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Monday
24.03.2025

Weekly Market Review

Financial Headlines

United States

The Federal Reserve held the US interest rate at its current level of 4.50%, in a move widely telegraphed by markets. While the pause was expected, investors were more focused on the comments of Fed Chair Jerome Powell. The Chair acknowledged the impact of recent tariffs, indicating that they had affected the economic outlook for the US economy, but downplayed concerns that it could lead to a spike in inflation. The Fed lowered its projections for GDP growth for 2025 to 1.7%, down from the 2.1% growth forecast in December. Projections from members of the Federal Open Market Committee indicate that officials expect two quarter-point rate cuts before the end of 2025; however, markets have now priced in three potential cuts.

Europe & UK

In Europe, the German Bundestag approved the plans put forward by incoming Chancellor Friedrich Merz to remove the country's debt brake for defence spending and inject upwards of €1tn into military and infrastructure spending. The plans mark a historic shift from Germany's strict fiscal policies, which now means defence spending, in particular, can surpass 1% of total GDP. Borrowing rules have also been relaxed for the country's 16 federal states, where up to now, it has largely been prohibited from running a deficit.

In the UK, the Bank of England held the UK interest rate at 4.50%, a move expected by markets. The Monetary Policy Committee voted 8 to 1 in favour of holding rates at current levels, with one voting for a 25bps cut. BoE Chair Andrew Bailey stated that while uncertainty remained, interest rates were on a gradual decline.

Ireland

The National Treasury Management Agency (NTMA) completed an auction of €1bn of benchmark Irish Government Bonds. Two different Treasury bonds were sold: a 2.6% Treasury Bond that matures in 2034, and a 1.7% Treasury bond that matures in 2037. Of the €1bn, €550mn was sold for the 2.6% bond, while €450mn was sold for the 1.7% bond. Both auctions were oversubscribed, with over €1.2bn in extra bids received. The NTMA has now raised €4bn from the sale of benchmark bonds in 2025 thus far, with plans to issue between €6bn and €10bn in total this year.

Asia-Pacific

The Bank of Japan held its March policy meeting last week, with the bank opting to hold rates at their current level of 0.50%. This remains the highest rate level since 2008, after the bank hiked rates for the third time in January. The board of the Bank struck a cautious tone in explaining its decision to keep the rate at current levels. There was uncertainty from both a domestic and international perspective, with Japan's economy still suffering from signs of weakness despite a strong recovery from deflation in recent years. Exports and industrial output remained a key concern for the Bank, even as private consumption continues to grow. On the international stage, the key issue facing Japan is potential tariffs from the US, the country's key trading partner. The US accounted for 21% of Japan's total exports in 2024, with vehicles being the single largest export.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	5,667.56	-0.04%	-3.64%
NASDAQ	17,691.63	+0.12%	-7.91%
EuroStoxx50	5,423.83	+0.62%	+10.78%
EuroStoxx600	549.67	+0.49%	+8.28%
FTSE 100	8,646.79	+0.06%	+6.47%
ISEQ	10,861.56	-0.74%	+11.32%

Interest Rate	Current Rate	Direction	Rate Change
FED	4.50%	—	0
ECB	2.65%	—	0
BOE	4.50%	—	0

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	4.24	-1.59%	-7.06%
US 2YR	3.95	-1.70%	-6.69%
German 10YR	2.7650	-3.76%	+17.06%
UK 10YR	4.71	+0.90%	+3.20%
Irish 10YR	3.04	-3.09%	+15.46%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0814	-0.97%	+4.43%
EUR/GBP	0.8369	-0.37%	+1.17%
GBP/USD	1.2918	-0.62%	+3.20%

Asset Class Review

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Equities

In the US, equity markets were relatively calm last week, having endured multiple weeks of intense volatility due to both political and economic uncertainty. There were no major announcements as far as tariffs were concerned, with markets instead focusing on monetary policy data. The Federal Reserve held interest rates at current levels, as expected. This, in itself, did not move equity markets; however, the comments from Chair Jerome Powell were positively received. Powell stated that tariffs had impacted monetary policy but was cautious when it came to their impact on inflation. In economics, retail sales increased by 0.2% month-over-month in February, rising from a -1.2% fall in January, though well below estimates of 0.6%. In corporates, NVIDIA and xAI, founded by Elon Musk, last week joined a $30bn AI Infrastructure fund headed up by asset managers BlackRock, Microsoft, and the state of Abu Dhabi, with the aim of raising capital going towards the development of digital infrastructure and addressing the power demands of AI systems. The fund hopes to raise up to $100bn, which will include debt financing. Alphabet, the parent company of Google, announced it had agreed to its largest-ever acquisition: a $32bn takeover of cybersecurity firm Wiz. The mega-cap also announced a 10% break fee if the deal fell through, as the deal is expected to face significant scrutiny. For the week, the S&P 500 closed -0.04% lower while the NASDAQ closed 0.12% higher.

In Europe, equity markets were generally positive, maintaining their strong start to 2025. The big news for markets in Europe last week was the approval by the German Bundestag of a spending package of between €500bn and €1tn, while also enabling unlimited defence spending by the German Government should it need it. Along with this, a new €150bn EU defence funding proposal was put forward by the European Commission. Crucially, this spending package would only be available to EU defence companies and nations that have signed defence agreements with the Bloc. The proposal excludes the US, UK, and Turkey, which reflects the increasing independence of the EU from its former defensive partners. In corporates, Accenture released earnings with the company highlighting that the new US administration had impacted its consulting business, with shares falling 8%. For the week, the Eurostoxx50 and STOXX600 closed higher, up 0.62% and 0.49%, respectively.

In the UK, the FTSE 100 was driven by the Bank of England rate decision. As expected, the BoE held rates at current levels of 4.50%, opting to remain cautious amid global economic uncertainty. The FTSE 100 reacted negatively to this, with heavyweight stocks such as Rolls Royce and HSBC falling on Thursday. Mining stocks however gained due to demand for gold as a safe haven and copper as a result of rising optimism about the Chinese economy. For the week, the FTSE 100 closed 0.06% higher.

Bonds

Global bond yields were mixed last week, as major central banks announced interest rate decisions. In the US, the Fed held rates at their current level but lowered economic projections for 2025. This has led to market estimates of at least two rate cuts in 2025, if not three. The US 10-year yield consequently fell to 4.24% on Friday as a result. In the UK, the 10-year Gilt rose to 4.71% after the Bank of England announced it would continue a gradual and steady approach to interest rate cuts.

Commodities

Crude oil prices were mostly flat last week, hovering between steep declines and gains. With the escalation of the conflict in Gaza over the past week and increased hostilities between the Iran-backed Houthi rebels in Yemen and the US, prices increased. However, hopes of a Ukrainian ceasefire and increased US crude production weighed on prices. Brent crude closed at $72.16, while WTI closed at $68.28. Gold prices, meanwhile, pushed past $3,000 per ounce, rising due to hopes of more than two US interest rate cuts and continued safe haven demand. The metal has gained 15% year-to-date.

Key Events

- 26/03/2025 - UK Inflation Data
- 28/03/2025 - US Core PCE Price Index

Data Insight of the Week

Seaspray Private is delighted to announce the next release in our Financial Insights series - "The Case for Diversification." Diversification is essential for any successful investment portfolio, no matter the year or decade to mitigate against risk.

To watch this insight please click the link below

https://www.youtube.com/watch?v=R3JvLR_Mu88