MASHREQ GLOBAL DIGEST
2025 Year in Review

This edition of the Market Digest highlights the key political, economic, and technological developments of 2025 and the global forces that shaped the year.

World Affairs: Politics & Wars

Trump Reshapes U.S. Trade Policy Through Tariffs

In 2025, Donald Trump placed tariffs at the core of U.S. trade policy. The year began with new and shifting duties on Canada, Mexico, and China, alongside higher 25% tariffs on steel and aluminum. In April, "Liberation Day" tariffs expanded levies to most countries worldwide, with China facing the steepest measures as stacked tariffs pushed rates above 100% in some sectors. Over the summer, tariffs widened to cover more than 60 countries and the European Union, while Canada's tariffs rose to 35%. The tariffs marked a shift toward using trade barriers as a central economic and strategic tool, significantly expanding their scope compared with previous years.

Reference: AP News

2025: A Year of Political Upheaval and Realignment

In 2025, global politics were defined by rising polarization and major leadership shifts, beginning in the United States, where Donald Trump's return renewed focus on tariffs and stricter immigration policies, Zohran Mamdani's election as New York City mayor signaled a generational change in urban leadership, and the killing of conservative activist Charlie Kirk heightened national tensions. Elsewhere, political turnover reshaped key democracies as Justin Trudeau stepped down in Canada, paving the way for Mark Carney, Germany formed a new government after elections, South Korea removed a sitting president amid a constitutional crisis, and Japan elected its first female prime minister. The year also marked a historic moment for the Vatican with the election of Pope Leo XIV, underscoring 2025 as a year of political realignment and shifting leadership norms worldwide.

Reference: CNN, NBC News

Wars and Ceasefires That Marked 2025

War remained a defining force in 2025. The Russia–Ukraine war entered its fourth year with sustained fighting and no comprehensive peace deal, despite intermittent talks. In the Middle East, the Israel–Gaza conflict saw a ceasefire in January that briefly halted major operations before fighting resumed by March and led to renewed negotiations and hostage exchanges in October. Tensions escalated in June when Israel and Iran exchanged direct strikes, while several countries formally recognized the State of Palestine, underscoring how prolonged conflict reshaped global diplomacy.

Reference: The Economist, CNN

Climate Disasters Push Global Losses Past $120B

2025 was one of the costliest years on record for climate-related disasters, as cyclones, floods, wildfires, heatwaves, and droughts hit every region of the world. An annual report by Christian Aid found that the 10 worst climate disasters exceeded $120 billion in insured losses, driven by deadly floods and cyclones across south-east Asia, devastating wildfires in California, major flooding in China, and extreme events across Africa, South Asia, and Europe. The true cost was far higher, as millions of people—especially in developing countries—faced displacement, loss of livelihoods, and uncounted human suffering where insurance coverage is limited. Scientists and aid groups warned that these events are becoming more frequent and severe due to the climate crisis, underscoring the growing gap between extreme weather and the still-insufficient global response.

Reference: The Guardian

Financial Shifts and Tech News

A Year of Slower Growth and Easing Inflation

The global economy grew by around 3% in 2025, a pace that signaled resilience but also mounting strain. Global inflation declined to around 4% in 2025—above target in the United States and more subdued in other advanced economies—while interest rates stayed well above pre-pandemic levels, keeping financial conditions tight. The United States slowed but avoided recession, Europe recorded weak growth of about 1%, and China expanded by roughly 5%, constrained by property-sector troubles and subdued consumer confidence. Global trade remained sluggish and public debt stayed high, reinforcing a cautious economic outlook as the year ended.

Reference: IMF, European Commission, Sky News Arabia

Biggest Global Rate-Cutting Cycle Since the Financial Crisis

According to Reuters, 2025 marked the most aggressive global monetary easing in more than a decade, as major central banks rapidly reversed the sharp tightening of 2022–2023. G10 central banks delivered 850 basis points of rate cuts across 32 moves, the largest and fastest easing cycle since 2008–09, led by the Federal Reserve, ECB, and Bank of England, while emerging markets cut even more aggressively, slashing rates by 3,085 basis points amid inflation that proved better controlled than in developed economies. Japan stood out as the exception, hiking rates twice. As 2026 approaches, the pace of easing is slowing and the outlook is becoming more two-sided, with some analysts now warning that rate hikes could return next year in parts of the developed world as inflation, labor markets, and growth dynamics evolve.

Reference: Reuters

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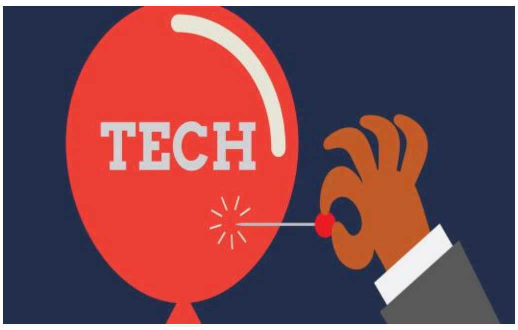
The Tech Bubble Becomes Wall Street's New Fear



Growing talk of a tech bubble dominated 2025, particularly around artificial intelligence, as soaring valuations and heavy capital inflows began to outpace economic fundamentals. Investors and policymakers increasingly questioned whether markets were overpricing AI's growth potential, even as costs rose and profits remained uncertain. While AI's transformative power is undeniable, sentiment shifted from hype to caution, with fears that inflated expectations could trigger a broader market correction.

Reference: Financial Times

Global Dealmaking Reaches $4.5T in 2025

Global dealmaking reached $4.5 trillion in 2025, marking the second-best year on record, as companies pushed ahead with mergers and acquisitions despite geopolitical tensions, high interest rates, and regulatory scrutiny. Activity was driven by large strategic deals in technology, energy, and healthcare, alongside renewed confidence in financing markets and stabilizing borrowing costs. While volumes remained below the 2021 peak, the rebound signaled that corporate leaders were once again willing to pursue growth and consolidation, betting that economic resilience would outweigh political and market risks.

Reference: Financial Times

AI Race Intensifies in 2025

In 2025, the US–China AI rivalry intensified, driving a massive investment race as companies poured capital into artificial intelligence despite rising risks. China's DeepSeek briefly unsettled markets by claiming it could rival top US models without advanced Nvidia chips, but confidence quickly returned as Nvidia became the first company to briefly reach a $5 trillion market capitalization, with revenue climbing to about $187 billion. At the same time, AI entered a new phase as so-called "reasoning models" began to think more analytically, moving beyond simple answer generation. The AI boom fueled record borrowing—$428 billion in debt issued by global tech firms—highlighting both AI's central role in global markets and the growing balance-sheet risks if returns fail to match expectations.

Reference: Time Magazine, Council on Foreign Relations, Reuters, Yahoo Finance

2026 Outlook: Steady Growth, Selective Opportunities

Leading institutions expect 2026 to deliver steady but uneven global growth, with inflation continuing to cool and recession risks broadly contained. While the forces are global—AI-driven capex, shifting policy, and persistent geopolitical risk—the U.S. is still positioned to lead, supported by relative economic resilience, deep capital markets, and continued AI investment—factors that underpin expectations for U.S. equity outperformance versus global peers. At the same time, growth is becoming more selective: consumer spending remains resilient but uneven, labor markets cool without breaking, and housing stays constrained. In this backdrop, the edge shifts toward active, selective investing over broad "set-and-forget" diversification, with a focus on identifying winners in a market increasingly shaped by a handful of powerful mega-themes.

Reference: Morgan Stanley, JP Morgan, BlackRock

Markets

Market Dashboard

- U.S. stocks are heading into the final days of 2025 on a strong footing, with the S&P 500 near record highs and 1% away from the 7,000 mark, on track for its eighth consecutive monthly gain and up nearly 18% for the year. Optimism is supported by expectations of further Federal Reserve rate cuts after 75 basis points of easing in late 2025, even as investors closely watch upcoming Fed minutes and the potential nomination of a new Fed chair by President Trump. While technology stocks have cooled after leading the rally, gains have broadened across financials, healthcare, transports, and small caps, signaling market rotation toward more reasonably valued sectors and reinforcing confidence that the U.S. economy has remained resilient despite earlier volatility.
- Bitcoin in 2025 was defined by extreme volatility and a sharp rise in legal risk. Prices surged to a record $126,000 in October on the back of ETF inflows, the halving, and supportive macro conditions, before correcting nearly 30% toward the mid-$80,000s, a move consistent with past crypto cycles as ETF outflows and higher U.S. yields became headwinds. Alongside price swings, reduced regulatory enforcement—particularly in the U.S.—shifted the burden to private litigation, with investor class actions and influencer-related misrepresentation cases becoming a central force shaping market behavior, signaling that legal risk is now a core feature of the crypto landscape heading into 2026.
- Gold capped off a historic 2025 with one of its strongest performances in decades, climbing about 72% year-to-date and hitting record highs near $4,550/oz, driven by expectations of U.S. rate cuts, aggressive central-bank buying, ETF inflows, geopolitical tensions, and ongoing de-dollarization trends. Silver, however, stole the spotlight, surging an extraordinary 167% in 2025 and breaking above $77/oz for the first time ever, fueled by persistent supply deficits, strong investment demand, and its growing strategic importance—making 2025 a landmark year for precious metals overall.
- Oil markets proved remarkably resilient to geopolitical shocks, as the traditional "geopolitical premium" largely disappeared. Even major flashpoints—including the Israel-Iran war, U.S. strikes on Iran's nuclear facilities, Ukrainian attacks on Russian refineries, and new sanctions on Russia's biggest oil producers—triggered only brief and limited price moves. Brent crude remained confined to a relatively narrow $60–$81 per barrel range, reflecting an era of energy abundance driven by record U.S. production, rising output from OPEC+, and growing supply from the Americas. This means geopolitical fears alone no longer push oil prices higher unless they disrupt actual physical supply.
- The U.S. dollar suffered its worst year in nearly a decade in 2025, falling about 9%, and many investors expect further weakness in 2026 as global growth improves and the Federal Reserve continues cutting rates. The dollar's decline reflects narrowing interest-rate differentials, concerns over U.S. fiscal deficits, and expectations that other economies—particularly Europe and China—will regain momentum, eroding the U.S. growth premium that has supported the currency.

Indicators	19-Dec-25	26-Dec-25	% Change
S&P 500	6,834.50	6,929.94	1.40%
Bitcoin	88,103.38	87,301.43	-0.91%
Gold	4,338.55	4,532.63	4.47%
Crude Oil	60.47	60.24	-0.38%
EUR/USD	1.1726	1.1785	0.50%

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