



# Quarterly Investment Update

January - March 2025

# QUARTERLY MARKET COMMENTARY

1st Quarter 2025

## SNAPSHOT

- Global equities ex US were mostly flat and outperformed the US, in which US tech led the declines.
- The US dollar weakened against major currencies.
- Gold posted its best quarter since 1986.

All percentages below are quarterly returns unless indicated otherwise

## EQUITIES



## BOND MARKETS

### BONDS

Gained modestly on soft inflation

	UK GILTS	0.6%
	US TREASURIES	2.9%
	GLOBAL CORPORATE BONDS	-0.3%
	GLOBAL HIGH YIELD BONDS	-1.2%



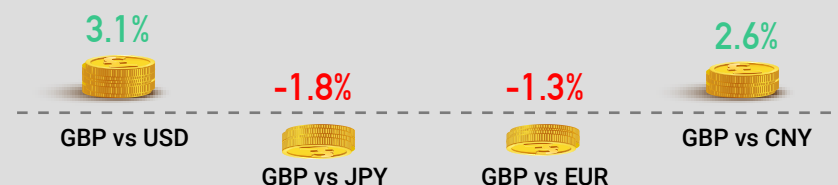
\*Values represent bond index returns

## CURRENCIES

### CURRENCIES

Sterling strengthened against the dollar but lagged the euro

Pound vs Other Currencies



## KEY INDICATORS



GOLD – XAU/USD

**18.2%**



OIL – BRENT CRUDE

**0.1%**



COMMODITIES

**1.8%**



INFLATION – UK CPI (YOY)

**2.8%**



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# GLOBAL MARKETS

Global equities declined, led by a US correction in mid-March, marking the worst quarter since Q2 2022. Value stocks outperformed growth, while gold hit an all-time high.



## US MARKETS

Ended down on tariff concerns

US stocks began the quarter on a strong note but ended lower, underperforming global markets due to economic uncertainty, intensifying competition in the AI sector, and concerns over potential tariffs introduced by the new administration. Value stocks outperformed growth stocks, while small caps continued to underperform large caps. The Federal Reserve maintained interest rates at 4.25%-4.5%, citing persistent inflation and ongoing economic uncertainty. Core CPI increased by 3.1% year-over-year, staying above the Fed's 2% target, while unemployment rose slightly to 4.1%.

**-4.6%**

US 500



## UK MARKETS

Rose on the strength of market composition

UK equities rose in the first quarter, driven by gains in large-cap energy, industrials, and financials, while small and midcap stocks experienced some volatility. The FTSE 100 benefited from strength in banking, defence, and pharmaceutical stocks. Inflation reached 3%, prompting the Bank of England to implement a 25-basis-point rate cut. The Office for Budget Responsibility (OBR) halved its 2025 growth forecast to 1%, citing expectations of higher unemployment and inflation, although projections for 2026-2029 showed slight improvement.

**3.5%**

UK All Share



## EUROPEAN MARKETS

Strong quarter of market performance

European equities delivered their strongest quarterly performance in decades, outperforming the S&P 500 by 18.4% in dollar terms—the widest margin in over 30 years. Germany's pivot toward aggressive fiscal stimulus, triggered by the United States stepping back from its traditional role as global security guarantor, has boosted Europe's outlook for spending and growth across the region. Markets were further boosted by the prospect of a ceasefire between Russia and Ukraine. Germany held elections which saw Friedrich Merz's Christian Democrats (CDU) emerging as the largest party.

**5.7%**

Euro 600 Index ex UK



## EMERGING MARKETS

China drove markets higher

Chinese stocks rose as Beijing maintained its 5% growth target for the third consecutive year while raising its fiscal deficit to 4% of GDP, the highest since 1994. The Chinese government announced plans to boost domestic consumption by increasing wages and reducing financial burdens in its latest attempt to restore consumer confidence and stimulate the economy. Meanwhile, the inflation target was lowered to 2%, signalling concerns over deflation.

**2.4%**

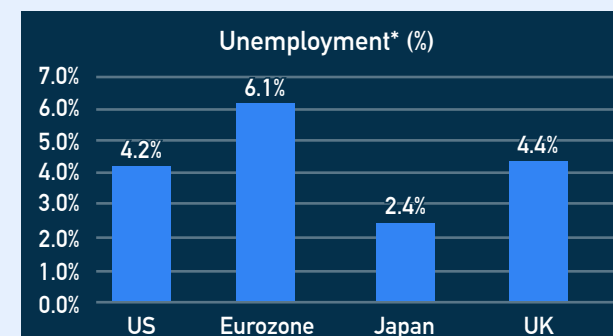
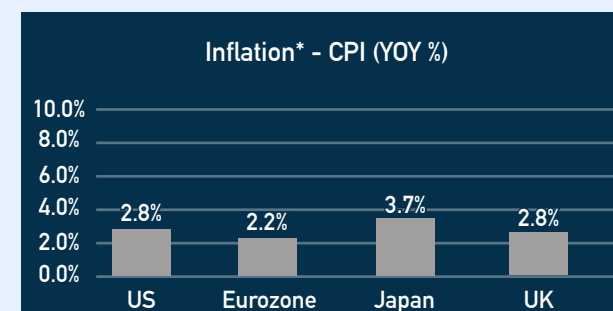
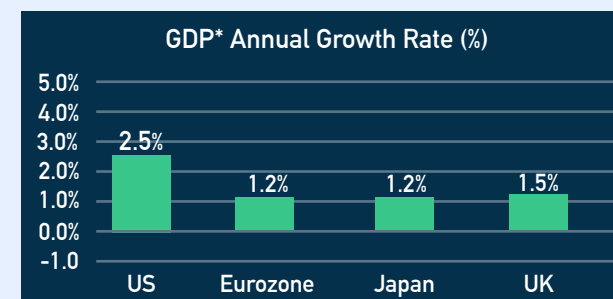
Emerging Markets Index



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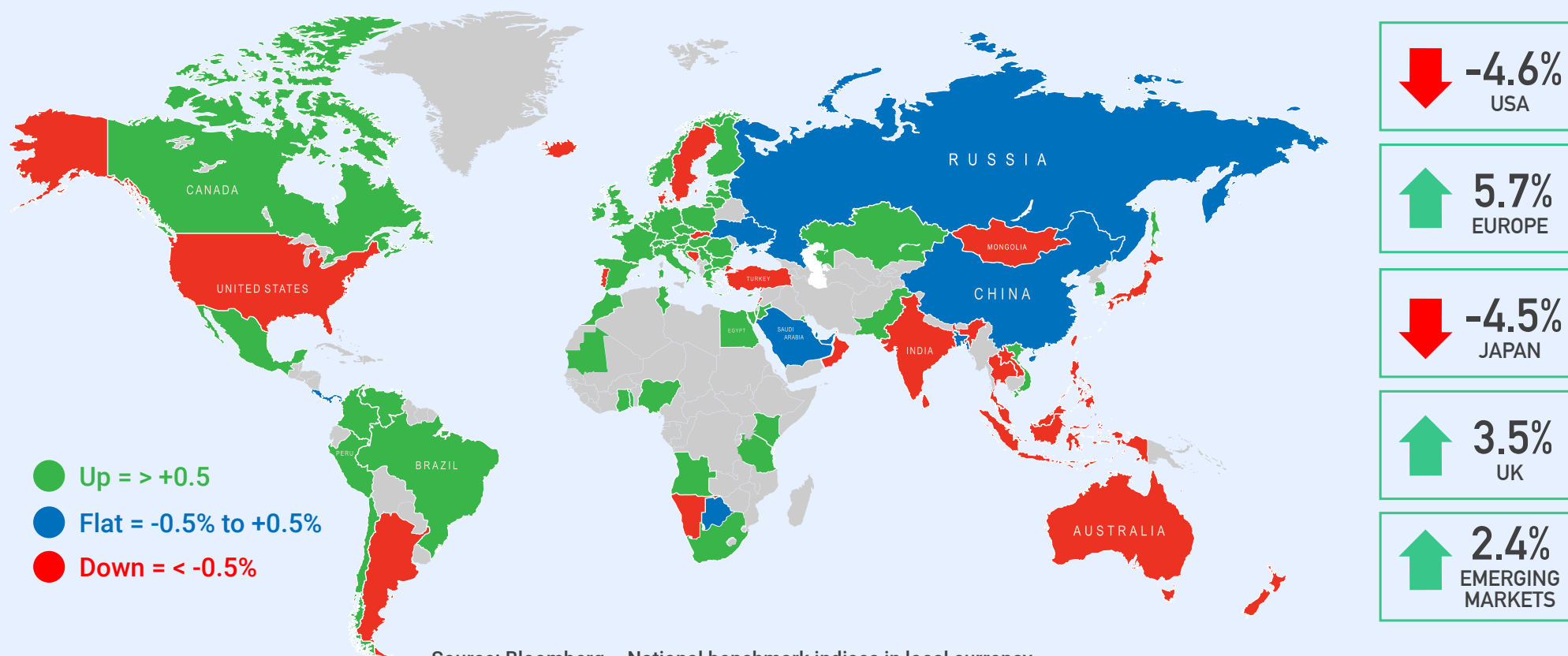
# THE WORLD AT A GLANCE

	1st QTR 2025	2024	2023	2022	2021	2020
UK Cash	1.1	5.2	4.7	1.4	0.1	0.2
US Dollar	-3.9	7.1	-2.1	8.2	6.4	-6.7
UK Gilts	0.6	-3.3	3.7	-23.8	-5.2	8.3
US Treasuries	2.9	0.6	4.1	-12.5	-2.3	8.0
Global Corporate Bonds	-0.3	2.8	4.0	-6.8	-1.9	7.1
Global High Yield Bonds	-1.2	11.0	8.2	-2.3	2.0	3.8
US 500	-4.6	23.3	24.2	-19.4	26.9	16.3
UK ALL SHARES INDEX	3.5	5.6	3.9	-3.2	14.6	-12.5
EURO 600 INDEX EX UK	5.7	4.5	14.9	-15.0	22.5	1.0
JAPAN INDEX	-4.5	17.7	25.1	-5.1	10.4	4.8
Asia Ex Japan	2.0	16.2	6.4	-15.4	-3.1	22.4
Emerging Markets	2.4	5.1	7.0	-22.4	-4.6	15.8
Commodities	1.8	11.2	-9.7	41.9	41.7	-26.1
Gold	18.2	26.6	12.8	-0.7	-4.3	21.0
Hedge Funds	0.4	5.3	2.7	-4.4	3.0	5.9



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# WORLD EQUITY MARKETS

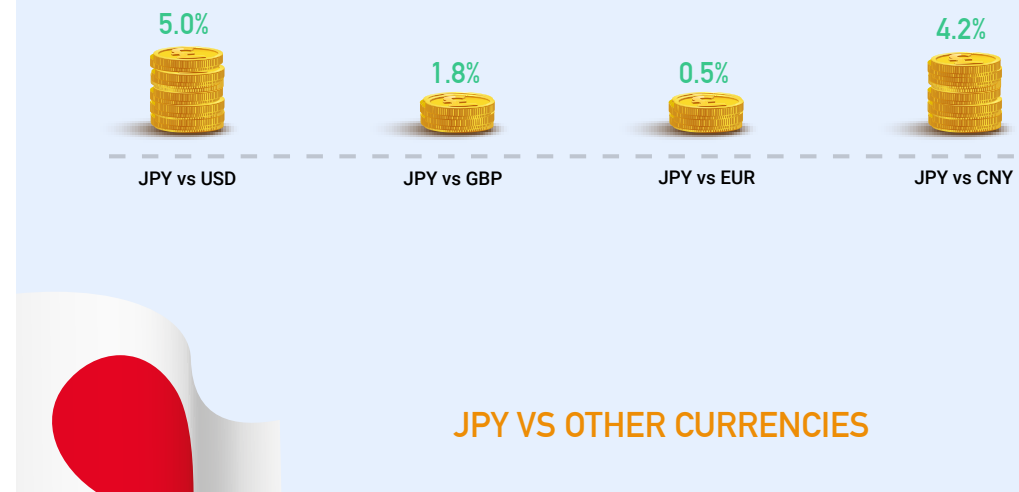
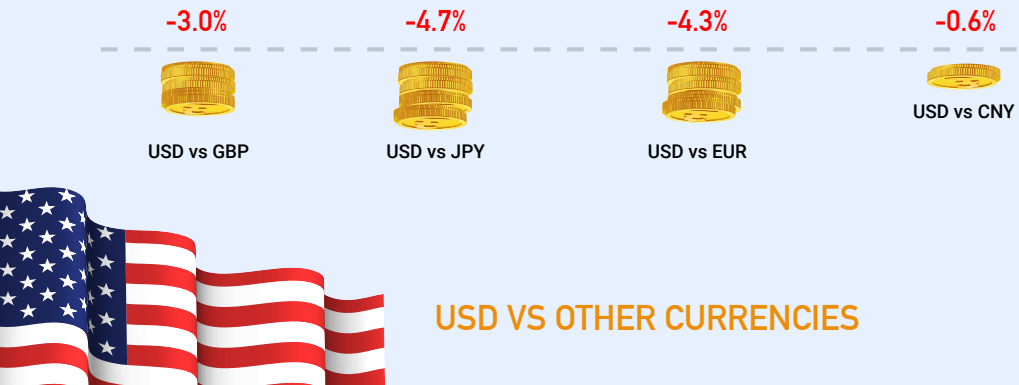
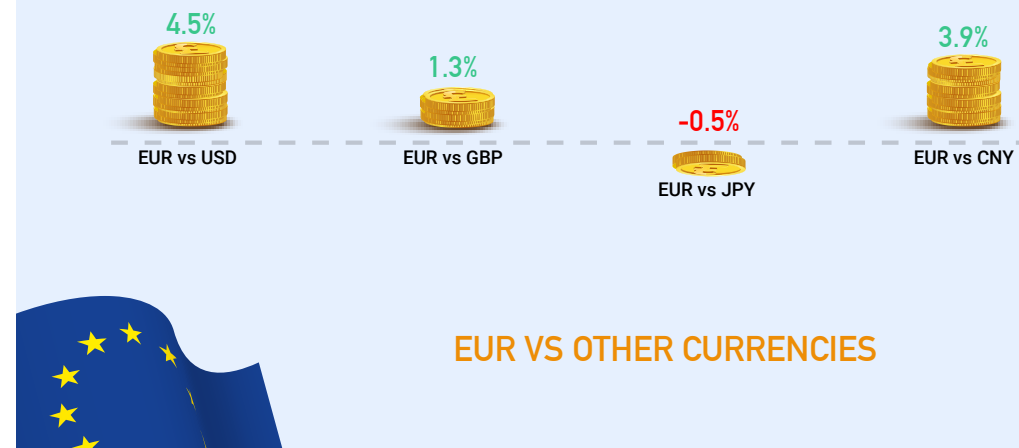
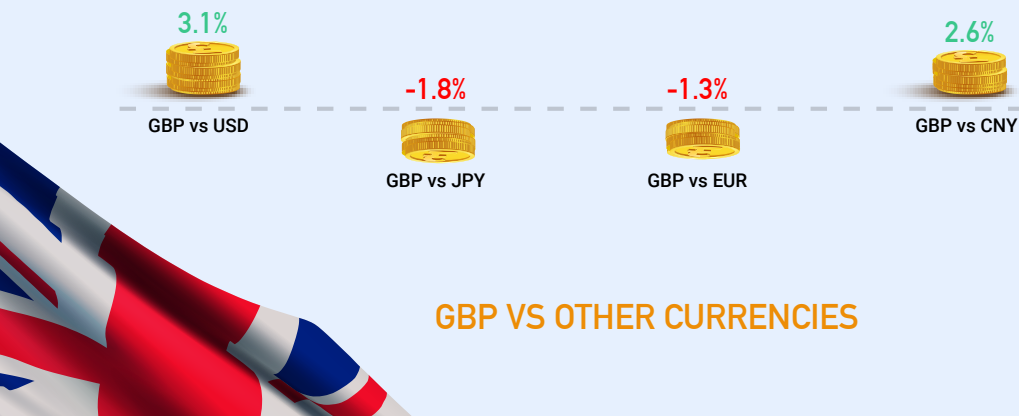


## Key Points

- Markets saw volatility in Q1 2025, with early gains fading due to trade policy uncertainty. Optimism over rate cuts and Trump's inauguration was overshadowed by tariff threats. March saw major tariffs enacted, dampening corporate earnings and pushing equities lower.
- Key AI stocks, including Nvidia, declined after news from DeepSeek suggested that AI could be delivered at a significantly lower cost than previously anticipated, undermining their valuation multiples.
- European equities rose after Germany announced plans to break previous fiscal rules by exempting a planned \$500 billion infrastructure fund and allowing increased defence spending beyond existing debt limits.
- Value stocks outperformed growth stocks, while small caps struggled, with technology and consumer discretionary stocks hit hardest amid economic concerns. The technology sector saw its worst quarter since 2022, while energy and healthcare stocks provided rare bright spots despite falling oil prices.

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# CURRENCIES



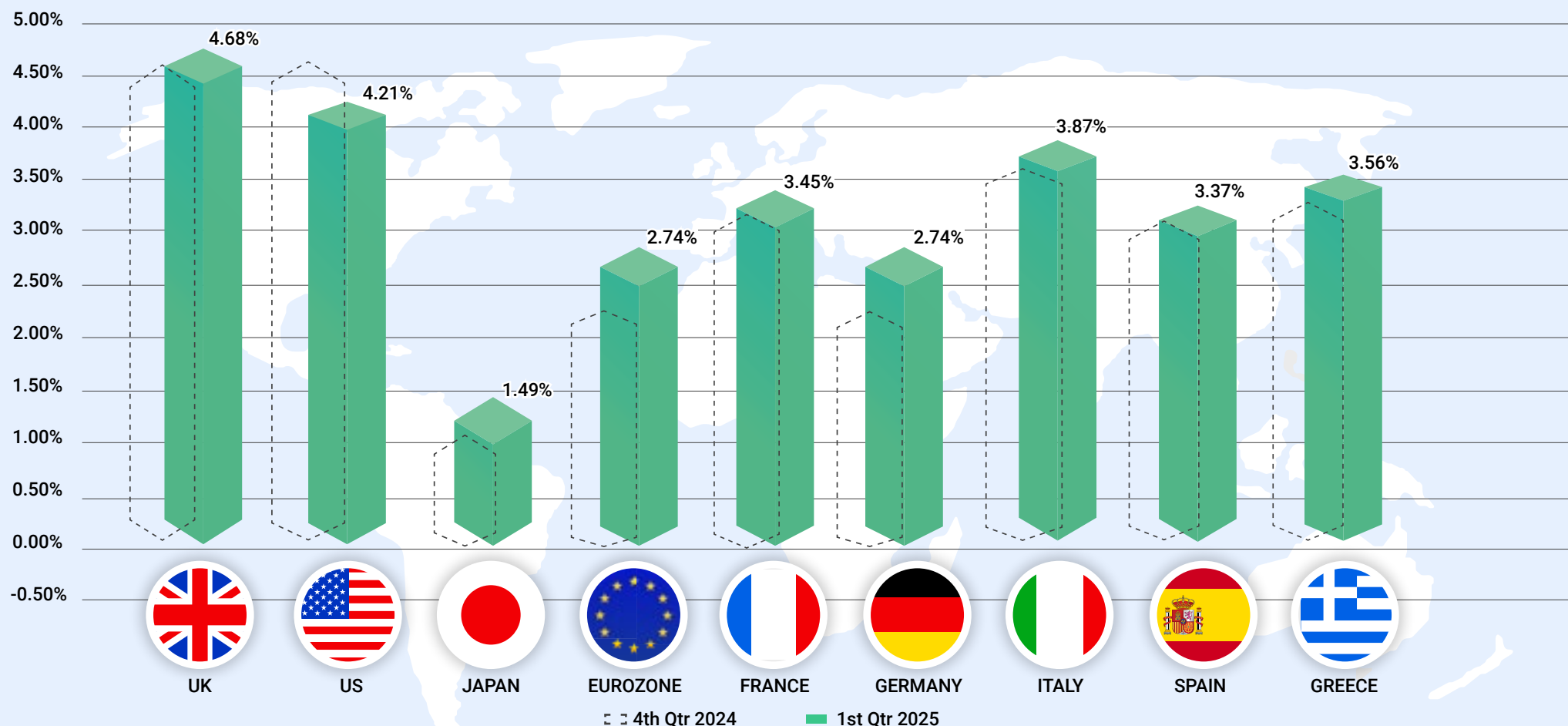
## Key Points

- The US dollar declined against major currencies over the quarter; the rollout of US President Trump's tariff regime has dampened sentiment toward the dollar.
- The euro strengthened over the quarter boosted by German and EU defence announcements.
- Sterling strengthened against the US dollar but weakened against the euro, boosted by anticipated defence spending and an unexpected rise in retail sales.
- Turkish lira tumbled following some recent political turmoil, prompting the central bank to intervene.

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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

- Treasury yields fell over the quarter as growth concerns outweighed inflation fears. The Fed Funds Rate is now above ten-year Treasury yields, suggesting policy has become more restrictive.
- Eurozone borrowing costs surged as Germany's defence spending plans pushed 10-year Bund yields near 3%. French yields topped 3.6%, a decade high, while Italy's hit 4% for the first time since last July.
- Gilts underperformed their European peers due to concerns over the deterioration in UK public finances. However, UK corporate bonds fared better.
- The yield on 10-year Japanese government bonds peaked at 1.56%, its highest level since 2008, driven by expectations of continued BoJ interest rate increases.
- China's local currency bonds recovered after the central bank injected ¥937 billion into the money market. China's central bank, the People's Bank of China (PBOC), had previously drained liquidity to stabilize the currency after the sudden rise of DeepSeek prompted funds to rotate into stocks.

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# 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.