



January Market Review 2025

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January Economic Background

- Trump’s inauguration and executive orders spur market volatility
- UK chancellor Rachel Reeves faces pressure to rebuild UK confidence
- AI disruption sparks historic Nvidia selloff

Equities & Bond Performance % (As of 31/12/2024, in GBP terms)			
	NOV	DEC	JAN
Global Equity Market	4.94 ▲	-1.17 ▼	4.05 ▲
Global Bond Market	1.49 ▲	-0.69 ▼	1.37 ▲

Source: Morningstar (Morningstar Global Markets; Bloomberg Global Aggregate)

Market Review

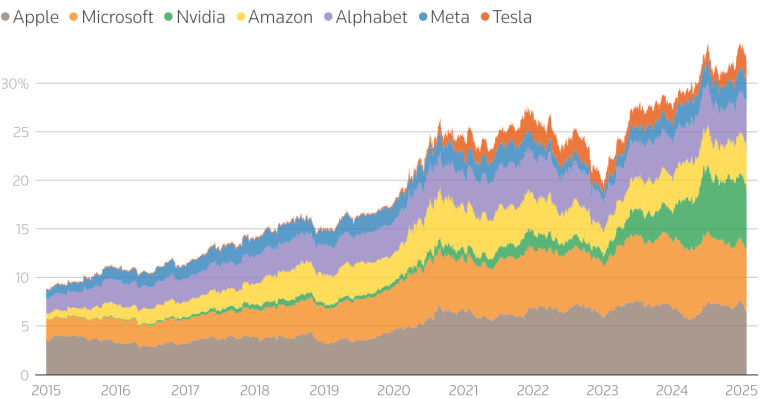
Trump Inauguration: Donald Trump’s inauguration as the 47th U.S president on January 20th provided an initial boost for stock markets, driven by his pro-business agenda, deregulation efforts, and promise of a “golden age” for the U.S economy. However, aggressive new trade policies, including tariffs on Canadian, Mexican, and Chinese imports, unsettled investors, particularly in currency markets. Meanwhile, the U.S economy grew at a 2.3% rate in Q4, a weaker-than-expected end to a year defined by consumer resilience. The Federal Reserve (Fed), wary of inflation, kept interest rates steady at 4.25%-4.5% during its January meeting, pausing its rate-cutting cycle after three consecutive reductions in 2024. Fed Chair Jerome Powell emphasised there was no urgency to lower rates, highlighting lingering inflation risks. Markets remain wary of Trump’s influence, as his push for aggressive rate cuts contrasts with the Fed’s cautious stance.

UK Economy: In January, gilt yields surged to their highest levels in decades, reflecting investor concerns over the UK’s deteriorating fiscal position. The yield on 10-year gilts (UK government bonds) hit its highest level since the 2008 financial crisis, while the 30-year gilt yield hit its highest since 1998. This rise in yields signals growing concern about the government’s ability to manage its finances effectively. Rising yields mean that the cost of borrowing for the UK government has become more expensive. As confidence in the government’s fiscal plans weakens, gilt investors (i.e. those who lend money to the government by purchasing bonds) perceive higher risks associated with UK debt, resulting in less relative demand compared to other assets, a lower price, and a higher yield. Consequently, the UK faces higher borrowing costs on new bond issuances, limiting fiscal flexibility and making it more expensive to finance public projects or stimulate economic growth. This dynamic heightens concerns about a potential recessionary environment, as reduced government spending and investment (due to higher borrowing costs) can hinder economic expansion and dampen growth. There are also wider concerns regarding the potential for stagflation (slow or falling economic growth, combined with high inflation and elevated unemployment), in light of the wider inflationary backdrop faced by the UK, alongside its challenging debt dynamics and relatively weak economy.

Tech Sell-off: Donald Trump called Chinese AI start-up DeepSeek a “wake-up call” for U.S. industries as Nvidia suffered a shocking \$589 billion market cap wipeout in a single day, and a share price fall of 17%. The selloff on Monday 27th, (also experienced across other AI stocks and the tech sector more broadly) rattled global markets, triggered by DeepSeek’s launch of a free AI assistant, which seemingly boasted greater efficiency and lower costs than existing products (such as Open AI’s ChatGPT), while making the software code open source (rather than proprietary, in the case of ChatGPT). While Nvidia somewhat rebounded the following day (+9%), the sharp decline exposed the risks of inflated AI valuations and the market’s heavy reliance on a handful of tech giants, with investor capital remaining highly concentrated in the renowned “Magnificent Seven”.

The Magnificent Seven’s slice of the S&P 500

The heavyweight stocks now account for 31.7% of the index’s total value



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