

Weekly Market Update

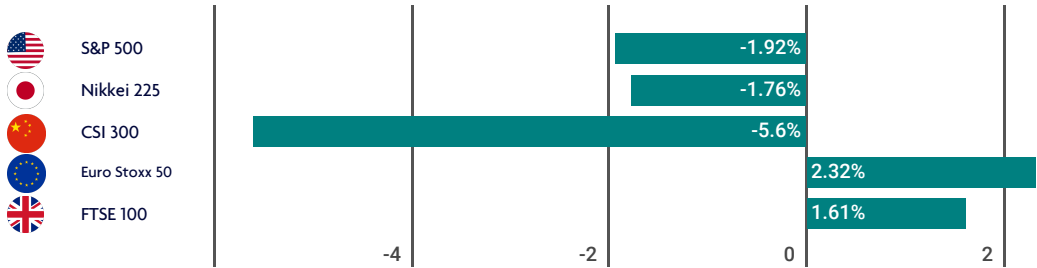
13 January 2025



Last week's performance – major stock markets

Global stock markets had mixed returns last week: the US, Japan, and China saw declines, while Europe and the UK experienced gains. Market volatility was primarily concentrated in bonds, where prices fell sharply due to concerns about the UK government's ability to implement its fiscal plans and reassessments of the US interest rate outlook.

Market Monitor (%): How did major stock markets perform last week*?



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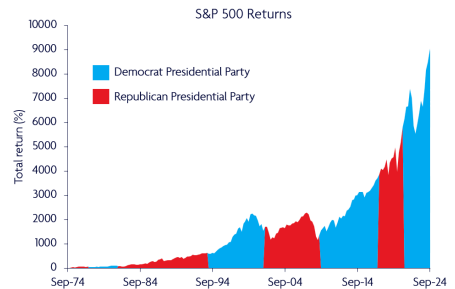
Last week's data confirmed a positive economic trend in the US, with a surprisingly strong December labor market report. However, financial markets reacted negatively as they reassessed the need for central-bank interest rate cuts. Bloomberg indicates just one expected cut in July 2025, leading to higher government bond yields and a decline in stock markets. Higher rates may pressure US stock valuations and increase volatility.

In the US, with inauguration day approaching, markets are anxious about which of Trump's policies will be prioritized, creating ongoing uncertainty. If inflationary measures like tariffs are enacted first, it could disrupt markets. Conversely, if balanced with pro-growth initiatives, the outcome may be more stable.

In the UK, the Treasury sought to stabilize markets after a drop in the pound and government bonds. Equity markets rose 1.6%, but 10-year gilt yields climbed to 4.8%, the highest since August 2008, reflecting broader bond yield increases amid concerns about Trump's policies and US rates. Investor worries about the UK's debt and the Labour government's fiscal management pressured gilt prices further. UK markets are expected to remain fragile, especially with upcoming inflation data. Global bonds have struggled since early December, with gilts particularly weak.

Chart of the week*: Staying invested through volatility

While there is ongoing uncertainty in the political backdrop across a few major regions, now is a good reminder that financial markets tend not to be driven by politics and headlines, but by fundamentals. Staying invested and riding through bouts of volatility is paramount to an investment approach, often some of the best periods in financial markets follow the low periods, by disinvesting and trying to time the market, you may miss out on a recovery. History shows, no matter what party has been in government in the US, stock markets have delivered strong returns over the long term. Stay invested to reap the rewards.



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