7IM COMMENTARY

Market review

Beyond the budget

Finally, UK investors can move on. It feels like we've been holding our breath since about July, waiting to find out what the Chancellor had in store.

So. Exhale.

Where we can, we try to leave the politics out of our investment analysis. Everyone will have their own personal views on what the UK budget was and wasn't trying to do, and what it did or didn't deliver. From a simple, immediate, market-based perspective, the 2025 Budget should probably be classed as a narrow win. The Pound didn't crash, UK Government Bonds didn't implode, and UK-listed stocks and shares barely noticed the event.

Of course, a narrow win isn't the same as a thumping victory. One comes with a sense of relief, and of disaster averted. The other instils a healthy dose of confidence and momentum – bring on the next match/fight/challenge.

That impetus is still missing from the UK economy. Consumer and business confidence indicators are bumping along the bottom; and retail sales over the festive period should give us a good idea – come January – of what's really going on in households across the country.

However. As we start to think about the coming year, we're trying to be careful not to let domestic issues dominate our wider perspective. After all, the UK is very much a global economy, and the stock market is the same (with most companies doing more business abroad than in British towns and cities). And, although it doesn't *feel* it, the world is actually in good shape.

Maybe the most tangible thing you'll notice is that the 2025 harvest for coffee, cocoa, olives and oranges – all key culprits for price rises in your supermarket basket – has been good. That doesn't *solve* any problems, but it might make life a little tastier, for a little less money than recent years. Never a bad thing!

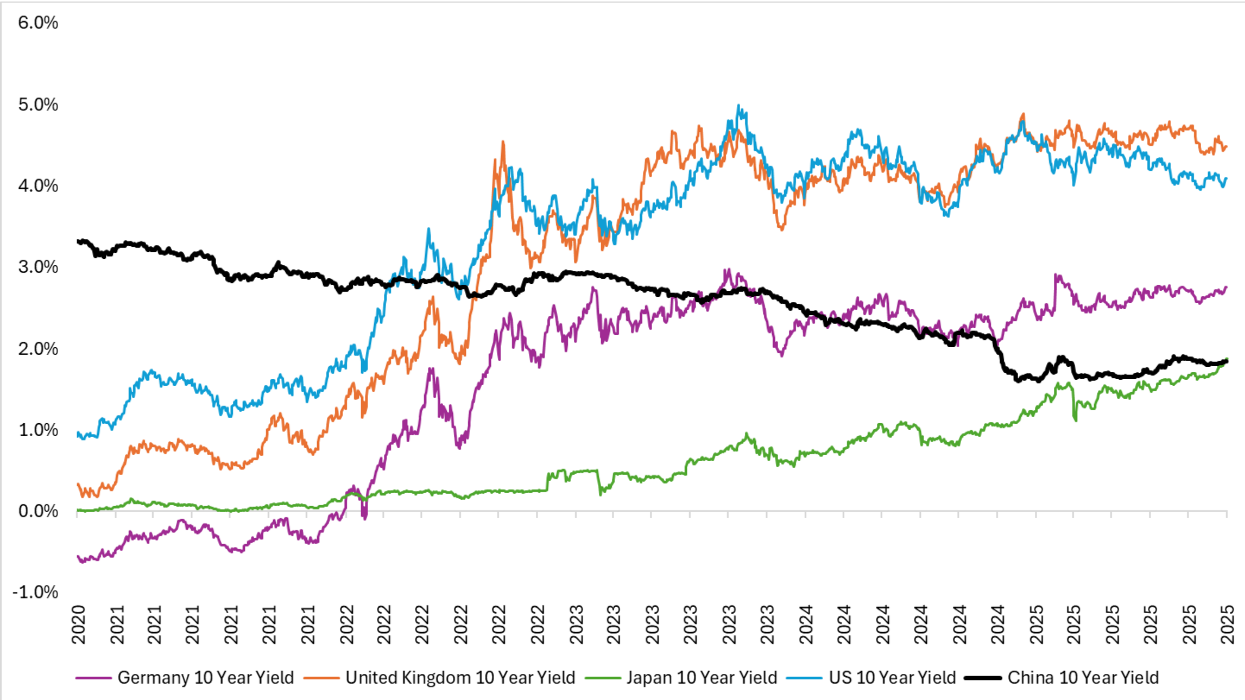
Chart of the Month: *New World Order – China doesn't pay more to borrow anymore*

For years, China stood out as the high-yielding outlier among major economies. Investors looking for income could rely on Chinese government bonds offering rates at a premium well above those in the US, Europe, the UK or more notably Japan.

On the opposite side of the fence, Japanese Government Bond yields have sat at record lows, making investing in them a laughable concept.

This assumption that China offers an extra yield premium no longer holds, with global fixed income looking a little more balanced.

The key question is whether this is purely a short term change in the monetary policy environment, or a deeper realignment of economic expectations. Only time will tell.



Source: 7IM/FactSet

November Markets Wrap

Markets paused for breath in November after a strong Q3 for markets.

Global equities were broadly flat, with developed markets eking out modest gains while emerging markets lagged. The key drivers of the sensitivity in equity markets were the continued concerns around the lofty valuations seen in the market. The flagship event of equity investors calendars, Nvidia results. Despite a strong earnings release, the continued uncertainty led to a seesaw of market sentiment, with markets concerned about how long the AI trade could last. This was a key detractor in those AI exposure emerging markets regions, with South Korea and Taiwan hit the hardest.

Bond markets were similarly subdued, as expectations for further central bank easing were tempered by mixed economic signals and lingering fiscal concerns. A well-advertised Budget in the UK saw some of those fiscal concerns tempered through the announcement of additional tax raising measures introduced across the board.

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Market Movers

Equities	1 Month	1 Year	5 Year
FTSE 100	0%	21%	13%
S&P 500	0%	15%	15%
MSCI Europe ex-UK	1%	17%	12%
Topix	1%	29%	17%
MSCI Emerging Markets	-2%	30%	6%
Government bonds			
UK 10Y	0%	2%	-6%
UST 10Y	1%	5%	-1%
Bund 10Y	0%	0%	-3%
Currency			
USD v GBP	-1%	-4%	0%
EUR v GBP	-1%	5%	0%
JPY v GBP	-2%	-8%	-8%

Quoted returns are in the local currency of the market

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