Weekly Investment Update

14th February 2025

News Headlines

US Inflation – Inflation in the US unexpectedly spiked in January, with the CPI rising by the most since August 2023 (0.5% versus 0.3% expected), driven by increases in grocery, petrol, and housing costs. Core CPI, which excludes the volatile food and energy sectors, also increased by 0.4%, exceeding predictions. This development has likely removed hopes for Federal Reserve interest rate reductions in the short term, with Fed Chair Jerome Powell hinting that rates could stay elevated as inflation remains a concern. Markets have therefore recalibrated and are now expecting only one rate cut this year.

UK Economy – The UK economy managed to avoid a recession in 2024, with GDP growth of 0.1% in the fourth quarter, exceeding forecasts of a 0.1% decline. However, this growth was largely driven by public sector spending, with private sector and per capita output shrinking for two consecutive quarters. Overall, the economy grew by just 0.9% for the year, with the Bank of England anticipating continued weakness into 2025. Despite this small recovery, the underlying figures suggest stagnation, influenced by higher taxes and global uncertainties. The pound strengthened slightly following the news, but the government faces challenges in boosting growth amid fiscal constraints and a cautious monetary policy approach.

Further Trade Tariffs – President Trump has escalated trade tensions by announcing a 25% tariff on steel and aluminium imports, effective from March, affecting major trading partners including Canada and Mexico. Aimed at bolstering US manufacturing and job growth, these tariffs could also see further hikes. This move extends beyond raw materials to include finished products, potentially inflating consumer goods prices. The policy has reignited fears of retaliatory measures from trading partners, stirring concerns about global trade relations and inflation.

Market Summary

Global Equities – This week, global equities ended positive, with healthy gains in Europe and Asia. In the US, the S&P 500 experienced initial volatility due to concerns over inflation and tariff announcements but rallied towards the week's end (+1.51%). The delay in implementing reciprocal tariffs alleviated some investor fears about immediate inflationary pressures, leading to a recovery in technology stocks and broader market optimism. In Europe, the STOXX 600 index showed resilience (+2.06%), reaching new peaks driven by positive economic data, including a surprising GDP growth in the UK, and the prospect of US/Russia talks on Ukraine. Asian markets, particularly in China, ended stronger. Despite some fluctuations, the region's markets were supported by domestic policy measures and global trade policy uncertainties calming down, with Hong Kong's Hang Seng (+3.22%) and Japan's Nikkei 225 (+1.74%) posting strong gains for the week.

Commodities – Commodity prices generally increased this week, with the Bloomberg Commodity index posting a gain for the week, with markets being influenced by geopolitical and economic news. Oil prices initially dropped with news of potential US/Russia negotiations on Ukraine but rebounded slightly as the week progressed due to inventory data. Natural gas prices in Europe rose to a two-year high midweek before declining, affected by storage concerns and policy announcements. Precious metals also saw gains, with gold prices against the US dollar hitting another record high in the week, reflecting hedges against inflation amid tariff discussions.

Fixed Income – Fixed income markets this week reacted to mixed economic signals. US Treasuries saw yields increase (meaning prices fell) after a hot CPI report, suggesting inflation concerns and less immediate rate cuts. However, yields later fell following the news of tariff delays. In Europe, bond yields also initially rose but retreated as geopolitical news and energy price movements alleviated some inflation fears, keeping expectations for ECB policy adjustments uncertain.

Source: Bloomberg Terminal – Global Equities: S&P 500 index USD, STOXX 600 index EUR, Nikkei 225 index JPY, Hang Seng index HKD

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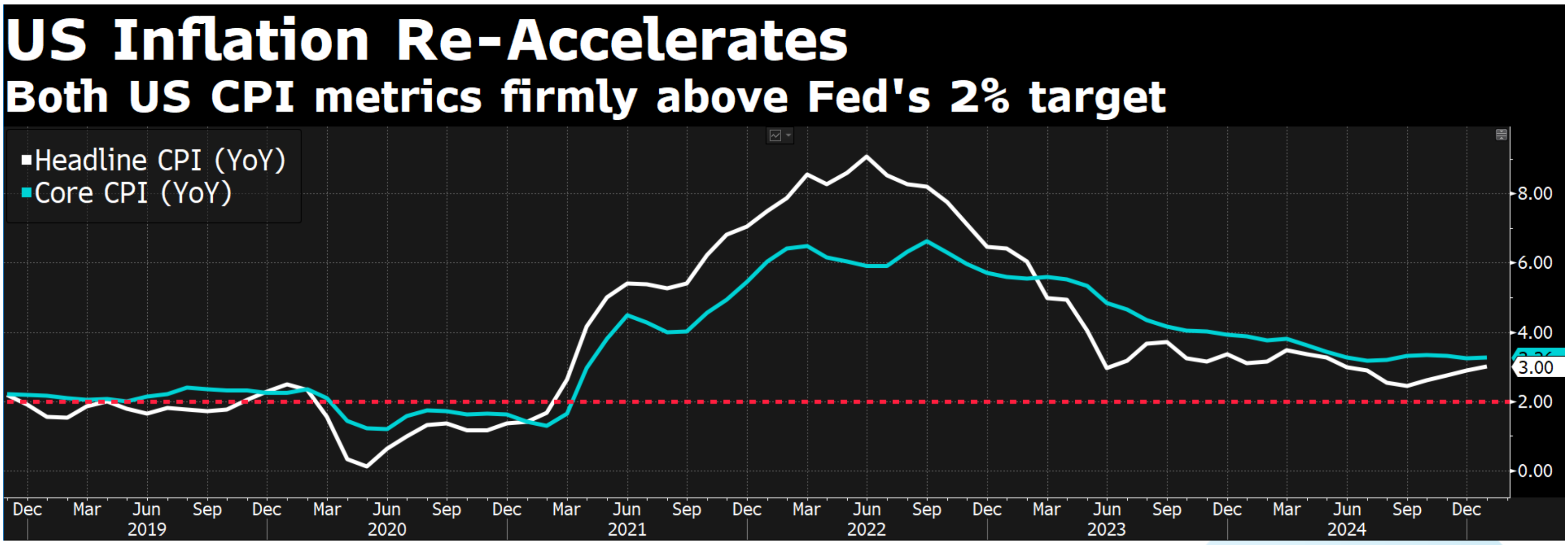
Chart of the Week



Source: Bloomberg – US Inflation Re-Accelerates

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- Japan GDP (QoQ)	- RBA Interest Rate Decision	- UK CPI (YoY) - FOMC Meeting Minutes		

Market Performance – 14/02/2025

Global Equity Market Indices	2025 YTD %*	2024 %*	2023 %*	2022 %*	2021 %*	2020 %*
FTSE 100	7.40%	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	9.22%	9.03%	16.63%	-9.88%	25.82%	-1.44%
Nikkei 225	-1.86%	21.27%	31.01%	-7.35%	6.66%	18.28%
Hang Seng	9.15%	22.79%	-10.46%	-11.48%	-12.64%	-1.00%
Fixed Income	**Yield %**					
UK 10 Year Gilt	4.50%					
US 10 Year Treasury	4.54%					
Commodities	**2025 YTD %****	**2024 %****	**2023 %****	**2022 %****	**2021 %****	**2020 %****
Gold	11.91%	26.35%	13.10%	-0.28%	-3.64%	25.12%
Currency						
GBP/USD	1.26 (14/02/2025)					
GBP/EUR	1.20 (14/02/2025)					

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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