

The *Monthly* *Edit* / March 2025

We examine the markets daily, and our monthly update is a selection of key global stories explained through an investment lens.

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Market headlines

Global equities fell over the month:

This was due to concerns over tariff-related risks for economic growth and inflation, leading to increased market volatility.

Global bonds outperformed global equities: Government bond yields provided a degree of counterbalance to equities for investors amid heightened economic and policy uncertainty.

Central banks diverged on interest rate decisions:

The US Federal Reserve and the Bank of England both kept rates unchanged, while the European Central Bank cut.

Russia-Ukraine naval ceasefire:

A US-brokered agreement ensured safe navigation in the Black Sea, and buoying hopes for a broader ceasefire in time.

The big topics

Tech stocks take a hit

Major technology companies' shares experienced a sharp decline this month, leading to increased volatility in global equity markets.

The 'Magnificent Seven' group of US megacap technology stocks (a group that includes Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia and Tesla) fell into a bear market, defined as a fall of 20% or more from a previous peak.

Investors reacted to concerns over tariffs and economic growth, causing a shift towards more defensive sectors. This highlights the importance of spreading investments across various sectors, regions, and investment styles to manage risks and maintain a diversified investment strategy.

Policy uncertainty impacts markets

Policy uncertainty weighed heavily on markets during March.

In particular, concerns over US President Trump's tariffs as well as retaliation from those countries in the US' crosshairs raised investor concerns around the outlook for economic growth and inflation. Equity markets experienced increased volatility, with the US S&P500 equity index experiencing significant fluctuations and declining over the month.

The US Federal Reserve kept interest rates steady at their latest policy meeting but still raised inflation expectations for the coming year (with President Trump announcing reciprocal tariffs on 2 April).





Germany's spending bill boosts sentiment

Germany's parliament passed a massive infrastructure and defence spending bill, overcoming constitutional debt constraints.

This move addresses US defence policy changes, but rising bond yields pose risks for those European countries with weaker funding capabilities. The bill aims to enhance economic growth and stability in Germany, providing a positive outlook for investors.

The increased spending is expected to boost economic activity and investor confidence, although the broader European market continues to face challenges including higher borrowing costs, international trade pressures, and geopolitical tensions. Notably, Germany and Europe have outperformed the US market recently, adding to the positive sentiment.

UK inflation remains a challenge

The latest UK inflation data for February and reported in March, revealed still-stubborn underlying price pressures, particularly in the services sector.

Despite a likely short-lived dip in headline inflation, core inflation, which excludes the more volatile categories of energy and food, was at +3.5% which is some way above the Bank of England's 2% target.

February also saw increased costs in transportation and healthcare, further complicating the economic landscape. This poses a challenge for the Bank of England as it seeks to balance economic growth and inflation.

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