



FINURA

YOUR MARKET REVIEW  
JANUARY 2025



# INFOGRAPHIC: THE GLOBAL ECONOMY

## Official estimate of future US base interest rate creeps higher

Federal Reserve estimate of where Fed Funds rate will be in long term

▶ **3.0%**

This estimate **increased** by 0.5 percentage points over the course of 2024...

**2024**



...from 2.5% at the end of 2023, and away from a level more consistent with very low borrowing costs...

...like those seen in the wake of the Global Financial Crisis of 2007/08 and prior to the Covid-19 pandemic



## Our estimate of future US base interest rate still exceeds official one



Schroders' estimate of where Fed Funds rate will be in long term

▶ **3.5%**

Otherwise known as "neutral", this is the required (theoretical) interest rate to keep the economy in **balance**...

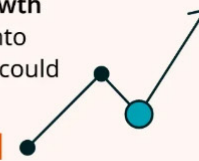
**ECONOMY**



...this level should permit **growth** and inflation to settle back onto steady and stable paths, and could be closer to 4%...

**GROWTH**

...we've long felt a strong US economy means the official estimate has consistently been too low



## Limited scope for further cuts to US base interest rate

Upper band of US base interest rate following latest cut by Federal Reserve

▶ **4.5%**

The Federal Reserve cut the Fed Funds rate by 0.25 percentage points in December

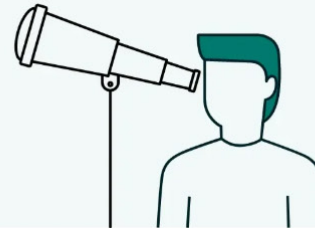


... to take the target range to

▶ **4.25-4.5%**



With the neutral rate now coming into view, scope for further cuts may be limited



Source: [Schroders as at January 2025](#).





# MULTI-ASSET INVESTMENT VIEWS

KEY

▲ Up from last month ▼ Down from last month

● Long / Positive  
● Neutral  
● Short / Negative

	Category	View	Comments	
Main Asset Classes	Equities	●	We remain positive as equities continue to be supported by healthy earnings growth. Recession risks also remain low and there is potential for AI-driven productivity gains.	
	Government Bonds	●	Whilst valuations are attractive, we have decided to remain neutral given the low risk of recession in the US and the potential inflationary impact of Trump's policy agenda.	
	Commodities	●	We remain neutral. Energy markets are expected to move into surplus in 2025 whilst weak global manufacturing data undermines demand for industrial metals. However, we remain positive on gold due to central bank demand.	
	Corporate Bonds (Credit)	●	We retain our positive view on credit, with a continued focus on European high yield as a source of income.	
Equities	US	●	We maintain our positive view on US equities as the earnings outlook remains robust and recession risks are low. We continue to diversify via US financials where reported earnings have so far exceeded analyst expectations with strong growth.	
	UK	●	We remain neutral on UK equities. Although valuations are attractive compared to some other markets, the UK government's recent budget has undermined business confidence, resulting in a weaker growth outlook.	
	Europe ex UK	●	We remain positive, particularly with regard to large cap stocks. Although political uncertainty in Europe remains high, it is largely priced in by markets. With many risks already accounted for, there is significant room for upside surprises.	
	Japan	●	Although Japanese equities benefit from strong earnings growth and corporate reform, we remain cautious as we await further announcements from the Bank of Japan (BoJ) on monetary policy normalisation.	
	Global Emerging Markets <sup>1</sup>	●	For now, we remain neutral. We recognise market headwinds such as the halt of the easing cycle by the Federal Reserve (Fed), a stronger dollar, and trade tariffs. However, if tariffs are milder than expected or further stimulus is announced by China, emerging markets could rally.	
	Asia ex-Japan: China	●	We maintain a neutral position. Although China is expected to bear the brunt of Trump-instigated trade tariffs, milder tariffs or further fiscal support from the People's Bank of China (PBoC) present risks to the upside.	
	EM Asia ex China	●	We remain neutral. If the weak export cycle continues this will negatively impact markets such as Taiwan and South Korea. The latter is also battling with political instability and a poor domestic economy. Meanwhile, India has seen a derating in equity valuations	
	Government Bonds	US	●	We are neutral as although US rate cut expectations have moved closer to our forecast of one rate cut in 2025, concerns remain over inflationary pressures and the sustainability of government debt levels.
		UK	●	We retain our neutral view. UK gilt yields reached their highest levels since the early 2000s during the recent bond selloff. This rise in borrowing costs may mean fiscal consolidation is necessary to prevent the government from breaching its £9.9 billion spending buffer.
Europe		●	We maintain a neutral stance. Although European bonds should benefit from the European Central Bank's (ECB) initiatives to normalise rates amid easing inflation and a moderating labour market environment, this is already largely reflected in the price.	
Japan		●	We remain neutral as we await more clarity on the BoJ's plan to continue with the normalisation of monetary policy.	
US Inflation Linked (TIPS)		●	We remain neutral. Although US inflation-linked securities can help offset any inflation surprises, the Fed's pivot in December suggests monetary policy will be in line with, rather than behind, inflation expectations.	
Emerging Markets Local		●	We remain neutral on EM local bonds.	

<sup>1</sup> Global Emerging Markets includes Central and Eastern Europe, Latin America and Asia.



	Category	View	Comments
Investment Grade Credit	US	●	Valuations continue to hover around extreme levels, and despite an improvement in market liquidity, US IG remains vulnerable due to its long duration and sensitivity to rate fluctuations. We therefore retain our negative view.
	Europe	●	We remain neutral. Valuations are more attractive in EU IG compared to the US and rate cuts continue to support the floating rate nature of the European economy.
	Emerging Markets USD	●	Our view remains unchanged as we recognise that the sector offers greater value compared to developed markets.
High Yield Bonds (Non-IG)	US	●	We remain neutral as spreads (the difference in yields) are tight in the sector and we are becoming concerned that higher rate volatility will disrupt demand.
	Europe	●	We maintain a positive outlook on European HY where valuations are more attractive compared to the US and there is less risk of overheating.
Commodities	Energy	● ▼	We have downgraded to negative as forecasts for 2025 supply and demand are predicting a significant surplus in the market.
	Gold	●	We remain positive on gold. The trend of central bank purchasing was given a renewed push as the PBoC resumed buying after a six-month hiatus.
	Industrial Metals	●	A lack of infrastructure stimulus from the PBoC, compounded by weak manufacturing data globally, leads us to remain neutral.
	Agriculture	●	We remain neutral as although rebalancing may provide some short-term support for agriculture indices, the market appears to be in a steady state with supply plentiful.
Currencies	US \$	●	We remain positive on the US dollar.
	UK £	●	For now, we remain neutral. Although sterling performed well in 2024, a poorly received budget and tax rises have hit business confidence. A renewed sell-off in gilts and UK stocks may continue to affect the pound.
	EU €	●	We remain neutral on the euro which has repriced versus the US dollar over the last few months.
	CNH ¥	●	Our view on the renminbi remains negative. We expect both stimulus and currency depreciation will be necessary to negate the downtrend in growth and the impact of tariffs.
	JAP ¥	●	Our view on the yen is neutral. The currency is at historic low levels and stands to benefit if or when the BoJ decides to hike rates.
	Swiss F	●	We remain neutral as despite the risk of depreciation, we believe the currency is supported by its safe-haven status in a volatile environment.

Source: [Schroders, January 2025](#).

**Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.**

The views for equities, government bonds and commodities are based on return relative to cash in local currency. The views for corporate bonds and high yield are based on credit spreads (i.e. duration-hedged). The views for currencies are relative to US dollar, apart from US dollar which is relative to a trade-weighted basket.



# MARKETS REVIEW

**An overview of markets in January when equities delivered positive returns, with European shares outperforming other regions.**

## THE MONTH IN SUMMARY

A look back at markets in January when European shares outperformed other regions and US leadership in artificial intelligence was challenged by China's DeepSeek.

## THE US

US shares gained in January but lagged other regions as Chinese start-up DeepSeek challenged US leadership in artificial intelligence (AI). The information technology sector fell but other sectors advanced, with communication services, healthcare and financials among the top gainers.

Shares of AI-related companies such as NVIDIA experienced some sharp falls as investors digested claims that DeepSeek had trained its generative AI capability to produce results comparable to the market leaders but at a fraction of the cost. This potentially called into question the need for elevated investment in advanced AI chips and data centre capacity. Meanwhile, the Q4 earnings season got under way with mixed fortunes for some of the US mega caps.

Read more: [DeepSeek disruption highlights need for resilient portfolios](#)

The Federal Reserve (Fed) kept interest rates on hold and signalled that there may be no further cuts forthcoming. Non-farm payrolls data indicated a robust US jobs market, with 256k jobs added to the economy in December, above expectations.

Data from the Bureau of Labor Statistics showed core inflation (which excludes food and energy costs) easing to 3.2% from 3.3% in November.

President Trump took office mid-month for his second stint as president. US investor sentiment has been buoyed by his "America First" policy programme but news of tariff threats rattled markets at the end of the month.

## EUROZONE

Eurozone shares began 2024 on a strong footing with gains in January outpacing other regions. The eurozone benefited from a rotation out of US tech stocks in January, while worries over trade tariffs eased. Top performing sectors included healthcare and financials, with banks delivering robust returns in the month.

In the information technology sector, shares of semiconductor equipment makers experienced volatility in the wake of the DeepSeek news but still advanced for the month overall. Software stocks performed strongly.

Data from Eurostat indicated that the eurozone economy stagnated in Q4 2024. That meant annual GDP growth for the region is estimated at 0.7% for 2024. 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 HCOB flash purchasing managers' index showed business activity in the eurozone return to growth. The composite PMI rose to 50.2 in January compared to 49.6 in December as the contraction in manufacturing activity eased. PMI data is based on





surveys of companies in the manufacturing and service sectors. A reading above 50 indicates growth while below 50 indicates contraction.

## UK

UK equities rose over January, led by larger companies while small and mid-sized (smid) companies were very volatile. The large cap energy, industrial and financial sectors were the top contributors as UK equities were seen to benefit, in line with European equities more broadly, from global investors rotating away from large cap US technology stocks.

Concerns over the UK's fiscal health became more pronounced over the period, reflecting in a sharp increase in gilt yields at the same time as a weakening currency. The aversion to UK assets weighed heavily on the more domestically focussed UK smid companies, many of which fell sharply during the first half of January as a result.

Concerns that a depreciating currency would in turn hinder the Bank of England's ability to ease monetary policy compounded matters. UK smids, however, recovered in line with gilts (yields fell) as bond investors were reassured, in part by the Chancellor's response to events.

Insisting global factors were driving financial turbulence, Rachel Reeves pledged to adhere to the Government's fiscal rules, calling them "non-negotiable". News from the Office for National (ONS) Statistics that inflation had slowed unexpectedly in December also helped sentiment somewhat.

That said, the outlook for the domestic economy remained difficult with business confidence weakening. Meanwhile, the

ONS reported that retail sales had been weaker than expected for December during the all-important festive period for consumer-facing sectors which had been complaining of higher costs related to rising taxes and wages.

## JAPAN


The Japanese equity market showed weakness in the first half of the month but recovered in the second half, finishing January with a slightly positive return of +0.1% for the TOPIX Total Return in yen terms. The Nikkei 225 declined by 0.2%, experiencing higher volatility due to sharp movements in large-cap technology stocks and weak performance in large-cap exporters.

Market sentiment was heavily influenced by developments in the US, particularly concerns over persistently high inflation and uncertainties surrounding the Trump administration, especially regarding tariffs. In the first half of the month, fears of new tariffs led to a sell-off in exporter stocks, including those in the automobile, technology, and basic materials sectors. This decline mirrored weakness in the US stock market. However, the market rebounded after reports indicated that the US would not impose immediate tariffs on China. Additionally, the announcement of a large-scale AI investment initiative, "Stargate," backed by a group of companies including SoftBank Group, contributed to the market's recovery.

The technology sector outperformed following the AI investment news, though some gains were reversed after reports about DeepSeek, a low-cost Chinese Generative AI model, raised concerns over a potential slowdown in US AI investments.

Domestically, the Bank of Japan (BoJ) raised its policy rate in late January, a widely expected move that supported financial stocks,





particularly banks. The Japanese yen appreciated modestly against the US dollar due to a narrowing interest rate gap, but with relatively low volatility.

Meanwhile, Japanese companies began releasing their December quarter earnings. Although the number of companies reporting was still limited, initial results suggested slightly better outcomes compared to previous quarters. Additionally, ongoing improvements in corporate governance, such as share buybacks and dividend hikes, provided further support to the market.

### EMERGING MARKETS

Emerging markets (EM), as measured by the MSCI EM index, rose in US dollar terms in January, underperforming the MSCI World index. While a softer US dollar was helpful, ongoing tariff risks as US President Donald Trump took office weighed on markets. Chinese AI start-up DeepSeek released an open source lower-cost AI model, comparable to OpenAI's Large Language Model in terms of performance. As the market digested the implications of this news market volatility rose, particularly among technology shares.

Colombia was the top-performing index market, with double-digits returns in US dollar terms, followed by Poland and Brazil. The Brazilian real appreciated against the dollar in the month and with inflation still above the central bank's target at the end of 2024, interest rates were raised by 100 basis points (bps) at the bank's January meeting.

Korea posted robust returns, rebounding from poor performance in December 2024. The Middle Eastern markets of Kuwait, UAE and Saudi Arabia delivered positive returns amid a rising oil price. South Africa outperformed, benefiting from a weaker US dollar

and another interest rate cut. Mexico and Taiwan were also ahead of the index while China underperformed given ongoing uncertainty about Trump's proposed tariffs on US imports of Chinese goods.

India declined, predominantly related to growth concerns. The smaller markets of Malaysia and Philippines posted the biggest losses in the month.

### ASIA (EX JAPAN)

Asia ex Japan equities, as measured by the MSCI AC Asia ex Japan index, rose modestly in January amid gains for Korea, Singapore and Taiwan. The advance was capped by declines in India and Hong Kong, as well as in the smaller Philippines and Malaysia markets.

There was some volatility in the month related to the information technology sector and news that China's DeepSeek had created a generative AI model that is comparable to the market leaders but at a much lower cost. However, the information technology sector posted gains overall for the month.

Chinese shares gained for the month, with an advance marginally ahead of the index. There were some worries over trade tariffs as President Trump took office in the US. However, the proposed tariffs are at a lower level than the 60% mooted on the campaign trail. Indian shares were under pressure amid worries over the uncertain outlook for economic growth and some sluggish corporate earnings.

### GLOBAL BONDS

January was a month of contrasting trends for the global government bond market. A weak start for the month was



followed by a strong rebound, largely due to positive news on inflation. Government bond yields rose in Europe with German Bunds climbing to 2.46%. Elsewhere yields were lower with the US 10-year Treasury sliding to 4.55% (prices move inversely to yields).

One of the key market themes in January was President Trump's inauguration and the potential implications for policy, particularly regarding anticipated changes to tariffs and their effects on both the US and global markets. In terms of macro news, while December's US labour market report was strong, the bond market was placated by further signs of disinflation.

In the US, despite heavy supply, credit spreads in the investment grade corporate space remained fairly unchanged, hovering close to the tightest levels in several decades. In contrast, European and UK corporate bonds outperformed with spreads tightening further. (Credit spreads are the difference in yield between a corporate bond and a risk-free government bond, reflecting the additional risk investors take on when lending to corporations compared to the government.)

The high yield markets were also on the positive, particularly in the US, where robust investor demand was driven by signs of a healthy economy, strong corporate earnings, and attractive yields. (Investment grade bonds are the highest quality bonds as determined by a credit rating agency. High yield bonds are more speculative, with a credit rating below investment grade.)

In the eurozone, a benign growth picture accompanied slightly higher headline inflation, with January's print climbing to 2.5% year-on-year (previously 2.4%), although services inflation was softer.

The UK faced its own challenges as concerns over fiscal health became more pronounced. Signs of slower economic growth heightened worries about public finances, resulting in a sharp rise in gilt yields (yields move inversely to prices). However, as the market shifted its focus back on inflation, with a downside surprise in December's core CPI (consumer price index) print (3.2% year-on-year versus 3.4% expected) yields fell back at the month end (2-year to 4.22% and 10-year to 4.54%).

Several central bank announcements also came through in January. The BoJ raised interest rates by 25bps to 0.5%, while upgrading its inflation forecasts. The committee also noted uncertainties about the economic outlook. Meanwhile, the ECB cut its main refinancing rate for a fourth consecutive time by 25 basis points to 2.90%. In the US, the Fed kept the fed funds rate unchanged following 100bps worth of rate cuts made in the prior three meetings.


The convertible bond market started the year on a positive note, exhibiting good upside participation. The FTSE Global Focus Convertible Bond Index recorded a gain of 2.2%, compared to the MSCI World Index, which returned 3.5%. The new issuance of convertible bonds remains notably active. In Q4 2024, the market welcomed \$26.72 billion of new paper.

## COMMODITIES

The S&P GSCI Index gained in January. All subcomponents advanced in the month with precious metals and agriculture posting the strongest gains. Prices of precious metals rose amid concerns over the impact of Trump's tariff threats.

The agriculture component gained with a strong advance for coffee. The energy component was supported by cold winter





weather in much of the northern hemisphere. Among industrial metals, aluminium and copper rose while zinc posted a sharp decline.

## DIGITAL ASSETS

January was a strong month in digital asset markets, with Bitcoin trading in a range between \$90k and \$110k before ending the month up 10%. Exchange traded fund (ETF) net flows continued to be robust. Beyond Bitcoin, there was significant dispersion in other crypto assets. Ethereum ended the month roughly flat, as net ETF flows began to slow down. Meanwhile, Solana posted a new all-time-high following the release of Trump Coin natively on the chain, before paring back some of the gains and ending the month up 19%.

Much attention was given to Trump's first week in office, with the expectation of a shift in the approach to legislating digital assets and the reduction of perceived SEC regulatory over-reach of digital assets. The digital assets executive order signed included provisions such as:

1. Repeal of SAB121, which removes the need for banks to account for crypto assets as liabilities on their balance sheets, meaning less punitive regulatory capital requirements
2. Establishment of a digital advisory council and working group which is focused on implementing a regulatory framework for crypto assets, including stablecoins
3. Prohibition of Central Bank Digital Currencies, which ensures public, permissionless blockchains retain usefulness
4. Exploration of a national digital asset stockpile

# TOTAL RETURNS (NET) % – TO END JANUARY 2025

Equities	1 MONTH			12 MONTHS		
	USD	EUR	GBP	USD	EUR	GBP
MSCI World	3.5	3.1	4.4	21.4	26.9	24.4
MSCI World Value	4.5	4.1	5.3	16.2	21.4	19.1
MSCI World Growth	2.6	2.2	3.5	26.6	32.3	29.7
MSCI World Smaller Companies	3.5	3.1	4.3	15.1	20.3	17.9
MSCI Emerging Markets	1.8	1.4	2.6	14.8	19.9	17.6
MSCI AC Asia ex Japan	0.7	0.4	1.5	19.3	24.7	22.3
S&P500	2.8	2.4	3.6	26.4	32.1	29.5
MSCI EMU	7.7	7.3	8.5	10.0	15.0	12.7
FTSE Europe ex UK	7.3	6.9	8.2	8.4	13.3	11.1
FTSE All-Share	4.7	4.3	5.5	14.2	19.4	17.1
TOPIX*	1.6	1.2	2.4	5.6	10.4	8.2

Government Bonds	1 MONTH			12 MONTHS		
	USD	EUR	GBP	USD	EUR	GBP
JPM GBI US All Mats	0.5	0.1	1.3	1.5	6.1	4.0
JPM GBI UK All Mats	0.0	-0.4	0.8	-3.0	1.4	-0.6
JPM GBI Japan All Mats**	0.7	0.4	1.5	-8.5	-4.4	-6.2
JPM GBI Germany All Traded	0.0	-0.4	0.8	-3.5	0.8	-1.1
Corporate Bonds	USD	EUR	GBP	USD	EUR	GBP
BofA ML Global Broad Market Corporate	0.6	0.3	1.4	2.4	7.0	4.9
BofA ML US Corporate Master	0.6	0.2	1.4	3.2	7.9	5.8
BofA ML EMU Corporate ex T1 (5-10Y)	1.0	0.6	1.8	0.9	5.4	3.4
BofA ML £ Non-Gilts	0.3	-0.1	1.1	1.4	5.9	3.9
Non-investment Grade Bonds	USD	EUR	GBP	USD	EUR	GBP
BofA ML Global High Yield	1.2	0.8	2.0	8.7	13.6	11.4
BofA ML Euro High Yield	0.9	0.5	1.7	4.1	8.8	6.7

Source: LSEG DataStream. Local currency returns in January 2025: \*0.1%, \*\*-0.7%.

Past performance is not a guide to future performance and may not be repeated.







Source: [Schroders, January 2025](#)

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Approved by Evolution Wealth Network Ltd on 06/02/2025.



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