

Asset allocation views: balancing U.S. equities and trade risks

Welcome to 2025 and our first investment outlook of the year. As we reflect on 2024, certain patterns and performance drivers in portfolios showed their worth, in particular U.S. equities. U.S. equities, and within that, the dominance of tech, growth, AI, for example. But looking beyond that, we saw corporate credit demonstrate strong returns, certainly relative to government securities. More niche asset classes like gold and indeed crypto were certainly on investors' minds and gave opportunity to generate investment return.

Investors—concerned about inflation, but also mindful of what the global rate cycle might look like in 2025 and beyond. So where do we see markets today? And what do we think about when constructing portfolios, identifying return opportunities, but critically, avoiding risks as we see them emerge? Well, I think one of the broad themes that we're going to be looking at is a potentially strong start of the year, a change in administration in the U.S., potential easing cycle from global central banks, but divergence across them. European markets more under threat and likely to be easier on the monetary stocks. U.S. markets, I suspect we're going to see the rate cutting cycle pushed out. Now, I still expect that we'll see cuts in 2025, but data will drive whether those cuts are front loaded or whether it's going to be a much more gradual and longer-term decline.

U.S. equity markets are likely to remain the main focus for investors, but we are starting to see opportunities emerge, certainly in Asia. And one question that we're asked regularly is, is the Q4 performance of Chinese equities likely to continue through 2025 and beyond? Answers to these questions and more themes, you'll find as ever in the materials attached. Please do read them, and as ever, we welcome your feedback.