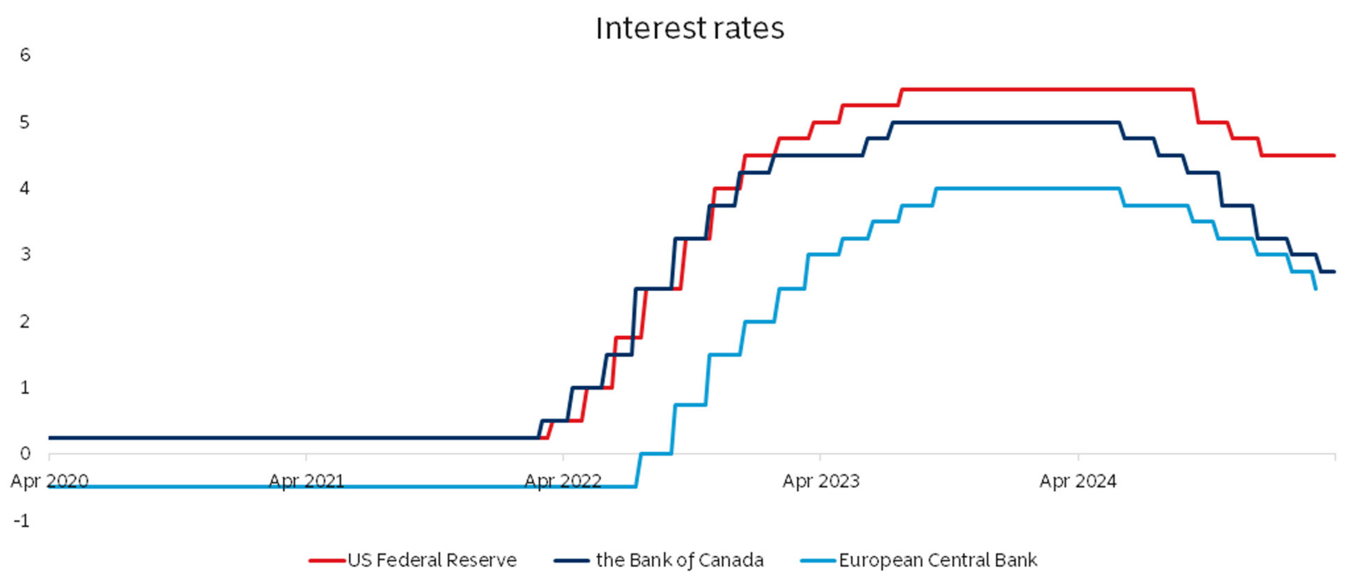
Chart of the Week

7 April 2025



Source:Bloomberg Finance L.P., as at 2 April 2025.

Bond appetite! interest rate cuts on the menu.

Charles Thomson
Portfolio Manager

What this chart shows

This chart shows the level of official short-term interest rates set by the US Federal Reserve, the Bank of Canada and the European Central Bank. In 2022 these central banks started to aggressively increase interest rates before reaching a peak in late 2023. Last year monetary policy began to reverse, and interest rates have been falling consistently since then.

Why this is important

The speed and magnitude of the rate increases in 2022 and 2023 were unprecedented in recent history - a necessary policy response to the inflation shock that followed the Covid pandemic and the Russia / Ukraine conflict. Inflation rates declined sharply from the middle of 2022 and have now stabilised at a level close to 2 percent. Policy responses must consider future price stability and economic growth. Recent geopolitical events, specifically US trade tariffs, have caused a fall in asset prices and a downward revision to growth outlooks globally. Further monetary policy easing (rate cuts) now appears necessary given the weaker economic outlook. In the US, the Federal Reserve needs to catch up with Canadian and European authorities and lower the funds rate in the near term. Lower interest rates are generally positive for the fixed income asset class therefore we expect bonds to perform well over the medium term.

Weekly market update

week ending 4 April 2025

momentum
global investment management

The imposition of aggressive tariffs by the US prompted retaliatory actions from countries like China, the EU, and the UK, leading to widespread market declines, heightened fears of a global recession, and increased uncertainty in both developed and emerging markets.

US

- President Donald Trump imposed aggressive tariffs of up to 25% on imports from China, Canada, and Mexico, aiming to revive American manufacturing.
- These tariffs led to a significant sell-off in global stock markets, with the Dow Jones Industrial Average, S&P 500, and Nasdaq Composite all experiencing substantial declines.
- Economists expressed concerns about rising inflation and the potential for a global recession due to these trade tensions. JP Morgan raised global recession odds to 60%.
- Over 50 countries initiated trade talks with the US in response to the new tariffs, seeking exemptions or adjustments to avoid economic fallout.

UK

- UK Prime Minister Keir Starmer ordered a significant reset of economic policies in response to US tariffs, including a 10% base tariff on UK imports.
- The FTSE 100 index plummeted over 7% during the week, marking its worst performance since March 2020, as investors reacted to trade uncertainties.
- British businesses, notably Jaguar Land Rover (JLR), faced operational challenges, with JLR pausing US shipments to adapt to new trade conditions.
- The UK government considered raising taxes or altering fiscal rules to increase borrowing and stimulate growth amid fears of a prolonged recession.

Europe

- The EU prepared retaliatory measures against US tariffs, targeting $28 billion worth of American imports in response to new trade barriers.
- European Commission President Ursula von der Leyen proposed a fund mobilising nearly €800 billion for defence investments, including military aid for Ukraine, amid heightened geopolitical tensions.
- European stock markets, including the DAX 40, experienced sharp declines due to concerns over escalating trade tensions and potential economic fallout.
- The EU faced internal debates on adjusting fiscal rules and policies to counteract potential economic downturns resulting from trade conflicts with the US.

Rest of the World/Asia

- China's stock markets showed relative resilience, with the Shanghai Composite index falling only 0.6% in USD terms over the week, despite global market volatility triggered by trade tensions.
- The Chinese government expanded controls on business dealings with key US companies, aiming to counteract US trade measures and protect domestic interests.
- Japan's Nikkei 225 index declined by 4% in USD terms amid global market volatility driven by US tariff announcements and escalating trade tensions.
- Global markets, including those in emerging economies, experienced heightened volatility as investors reacted to trade tensions and potential recession risks.

Weekly market data

week ending 4 April 2025

momentum
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Asset Class / Region	Currency	Cumulative returns: Week ending 4 April	Month to date	YTD 2025	12 months
Developed Markets Equities					
United States	USD	-9.1%	-9.6%	-13.5%	-0.5%
United Kingdom	GBP	-6.8%	-6.1%	0.0%	4.9%
Continental Europe	EUR	-8.4%	-6.8%	-1.1%	-2.0%
Japan	JPY	-10.0%	-6.6%	-9.9%	-6.9%
Asia Pacific (ex Japan)	USD	-3.1%	-1.1%	0.0%	7.4%
Australia	AUD	-3.9%	-2.2%	-5.0%	1.6%
Global	USD	-8.5%	-8.3%	-10.0%	-0.4%
Emerging Markets Equities					
Emerging Europe	USD	-8.3%	-6.1%	9.6%	6.5%
Emerging Asia	USD	-2.3%	-0.3%	1.0%	9.0%
Emerging Latin America	USD	-4.8%	-3.9%	8.3%	-17.3%
BRICs	USD	-2.9%	-2.0%	6.0%	15.5%
China	USD	-3.0%	-1.5%	13.3%	36.8%
MENA countries	USD	-1.9%	-1.9%	-0.3%	-0.6%
South Africa	USD	-12.2%	-11.7%	0.6%	11.5%
India	USD	-2.6%	8.7%*	-2.9%	0.4%
Global emerging markets	USD	-2.9%	-1.2%	1.7%	6.2%
Bonds					
US Treasuries	USD	1.5%	1.2%	4.2%	6.3%
US Treasuries (inflation protected)	USD	0.7%	0.3%	4.5%	6.9%
US Corporate (investment grade)	USD	0.3%	0.1%	2.5%	5.9%
US High Yield	USD	-2.0%	-2.0%	-1.0%	5.9%
UK Gilts	GBP	1.8%	1.6%	2.1%	1.0%
UK Corporate (investment grade)	GBP	0.6%	0.5%	0.9%	3.3%
Euro Government Bonds	EUR	0.8%	0.9%	-0.5%	2.3%
Euro Corporate (investment grade)	EUR	0.0%	0.0%	0.2%	4.3%
Euro High Yield	EUR	-1.1%	-0.9%	-0.3%	6.5%
Global Government Bonds	USD	2.1%	1.9%	4.7%	4.5%
Global Bonds	USD	1.6%	1.5%	4.4%	5.0%
Global Convertible Bonds	USD	-3.9%	-3.4%	-2.4%	5.6%
Emerging Market Bonds	USD	-0.3%	-0.4%	1.6%	6.3%

Asset Class / Region	Currency	Cumulative returns: Week ending 4 April	Month to date	YTD 2025	12 months
Property					
US Property Securities	USD	-7.0%	-7.8%	-7.1%	4.2%
Australian Property Securities	AUD	-2.6%	-0.5%	-7.8%	-5.9%
Asia Property Securities	USD	0.3%	1.6%	7.9%	2.6%
Global Property Securities	USD	-4.5%	-4.5%	-3.2%	3.4%
Currencies					
Euro	USD	1.4%	1.5%	6.0%	1.0%
UK Pound Sterling	USD	-0.3%	-0.1%	3.0%	1.8%
Japanese Yen	USD	2.2%	2.2%	7.3%	3.4%
Australian Dollar	USD	-4.5%	-3.7%	-2.9%	-9.2%
South African Rand	USD	-3.8%	-4.1%	-1.3%	-2.6%
Swiss Franc	USD	2.7%	3.0%	5.7%	5.3%
Chinese Yuan	USD	-0.3%	-0.3%	0.2%	-0.7%
Commodities & Alternatives					
Commodities	USD	-6.3%	-7.2%	-2.4%	-3.7%
Agricultural Commodities	USD	-1.8%	-1.8%	-2.6%	-3.0%
Oil	USD	-10.9%	-12.3%	-12.1%	-27.7%
Gold	USD	-1.5%	-2.5%	15.8%	32.9%

*Source: Bloomberg Finance L.P. Past performance is not indicative of future returns. * Data to 28 March 2025.*