Weekly Market Update

Global trade tensions intensify: The announcement of new US tariffs on imports from China, the European Union, and Japan has escalated global trade tensions. These measures have prompted discussions among affected nations about potential retaliatory actions and raised concerns over the stability of international trade relations. This development underscores the interconnected nature of global economies and the potential widespread impact of policy decisions made by major economic powers.

US

Market turbulence amid policy changes: US markets experienced significant declines, with the S&P 500 dropping 1.7%, the Nasdaq falling 2.2%, and the Dow Jones sliding 1.69% (over 700 points). Investors reacted to President Trump's aggressive policy changes, including new tariffs and spending cuts, creating uncertainty in the business sector.

Inflation concerns rise: January saw a surprising rise in consumer price inflation, with core inflation increasing to 3.3% from an expected 3.1%. This was partly driven by higher egg prices due to avian flu. The Federal Reserve's preferred measure, the personal consumption expenditures index, is anticipated to show a monthly increase to 0.3% but a yearly decline to 2.6%.

Trade tensions escalate: President Trump announced plans to impose a 25% tariff on imported automobiles, semiconductors, and pharmaceuticals, expected to be implemented on 2nd of April. This move has raised concerns about potential retaliatory measures and disruptions to global supply chains.

Housing market shows weakness: US housing starts fell 9.8% month-over-month in January to an annualised 1.366 million, down from December's 10-month high. Severe weather and higher costs from tariffs contributed to the decline.

UK

Inflation reaches 10-month high: The UK's Office for National Statistics reported that inflation rose to 3% in January, the highest level in 10 months. This increase was driven by higher food prices, airfares, and the imposition of value-added tax (VAT) on private school tuition fees.

Economic growth surpasses expectations: The UK economy grew by 0.1% in the fourth quarter of 2024, narrowly avoiding a technical recession. Growth in services (0.2%) and construction (0.5%) offset a 0.8% contraction in the production sector.

Business confidence declines: UK firms are considering the largest layoffs in a decade as business confidence slumps with the increase's costs imposed by the Labour party. Economic uncertainties and potential trade disruptions have contributed to this decline in sentiment.

Potential industrial action: Oil workers and tanker drivers are contemplating strike action to protect jobs threatened by the green transition. Unite's general secretary warned of possible industrial action if job security concerns are not addressed.

Europe

Politics: Germany's conservative opposition leader Friedrich Merz said he'll move to form a new coalition government within two months after Merz's CDU/ CSU bloc won 28.6% of the votes, followed by the AfD (far right) with 20.8%, according to a provisional vote count by the Federal Returning Officer.

Defence stocks surge: European defence companies saw a significant increase in market value, with the sector's total value rising by over €18 billion. This surge is attributed to anticipated increases in military spending amid geopolitical tensions.

Trade surplus with the US expands: The EU's trade surplus in goods with the US grew in December, with exports rising by 5.6% to €41.6 billion and imports from the US decreasing by 10.8% to €26.1 billion.

Inflationary pressures persist: Eurozone inflation remained elevated, with energy prices and supply chain disruptions contributing to sustained price increases across member countries.

Asia/ROW

Tech sector optimism: Chinese stocks rallied, with the Hang Seng Index reaching a three-year peak. This surge was driven by strong earnings reports from tech giants like Alibaba and renewed investor interest in China's AI capabilities.

Stable loan prime rates: The People's Bank of China maintained the 1-year Loan Prime Rate at 3.1% and the 5-year LPR at 3.6%, indicating a focus on financial stability over further rate cuts.

Japan's economic growth continues: Japan's economy expanded by an annualised 2.8% in the fourth quarter of 2024, marking three consecutive quarters of growth. This was driven by strong corporate spending, though private consumption remained weak.

Japan trade concerns amid US tariffs: Economy Minister Yoji Muto plans to visit the US to seek exemptions for Japanese products from impending 25% tariffs on steel, aluminium, automobiles, semiconductors, and pharmaceuticals.

Performance

Asset Class/Region	Currency	Week ending 21 Feb 2025	Month to date	YTD 2025	12 Months
Developed Market Equities					
United States	USD	-1.6%	-0.4%	2.4%	21.9%
United Kingdom	GBP	-0.5%	0.2%	6.3%	16.9%
Continental Europe	EUR	0.4%	3.4%	10.6%	14.2%
Japan	JPY	-0.8%	-1.9%	-1.7%	6.6%
Asia Pacific (ex Japan)	USD	1.6%	4.5%	5.9%	17.8%
Australia	AUD	-2.8%	-2.5%	1.9%	13.0%
Global	USD	-1.4%	0.2%	3.8%	19.1%
Emerging markets equities					
Emerging Europe	USD	-0.3%	3.8%	12.5%	10.4%
Emerging Asia	USD	2.6%	5.5%	6.3%	19.2%
Emerging Latin America	USD	-1.8%	2.8%	12.6%	-14.5%
BRICs	USD	2.1%	8.0%	8.1%	19.7%
China	USD	3.9%	16.8%	17.9%	45.8%
MENA countries	USD	0.4%	0.9%	4.1%	1.9%
South Africa	USD	0.8%	6.5%	12.1%	31.5%
India	USD	-0.5%	-3.0%	-4.5%	0.1%
Global emerging markets	USD	2.0%	5.0%	6.9%	15.1%
Bonds					
US Treasuries	USD	0.3%	0.9%	1.4%	4.1%
US Treasuries (inflation protected)	USD	0.3%	0.8%	2.1%	5.5%
US Corporate (investment grade)	USD	0.3%	1.0%	1.6%	6.0%
US High Yield	USD	0.0%	0.2%	1.6%	10.1%
UK Gilts	GBP	-0.6%	-0.1%	0.7%	1.2%
UK Corporate (investment grade)	GBP	-0.4%	0.0%	1.1%	5.1%
Euro Government Bonds	EUR	-0.3%	0.2%	0.0%	3.8%
Euro Corporate (investment grade)	EUR	0.0%	0.3%	0.8%	6.5%
Euro High Yield	EUR	0.1%	0.8%	1.5%	9.0%
Global Government Bonds	USD	0.1%	1.0%	1.7%	2.0%
Global Bonds	USD	0.1%	1.0%	1.5%	3.1%
Global Convertible Bonds	USD	-0.1%	1.8%	4.1%	12.7%
Emerging Market Bonds	USD	0.0%	0.5%	1.8%	9.3%

Performance

Asset Class/Region	Currency	Week ending 21 Feb 2025	Month to date	YTD 2025	12 Months
Property					
US Property Securities	USD	0.1%	1.5%	2.5%	13.2%
Australian Property Securities	AUD	-1.1%	-1.1%	3.5%	13.1%
Asia Property Securities	USD	0.0%	1.3%	2.3%	-0.9%
Global Property Securities	USD	-0.2%	1.3%	2.6%	10.3%
Currencies					
Euro	USD	-0.4%	0.4%	1.1%	-3.2%
UK Pound Sterling	USD	0.3%	1.5%	1.0%	0.2%
Japanese Yen	USD	2.1%	3.7%	5.4%	0.7%
Australian Dollar	USD	0.2%	1.9%	3.0%	-2.6%
South African Rand	USD	0.2%	1.6%	3.2%	3.4%
Swiss Franc	USD	0.1%	1.2%	1.1%	-1.9%
Chinese Yuan	USD	0.0%	-0.1%	0.7%	-0.8%
Commodities & Alternatives					
Commodities	USD	0.7%	2.9%	6.0%	12.0%
Agricultural Commodities	USD	-0.6%	0.9%	4.2%	7.3%
Oil	USD	-0.4%	-3.0%	-0.3%	-10.4%
Gold	USD	1.9%	4.9%	11.9%	45.0%

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