumer prices returned to positive territory after several months of deflation, offering investors some reassurance. Deputy Governor Liu Guoqiang noted that “inflation is gradually stabilizing, but domestic demand remains too weak for us to loosen policy aggressively.”

The central bank held its lending rates unchanged for the sixth consecutive month, underscoring its emphasis on financial stability. Economists believe Beijing aims to preserve monetary flexibility should external pressures intensify in 2026. According to Iris Pang of ING, “China is prioritizing a stable exchange rate and targeted support over large-scale easing,” a policy stance shaped by geopolitical uncertainty and fragile household confidence.

Growth signals remain uneven. Industrial production continues to underpin activity, but private investment and real estate remain significant drags. New home prices posted their steepest annual decline in a year, highlighting the depth of the property downturn. Larry Hu of Macquarie said “the housing correction is far from finished,” noting its impact on household sentiment and local-government finances.

Still, pockets of resilience persist. Exports have strengthened, buoyed by strong demand for electric vehicles, electronics, and intermediate goods. Officials continue to highlight the importance of supply-chain continuity and technological upgrading. Deputy Commerce Minister Guo Tingting stressed that “production stability is the foundation of China’s long-term resilience,” signalling a continued focus on export-led momentum.

Looking ahead, most forecasts anticipate a modest improvement in 2026 as global trade steadies and domestic policy becomes marginally more supportive. Nonetheless, structural weaknesses in housing and consumer demand suggest that China’s recovery will remain gradual and uneven.



COMMODITY



ZOOM ON ▼
COCOA

MORE DETAILS

Cocoa prices fell from 6,559 USD to 5,482 USD per metric ton in November, extending a months-long pullback as supply conditions improved and demand indicators softened. After nearly two years of extreme volatility linked to disease outbreaks in West Africa, production in Ghana and Côte d'Ivoire is showing signs of recovery, helped by more stable weather patterns. Agronomist Stephen Yeboah noted that “the worst of the crop shock appears to be behind us, but structural vulnerabilities remain.”

Demand dynamics have also weighed on prices. Confectionery producers in Europe and North America report slower orders heading into the holiday season, a sign that higher retail prices are reshaping consumer behaviour. Peter Feld, CEO of Barry Callebaut, warned that “a significant part of today’s cocoa supply is at risk, and consumers are becoming more selective as prices stay elevated.” This has led major buyers to adjust procurement schedules, reduce spot purchases, and run down inventories more cautiously.

Trade developments added further volatility. The United States’ decision to cut tariffs on cocoa and coffee imports has raised expectations of increased flows from South America. Commodity strategist Carlos Mendez said that “tariff relief changes the economics of sourcing,” highlighting Brazil’s ability to ramp up exports and intensifying competition among producing countries.

Looking ahead, global output is expected to improve gradually in 2026 as weather conditions normalize, acreage expands, and investment in disease-resistant varieties accelerates. However, long-term risks persist: climate pressure, ageing plantations, and uneven farm-gate pricing continue to weigh on West African productivity.

Overall, cocoa markets enter the final months of the year in a transitional phase. Prices have come down from historic highs, but the balance between recovering supply and cautious demand suggests a market that is stabilizing rather than fully returning to normal.





A Squeeze in the Breakfast Aisle

Retail analysts warn that orange juice prices could rise again as Florida and Brazil face weather-driven production setbacks and inventories tighten faster than expected. Producers add that higher processing and shipping costs are worsening the squeeze. Consumer groups say households may feel the impact even before shortages emerge. Michigan State's David Ortega notes that "the public is being freshly squeezed," underscoring how quickly commodity shocks reach retail prices.

Source: The Cool Down

Link: [HERE](#)

Tariffs and the Energy Transition

Energy analysts warn that new tariff regimes could disrupt global clean-energy supply chains, raising costs for solar, battery, and mineral imports—especially in emerging markets. The resulting uncertainty may slow investment at a critical stage of the energy transition. BloombergNEF's Ethan Zindler notes that tariffs are becoming a structural headwind, with affordability and access still the biggest obstacles. Analysts expect uneven regional progress as trade conditions grow more complex.

Source : BloombergNEF

Link: [HERE](#)

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