



Global Market Overview January 2025

Towards the end of 2024, US equity markets rallied strongly on the result of the presidential election. Investors were encouraged by Trump's election policies in support of domestic growth, with lower taxes, deregulation, and cuts to government spending. It is clear that this election result will have an impact on some areas of both US and global economies, but the overall impact on global markets is not yet known. History shows that election promises are often subject to change when actually in office and, therefore, the outcome for markets at this stage is very hard to predict.

The pullback in financial markets in December was driven primarily by concerns over the inflationary effects of President Trump's trade tariffs which, if implemented in full, could stoke US inflation and threaten anticipated Federal Reserve's interest rate cuts. This situation also has the potential to create significant downside risks for many non-US economies, both developed and emerging.

At the time of writing, there are indications that Trump is using the threat of significantly increased tariffs mostly as a negotiation tool, but only time will show whether his initial rhetoric becomes reality; whatever the final outcome, in the short term it is disruptive, and the increased uncertainty will most likely create additional volatility.

During 2024, and following on from 2023, artificial intelligence (AI) has been the main story, and has pushed the value of some technology companies to unprecedented levels. While the longer-term impact of AI remains relevant, the connected company valuations are very susceptible to any disturbance as clearly demonstrated by recent news from the Chinese AI start-up DeepSeek, which potentially challenges current US dominance in this area.

Throughout 2024 we saw global inflation coming under control and interest rates falling in most economies. In recent weeks, we have experienced a subtle change and divergence of expectations around inflation and the anticipated pace of rate cuts: in the US, rate cuts are expected to be fewer than previously anticipated in the face of potentially inflationary headwinds from Trump's policies, whereas in the UK we are potentially looking at accelerated rate cuts by the Bank of England in response to the UK's lacklustre economic outlook following the recent Labour Budget.

During last year, investors experienced very little volatility, but we anticipate it will become more prevalent this year. For now, there appears to be sufficient liquidity within markets, and significant uninvested cash on the sidelines, to provide continued positive momentum throughout the first half of this year, but the second half may become more challenging. Slower growth and slightly higher interest rates have the potential to diminish investor enthusiasm sharply, and it is notable that recent consumer confidence indicators are turning negative.

Nevertheless, despite the potential headwinds above, it is a sign of a healthy market when returns broaden out across sectors and regions, which they have. The elevated valuation and stock price levels within some sectors such as technology, which are at all-time highs, will, however, require future earnings to meet, or exceed, market expectations if their specific valuations are to remain supported.

Across global markets, opportunities remain, and attractive valuations can be found. We continue to recommend a broad diversification across more defensive and risk assets, globally and within market sectors. Diversification within asset classes also remains important, with fixed interest securities (bonds) providing sensible risk and diversification attributes.

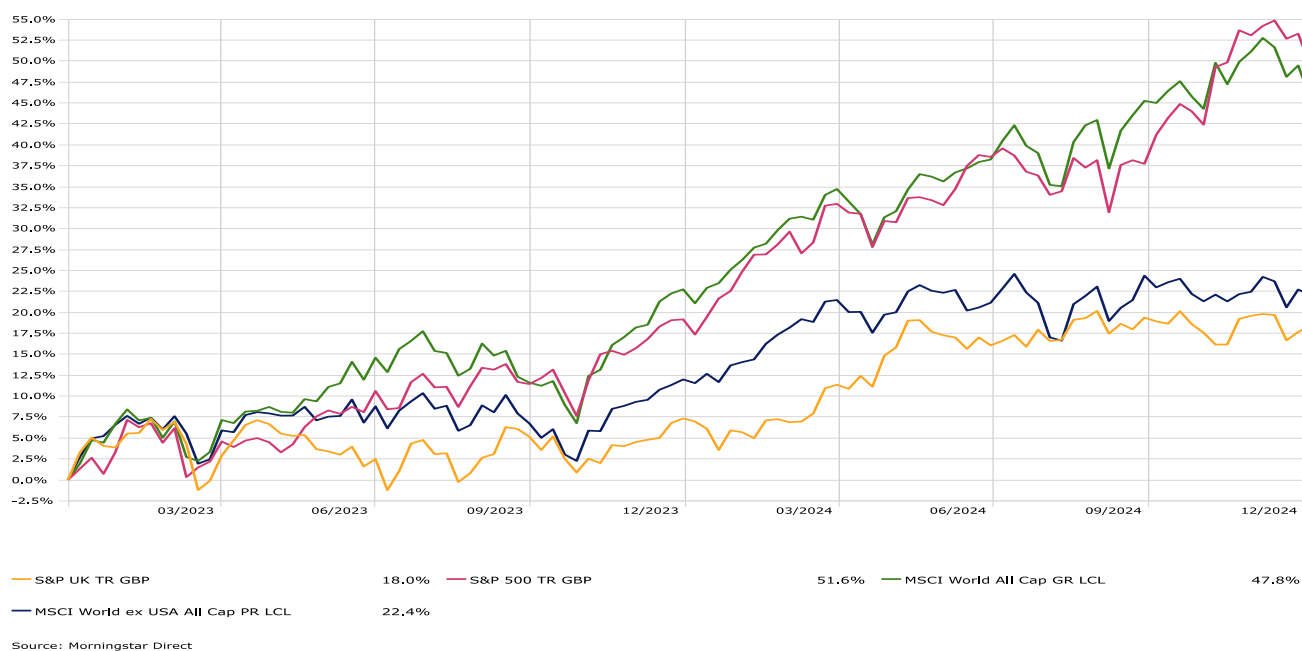


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Two Years to end December 2024 – percentage return



Index, Benchmark and Exchange Traded Fund – percentage/price return to end December 2024

	Currency/Rate	Three Months	Six Months	One Year	Two Years	Three Years
Fixed Interest/Bonds						
Bloomberg US Treasury Bills TR	GBP	8.35	3.57	7.18	21.26	19.51
Bloomberg Sterling Gilts TR	GBP	-3.54	-1.18	-4.02	-25.56	-23.22
US Equities						
S&P 500 TR	USD	2.41	8.44	25.02	29.29	97.02
S&P 500 TR	GBP	9.68	9.45	27.26	39.83	108.40
NASDAQ 100 TR	USD	4.93	7.16	25.88	32.04	150.65
UK Equities						
S&P UK TR	GBP	-0.18	1.66	9.93	26.12	31.49
iShares FTSE 250 ETF PR	GBP	-1.57	2.87	7.54	-4.90	5.12
iShares MSCI UK Small Cap ETF TR	GBP	-3.25	2.27	6.11	-10.61	-3.72
European Equities						
MSCI AC Europe GR	Euro	-2.77	-1.27	8.57	13.45	37.43
iShares STOXX Europe 600 PR	Euro	-3.16	-0.63	8.37	12.41	38.17
Asia and Emerging Market Equity						
Morningstar Asia GR	GBP	0.11	2.49	11.36	10.59	29.22
iShares Core MSCI Emerging Markets ETF	GBP	-6.97	-0.21	6.92	-4.64	11.98
Morningstar China GR	GBP	-1.83	13.53	18.83	-10.06	-8.66
Morningstar India GR	GBP	-3.91	-3.02	14.71	40.65	110.55
Japanese Equities						
Nikkei 225 Average TR	Yen	5.35	1.67	21.33	47.23	85.71
TOPIX 500 PR	Yen	5.43	-0.86	18.28	40.53	64.11
Global Equities						
MSCI World All Cap PR	Various	1.52	6.11	18.19	17.32	59.52
MSCI World ex USA All Cap PR	Various	-0.37	1.07	9.33	9.62	27.48
Global Property and Infrastructure						
Morningstar Gbl Eq Infra PR	GBP	-0.47	4.54	5.82	3.01	18.40
S&P Global Property TR	USD	-8.88	6.09	3.54	-12.45	-0.35
Commodities and UK RPI						
S&P GSCI Brent Crude Spot	USD	4.10	-12.19	-3.12	-4.04	13.09
S&P GSCI Gold Spot	USD	-0.69	12.88	27.47	44.43	73.40
UK RPI	%	0.90	1.24	3.46	23.42	34.33

Important Information

Data source: graphs, economic and market data - Morningstar Direct. NB: Asset Risk Consultants Indices contain estimated numbers. TR is Total Return. PR is Price Return. GR is Gross Return. With investment, your capital is at risk. Opinions constitute our judgement as of this date and are subject to change without warning. The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your initial investment. Past performance is not a reliable indicator of future results and forecasts are not a reliable indicator of future performance. LAM accepts no responsibility for any direct, indirect, or consequential loss suffered by you or any other person as a result of your acting, or deciding not to act, in reliance upon any information contained in this document. The information in this document does not constitute advice or a recommendation and you should not make any investment decisions based on it. If you do, however, require advice we would of course be happy to assist.

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