



Weekly Investment Update

17th January 2025

News Headlines

Israel/Hamas Ceasefire – In a significant development, Israel and Hamas have agreed on a ceasefire to halt the 15-month war in Gaza, set to begin this Sunday. The agreement is structured in three phases. The first phase includes a six-week ceasefire, the release of 33 hostages, and the withdrawal of Israeli forces from populated areas in Gaza, allowing for the return of displaced Palestinians. In Israel, the agreement faces opposition from hardline members of Prime Minister Benjamin Netanyahu's coalition government. The agreement also does not address who will govern Gaza after the ceasefire, creating uncertainty.

US Core CPI Inflation – The US core consumer price index (CPI), excluding food and energy, increased by 0.2% in December of last year, according to the Bureau of Labour Statistics. This figure was below the expected 0.3% rise. The report led to a decrease in Treasury yields, an uptick in US equities, and a decline in the dollar's value. This comes as President Joe Biden's term ends, with Donald Trump set to be sworn in next week, potentially impacting future inflation trends.

UK CPI Inflation – UK inflation unexpectedly decreased in December, with consumer prices rising by 2.5% year-on-year, down from 2.6% in November, as reported by the Office for National Statistics. The drop was largely due to lower prices in the restaurant and hotel sector. Services inflation also moderated to 4.4%, its lowest since March 2022. This slight cooling might ease some market tensions and increase the chances of a Bank of England rate cut in February. However, inflation remains above the BOE's 2% target, with concerns about potential rises above 3% later this year due to increasing energy costs.

Market Summary

Global Equities – Global equities finished the week generally positive as of Thursday's close. US equities started with early-week declines due to inflation worries, only to rebound mid-week with encouraging inflation data. The market saw a broad rally across sectors, with financial and cyclical stocks leading the charge. UK equities also experienced volatility, initially declining due to high bond yields and inflation concerns, but recovered later with a surprising drop in CPI. European markets showed resilience, buoyed by positive economic indicators and political developments. Asian equities had mixed performances, as China's markets were lifted by better-than-expected GDP growth, however Japan's equities faced downward pressure.

Commodities – Commodity prices generally increased for the second consecutive week, with the Bloomberg Commodity index posting a gain as of Thursday's close. Oil prices fluctuated significantly this week, with Brent crude reaching a five-month high due to supply concerns from new US sanctions on Russian oil and low US inventories. However, the prospect of a ceasefire in Gaza slightly eased prices. Gold and other precious metals also saw an uptick this week as investors turned to safe-haven assets amid geopolitical uncertainties and rising inflation concerns.

Fixed Income – This week, Fixed Income markets were volatile, with yields initially soaring (meaning prices fell) due to inflation fears and strong US job data. Mid-week, an unexpected dip in both US and UK CPI led to a sharp yield drop, signalling potential rate cuts. This shift from a sell-off to a rally reflected changing expectations for monetary policy, with a focus on central bank actions and upcoming economic data.

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Chart of the Week

Market Pricing Likely BOE Cut in February



Source: Bloomberg – Market Pricing Likely BOE Cut in February

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
			<ul style="list-style-type: none"> - US Initial Jobless Claims - BoJ Interest Rate Decision 	<ul style="list-style-type: none"> - US Manufacturing and Services PMI

Market Performance – 17/01/2025

Global Equity Market Indices	2025 YTD %*	2024 %*	2023 %*	2022 %*	2021 %*	2020 %*
FTSE 100	2.74%	8.89%	7.68%	4.57%	18.40%	-11.44%
S&P 500	1.00%	25.52%	26.26%	-18.13%	28.68%	18.39%
STOXX 600	2.52%	9.03%	16.63%	-9.88%	25.82%	-1.44%
Nikkei 225	-2.18%	21.27%	31.01%	-7.35%	6.66%	18.28%
Hang Seng	-2.32%	22.79%	-10.46%	-11.48%	-12.64%	-1.00%
Fixed Income	Yield %					
UK 10 Year Gilt	4.65%					
US 10 Year Treasury	4.62%					
Commodities	2025 YTD %**	2024 %**	2023 %**	2022 %**	2021 %**	2020 %**
Gold	3.32%	26.35%	13.10%	-0.28%	-3.64%	25.12%
Currency						
GBP/USD	1.22 (17/01/2025)					
GBP/EUR	1.19 (17/01/2025)					

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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