# THE TREASURY HUB
# Markets Bulletin
# 2025 Review

# 2026 Outlook

# 1. Executive Summary



## 1.1 Introduction

Welcome to the final TREASURY HUB Markets Bulletin of 2025.

**As you are aware, these bulletins cover quite a wide range of topics and are a comprehensive review of all the various interest rate, foreign exchange, commodity and stock markets. Table 1 across sets out the 2025 movement in a number of key metrics. And while the markets displayed a volatile first half of the year, they settled down somewhat in the second half despite the geopolitical issues.**

As the year progressed, the focus of markets on inflation/interest rate cuts eased somewhat as so many other variables came into play. Equity markets probably dominated a lot of discussions especially around AI and tech while Gold was the surprise standout investment (Silver even more so!).

- 3-month Euribor continued to fall over the year as expected in line with the actual cuts in the ECB Base Rate. The ECB Deposit Rate was cut four times in 2025 from 3.00% to 2.00% with the last cut implemented by mid-year. 3-month Euribor reflected this trend.
- The shape of the EUR yield curve is now normal i.e. upward sloped from 1 year. By contrast, both the UK and US yield curves decline between 1 and 2 years respectively before climbing again.
- The conclusions are that the bottom of the interest rate cycle has been reached in the Eurozone with both UK and US to follow in 2026.

## 1.2 Markets in a Table: what's up and what's down?

**Table 1. Key Metric Movements: 2025**

| Category | Metric | YTD move | From | To |
|---|---|---|---|---|
| **Interest Rates** | 3-m euribor | -0.71% | 2.74% | 2.03% |
| | EUR 3-year | 0.19% | 2.17% | 2.36% |
| | GBP 3-year | -0.62% | 4.39% | 3.78% |
| | USD 3-year | -0.68% | 4.31% | 3.62% |
| **Foreign Exchange FX** | EUR/GBP | 5.07% | 0.8273 | 0.8715 |
| | EUR/USD | 11.85% | 1.0353 | 1.1745 |
| **Equities** | ISEQ | 34.31% | 9753 | 13099 |
| | FTSE 100 | 21.51% | 8173 | 9931 |
| | Nasdaq | 19.55% | 21120 | 25249 |
| **Commodities** | Brent Crude | -18.79% | 74.93 | 60.85 |
| | Carbon | 18.72% | 72 | 85.24 |
| | Gold | 64.28% | 2626 | 4314 |
| **Inflation** | EU Core | -0.40% | 2.70% | 2.30% |
| **Gilts** | IE 10-yr | 0.38% | 2.65% | 3.03% |
| | GB 10-yr | -0.11% | 4.58% | 4.47% |
| | US 10-yr | -0.42% | 4.57% | 4.15% |

Please note that the % moves are in green if the metric has moved upwards and in red if it has moved downwards. It is NOT a statement as to whether this is a positive or negative move as one could be a borrower or depositor, a seller or buyer of currency, etc. Also, the % move for interest rates is in absolute terms while for currency and equities it is expressed in relative terms. **PLEASE NOTE THAT INTEREST RATE TRENDS ARE FROM A DEPOSITOR PERSPECTIVE.**

- Oil prices moved around a lot in the first half of the year dropping almost $20 in the period to May before climbing back the same amount by July. The second half of the year saw a gradual decline in the price to $60/bbl in December.
- Gold had an incredible run in 2025 Fair to say that a lot of the rise is attributable to fear of both a geopolitical nature and frothy equity valuations.
- US stock markets continued to be heavily influenced by AI-related expectations but the NASDAQ lagged behind both the FTSE and ISEQ in 2025.
- Both GBP and USD weakened against EUR albeit more concentrated in the first half of the year.

### 1.2 Forward-looking Indices

Forward-looking indictors known as Purchasing Manager Indices or PMIs are useful to monitor the economic outlook for Ireland and the UK. Readings above 50 indicate expansion while below 50 denote contraction.

- In ROI, Construction PMI has been negative since May with Manufacturing also easing off over the past few months. Services reading remains buoyant
- In the UK, while both Services and Manufacturing figures have been solid or improving over 2025, Construction PMI remains very disappointing.

**Table 2. Irish and UK PMI readings**

| | Ireland | UK |
|---|---|---|
| **Manufacturing PMI** | **52.2** | **51.6** |
| **Services PMI** | **55.8** | **54.3** |
| **Construction PMI** | **48.4** | **40.1** |

### 1.3 Inflation

**Table 3. Selected Inflation Rates**

| | CPI/Core Inflation |
|---|---|
| **ROI** | **2.70%** |
| **EUROZONE** | **2.30%** |
| **UK** | **3.20%** |
| **US** | **2.60%** |

Note: Core figures exclude energy, mortgages and food.

Irish core rate which dropped as low as 1.80% in July has been at or above 2.70% for the past 4 months. Food prices have eased steadily over the past 5 months but still remain at 4.1%.

Eurozone core inflation trended well over 2025 with the rate hovering between 2.3% and 2.4% since May. While this remains higher than the ECB target of 2.00%, the benign nature of the recent trends has given comfort to the markets.

UK core inflation data was volatile in the first half of the year but has trended down from 3.80% to 3.20% over the last 6 months in a positive development.

Finally, US core inflation which remained stubbornly high between 2.80% and 3.10% for quarters 2 and 3, eased back in the last 2 months of the year to 2.60%, still above the target 2.00%.

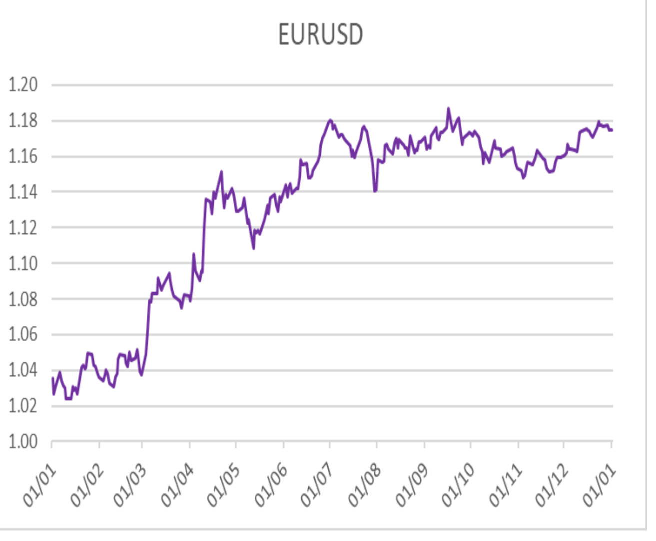
**As we shall see in Section 3, short-term interest rate trends continue to be somewhat influenced by inflation rates but other factors now weigh on longer-term interest rate expectations.**

## 2. Foreign Exchange, Oil & Carbon

### 2.1 EUR/USD

- Graph 1 looks at the EUR/USD rate trend for 2025
- The trend in the graph is self-evident: USD weakened for the first six months of the year from as low as EUR/USD1.0142 to hit EUR/USD1.1829 at the start of July. Thereafter it stabilized for the second half of the year with the monthly average rate for the months July to December varying little around the EUR/USD1.1700 mark. The high/low range for the year of 17.5% was larger than the previous two years and the second highest range over the past 15 years. Similarly the average for the year at EUR/USD1.1309 was the weakest since 2021 and was almost 5% weaker than the 2023 and 2024 averages representing a material hit to the net margins of exporters to the US from Ireland. 2026 prospects are dealt with in Section 5.

**Graph 1. EUR/USD: 2025 trend**

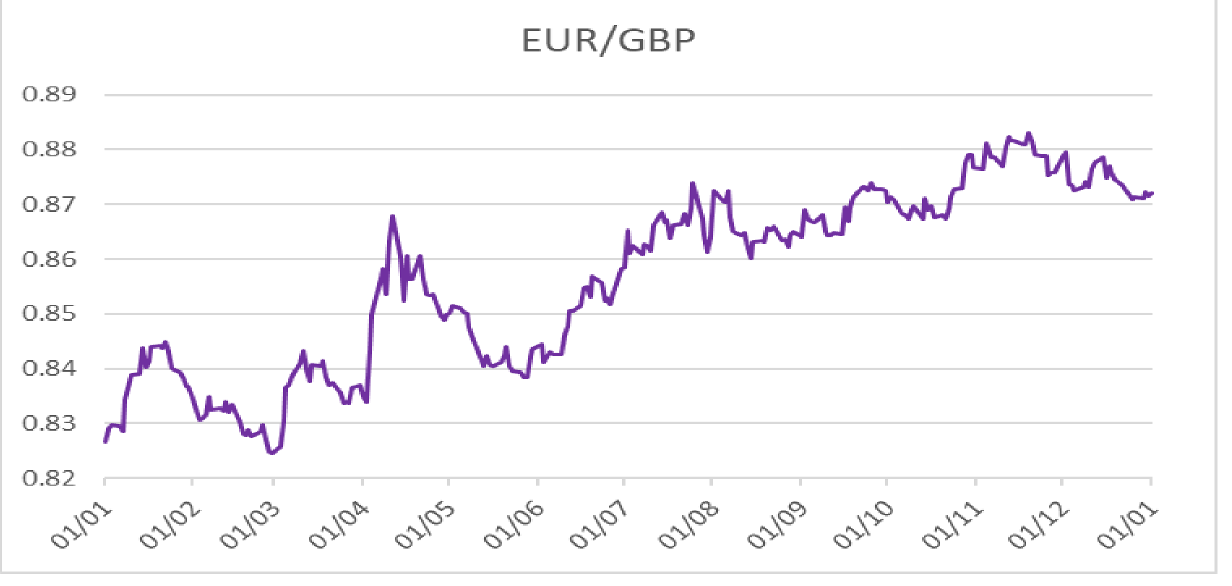



### 2.2 EUR/GBP

- While EUR/GBP mirrored the trend in EUR/USD to a certain degree over the course of 2025, the scale of the moves has not been as extreme
- The high/low range for the year was 6.91% which was the highest in 3 years but historically speaking was at the lower end of annual ranges since the inception of the EUR
- The average rate of EUR/GBP0.8569 was the weakest in four years although, again, slightly stronger than the averages achieved in the three years 2017 to 2020 inclusive.

- But the average was somewhat distorted by a stronger GBP in the first half of the year – the average rate from July to December inclusive was EUR/GBP0.8711 and this is probably a fairer representation of facts implying loss of net margin of almost 3% for exporters to the UK. Not huge in itself but with rising minimum wage, pension auto enrolment and other personnel-related costs, such exporters will face into 2026 under renewed pressure
- The other challenge for exporters is that forward points are against them for hedging purposes. Working out at approximately 12 pips for month, it adds almost 1.5p to a 12-month hedged rate implying that the best rate achievable by sellers of GBP at the start of this year was EUR/GBP0.8860, a rate last seen in April 2023 (other than briefly in November last). This puts Irish exporters to the UK under pressure as a result in 2026.

**Graph 2. EUR/GBP: 2025 trend**

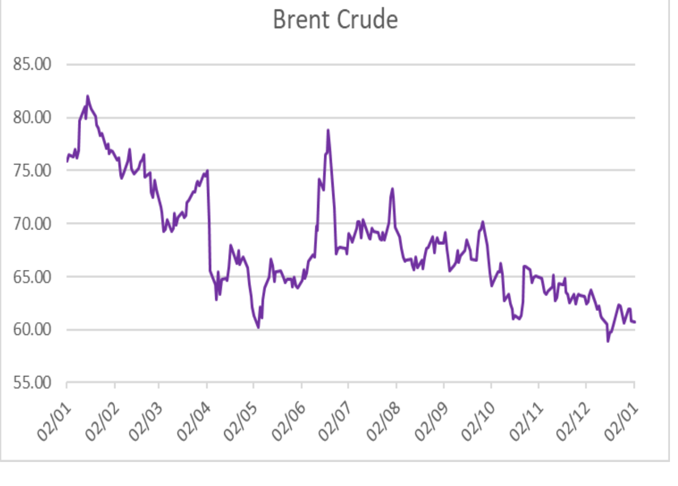



### 2.3 OIL & CARBON

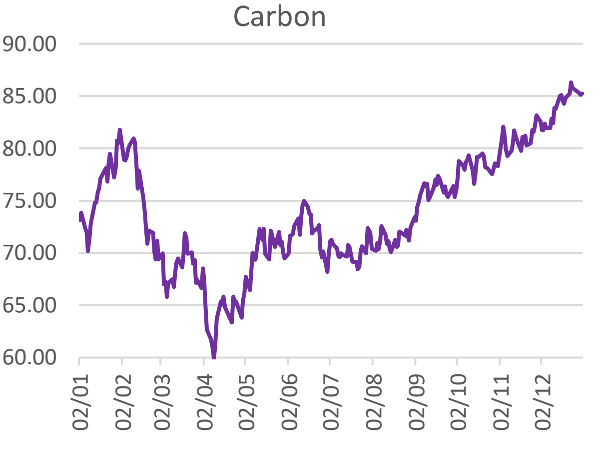
Brent Crude having weakened over the course of H1 2025 enjoyed a brief resurgence before it re-commenced its gradual decline over H2 briefly breaking through the USD60/bbl. level. It has stabilised somewhat since then although the general view is that supply remains strong despite the US actions in Venezuela with also some concern about possible economic headwinds in 2026.

The price of Carbon has probably gone unnoticed to a certain extent with the lack of ESG/Renewables emphasis in 2025 but having declined in price steadily over 2023/24 and then consolidating in a EUR60-EUR80 range to March 2025, the price has increased in a general upward trend since to a year-end level of just over EUR85 – its highest level since August 2023.

**Graph 3. Oil 2025 trend**




**Graph 4. Carbon: 2025 trend**



## 3. Interest and Economic Review

### 3.1 EUR Short-term Rates

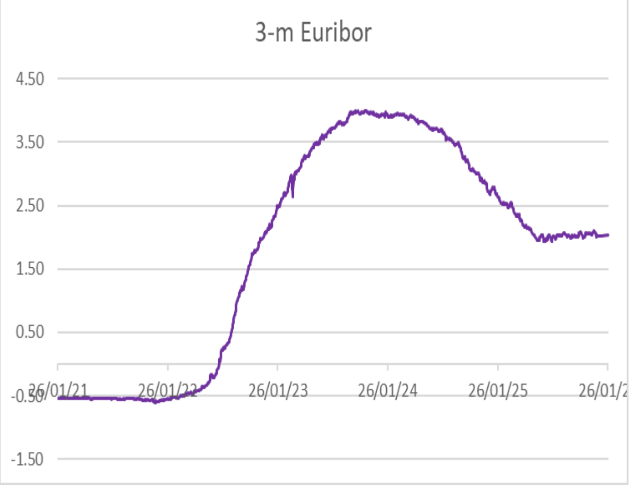
Interest rates peaked in 2024 and commenced a downward trend thereafter. They now appear to be at the bottom of the current interest rate cycle within the Eurozone while there is still further to go in both the UK and the US.

We continue to monitor the 3-month Euribor rate for the purposes of this bulletin (as it is the most relevant one for variable rate debt).

**Key Observations**

- 3-month Euribor tracks the ECB Base Deposit Rate very tightly
- The graph below shows 3-month Euribor over 5 years to highlight the rise and fall of the rate plus the plateauing out now in or around 2.00% compared to the post-Covid plateau of negative interest rates
- This time last year there was a view that the rate could fall to 1.50%/1.75% but given the current inflation rate above 2% and relative stability in Eurozone economic performance, the rate appears to have bottomed out for this cycle.

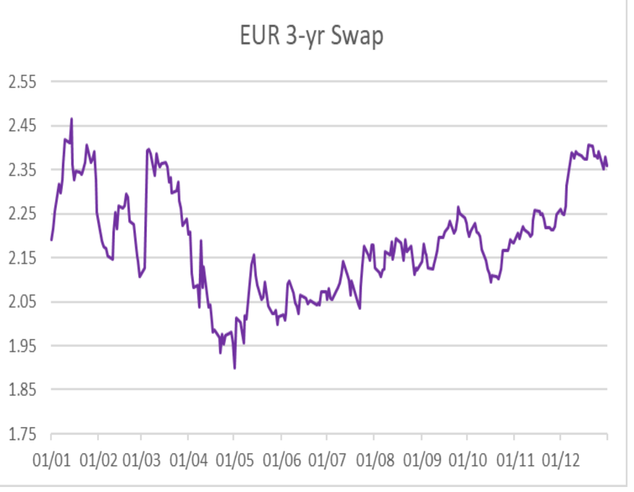
**Graph 5. 3-month Euribor: five-year trend**




### 3.2 EUR Medium-term Rates

- We always look at 3-year swap rates as they are a better indicator of the future direction of interest rates
- The graphs bear it out : Graph 5 above on the 3-month rate shows it falling then levelling out over the course of 2025. Graph 6 of the 3-year rate shows it bottoming out at the start of May and rising thereafter – from a low of 1.90% (when the market briefly dabbled with the idea of an ECB Base Rate below 2%) to a year end level of close to 2.35% i.e. rising rates were anticipated before short-term rates hit the bottom of the cycle
- Again if we were to roll the 3-year swap graph back 5 years the trend would be very similar to the 3-month graph i.e. flat rates below zero for some time then rise to peak just over 3.50% before tailing off again. However, the rate has moved in a range of 1.90% to 3.25% since November 2023
- The stabilization of Eurozone core inflation rate in more recent months has resulted in the 3-year rate rising quite slowly with no immediate upward pressure on the rate
- The EUR yield curve shows 5-year rates at 2.55% and 10-year rates at 2.92% indicating a relatively benign outlook for now
- Interest rate markets tend not to stay quiet for long so expect some more action in 2026 as the markets figure out geopolitical trends and their resultant impact on economics.

**Graph 6. EUR 3-year swaps 2025 trend**



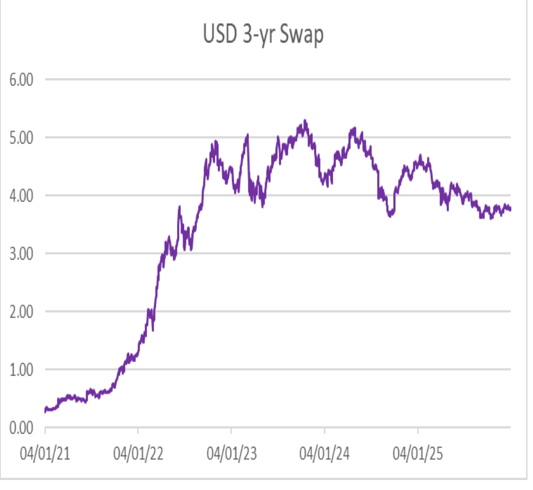

### 3.3 EUR Summary

- The most recent interest rate cycle is a reversion to norm in such trends – peak between 3.5% and 4.0% before retreating again to a base level of 2.0%
- Tariff developments will remain relevant at least in the short-term although life may have since moved on in Trump land to other more pressing matters both domestically and internationally
- What is clear is that Europe will have to become both more self-sufficient and a lot more innovative as it has lagged behind on both fronts for years
- Moves are already afoot to terminate the importation of Russian LNG and natural gas
- Defence spending will also have to increase and capacity to drive up government borrowing varies from country to country. On balance, such spending will simply have to increase which should shore up economic growth thereby ensuring that the next trend in Eurozone interest rates is most likely to be upwards
- This, in turn, could also support EUR against other currencies as a result.

### 3.4 UK and US Interest Rates

- **Graph 7 below shows the US 3-year swap rate while Graph 8 is the UK 3-year rate, both for the past five years to highlight the interest rate cycle**
- **Similar to EUR fixed rates, these are a better indicator of the likely path/trend of medium-term rates**
- **And while both have been trending downwards, the stubbornly higher inflation rates have altered the rate trajectory and slowed down the pace of rate cuts compared to the Eurozone.**

**Graph 7. USD 3-year swaps five-year trend**



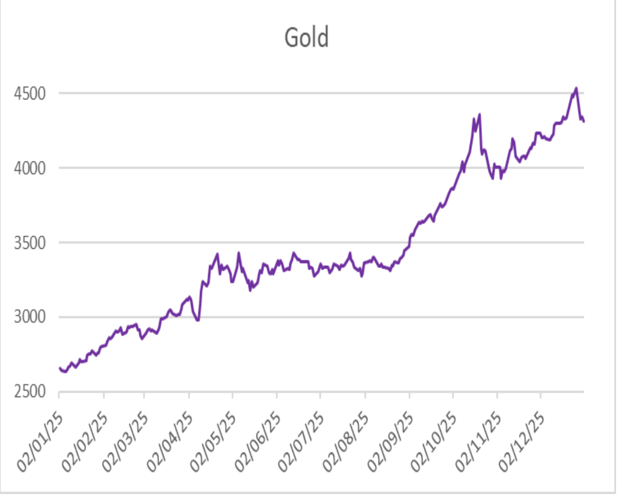

**Graph 8. GBP 3-year swaps five-year trend**


- Further rate cuts are forecast for both the US and UK in 2026 as they lag behind the Eurozone trends (and as inflation remains higher)
- The manner in which the Trump administration is engaging with the Fed Chair and vice versa in public is also being closely watched as the independence of the Fed could be challenged in the event that a Trump-nominated replacement for Jerome Powell is influenced by the President's view on interest rates
- And with very material other issues in the mix: tariff negotiations, Greenland, Ukraine, etc. the number of variables to impact upon future interest and exchange rates are larger in number than normal.
- We have previously covered (and were one of the first to address in detail) the issue of government debt and deficits globally, with particular reference to the US and this will remain a material factor for future developments
- Section 5 looks at the macroeconomic outlook in more detail.

## 4. Wealth Management

### 4.1 Gold

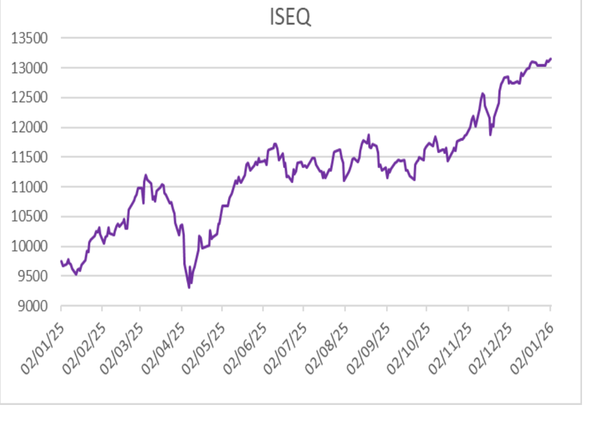
Graph 9. Gold prices 2025 trend



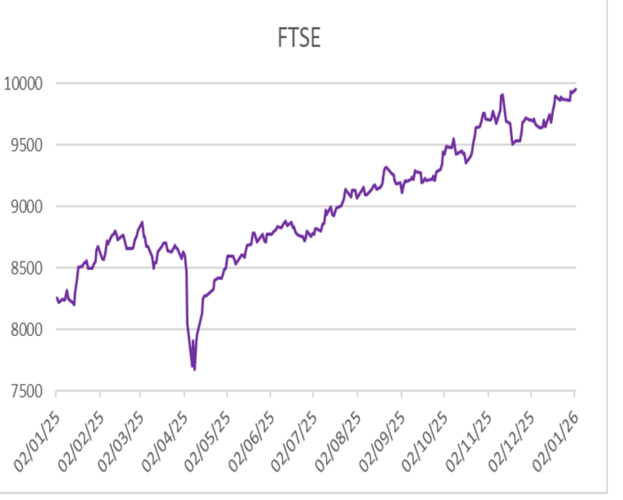

Gold has been one of the best performing asset classes in 2024 and 2025. We started to monitor this a few years ago mainly as a possible early indicator of a slowing economy (asset shift into gold when slowdown perceived). Since then it has acquired a whole new momentum with some of it due to central banks increasing their gold holdings. However, the continuing ascent (currently trading at over USD 5,200) represents a hedge against an overvalued stock market. For now, there doesn't appear to be a reason for the price to materially retreat.

### 4.3 Equity Markets

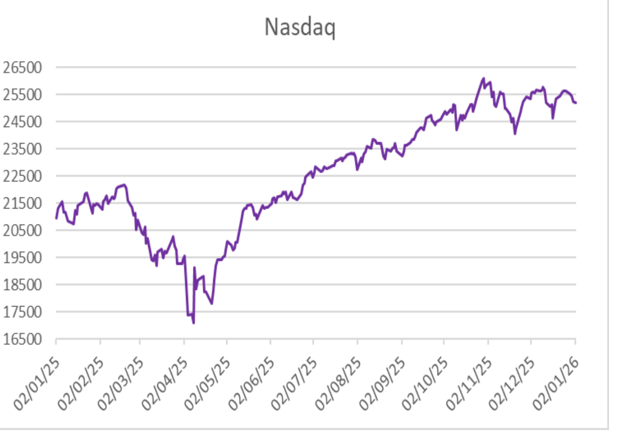
Equity markets have had a broadly positive run in 2025 with the odd tariff-related retracement depending on the utterances of President Trump. The ISEQ is currently over 30% higher than the 2007 peak with a much smaller number of participants.




Graph 11. FTSE: 2025 trend




Graph 12. NASDAQ: 2025 trend




The FTSE 100 reflects a similar trend reaching record levels having experienced a fairly benign period in 2022 and 2023. However, it was probably due a "bump" upwards given its relative value vis-à-vis US equity markets.

The NASDAQ is powering ahead, driven by AI-related positivity. To put it in perspective it was just under 9,000 at the start of 2020 having dipped under 1,100 after the 2008 financial crisis.

However, it lagged both ISEQ and the FTSE in 2025 mainly due to outperformance against both over the previous few years. By the end of 2025 sentiment was also being influenced by both USD weakness (making it less attractive to foreign investors, especially in the Eurozone) and concerns about an AI-bubble with associated high valuations which may or may not be justifiable.

## 5. 2026 Outlook

**We normally look at the outlook and forecast for the year in this bulletin. On the basis that geopolitical risks have not been this high in decades, it makes predictions difficult to produce with any real substance.**

### 1. 2025 Forecasts Review

We got the interest rates right (we called 4 ECB rate cuts) and also stated that both US and UK would lag.

Currency opinions were not accurate – the expectation was that higher interest rates would support both USD and GBP with the hope that the Trump rhetoric at the start of year about Canada, Greenland, etc. was just talk but matters would settle down. That clearly didn't happen !! We did warn that currency forecasting is difficult given the impact of geopolitical factors. And so that came to pass.

On the Irish economic front we stated: "There is a strong argument that the country needs a paradigm shift in how it positions itself for the next 30 years given so many long-term and structural challenges. But, politically, it would require tough short-term decisions for longer-term benefit and that does not appeal to most politicians." This view is even more relevant today and also as unlikely to be addressed. More below.

We specifically referenced the impact of concentration risk in finance and referred to likely falling customer service with no price competition. The former is probably the worst we have seen for some participants.

### 2. 2026 Interest and FX Outlook

**Firstly, and overriding comment on the outlook, is that geopolitical tensions are probably the worst that they have been in many decades. This is now compounded by the interconnected nature of the world and globalisation trends over the past two decades. Problems in individual countries now have a domino-effect not experienced (to the same extent) in the past. Therefore one could argue that the risks at a macro level are as high as they have been since World War II and this backdrop makes forecasting and predictions almost impossible.**

**Allied to this is a profound change in prevailing economic theories resulting in large government deficits and debt levels globally.**

#### 2.1 Interest Rates

Harder call in the Eurozone this year given that we have reached the bottom of the cycle – so the question is how long do rates trundle along the bottom before they start to rise again? GDP forecasts for Europe are circa 1% which is not very exciting and that would suggest a continuing benign outlook. That said, Europe must wake up to the new world order and has to become more productive and creative. Governments will have to spend money on defence and innovation. On that basis at least one rate hike, probably in the back end of the year, is a possibility.

UK and US rates are currently predicted to fall further. In the case of the former, assuming that a pro-Trump appointee replaces the current Fed Chair, then its almost inevitable. The UK is a harder one to assess as Keir Starmer's political woes are more likely to increase than decrease. On balance, UK rates should finish the year lower than the start of the year.

#### 2.2 Currencies

If last year was difficult due to geopolitical challenges, this year is even worse on that basis. But the past few days have already seen renewed pressure on USD and given all that is going on in the US both economically and politically, it does appear that all the risk is on the downside i.e. a weaker dollar. USD has had a comparatively good run for a decade now with a long-term strengthening trend going back further to 2008…which is 18 years this year. A correction to this downtrend could easily see the rate back above EUR/USD1.30. This is going to be an even more turbulent year in the US. Mid-term elections could lead to the Democrats taking back one of the Houses…but what if the President continues to issue executive orders. And there is always the risk that the President has an age-related incident. Would JD Vance make the markets more or less nervous? Sounds like a recipe for chaos.
UK has a lot of work to do and will move closer to Europe again. But the emergence of the Right and leadership pressures on the Prime Minister allied to trying to clean up years of Tory economic mismanagement presents a lot of problems too. All of the above points to weaker USD and GBP.

## 5. 2026 Outlook

### 3. Banking

Internationally there remains a need for a lot of consolidation in Europe. The US banking market is strong but with a lot of frothy asset prices and a less regulated environment than previously existed, the scope for more financial problems on a grand scale exists, especially outside of the handful of major players although they are not immune either….just bigger.

Domestically, the ownership of PTSB will be watched with interest as the country needs a third banking force. But with debt levels continuing to fall in real terms (Q3 2025 corporate borrowing was just under €35bn versus a financial crisis peak of over €160bn) while deposits rise, the main banks will likely make a higher level of profits from deposit-taking, especially if ECB was to start hiking rates again. Customer service levels as they pertain to credit processes got slower in 2025 and we don't expect that to get better in 2026. And given the need for Ireland to undertake so many infrastructure projects on top of a Europe-wide requirement to boost innovation and defence spending, the banking market is clearly not ready for that type and scale of borrowing. The need for a single European Capital Market has never been greater.

### 4. Irish Economic Outlook

Ireland comes into 2026 with strong public finances and a large surplus….but with problems that require billions of spend and careful strategic planning.

The phrase "playing cute" was applied to domestic Irish politics for many decades but there is a danger that we have applied it to our international politics over the past 10-15 years. Tax take is dependent on a handful of companies but taxation revenues will continue to be focused on by all governments as spending ramps up…..and this needs to be financed. We have sat in a very balanced manner between the US and Europe for a long time but may be forced to lean one way or the other in 2026. We depend on others for certain aspects of our defence while our own capabilities are extremely sparse. Roads around Dublin are clogged with no apparent solutions other than a massive public transport drive and/or a serious commitment to redirect development to cities that have capacity. Housing needs are obvious but with insufficient labour to provide same and an ageing population always requires greater social welfare and healthcare spend. And while environmental issues have gone off the agenda for now, the issues remain and won't get better with time unless they are directly addressed.

We are arguably in the midst of the greatest need for Statewide strategic planning and spending since the foundation of the State. But, also, are in the midst of a populist political environment. Leadership requires vision and commitment to follow though for the long-term benefit. But can pose short-term problems and therein lies the political challenge.

The next 5 years in Ireland could see us adapt as we have before and continue to thrive, albeit in a very different global environment than currently prevails. But putting off hard decisions with long-term consequences could see a material fall in living standards very quickly. And that, in turn, will have social and societal consequences.

### 5. Summary

The macro environment is probably as challenging as it has been for many, many years. Global norms that have prevailed for decades are being shattered and rewritten. Humans and businesses are both adaptable. They generally come through eventually. But you can come through challenges with relative ease or with great difficulty. Common sense would suggest the need to focus on flexibility, prudent and stable financing and scenario planning for adverse material developments. Its going to be an interesting year.