Market Commentary

April 2025

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SNAPSHOT

- Equity selling accelerated, with US stocks dominating the global market downturn.
- Bonds edged lower as tariff wars fuelled inflation concerns.
- The euro gained despite the tariff tensions, as Germany eased its debt ceiling.

All percentages below are monthly returns for March 2025

EQUITIES

BOND MARKETS

BONDS

Stagflation concerns drove profit-taking

UK GILTS	-1.0%
US TREASURIES	0.2%
GLOBAL CORPORATE BONDS	-2.0%
GLOBAL HIGH YIELD BONDS	-2.9%

*Values represent bond index returns

CURRENCIES

CURRENCIES

Sterling gained versus dollar

Pound vs Other Currencies

GBP vs USD	GBP vs JPY	GBP vs EUR	GBP vs CNY
2.6%	2.1%	-1.5%	2.4%

KEY INDICATORS

GOLD – XAU/USD	OIL – BRENT CRUDE	COMMODITIES	INFLATION – UK CPI (YOY)
9.9%	2.1%	0.4%	2.8%

WHEAT

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GLOBAL MARKETS

The US dominated global losses, as technology led an equities decline, with investors reducing their exposure. Regionally, the declines were more subdued.

US MARKETS

Tariffs weighed heavily on the markets

The 'will-he, won't-he' sentiment, symptomatic of Trump's style, increased the level of uncertainty for any corporate strategy, creating a discount factor for stocks. Fears of 'tit-for-tat' retaliation, with much greater friction for global trade in the years ahead, raised growth and inflation concerns. Technology bore the brunt of the selling. Large cap value, as a style, outperformed overall, and ahead of small cap value. While small cap growth outperformed large cap growth.

-5.8%

US 500

UK MARKETS

Markets composition helped mitigate the decline

The FTSE 100 saw modest declines compared to the US. The FTSE 100 outperformed the FTSE250, and after several poor months, the very under-loved UK small cap sector rebounded. With energy the strongest sector in global indices and technology the weakest, the relative strength of the UK markets was more a reflection of its composition rather than the UK economy itself. The Bank of England held rates steady at 4.5%, with only one member voting for a reduction. Inflation declined but remains above target.

-2.7%

UK All Share

EUROPEAN MARKETS

Tariffs impacted performance

Europe continued to outperform the US, but did see solid declines, as concerns grew about the tariffs being applied by one of its main export markets. The German Bundestag approved several amendments to the Basic Law (Grundgesetz), allowing for an effective increase in federal and state government debt ceilings to fund defence projects, infrastructure, and climate protection (€500bn over 10 years). In the face of this extra supply, European debt sold off and yields rose, boosting the euro, while the anticipated spending helped support regional stocks.

-4.2%

Euro 600 Index ex UK

JAPAN MARKETS

Best performing of overall declining markets

Japan was the best developed market performer through the month, despite a last day sell-off which saw the rise evaporate. Adjusting for many stocks going ex-dividend, the TOPIX managed a positive return, despite notching a small decline in price terms. As tariffs threatened export demand, the yen's weakness aided the competitiveness of some. The Nikkei, heavy with international exporters, lagged the TOPIX, which is a broader, more balanced index. Japanese smaller cap stocks also made gains, as Japanese inflation eased back from 4% to 3.7%, reducing the risk of further rate rises from the Bank of Japan.

-0.9%

Japan Index

THE WORLD AT A GLANCE

	2020	2021	2022	2023	2024	March 2025	Year to date
UK CASH	0.2%	0.0%	1.4%	4.7%	5.2%	0.4	1.1
US DOLLAR INDEX	-6.7%	6.4%	8.2%	-2.1%	7.1%	-3.2	-3.9
UK GILTS	8.3%	-5.2%	-23.8%	3.7%	-3.3%	-1.0	0.5
US TREASURIES	8.0%	-2.3%	-12.5%	4.1%	0.6%	0.2	2.9
GLOBAL CORPORATE BONDS	7.1%	-1.9%	-6.8%	4.0%	2.8%	-2.0	-0.3
GLOBAL HIGH YIELD BONDS	3.8%	2.0%	-2.3%	8.2%	11.0%	-2.9	-1.2
US 500	16.3%	26.9%	-19.4%	24.2%	23.3%	-5.8	-4.6
UK ALL SHARE INDEX	-12.5%	14.5%	-3.2%	3.8%	5.6%	-2.7	3.5
EURO 600 INDEX EX UK	1.0%	22.5%	-15.0%	14.9%	4.5%	-4.2	5.7
JAPAN INDEX	4.8%	10.4%	-5.1%	25.1%	17.7%	-0.9	-4.5
ASIA EX JAPAN	22.4%	-3.1%	-15.4%	6.4%	16.2%	-0.2	2.0
EMERGING MARKETS	15.8%	-4.6%	-22.4%	7.0%	5.1%	0.4	2.4
COMMODITIES	-26.1%	41.6%	41.9%	-9.7%	11.2%	0.4	1.8
GOLD	20.9%	-4.3%	-0.7%	12.8%	26.6%	9.9	18.2
HEDGE FUNDS	5.8%	3.0%	-4.4%	2.7%	5.3%	-0.4	0.7

Source: Bloomberg

Total Return – Local Currency

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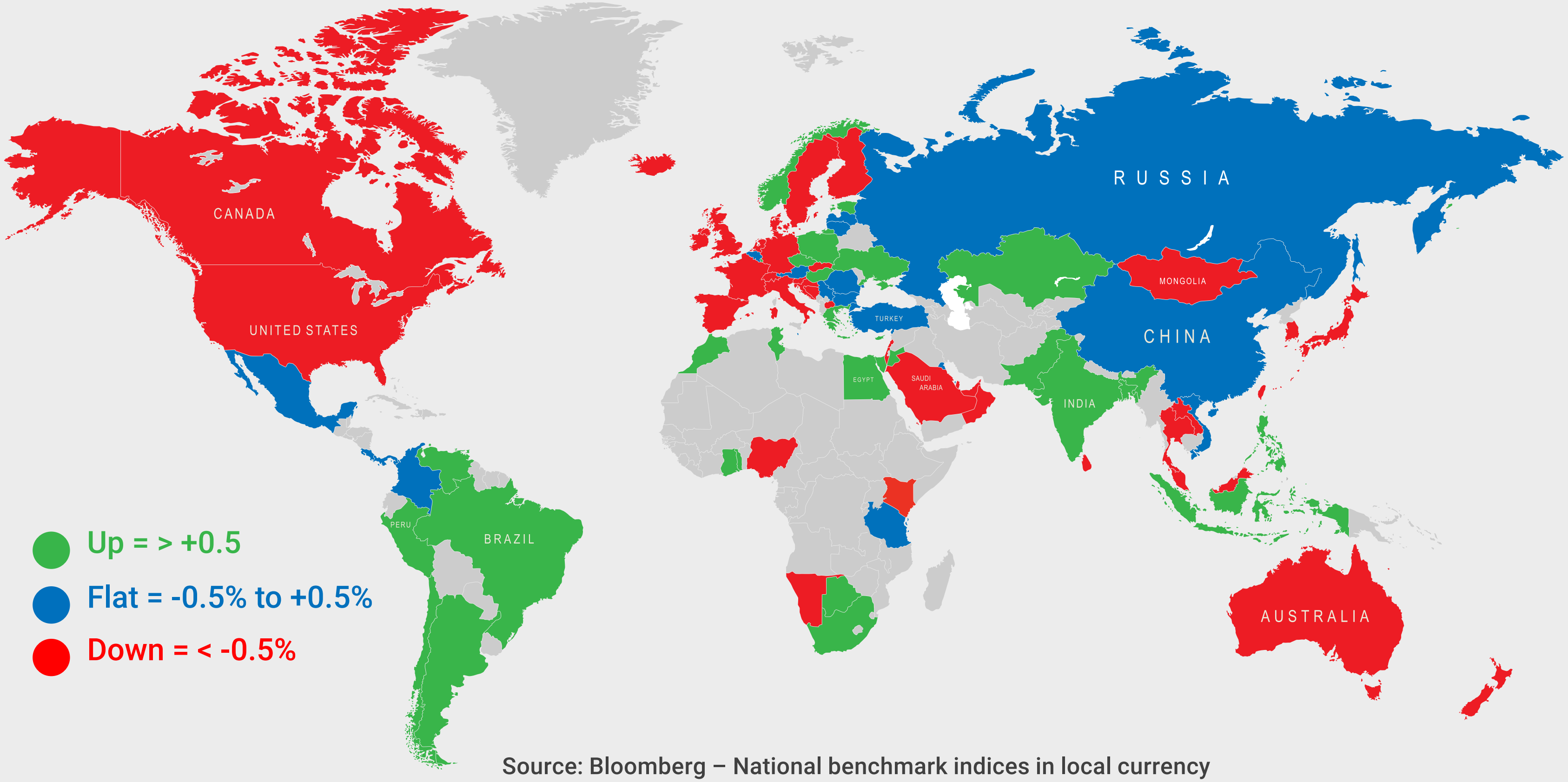
WORLD EQUITY MARKETS



Source: Bloomberg – National benchmark indices in local currency

-5.8%
USA

-4.2%
EUROPE

-0.9%
JAPAN

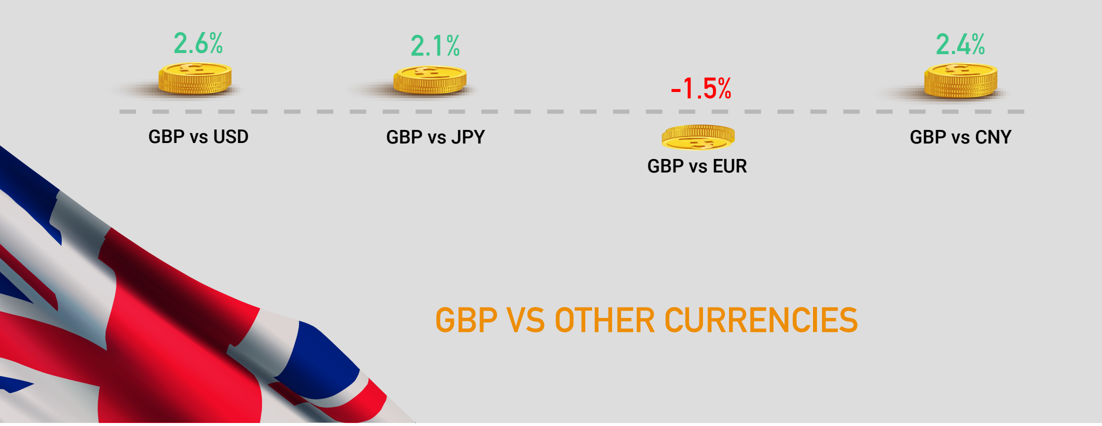
-2.7%
UK

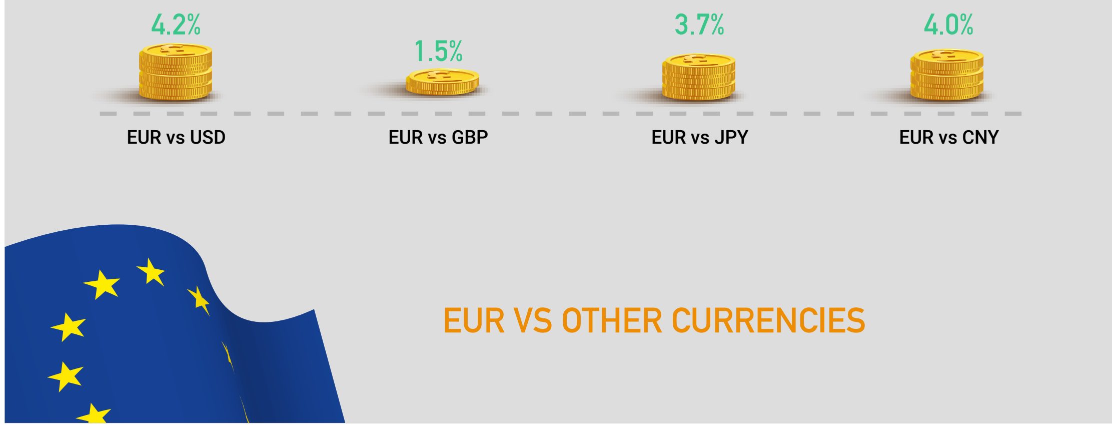
0.4%
EMERGING MARKETS

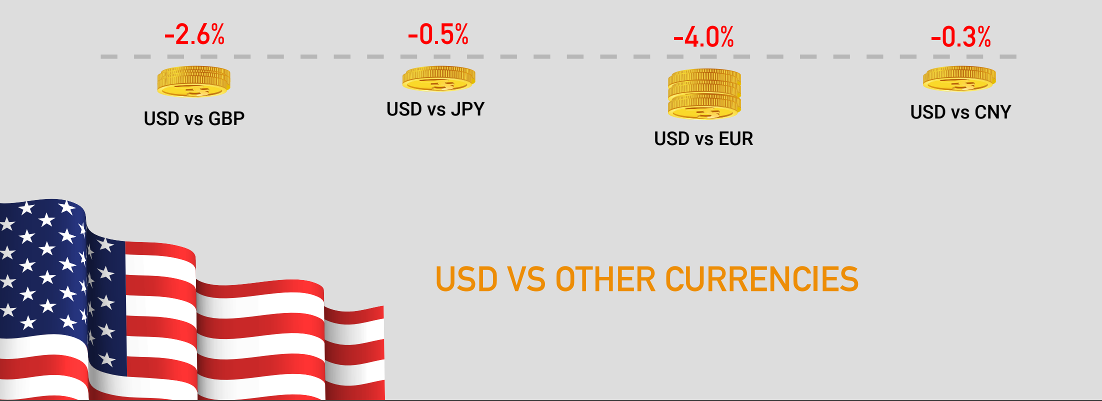
Key Points

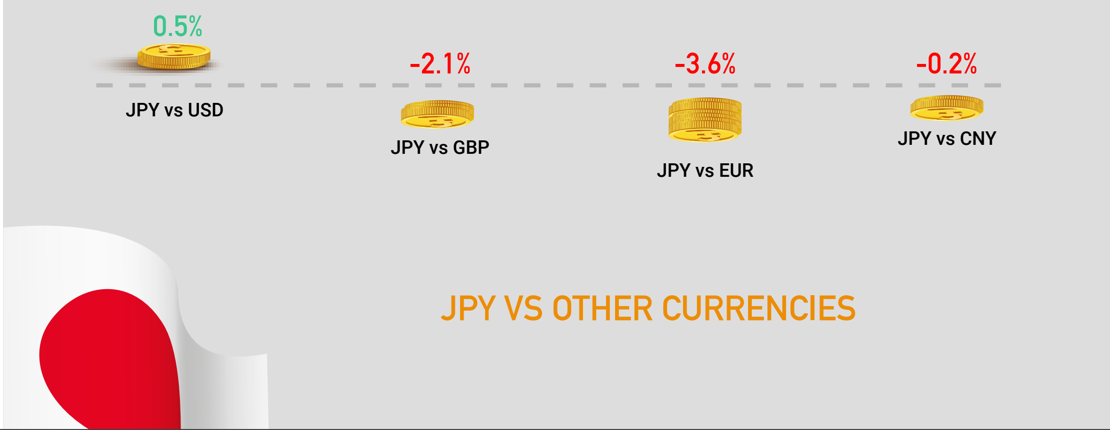
- Global equity returns were negative, mainly driven by US stock weakness. The pick-up in volatility continued but closed below its mid-month highs.
- US equities lagged on tariff concerns, increasing the chances of weaker economic growth and persistent inflation. Technology, once considered resilient to both risks, led the sell-off, with all Magnificent Seven registering year-to-date declines.
- The UK's stock mix, often a drag on returns the last few years, continued to support its recent outperformance, with gold, energy, utilities, healthcare, and financials, relative outperformers.
- The US technology and communication services sector continued to see the most aggressive profit taking. While sector valuations have dropped, they still remain higher compared to other options, prompting investors to shift toward more defensive areas.

CURRENCIES









Key Points

- The US dollar was again negative in March, continuing the trend from Feb. The dollar's trade weighted index closed the month near 104, largely unchanged over the year, having peaked in February around 110.
- Sterling strengthened against the US dollar, but gave back some of its recent gains against the euro, as European rates rose on the back of extra German borrowing being unleashed.
- The Japanese yen gained versus the US dollar, but lost ground versus sterling and the euro.
- Currencies remained relatively stable, with the pound, for example, nearly unchanged against the Swiss franc over the year. Among major exchange rate crosses, the weakest over the past 12 months have been the Australian dollar and the Canadian dollar, down approximately 6% and 8% respectively, versus sterling.

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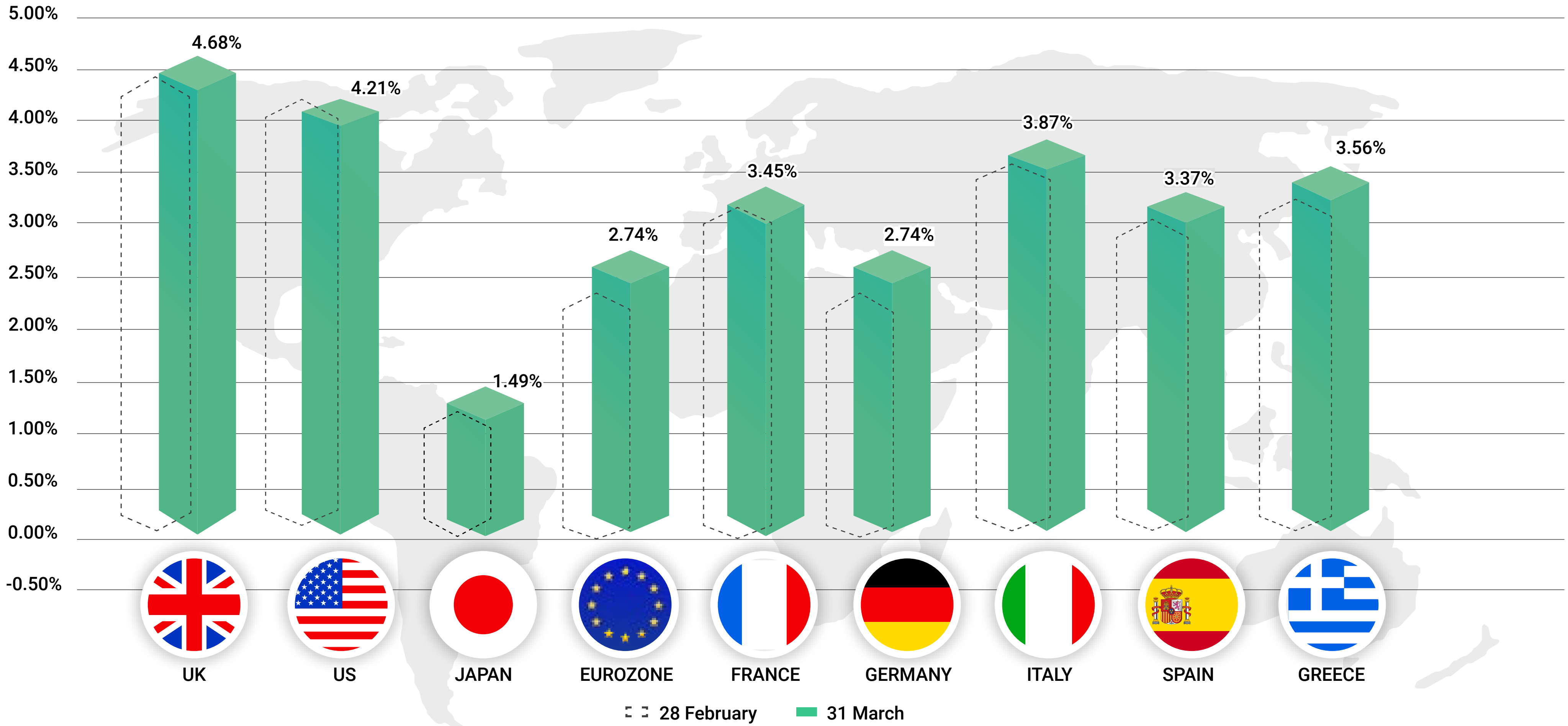
GENERIC 10-YEAR YIELDS*

*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

- Of the major bond sectors, longer duration gilts (30yr) continued being the weakest, losing another 3% over the month.
- Short-dated bonds continued to perform best, making minor gains as broader bond markets eased.
- Credit saw some softness as economic concerns increased, but investment grade corporates marginally outperformed government bond peers, somewhat aided by their shorter duration.
- European sovereign bond yields, having risen quite sharply in response to the end of the German 'debt-lock', began to outperform as the month ended.
- Dollar weakness continued to weigh on the returns of unhedged bond indices and funds, even amid the rising uncertainty that typically favours the dollar as a traditional safe haven.

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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Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK.