



Weekly Investment Update

10th January 2025

News Headlines

UK Markets – UK financial markets have been subject to considerable volatility this week, with increasing bond yields and a weakening pound. The yield on 10-year gilts hit over 4.8%, the highest since the global financial crisis in 2008, while 30-year yields exceeded 5.3%. The pound also fell to its lowest in over a year against the US dollar, amid fears of rising inflation and government debt. This threatens Chancellor Rachel Reeves' fiscal strategy, with her £9.9 billion headroom at risk if yields continue to climb. The situation has led to comparisons to past financial crises, particularly the 2008 global crisis and the Liz Truss mini-budget in 2022, raising questions about the sustainability of UK fiscal policy under the current government.

FOMC Meeting Minutes – According to the latest FOMC meeting minutes released this week, the Federal Reserve (Fed) is adopting a more cautious stance on rate cuts. Facing elevated inflation, many officials at the December meeting advocated for a slower pace of policy easing. The decision to cut rates by 0.25% brought the range to 4.25%-4.5%, but with inflation still high, the Fed is wary about future cuts. Forecasts now suggest only two rate cuts in 2025, down from four, reflecting concerns about persistent inflation amidst a resilient labour market. New policies from the incoming Trump administration, including potential tariffs and changes in immigration policy, also adds further uncertainty.

Eurozone Inflation – In December, Euro-zone inflation rose to 2.4% year-on-year compared with 2.2% in November, largely driven by an increase in energy costs. Core inflation remained at 2.7%, while services saw a slight increase to 4%. Despite this slight uptick in inflation, there is still a strong expectation that the ECB will proceed with rate cuts at their next meeting in March.

Market Summary

Global Equities – Global equities had mixed performance this week. US equities had a volatile week, ending flat but with significant daily swings influenced by tariff news, economic data, and Fed commentary. European markets showed mixed performance, however both Europe's STOXX 600 index and the UK's FTSE 100 index managed weekly gains as of Thursday's close, despite ongoing bond market pressures and concerns over UK fiscal policy. The FTSE 100 index also benefitted from a weaker pound. In Asia, Chinese markets faced ongoing challenges, with the Hong Kong Hang Seng index showing a decline, exacerbated by US security concerns over Chinese companies and bond yields rising globally.

Commodities – Commodity prices generally increased this week, with the Bloomberg Commodity index posting a gain as of Thursday's close. Brent oil prices increased, as cold weather in the US and Europe boosted winter fuel demand. Gold prices also rose versus the US dollar, with the uncertainty surrounding a hawkish Federal Reserve and Donald Trump's incoming trade policies spurring demand for the safe haven asset.

Fixed Income – This week, fixed income markets experienced a broad sell-off with rising yields across major economies. US Treasuries saw the 10-year yield climb to above 4.7%, influenced by strong economic data suggesting less aggressive Fed rate cuts. In Europe, UK gilts reached post-financial crisis highs amid fiscal worries, reflecting global investors' re-evaluation of risk amidst persistent inflation fears.

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Chart of the Week

UK Under Pressure 30-year gilt yield surges and pound slips, mirroring Truss era



Source: Bloomberg – UK Under Pressure

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- US PPI (MoM)	- UK CPI (YoY) - US CPI (MoM + YoY)	- UK GDP (MoM) - German CPI (MoM) - China GDP (YoY)	- Eurozone CPI (YoY)

Market Performance – 10/01/2025

Global Equity Market Indices	2025 YTD %*	2024 %*	2023 %*	2022 %*	2021 %*	2020 %*
FTSE 100	1.83%	8.89%	7.68%	4.57%	18.40%	-11.44%
S&P 500	0.65%	25.52%	26.26%	-18.13%	28.68%	18.39%
STOXX 600	1.65%	9.03%	16.63%	-9.88%	25.82%	-1.44%
Nikkei 225	-1.77%	21.27%	31.01%	-7.35%	6.66%	18.28%
Hang Seng	-3.82%	22.79%	-10.46%	-11.48%	-12.64%	-1.00%
Fixed Income	Yield %					
UK 10 Year Gilt	4.84%					
US 10 Year Treasury	4.67%					
Commodities	2025 YTD %**	2024 %**	2023 %**	2022 %**	2021 %**	2020 %**
Gold	1.63%	26.35%	13.10%	-0.28%	-3.64%	25.12%
Currency						
GBP/USD	1.23 (10/01/2025)					
GBP/EUR	1.20 (10/01/2025)					

Source: FE Analytics/ Bloomberg

*Total Return/Local currency **Spot Return USD

Past Performance is no guide to future performance and the value of investment and income from them can fall as well as rise

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