



**THROGMORTON**  
PRIVATE CAPITAL

# Monthly Market Update



## February 2025

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“Both global bonds and equities rose in January despite the volatility in the technology sector and concerns about President Trump’s agenda”



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## January 2025 Commentary

2025 started positively for investors, with both equities and bonds broadly delivering positive returns. However, there was a departure from the 2024 trend, with European markets outperforming the US. President Trump’s ‘America First’ policy agenda, was supportive for US equities, but the emergence of Chinese artificial intelligence (AI) company DeepSeek, called into question the US technology sector’s ability to deliver against the lofty expectations of the market.

Bond markets were subject to heightened volatility in January as President Trump’s proposed policy mix of tax cuts, immigration curbs and tariffs fuelled expectations for higher US inflation. Initially this pushed up yields, but ultimately global bonds ended the month up.

### **United Kingdom**

FTSE All Share: 5.52%

UK equities rose over January, as investors began rotating away from large cap US technology stocks. However, concerns over the UK’s fiscal health became more pronounced over the period, which initially led to a sharp increase in gilt yields at the same time as a weakening currency. Concerns that a depreciating currency would in turn hinder the Bank of England’s ability to ease monetary policy compounded matters.

The Chancellor of the Exchequer, Rachel Reeves, insisted that global factors were driving the financial turbulence and restated her pledge to adhere to the Government's fiscal rules, calling them "non-negotiable". News from the Office for National (ONS) Statistics helped sentiment as it showed that inflation had slowed in December.

The outlook for the domestic economy

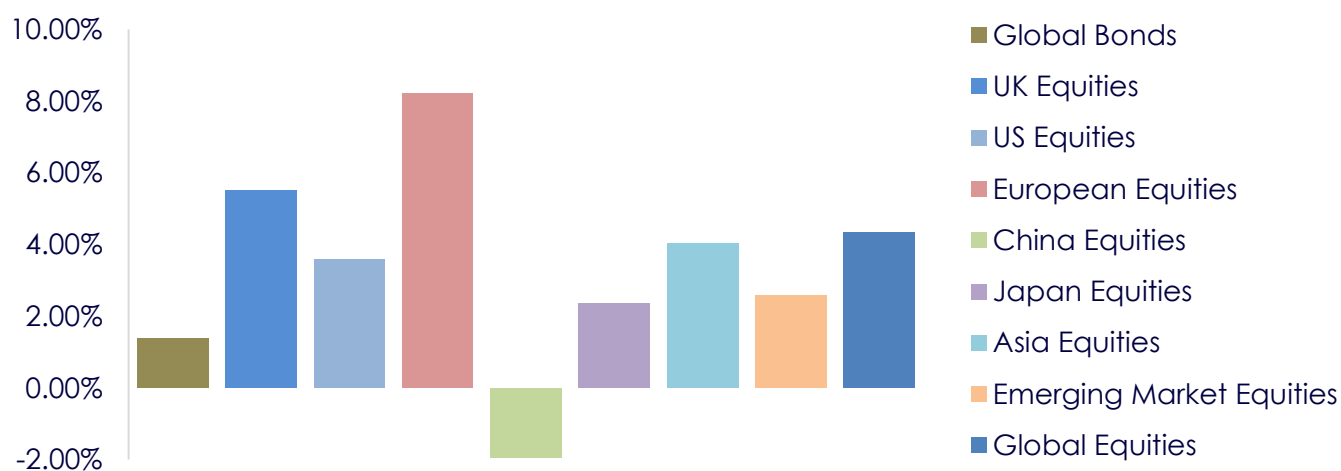
## Europe

FTSE Developed Europe ex UK: 8.21%

Eurozone shares produced positive returns and outpaced other regions. Like the UK, the Eurozone benefited from a rotation out of US tech stocks in January, while worries over trade tariffs eased.

Data from Eurostat indicated that the economy had stagnated in Q4 24, with GDP

### Discrete Quarterly Performance as at 31/01/2025



remained difficult with business confidence weakening and complaints of higher costs due to rising National Insurance. Meanwhile, the ONS reported that retail sales had been weaker than expected for December.

## United States

S&P 500: 3.57%

US shares gained in January, but lagged other regions as Chinese start-up DeepSeek challenged US leadership in AI. The information technology sector fell, as shares in AI-related companies such as NVIDIA experienced some sharp falls. Other sectors advanced, despite being rattled by the threat of tariffs as part of President Trump's "America First" agenda.

The US Federal Reserve (Fed) kept interest rates on hold and signalled that there may be no further cuts forthcoming. Economic data released was positive with the US jobs market remaining robust and inflation easing to 3.2%.

growth estimated at 0.7% for the whole of the year. The European Central Bank (ECB) cut interest rates as expected by a quarter of a percentage point. ECB president Christine Lagarde warned that economic risks are tilted to the downside given rising trade frictions and weak consumer confidence.

The purchasing managers' index (PMI) showed business activity in the Eurozone returned to growth by rising to 50.2 in January compared to 49.6 in December as the contraction in manufacturing activity eased.

## China

CSI 300: -1.93%

Chinese AI start-up DeepSeek released an open source lower-cost AI model, comparable to US company OpenAI's own product in terms of performance. Market volatility rose on this news. China underperformed given ongoing uncertainty about Trump's proposed tariffs on US imports of Chinese goods.

## Japan

MSCI Japan: 2.37%

The Japanese equity market ended the month up, despite a poor start to 2025 with sentiment being heavily influenced by developments in the US, particularly concerns over persistently high inflation and uncertainties surrounding the Trump administration and potential tariffs.

Domestically, the Bank of Japan (BoJ) raised its policy rate in late January, a widely expected move that supported financial stocks, particularly banks. Japanese companies also began releasing their quarterly earnings results, with initial results suggesting slightly better outcomes compared to previous quarters.

## Emerging Markets

MSCI Emerging Markets: 2.59%

Despite falls in Chinese equities, Emerging Markets rose in January. Returns were assisted by a weakening US Dollar, but ongoing tariff risks as US President Donald Trump took office weighed on markets.

Korea posted robust returns, rebounding from poor performance in December 2024 after political instability. Kuwait, UAE and Saudi Arabia delivered positive returns amid a rising oil price. Notably, India declined, predominantly related to growth concerns.

## Global Bonds

Bloomberg Barclays Global Agg: 1.37%

The global bond market ended the month up, largely due to positive news on inflation. In developed markets, Europe was the exception as German Bund yields rose to 2.46%, which saw a depreciation in their price. This was due in part to stagnation in the Eurozone economy and a slightly higher inflation reading.

Elsewhere yields ended the month lower with the US 10-year Treasury and UK 10-year Gilts falling to 4.55% and 4.54% respectively. This was despite the volatility caused by President Trump's anticipated policies and the UK economy facing its own challenges following investor concern of the impact that the October budget will have on public finances.

**All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.**

## Cumulative Performance and Annualised Volatility as at 31/01/2025

	1 Year %	3 Years %	5 Years %	Volatility % <sup>2</sup>
Global Bonds	2.75	-3.50	-4.58	5.64
UK Equities	17.06	25.49	37.94	14.17
US Equities	28.99	49.22	109.91	13.95
European Equities	10.16	22.97	49.29	14.83
Japan Equities	7.76	25.49	38.16	12.41
Asia Equities	17.12	20.21	50.96	15.97
China Equities	23.76	-14.60	7.72	19.19
Emerging Market Equities	17.61	5.69	23.21	14.11
Global Equities	24.42	41.93	87.61	13.29

Data source FE Analytics 31/01/2025. Indices used: Global Bonds: Bloomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), China: CSI 300, Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.

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