

Holiday Trading: Why Late-December Markets Demand a Different Playbook

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As markets approach the Christmas–New Year period, trading conditions enter a uniquely fragile phase defined by reduced liquidity, wider spreads, and heightened sensitivity to headlines. These seasonal distortions are driven by the convergence of year-end portfolio rebalancing, FX exposure adjustments, diminished institutional activity, and lower overall participation levels.

The result is an environment where price discovery becomes uneven and outsized intraday moves can be triggered by otherwise routine data points or single flows. For investors, this period demands a tempered, risk-aware approach, and an understanding that traditional market behaviours often weaken as the year draws to a close.

The Santa Rally: Seasonal Expectation, Not a Rule

Late December has historically been associated with the “Santa Claus Rally,” during which U.S. equity indices tend to strengthen into year-end. Yet, history is not a guarantee. The effect varies widely depending on macro conditions, valuation pressures, and policy expectations, all of which remain fluid this year.

In 2025, market behavior heading into 2026 is likely to hinge on the Federal Reserve’s December meeting, global growth prospects, and how investors interpret evolving economic signals. Even when late-December optimism materializes, the early months of the new year often bring a resetting of positioning, leading to consolidations or reversals as normal liquidity returns.

Technical Discipline Becomes Non-Negotiable

In thin markets, technical misfires multiply; confirmations matter more than impulses. To navigate the seasonal volatility, traders should:

- Prioritize higher-timeframe analysis to filter out liquidity-driven distortions.
- Wait for confirmed breakouts backed by volume or daily closes.
- Maintain strict risk parameters; position sizing, stops, and disciplined targets.
- Monitor cross-asset behavior, especially as markets anchor toward 2026 macro narratives.

This period is best treated not as a moment to stretch for returns, but as a time to avoid being caught in low-volume traps.

Asset Class Outlook: What May Matter Most Heading Into 2026

US Equities

Broadly bullish, with potential for a year-end lift if the Nasdaq holds above 23,900 and the Dow above 45,000. But overstretched valuations and policy uncertainty pose consolidation risks, especially around the December FOMC meeting.

Precious Metals

Gold and silver will likely continue consolidating below their 2025 highs—USD 4,400 and USD 60—until these resistance levels are converted into support for the next bull cycle. Their price action remains highly correlated to broader risk appetite and U.S. indices.

US Dollar

The USD sits at a decisive multi-year support band above 95, a zone that continues to define its longer-term bullish or bearish bias. December policy signals and rate expectations for 2026 will determine whether the dollar maintains its neutral-bullish footing.

Crude Oil

Oil remains tethered to risk sentiment, geopolitical developments, and winter demand. Russia-Ukraine developments could ease sanctions pressure, while OPEC's production posture adds uncertainty into early 2026. Thin liquidity heightens reaction to every headline during the holiday period.

Holiday Markets Produce Noise, Smart Traders Filter It Out

The final days of the year often distort signals, obscuring the true direction of global markets. Treating this period as noise trading, rather than a moment to chase short-term moves, is the most effective way to preserve clarity and protect capital. The path forward lies in stepping back, zooming out, and anchoring decisions in macro trends, not holiday-driven fluctuations.

With central banks approaching a pivotal year, the coming weeks could influence how markets position for 2026. Caution, structure, and discipline remain the most valuable tools any investor can carry into the holidays.