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YOUR Q4 2024 INVESTMENT UPDATE

Market Review

The last quarter of the year presented a mixed picture. Although there were some challenges, the robust US economy bolstered equity market performance and further strengthened the US dollar.

In contrast, Europe faced growth concerns. Persistently high inflation led to expectations of fewer rate cuts, which negatively impacted bond market performance, concluding an otherwise relatively positive year. So, let's take a quick overview of the primary market sectors.

Developed Equity

The last quarter brought some good news for investments in developed markets. In the US, both markets and the currency saw significant rallies following Donald Trump's Presidential victory and stronger economic data. However, they pulled back slightly due to expectations of higher interest rates in 2025.

In Japan, signs that interest rates could stay low weakened the Yen, which in turn boosted the stock market in local currency, Sterling, and Euros. However, the strong US dollar resulted in less impressive returns when measured in US dollars.

Elsewhere in Europe and Asia, performance was weaker. In the UK, the fiscal budget needed more borrowing than anticipated, which slightly concerned investors and led to some weakness in the equity markets.

In mainland Europe, weaker economic data and the threat of US-imposed tariffs on EU imports continued to concern investors about future growth prospects, resulting in weaker equity market performance.

Emerging Equity

In contrast to the previous quarter, emerging markets faced more challenges than developed markets.

The election of Donald Trump raised concerns about potential tariffs on Chinese imports, which negatively impacted Chinese stocks.

India, which had performed strongly earlier in the year, experienced setbacks due to foreign investor outflows and a weakening Rupee. Overall, a stronger US dollar posed a headwind for these markets.

Global Real Assets

Global property and infrastructure were both impacted by higher interest rate expectations.

While real estate declined over the quarter in local currency terms, infrastructure performed much better and ended in positive territory.

Global Fixed Income

Q4 experienced significant bond market volatility, with yields rising and prices falling, especially in October and December. The increase in October was driven by higher realised and expected inflation.

In December, bond market instability was caused by concerns over higher inflation and the likelihood of fewer rate cuts through 2025.

In terms of actual policy decisions, both the US and Eurozone implemented two 0.25% interest rate cuts during the quarter, which was broadly in line with expectations. The UK, on the other hand, delivered just the one rate cut.

High yield bonds were the best-performing of the bond market over the quarter. Throughout the year, bond asset classes generally delivered solid returns.

Looking Ahead

As we move into 2025, the markets are relatively stable. Donald Trump's initial policy decisions will be closely monitored, as they could significantly influence market sentiment. His promises of lower energy costs, lasting peace in the Middle East, and ending the Russia/Ukraine war are of particular interest.

These factors continue to pose significant risks to global markets. What unfolds in the coming months and how market participants react will play a crucial role in shaping the direction of 2025.

Our Investment Committee's goal remains to ensure your recommended investment solution navigates these changes with care, and ensures your portfolio is well-positioned to manage risks while tilting towards areas with longer-term opportunities.

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60 Days & counting

Make the most of your 2024/25 tax allowances

With the tax year ending on 5th April 2025, you have just over 60 days left to use your 2024/25 tax allowances if you haven't done so yet.

This still leaves ample time to maximise your annual tax allowances, reduce your taxable income, and enhance your savings and investments.

Need to chat?

Please contact your adviser if you have any questions or would like to discuss anything mentioned in this update or your investments in general.

Our next Newsletter will be with you in mid-March. Until then, we wish you all the very best for the weeks ahead.