MARKET COMMENTARY

March 2025

SNAPSHOT

- Equities declined, mainly towards the end of the month, with the US relatively weak.
- US treasury yields fell on growth fears, despite more evidence of sticky inflation.
- Sterling rallied vs. the US dollar and euro

All percentages below are monthly returns for February 2025

EQUITIES

US MARKETS
Tariffs weighed heavily

-1.4%
US 500

UK MARKETS
Hit new all-time highs

0.9%
UK ALL SHARE

EMERGING MARKETS
India weak, China strong

0.4%
EM

BOND MARKETS

BONDS
US growth worries dominated sentiment

UK GILTS	0.8%
US TREASURIES	2.2%
GLOBAL CORPORATE BONDS	0.2%
GLOBAL HIGH YIELD BONDS	-0.7%

*Values represent bond index returns

CURRENCIES

CURRENCIES
Sterling rallied from Jan lows vs. the dollar

Pound vs Other Currencies

GBP vs USD	GBP vs JPY	GBP vs EUR	GBP vs CNY
1.5%	-1.5%	1.4%	1.8%

KEY INDICATORS

GOLD – XAU/USD
0.8%

OIL – BRENT CRUDE
-4.7%

COMMODITIES
-2.6%

WHEAT

INFLATION – UK CPI (YOY)
3.0%

DISCLAIMER – The value of investments and the income from them can go down as well as up and past performance is not a guide to future performance. Returns are in local currency unless indicated otherwise. Source: Bloomberg.

GLOBAL MARKETS

Equities declined over the month on tariff and US growth concerns. European rally continued on positive response to German election.

US MARKETS

Faltered on tariffs and growth concerns

The S&P had a difficult second half of the month as tariffs and economic growth concerns dominated sentiment. Small caps were particularly weak, and value noticeably outperformed growth as an investment style. Trump's unpredictable pronouncements on trade policy unnerved investors, and some slight evidence of weaker growth, mainly sentiment led, as well as declines in consumer confidence, caused further investor anxiety. Inflation was hotter than expected. Imports surged as inventories were rebuilt ahead of any tariff imposition. The 'Trump trade' unwound further, with Tesla declining, -28%.

-1.4%

US 500

UK MARKETS

Performance varied across market caps

Market returns varied significantly across the market cap spectrum, with the FTSE100 hitting a new all-time high of 8807 on Feb 17th. Whilst the FTSE100 was positive, it was another tough month for the more domestically focused FTSE250. Sector wise, the banks continued to rally, with the sector up 11%. Economic data remained poor, and despite the slightly better GDP number, the public finances continued to deteriorate, giving the Chancellor some uncomfortable choices ahead of the March financial statement.

0.9%

UK All Share

EUROPEAN MARKETS

Strong performance continued

Europe was the best performing of the four major developed markets, a continuation of the trend that we saw in January. Whilst the economic data has not been particularly positive, there has been no noticeable deterioration, and the ECB is seen as the central bank with the most scope to cut rates, given benign inflation trends. The possibility of a Ukraine peace accord helped sentiment, though the devil remains in the detail. Given the range of potential outcomes from the German Federal election, a CDU led two-party coalition was the preferred option for financial markets.

3.3%

Euro 600 Index ex UK

JAPAN MARKETS

Down on US tariffs impact

US tariffs were also a sentiment headwind for Japan, with a particularly sharp fall on the last day of the month. The Nikkei was noticeably weaker than the more broad-based TOPIX index. The yen weakened against the dollar, and this was one factor behind the strength of value as an investment style, compared to growth. Economic data was generally better than expected, with 4Q24 GDP coming in ahead of forecast.

-3.8%

Japan Index

THE WORLD AT A GLANCE

	2020	2021	2022	2023	2024	February 2025	Year to date
UK CASH	0.2%	0.0%	1.4%	4.7%	5.2%	0.3	0.7
US DOLLAR INDEX	-6.7%	6.4%	8.2%	-2.1%	7.1%	-0.7	-0.8
UK GILTS	8.3%	-5.2%	-23.8%	3.7%	-3.3%	0.8	1.6
US TREASURIES	8.0%	-2.3%	-12.5%	4.1%	0.6%	2.2	2.7
GLOBAL CORPORATE BONDS	7.1%	-1.9%	-6.8%	4.0%	2.8%	0.2	1.8
GLOBAL HIGH YIELD BONDS	3.8%	2.0%	-2.3%	8.2%	11.0%	-0.7	1.7
US 500	16.3%	26.9%	-19.4%	24.2%	23.3%	-1.4	1.2
UK ALL SHARE INDEX	-12.5%	14.5%	-3.2%	3.8%	5.6%	0.9	6.4
EURO 600 INDEX EX UK	1.0%	22.5%	-15.0%	14.9%	4.5%	3.3	10.4
JAPAN INDEX	4.8%	10.4%	-5.1%	25.1%	17.7%	-3.8	-3.7
ASIA EX JAPAN	22.4%	-3.1%	-15.4%	6.4%	16.2%	1.3	2.2
EMERGING MARKETS	15.8%	-4.6%	-22.4%	7.0%	5.1%	0.4	2.0
COMMODITIES	-26.1%	41.6%	41.9%	-9.7%	11.2%	-2.6	1.4
GOLD	20.9%	-4.3%	-0.7%	12.8%	26.6%	0.8	7.5
HEDGE FUNDS	5.8%	3.0%	-4.4%	2.7%	5.3%	0.3	1.1

Source: Bloomberg

Total Return – Local Currency

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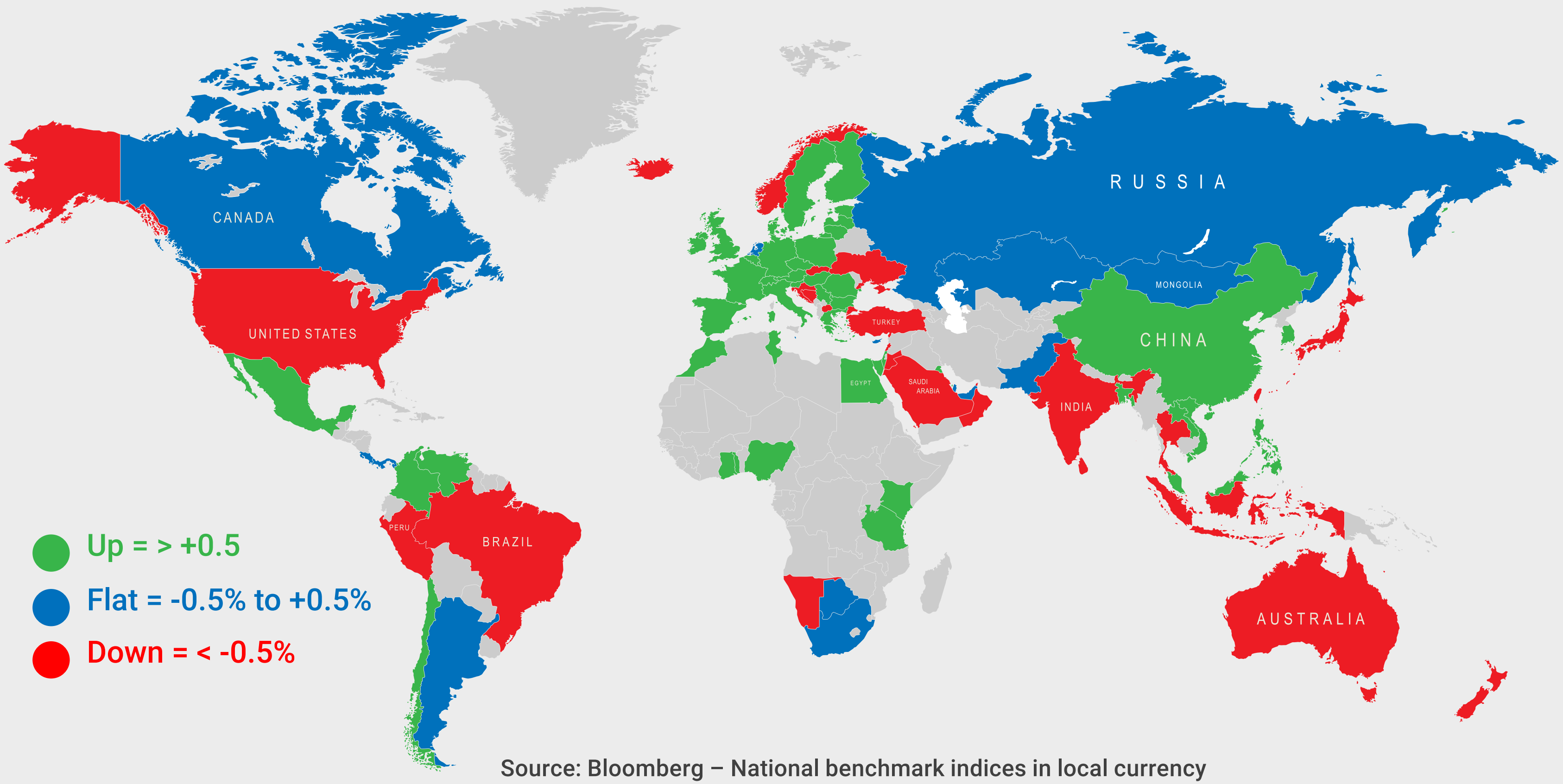
WORLD EQUITY MARKETS



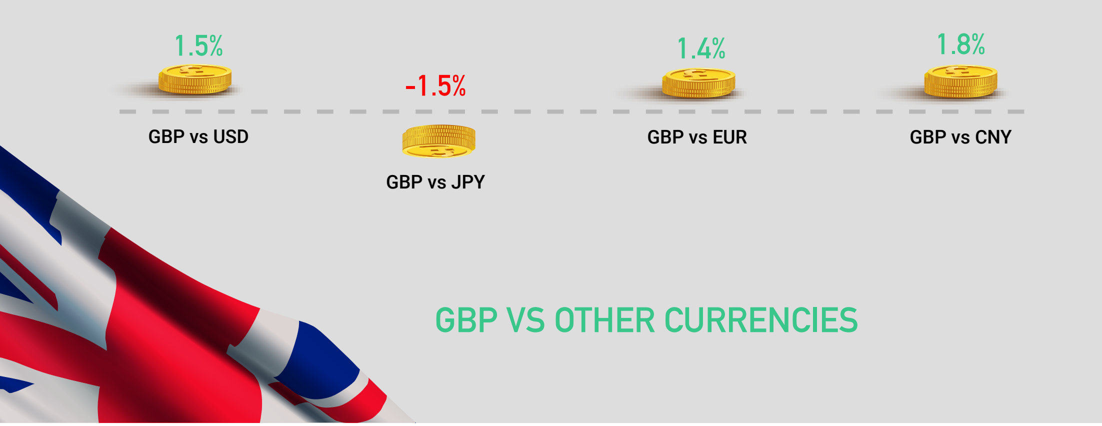
Source: Bloomberg – National benchmark indices in local currency

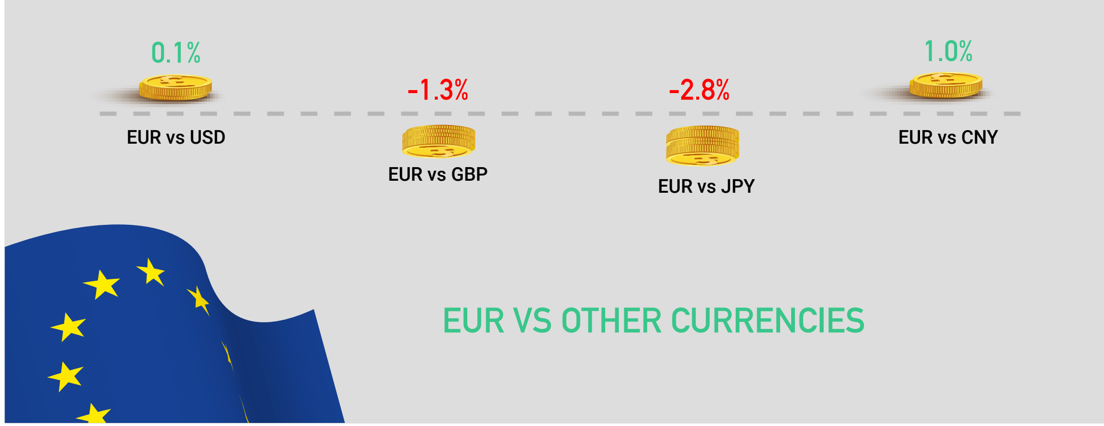
-1.4%	USA
3.3%	EUROPE
-3.8%	JAPAN
0.9%	UK
0.4%	EMERGING MARKETS

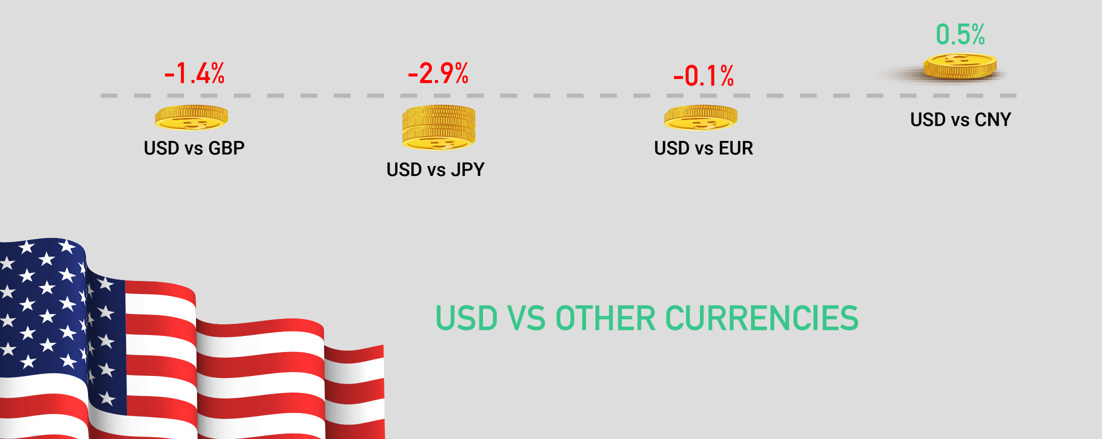
Key Points

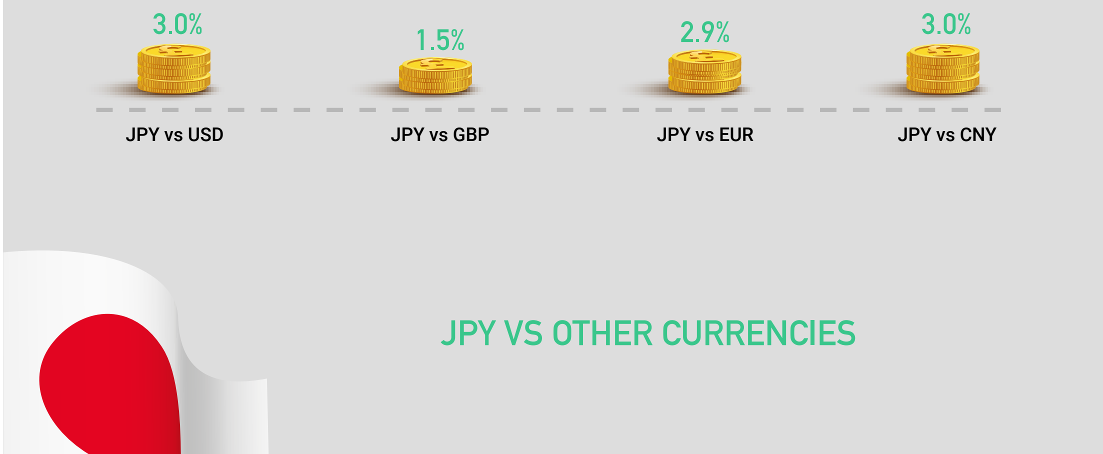
- Global equity returns were negative, mainly due to second half US weakness. It was another strong relative month for Europe.
- US equities lagged on tariff apprehension and concerns over perceived weaker economic growth. US small caps struggled.
- FTSE100 reached a record high, but the more domestically focused FTSE250 was noticeably weaker. Investor sentiment remains fragile given the weak state of the public finances.
- US technology was weak, driving a rotation into value, which outperformed growth as an investment style across all major developed markets.

CURRENCIES







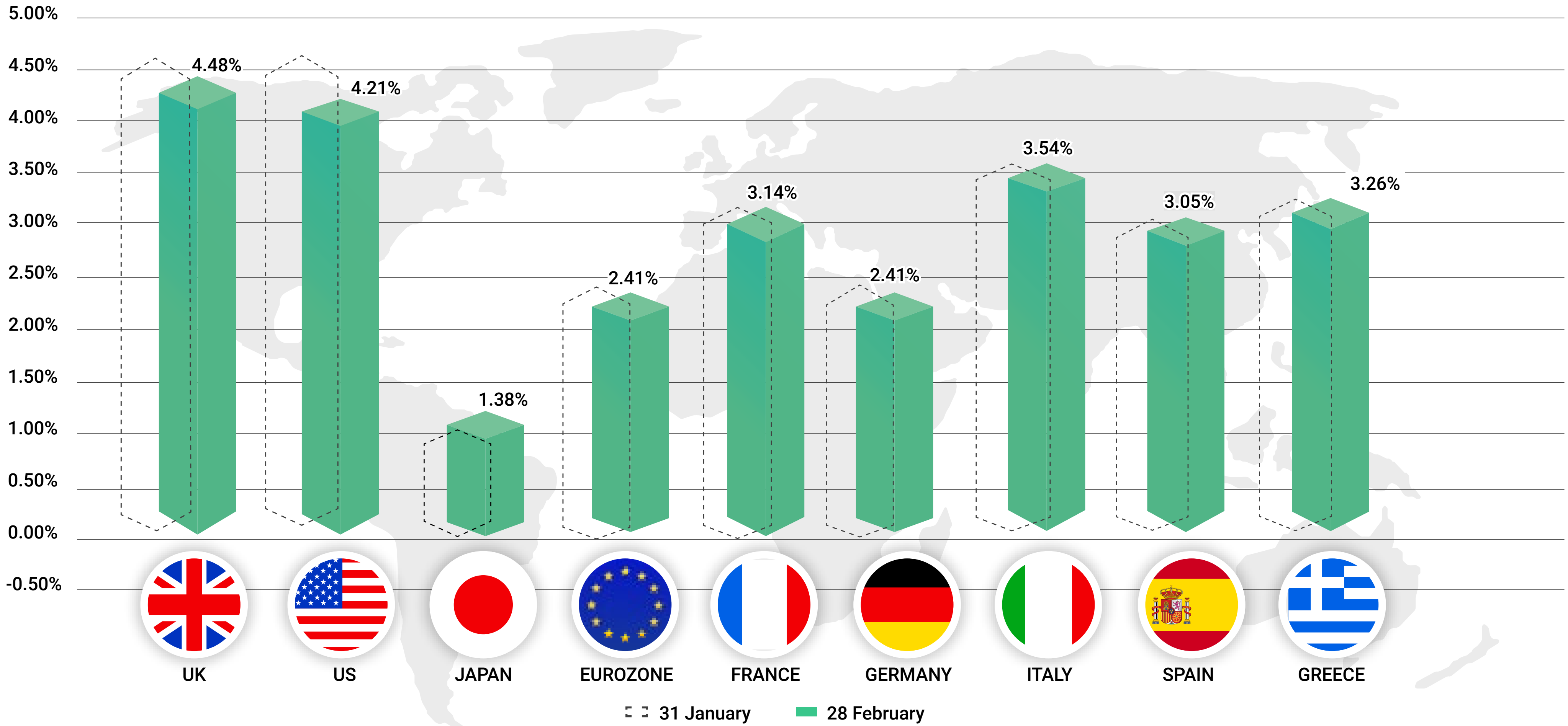


Key Points

- The US dollar was mildly negative in February, reversing the trend from the previous month, but still stronger than a year ago.
- Sterling strengthened against both the US dollar and euro, continuing the rally from the Jan 13th lows, which was driven, at the time, by surges in long-term borrowing costs.
- The Japanese yen strengthened against the US dollar, supported by stronger Japanese economic growth and higher inflation.
- The euro continued to weaken against sterling, a continuation of the trend over the last two years, reflecting, in part, perceptions of future interest rate paths for the two currencies.

GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- UK gilts managed to ignore both stronger inflation data and a further weakening in public finances, with UK 10yr yields marginally down over the month. Longer duration gilts (30yr) still trade at significant yield premiums to European and US peers.
- UK Index-Linked struggled relative to gilts and were negative over the month, reversing the trend we saw in January.
- US Treasurys saw yields fall significantly, particularly towards the end of the month. The yield curve also inverted again at the 10yr vs. 3-month point, reflecting growth concerns. The hotter than expected CPI data was overlooked somewhat.
- European sovereign bond yields drifted lower, with sentiment boosted by the German election result.
- Short duration investment grade credit and High Yield continued to perform well, particularly on a risk-adjusted basis. US equity market jitters did not seem to have a noticeable effect on sentiment.

GLOSSARY OF TERMS

BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People's Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy "loose" or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency
The 'Fed'	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks
GBP	British Pound – sometimes referred to as 'sterling'
GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries
Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
Hawkish	The approach in which central banks are likely to keep monetary policy "tight" or restrictive
JPY	Japanese Yen – currency of Japan
Macro	or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole
PMI	Purchasing Managers' Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
YoY	Year over year

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