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NEWSLETTER – 10th APRIL 2025

Please note that this newsletter is available in a larger font if required

The first quarter of 2025 has been a turbulent time for global stock and fixed interest markets, with US shares underperforming those in the UK and across Europe. However, since President Trump's announcement last week, we have witnessed broad based selling across global stock markets and sectors, leading to the worst falls since March 2020.

Yesterday's announcement that many of the tariffs, excluding those against China, will be paused for 90 days, saw a significant rebound across US markets, with the NASDAQ up 12.16%, the S&P up 9.52% and the DOW up 7.87%. These have been followed by the NIKKEI, up 9.13% overnight and early gains across Europe, with the FTSE 100 up 4.65% and Eurostoxx 6.22% by 9.15am.

While Trump's tariffs were expected, the number of countries affected are far higher, and as Jerome Powell, the US Federal Reserve chairman said on Friday, the president's tariff increases were "significantly larger than expected" and so the same would "likely be true of the economic effects".

We remain in a period of significant volatility, as we wait to see if the tariffs stay in their current form following the pause or whether countries will be able to negotiate reductions, and we also face the prospect of further retaliatory measures from the countries impacted.

This uncertainty affects businesses and their ability to plan, which will feed through and hit future earnings, and represents a significant risk to the global outlook. Despite the widely held view that tariffs are inflationary, due to the extra costs they impose on businesses, we are very likely to see central banks cutting interest rates globally, to kickstart growth and stave off recession, with the Bank of England likely to cut at their May meeting.

While these are undoubtedly testing times for investors, as markets often fall more quickly than they rise, stock markets do recover from these setbacks. Over the last 40 years, we have seen Black Monday, which is now little more than a 'blip' on the long-term return chart, the bursting of the technology bubble in 2000, the Global Financial Crisis, where the S&P 500 fell by over 50% from its peak in 2007 to its low in March 2009, and March 2020, when Covid caused havoc in global markets. More recently, we witnessed the steep falls across equity and fixed interest markets in 2022, as central banks undertook aggressive rate hiking measures to combat inflation which reached four-decade highs following the Russian invasion of Ukraine, and this saw the UK Government debt market fall 25% that year!

In respect of our investment portfolios, we think it is important to concentrate on the long term, as market falls are part of the investment journey. Selling investments and moving to cash because of periods of volatility and uncertainty can often be the wrong move, as people risk selling at a low point and can then miss when the markets turn and start to move higher. Using the S&P 500 as an example, between January 2000 and April 2020 seven of the ten worst days were followed the next day by either top ten returns over the 20 year period or top ten returns for their respective years. As such, we feel that time spent in the market is the best option, as opposed to trying to time the market. To this end, at annual review meetings we endeavour to ensure everyone has the right balance between investments and cash reserves for your individual preferences and risk appetite. Maintaining a well-diversified investment portfolio, with exposure to a mixture of asset classes, geographies, business sectors, and investment styles (growth/value), so as not to be too exposed to any one area is important at these times.

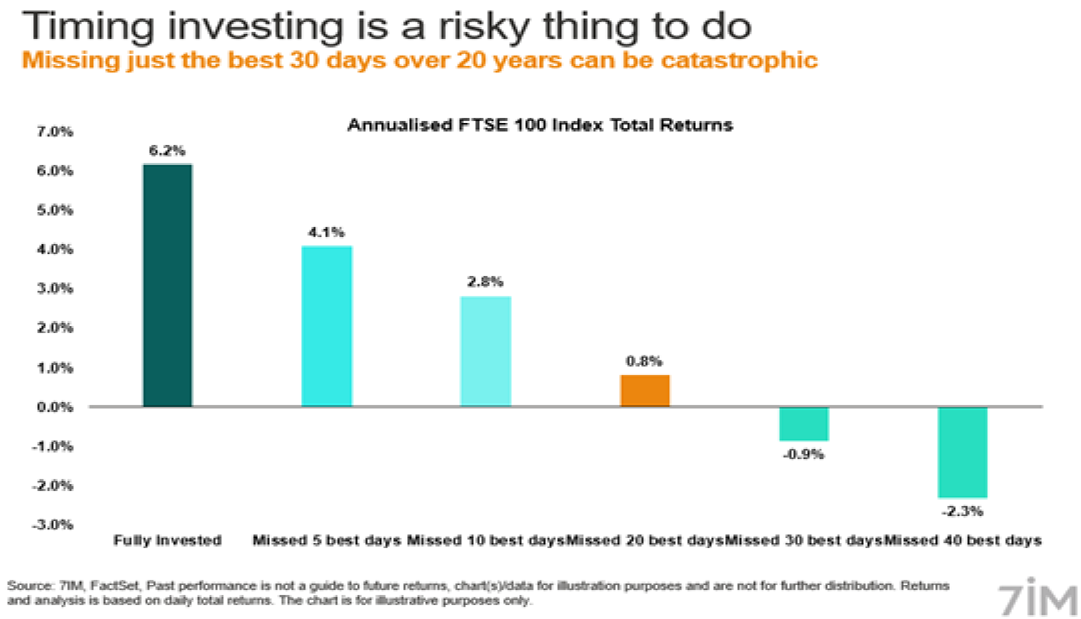
Copied below for your information are three charts which show the difficulty of timing the markets, as well as the pattern of bull and bear markets going back to 1970, along with the one and three year returns of investment portfolios over cash after geopolitical shocks.

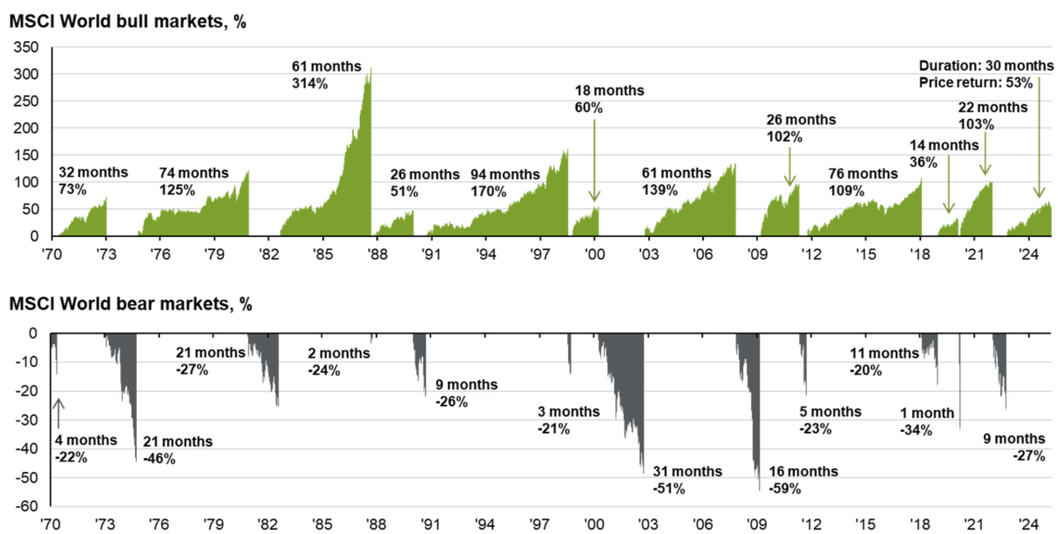
If you have any questions or specific concerns, please contact your adviser.

L Bradbrook

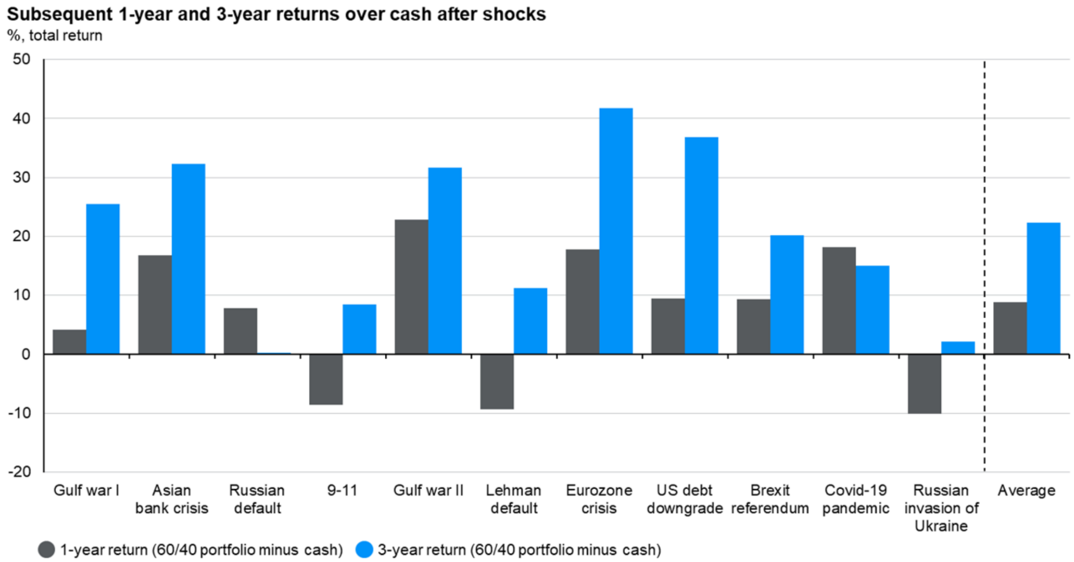
Luke Bradbrook
Co-Lead Fund Manager
Altorfer Financial Management Limited

Please note: Past Performance does not predict future returns





Source: (All charts) LSEG Datastream, MSCI, J.P. Morgan Asset Management. Charts and labels refer to price return. Past performance is not a reliable indicator of current and future results. Guide to the Markets - UK. Data as of 7 April 2025.



Source: Bloomberg, S&P Global, J.P. Morgan Asset Management. 60/40 portfolio is constructed using S&P 500 Index and S&P 10-year US Treasury Note Futures Index. Cash: ICE USD LIBOR (3M). Return calculation begins at the end of the month prior to the shock. Guide to the Markets - UK. Data as of 7 April 2025