

REVIEW OF 2024 – OUTLOOK FOR 2025

The table below sets out the quarterly open and closing values for the FTSE All-Share Index as well as the highs and lows in each quarter to highlight the changes for 2024.

Quarter	Open	Close	High	Low	Return year to date
January – March	4232	4338	4338	4072	2.50%
April - June	4338	4451	4596	4260	5.17%
July - September	4451	4511	4588	4377	6.59%
October - December	4511	4467	4581	4393	5.55%

At the start of 2024 expectations were for aggressive interest rate cuts, with inflation moving closer to the targeted benchmarks. As the year progressed, however, inflation was “stickier” than anticipated, resulting in far fewer interest rate cuts than expected. This is illustrated by the Federal Reserve, which was expected to cut interest rates seven times during the year but only cut interest rates three times.

Moving into 2025 interest rates will continue to be cut, but expectations for the UK forecast the rate to be 3.75% at the year-end which is 1% less than the rate now – so a significant slowdown in pace. As always with forecasts, they are subject to change and if we take the USA, and to a lesser extent the UK, each have a new government, both of which are seeking to increase economic growth. Whilst the methods will be very different, if they are successful, then perversely it will be inflationary which, at best, will result in the pace of interest rate cuts slowing further, or at worst pausing further cuts.

The two biggest economies, USA and China, are on different paths. The Trump presidency has signaled that tariffs are to be introduced on goods and services to promote USA driven businesses, whilst for China, they are still trying to manage the financial fallout from their property sector which has been a key driver for economic growth. This has resulted in equity assets in China, and to a lesser extent in Asia, suffering, with the only respite being announcements of financial stimulus from the central party in China. While this resulted in a brief rally in asset values, it has not been sustained.

2024 saw the market in the USA continue to defy expectations albeit driven by the “magnificent seven”, which also benefit from the other big story of 2024 which is Artificial Intelligence (AI). The same companies have and continue to invest huge sums of money into research and development of AI, which at some point will need to deliver the actual returns. Whilst the USA is expensive by pretty much every measure, valuations for Mid and Small Caps have not benefited to the same extent and so arguably should benefit from a Trump presidency.

The UK has stated its ambitions for economic growth. It is no coincidence that this is linked to the house building program that the new government announced, because house building ripples through an economy from raw materials to soft furnishings and white goods that all drive economic growth. Whilst many doubt they will achieve the target of building 1.5 million homes over this parliament, getting remotely close will have an enormous benefit for the economy.

The Eurozone, according to Christine Lagarde, is now over the worst in terms of the impact of inflation. It does, however, face several headwinds, including poor economic data from Germany who now faces a general election in February. At the same time, France is suffering from political uncertainty, which is never good news for the economy. All of this before the likely imposition of tariffs from the USA next year.

Global growth is expected to be broadly 3.2% in 2025 (although this will vary from region to region), however, for advanced economies, growth is expected to be 1.8% in 2025 which is a small increase from 1.7% in 2024. This underlines the degree of uncertainty heading into 2025, much of which centers on the geopolitical unpredictability in the Middle East and Ukraine.

The table sets out our current asset allocation views.

Underweight	Neutral	Overweight
	Government Gilts Index-linked Gilts: Global High Yield Bonds (for income)	
	Investment-Grade Bonds Equities: US, China, Far East, Emerging Markets, Japan	Equities (large cap): UK, Europe, Asia
	Equities (small cap): UK, US, Europe	Global Equities
Property (bricks & mortar)	Commodities	
Gold	Global property shares	

**Neutral means that, while we retain the asset class, we do not generally want to add to the position, apart from exposure via mixed asset funds.*

We wish you and your family a happy and healthy 2025.



6th January 2025