



AUSTIN PEARCE
CAPITAL RESEARCH

Monday 29th December

ECONOMIC DEVELOPMENTS OF THE WEEK

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The Week Ahead

December 29 2025 - January 2 2026

Economic Calendar

Monday

- US: Crude Oil Inventories
- FR: Jobseekers Total (Nov)

Tuesday

- CH: KOF Leading Indicators (Dec)
- CN: Caixin Manufacturing PMI (MoM)
- AU: Housing Credit (Nov)
- US: FOMC Meeting Minutes

Wednesday

- UK: CFTC GBP speculative net positions
- IN: Foreign Debt (USD) (Q3)
- US: CFTC S&P 500 speculative net positions

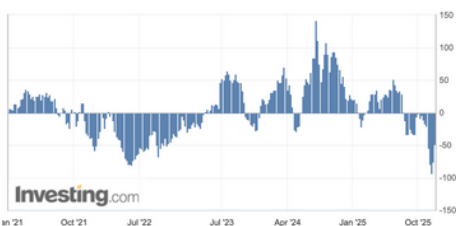
Thursday

- SG: GDP (QoQ) (Q4)
- BR: S&P Global Manufacturing PMI
- MX: Manufacturing PMI

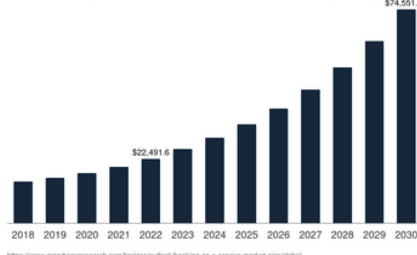
Friday

- EU: M3 Money Supply (YoY)
- US: Manufacturing PMI
- ES: Unemployment Change (Dec)

Importance Level: Low Medium High



Global banking-as-a-service market size, 2018-2030 (US\$M)



Bets on the Pound

Upcoming GBP speculative net positions will offer fresh insight into hedge fund positioning and confidence in the pound

Market observers in the foreign exchange futures space are turning their attention to the next release of the Commodity Futures Trading Commission (CFTC) weekly Commitments of Traders (COT) report, due on 30 December 2025. This report includes the GBP speculative net positions, a widely referenced gauge of sentiment among non-commercial (speculative) traders in British Pound futures traded on US exchanges. The data provide a snapshot of whether large funds and leveraged traders are positioned net long (betting on appreciation) or net short (betting on depreciation) for sterling going into the new year.

As of the 23 December 2025 release, speculative net positions in GBP stood at -48.5 thousand contracts, marking a significant reduction in net short exposure compared with earlier December figures such as -93.2K on 16 December 2025 and -79.3K on 12 December. The trend over recent weeks shows a move toward less bearish positioning, suggesting that traders are gradually trimming short bets against the pound.

The context for this shift is important. Sterling markets have shown occasional resilience late in 2025, with the GBP/USD pair trading above 1.34 as markets priced in divergent monetary policy expectations and a weaker US dollar environment. While these macro drivers are not fully reflected in futures positions, they likely contribute to the change in speculative appetite.

From an analytical perspective, the COT's net positions figure is valuable because it aggregates the difference between long and short positions held by non-commercial traders, typically hedge funds and other speculative entities that are not hedging underlying exposures. A net short reading, such as the recent -48.5K, implies that speculators on aggregate expect or hedge against further GBP weakness. Shifts toward a less negative net position can signal diminishing bearish sentiment or profit-taking among shorts.

Looking ahead to the upcoming release, economists and FX strategists will focus on whether the reduction in net short positions continues. A further move toward neutrality or even net long positioning could be interpreted as growing confidence in sterling, especially if supported by fundamental economic data from the UK or a reassessment of global risk appetite. Conversely, a widening of net short exposure might underscore persistent bearish bets on GBP and reflect broader concerns over the UK economy's prospects.

Banking Sector Outlook: What 2026 Could Hold

Banks enter 2026 facing falling interest rates, rapid digital disruption, and pressure to reinvent traditional business models

As the global banking industry heads into 2026, analysts and industry experts are painting a picture of transformation underpinned by shifting interest rates, digital innovation, and evolving revenue streams. A recent survey of sector forecasts highlights five major trends expected to shape banking next year, including intensified competition from fintech and AI-powered services, continued focus on digital-first customer engagement, and ongoing rationalisation of branch networks in response to changing consumer behaviour. Analysts also point to the potential for diversifying revenue through fee-based products and expanded lending as economies adjust to moderating inflation and gradually declining interest rates.

This forward-looking perspective aligns with wider sector performance: large banks have entered 2026 in strong financial positions, buoyed by robust commercial and industrial loan growth, resilient markets-related income, and strong balance sheets, according to recent commentary on major US lenders. At the same time, competition within European banking markets and questions over relative value among regional players, such as Barclays and Lloyds in the UK, underscore the uneven nature of banking prospects across geographies.

Persistent trends in digital transformation are likely to shape strategic priorities next year. With institutions increasingly investing in AI and technology platforms to improve operational efficiency and customer experience, banks are seeking to balance cost pressures with growth opportunities. This is reflected in heightened R&D and tech expenditure at leading banks, even as they reassess physical branch footprints.

Overall, the banking industry's trajectory into 2026 will be influenced by external economic conditions, such as anticipated rate moves by central banks, evolving regulatory environments, and macroeconomic growth expectations alongside internal strategic adaptations. For policymakers, investors, and students of finance alike, the 2026 banking outlook offers a case study in how traditional financial institutions respond to disruption while managing profitability, risk, and innovation in an uncertain global economy.

The Week Prior

December 22 - December 26 2025

Dow Jones	SNP500	FTSE 100	NVDA	AMZN	IBM	NKE
1.07%	0.94%	0.33%	3.38%	1.60%	1.14%	3.38%

U.S. Q3 Economic Growth

Q3's 4.3% headline is not automatically "great news."

The U.S. economy recorded robust headline performance in the third quarter of 2025, with real GDP expanding at an annualised rate of 4.3%. At first glance, this suggests strong economic momentum and resilience despite elevated interest rates and global uncertainty. However, a closer examination of the underlying drivers of growth indicates that this expansion may be neither sustainable nor welfare-enhancing. In particular, rising inflationary pressures, weak private investment, and subdued income growth point to structural vulnerabilities that undermine the apparent strength of the headline figure.

A central concern arising from the GDP data is the reacceleration of inflation. Both headline and core measures of Personal Consumption Expenditures (PCE) inflation increased relative to the previous quarter, indicating persistent demand-side pressures in the economy. From a macroeconomic perspective, simultaneous increases in real output and inflation suggest that aggregate demand may be growing faster than aggregate supply, pushing the economy closer to or beyond its potential output level. This erodes real purchasing power for households and weakens the quality of economic growth. Moreover, higher inflation increases the likelihood that the Federal Reserve will maintain a restrictive monetary policy stance for longer, keeping real interest rates elevated. Prolonged high borrowing costs dampen consumption and investment, increasing the risk of a future economic slowdown.

The weakness of private investment further undermines the sustainability of third-quarter growth. Data from the Bureau of Economic Analysis indicate a decline in gross private domestic investment, with inventory investment in particular acting as a drag on output. From a growth-theory perspective, investment is a key determinant of capital accumulation, productivity growth, and long-run potential output. When economic expansion is driven primarily by consumption and government spending rather than fixed capital formation, it is more likely to be transitory. Insufficient investment today constrains productive capacity tomorrow, limiting future wage growth and reducing the economy's resilience to adverse shocks.

Additional evidence that the headline GDP figure overstates underlying economic strength is provided by the divergence between GDP and Gross Domestic Income (GDI). Because GDP measures total output and GDI measures the income generated from that output, sustained divergences between the two suggest that income growth is not keeping pace with production. This implies that the benefits of economic expansion are not being fully transmitted to households and firms.

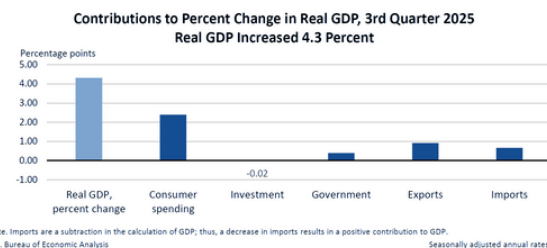
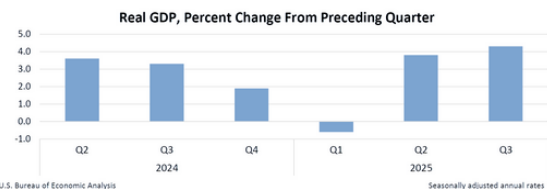
Factors suggest that third-quarter growth reflects short-term momentum rather than a balanced and durable expansion. Inflationary pressures reduce real incomes and constrain monetary policy, weak investment undermines long-run growth potential, and sluggish income growth limits improvements in living standards. The 4.3% annualised GDP growth rate in the third quarter of 2025 should be interpreted with caution. A disaggregated analysis reveals that the expansion is characterised by rising inflation, insufficient investment, and weak income growth, all of which point to limited sustainability and reduced welfare gains. Rather than signalling a healthy and balanced economy, the data suggest an expansion driven by short-term demand at the expense of longer-term economic stability.

Structural Power in Digital Creator Economy

The Faze Clan have gone through a lot of structural issues, they had always been backed by hype, but not by revenue. Faze became tradable on the stock market when they faced a lot of issues on the corporate side and could not sustain their momentum. Since Faze (SPACs) went public they lost half their value as they had nothing to justify their value.

The recent disputes between content creators and media organisations underline how labour relations in the creator economy diverge from conventional employment models. On paper, individual creators appear highly replaceable: barriers to entry are low, output is easily replicable, and firms face a deep supply of aspiring talent. Yet this view underestimates the economic importance of social capital. Successful creators do not merely supply content; they control access to engaged audiences built through long-term parasocial relationships. These communities function as intangible assets that are personal, non-transferable, and only loosely mediated by the firm.

This dynamic materially alters bargaining power. Unlike traditional employees, creators can often exit an organisation without forfeiting their primary revenue streams, which are generated directly from audiences rather than owned platforms. The result is a labour market in which workers may be individually substitutable, yet collectively wield disproportionate leverage challenging standard assumptions about replaceability, control, and dependency in modern digital firms.



SPACs tumbling down

Shares of companies that have gone public via SPAC lost half of their value



Earnings Release

December 29 2025 - January 2 2026

Monday	Tuesday	Wednesday	Thursday	Friday
      	     	     	      	 

Markets Report

December 22 -December 26 2025

Index	Level	1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	6930	1.41	3.91	19.32	16.26	88.18
Dow Jones 30	48711	1.20	5.43	16.47	15.37	55.33
Russell 2000	6298	0.21	4.30	15.13	12.67	50.28
Russell 1000 Growth	3198	1.45	2.66	20.36	16.14	128.25
Russell 1000 Value	1293	1.23	4.87	17.09	15.47	49.51
MSCI EAFE	2895	1.20	4.95	31.94	32.50	63.68
MSCI EM	1397	2.14	4.23	33.64	32.57	59.47
NASDAQ	23593	1.23	4.27	22.96	18.62	129.81

Currency	12/26/25	12/31/24	12/26/24
\$ per €	1.18	1.04	1.04
\$ per £	1.35	1.25	1.25
CHF per €	0.93	0.94	0.93
£ per €	0.88	0.87	0.83
¥ per €	183.00	181.00	163.00

Index	NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
S&P 500	22.31	5.36	1.09	59'159
Dow Jones 30	20.69	5.59	1.58	21'638
Russell 2000	24.13	2.12	1.16	2'931
Russell 1000 Growth	29.28	13.80	0.47	33'233
Russell 1000 Value	17.33	2.99	1.78	30'156
MSCI EAFE	15.46	2.11	2.59	20'475
MSCI EM	13.39	2.11	1.90	10'179
NASDAQ	27.60	N/A	0.17	39'844

Commodity	26.12.2025	31.12.2024	16.12.2024
Oil (WTI)	58.40	72.44	70.38
Gasoline	2.84	3.01	3.02
Natural Gas	4.25	3.40	2.96
Gold	4449.00	2609.00	2614.00
Silver	72.18	28.91	29.48
Copper	12253.00	8706.00	8848.00
Corn	4.47	4.53	4.48
BBG Idx	283.12	238.62	236.75

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