



Weekly Investment Update

21st February 2025

News Headlines

Ukraine/Russia Conflict – The Ukraine-Russia conflict saw significant developments this week, as the US initiated peace talks in Saudi Arabia, which raised hopes for a resolution and buoyed European markets initially. There were reports of a proposed three stage plan – including a ceasefire, elections in Ukraine, and a final signed agreement – however further reports stated that elections were not part of talks, but may be part of future negotiations. Tensions then escalated later in the week, when President Trump criticised Ukraine’s Zelenskyy, labelling him a “dictator without elections,” reacting to Ukraine’s dismissal of US proposals. European leaders also convened at an emergency summit in Paris to reinforce defence strategies. Markets reflected the uncertainty, shifting from optimism to caution as the prospect of peace remained ambiguous.

UK Inflation – UK CPI inflation climbed to 3.0% in January, the highest since March last year, and up from 2.5% in December. This was largely driven by rising air fares and fuel costs. Core inflation remained at 3.7%, with services at 5.0%, signalling sustained price pressures. This increase means inflation is now well above the Bank of England’s 2% target and has reduced expectations for imminent interest rate cuts. Economists have also highlighted that upcoming national insurance and minimum wage increases could lift inflation higher still.

Federal Reserve Meeting Minutes – The US Federal Reserve’s latest minutes released this week reveal a cautious stance, with officials prepared to keep interest rates steady until inflation nears their 2% target. Policymakers noted they could maintain restrictive rates if the economy stays robust and inflation persists. Futures markets now expect just one rate cut in 2025, with a second possible. The Fed also flagged risks from a potential debt-ceiling clash and Trump’s tariff plans, which could push prices higher. Despite balanced economic risks, officials remain optimistic that inflation will ease with appropriate policy.

Market Summary

Global Equities – This week, equity markets showed generally negative performance, driven by geopolitical and economic factors. In the US, the S&P 500 edged up slightly (+0.08%), hitting several record highs before retreating, affected by tariff fears and a weak Walmart forecast. Europe’s STOXX 600 dipped (-0.20%), ending multiple consecutive weeks of gains, although defence stocks jumped amid German election-driven spending hopes. The UK mirrored Europe’s performance, as the FTSE 100 index saw a small loss for the week (-0.58%), with higher inflation also weighing on sentiment. In Asia, Hong Kong’s Hang Seng index saw gains midweek, before falling amid persistent concerns over increased trade tariffs, ending the week with a small loss (-0.19%). Japan’s Nikkei 225 index also fell (-1.20%), pressured by Trump’s tariff threats and climbing bond yields.

Commodities – Commodities prices generally increased this week despite late volatility, with the Bloomberg Commodity Index reaching a two-year high, reflecting strong demand. Brent Oil rose, buoyed by risk-on sentiment early in the week, while WTI Oil also climbed, tracking broader energy strength. Gold prices also advanced this week against the US dollar, hitting another record high as potential Trump tariffs increased safe haven demand.

Fixed Income – Bond yields initially rose this week (meaning prices fell), with the 10 year US Treasury yield edging up, driven by Federal Reserve hints at slower quantitative tightening. In Europe, bond yields also rose driven by ECB caution on rate cuts, whilst UK gilts also faced pressure as inflation spiked, reducing rate cut hopes. Later in the week, US treasury yields softened as tariff concerns prompted a shift to safer assets.

Source: Bloomberg Terminal – Global Equities. Data reflects total returns in local currency as of market close on Thursday 20th February, for the following indices: S&P 500 (USD), STOXX 600 (EUR), FTSE 100 (GBP), Nikkei 225 (JPY), and Hang Seng (HKD)

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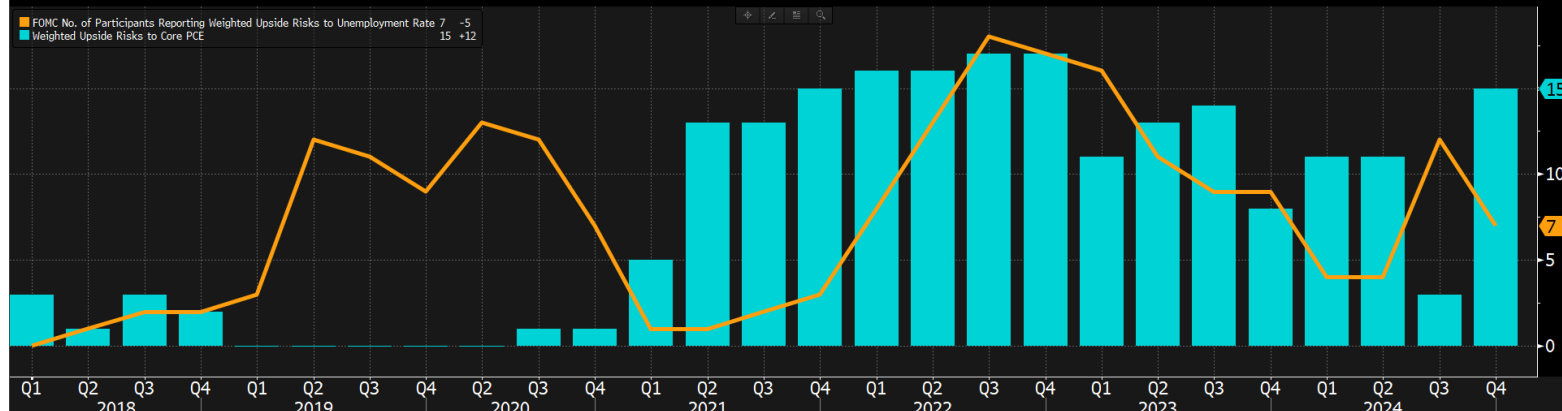


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Chart of the Week

Fed Concerns About Upside Inflation Risk 15 FOMC members see risk of hot inflation



Source: Bloomberg – Fed Concerns About Upside Inflation Risk

Key Economic Releases Next Week

| Monday | Tuesday | Wednesday | Thursday | Friday |
|----------------------|--------------------|-----------|----------------|---|
| - Eurozone CPI (YoY) | - German GDP (QoQ) | | - US GDP (QoQ) | - German CPI (MoM) - US Core PCE Price Index |

Market Performance – 21/02/2025

| Global Equity Market Indices | 2025 YTD %* | 2024 %* | 2023 %* | 2022 %* | 2021 %* | 2020 %* |
|------------------------------|-------------------|----------|----------|----------|----------|----------|
| FTSE 100 | 6.39% | 8.89% | 7.68% | 4.57% | 18.40% | -11.44% |
| S&P 500 | 4.19% | 25.52% | 26.26% | -18.13% | 28.68% | 18.39% |
| STOXX 600 | 8.78% | 9.03% | 16.63% | -9.88% | 25.82% | -1.44% |
| Nikkei 225 | -2.80% | 21.27% | 31.01% | -7.35% | 6.66% | 18.28% |
| Hang Seng | 12.96% | 22.79% | -10.46% | -11.48% | -12.64% | -1.00% |
| Fixed Income | Yield % | | | | | |
| UK 10 Year Gilt | 4.61% | | | | | |
| US 10 Year Treasury | 4.51% | | | | | |
| Commodities | 2025 YTD %** | 2024 %** | 2023 %** | 2022 %** | 2021 %** | 2020 %** |
| Gold | 11.63% | 26.35% | 13.10% | -0.28% | -3.64% | 25.12% |
| Currency | | | | | | |
| GBP/USD | 1.27 (21/02/2025) | | | | | |
| GBP/EUR | 1.21 (21/02/2025) | | | | | |

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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