



Weekly Investment Update

24th January 2025

News Headlines

Potential Trump Tariffs – Following President Trump's inauguration this week, he stated that he plans to impose 25% tariffs on Mexico and Canada, potentially starting next month, citing undocumented migrants and drugs entering the US. These tariffs could affect \$1.8 trillion in trade and both countries have indicated they would retaliate with their own tariffs if Trump imposes his. Regarding China, Trump delayed any specific tariffs but ordered a review of global trade practices and China's compliance with previous agreements. This move provided some relief for companies expecting immediate tariffs. He did, however, announce a potential 10% tariff on Chinese goods in the following days, and also threatened tariffs on the EU due to a large trade deficit, though no immediate actions were taken.

UK Budget Deficit – In December, the UK's budget deficit soared to £17.8 billion for the month, more than double last December's figure of £7.7 billion. Total government spending also rose by £12.9 billion compared to the previous year, while tax receipts only increased by £2.3 billion. The surge in borrowing was driven by rising debt interest costs, particularly from inflation-linked bonds, alongside increased welfare benefits and public sector pay. Borrowing has also reached £129.9 billion for the fiscal year so far, which is £4.1 billion above forecasts. As a result, Chancellor Rachel Reeves will face challenges meeting her fiscal targets amidst stubborn inflation and a pessimistic economic outlook.

Bank of Japan Rate Decision – The Bank of Japan (BoJ) has increased interest rates to 0.5% this week, the highest level since the 2008 global financial crisis. This 0.25% hike was widely anticipated, following persistent inflation and wage growth. Governor Ueda expressed confidence in the economic outlook, hinting at further rate adjustments if inflation trends continue. The Japanese yen strengthened slightly following the announcement.

Market Summary

Global Equities – This week, equity markets saw notable gains across major regions. In the US, the S&P 500 soared to a new record high, driven by the technology sector and a general sense of relief from the lack of immediate tariffs imposed by the new Trump administration, although this was tempered by ongoing threats of future tariffs. Europe's STOXX 600 index also reached a new high, buoyed by expected ECB rate cuts, with Germany's DAX index performing exceptionally well. In Asia, Japan's Nikkei 225 index saw a strong weekly gain, driven by positive reactions to Trump's AI investment plans and also post a Bank of Japan interest rate hike, while Hong Kong's Hang Seng index also edged up.

Commodities – Commodity prices generally decreased this week, with the Bloomberg Commodity index posting a loss as of Thursday's close. Oil prices saw a decline following President Trump's comments urging OPEC to lower prices, as well as demand concerns due to possible tariffs. However, gold prices showed resilience, increasing over the week as a result of geopolitical uncertainties. Expectations of lower interest rates and the inflationary pressures hinted at by Trump's tariff threats also supported gold's value.

Fixed Income – This week, fixed income markets experienced volatility, with US Treasury yields seeing initial drops due to tariff relief, but comments from Trump on interest rates led to a slight increase later in the week. In Europe, bonds also rallied at the beginning of the week, but yields later increased as the market priced in less aggressive ECB rate cuts. Japan's JGB yields also increased following the Bank of Japan's decision to raise rates by 0.25%, the first hike since July, despite the fact the move was broadly anticipated.

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Chart of the Week

Crude Selling Pressure Eases



Source: Bloomberg – Crude Selling Pressure Eases

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		<ul style="list-style-type: none"> - BoC Interest Rate Decision - Federal Reserve Interest Rate Decision 	<ul style="list-style-type: none"> - US GDP (QoQ) - German GDP (QoQ) - ECB Interest Rate Decision 	<ul style="list-style-type: none"> - German CPI (MoM) - US Core PCE Price Index

Market Performance – 24/01/2025

Global Equity Market Indices	2025 YTD %*	2024 %*	2023 %*	2022 %*	2021 %*	2020 %*
FTSE 100	4.87%	8.89%	7.68%	4.57%	18.40%	-11.44%
S&P 500	4.09%	25.52%	26.26%	-18.13%	28.68%	18.39%
STOXX 600	4.56%	9.03%	16.63%	-9.88%	25.82%	-1.44%
Nikkei 225	1.59%	21.27%	31.01%	-7.35%	6.66%	18.28%
Hang Seng	-1.43%	22.79%	-10.46%	-11.48%	-12.64%	-1.00%
Fixed Income	Yield %					
UK 10 Year Gilt	4.63%					
US 10 Year Treasury	4.64%					
Commodities	2025 YTD %**	2024 %**	2023 %**	2022 %**	2021 %**	2020 %**
Gold	5.70%	26.35%	13.10%	-0.28%	-3.64%	25.12%
Currency						
GBP/USD	1.24 (24/01/2025)					
GBP/EUR	1.19 (24/01/2025)					

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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