

Global Market Strategy – March 2025

Trump grenades push Europe to act on defence investment Gold regains momentum after Trump–Vance round on Zelenskyy Tax year end & future pension planning

(Individual stock mentions here are observations and not recommendations to buy.)

Individual stock purchases are highly speculative and strict 15% stop-loss limits should be observed.)

The goodwill Trump won from sceptics following his good-humoured bonhomie meeting with Sir Keir Starmer last Thursday was largely lost on Friday evening during a belligerent and bullying display by him and henchman Vance toward Ukrainian President Volodymyr Zelenskyy during their meeting before the world's press at the Oval Office. It brought shame to many Americans.

Shortly after the furore, Councillor on Foreign Relations President Emeritus Richard Haass dispelled Trump's exaggerated figures of \$350bn spent by the US in helping Ukraine versus \$100bn by Europe. Speaking on CNBC he said: "This is a different United States. Some will like it, more I think will dislike it.... Europe has actually provided slightly more aid [to Ukraine than the US]. The US has probably provided overall \$125bn plus or minus directly... Without US support, Ukraine is in trouble and it will reduce whatever incentive Putin has to agree to a ceasefire. This will reinforce Putin's hope that time is on his side and he can wait out Ukraine."

European stockmarkets closed the last day of February trading before the White House spat but they demonstrated good performance during the month, helped by a sentiment of falling rates but also by hope of a ceasefire and even an end to the war. A factor also has been hedge fund managers trimming their shorts.

By contrast US indices had a turbulent time last month, with the tech-heavy Nasdaq100 at one point down close to 5% before rallying with gold in renewed risk-on trading toward the end of Friday's session. Mag7 stocks had a particularly volatile time, especially Nvidia (NVDA) which disappointed with its quarterly results (showing still healthy but slowing revenue) when reported last Wednesday. NVDA was down 15% on the month at one stage before rallying to lose just 3.16% for February.

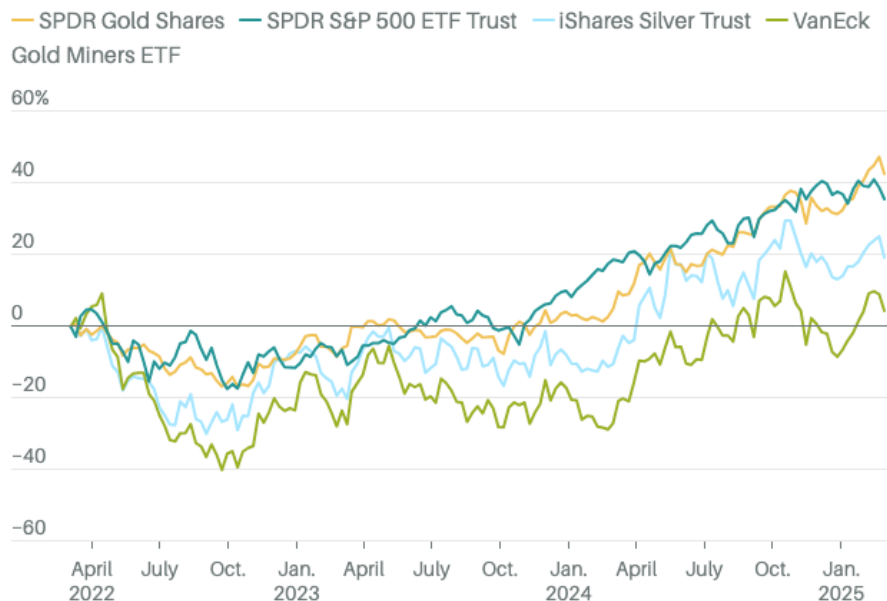
Mag7 stocks' performance last year represented 95% of the S&P500's 23% gain for the year, due almost entirely to the expectation of efficiencies driven from AI technology, but DeepSeek's bombshell at the end of January that it was able to demonstrate perfectly good AI technology at a claimed fraction of the cost of the billions being spent by Mag6 (Apple is spending very little on its AI development compared to the other six) still causes waves in a market trying to understand to what extent DeepSeek's claims stand up.

While the Mag7 trade has had its problems, the wider US market attempted to broaden, the Russell 2000 small and mid-cap index gaining 8% at one point since the November presidential election. This has been pulled back over recent weeks due in part to weaker consumer confidence and stickier inflation than expected, but equally to uncertainty as to the extent of Trump's tariff policies. On the whole, corporate earnings for the last quarter were good and exceeded analyst expectations, so valuations have become less stretched. Ed Yardeni (<https://yardeni.com/>) believes this is the roaring 2020s and that by the end of 2025 the S&P500 will be at 7000 (from its current level of 5954).



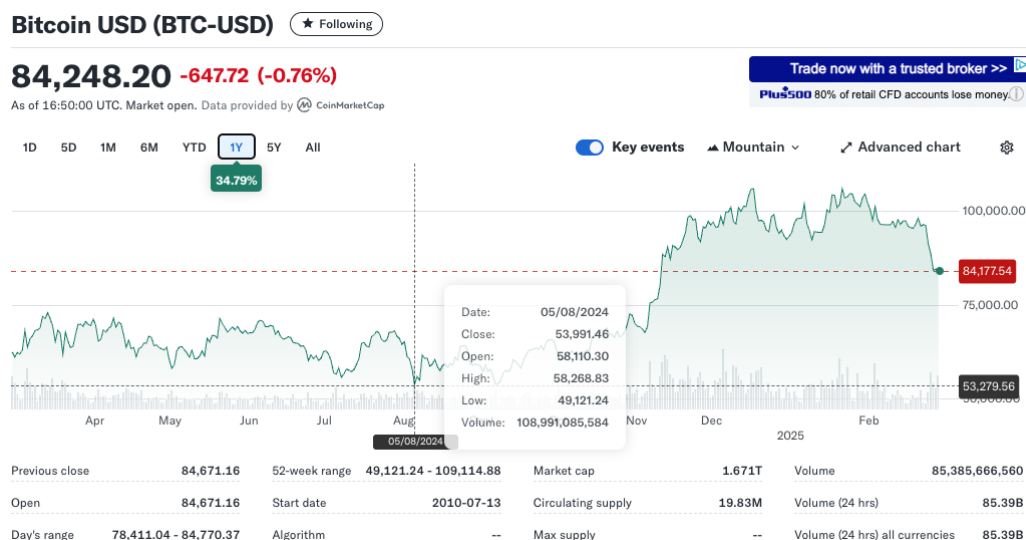
US Russell 2000 index, 1 year performance (Source: <https://uk.finance.yahoo.com/>)

Because of the possibility of an end to the war in Ukraine, gold retreated from record highs, as did bitcoin and other crypto assets. Technical charts suggest bitcoin could fall to \$70,000 but Trump has made clear he sees the US as having the predominant ownership stake in crypto, so any break of \$80,000 should be a long term buying opportunity.



One year chart comparing performance of gold, gold miners & the S&P500 (Source: Barron's & FactSet)

Gold is up 42% over the last 12 months despite dollar currency strength but supported by central bank buying, geopolitical tensions and uncertainty over Trump's shake-up of world order. Barron's believes recent underperformance of silver and gold miners will lead to their outperformance for the remainder of the year.



Bitcoin USD, 1 year (Source: finance.yahoo.co.uk)

UK equities have begun to shine again. Unsurprisingly, defence stocks such as BAE Systems (BAE) and Rolls Royce (RR) have both performed strongly despite a 3.5% upswing in sterling in the last 5 weeks. The FTSE100 headline index is up over 15% for the last 12 months and 7.79% for the last 2 months. Granted, valuations were cheap in the UK market but with inflation still a concern, a rising currency and ongoing concern over the weight of the October budget, the trend of the market has belied the headwinds.

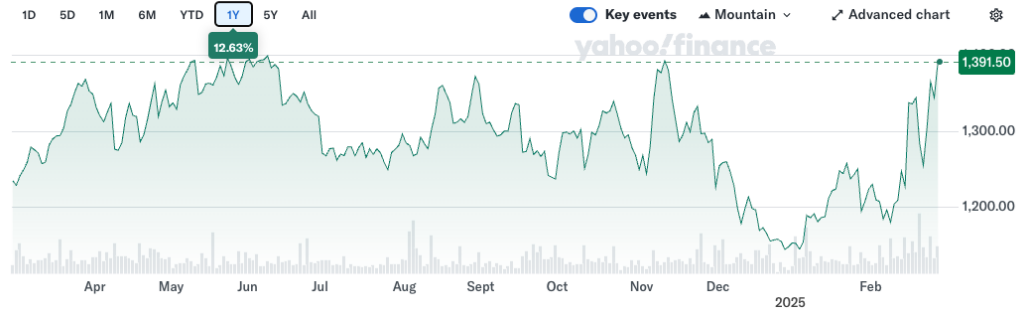
BAE Systems plc (BA.L) ☆ Follow ↔ Compare

1,391.50 **+46.50** **+(3.46%)**

At close: 17:30:35 GMT

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Previous close	1,345.00	Day's range	1,340.00 - 1,401.50	Market cap (intra-day)	42.371B	Earnings date	19 Feb 2025
Open	1,340.00	52-week range	1,127.00 - 1,417.00	Beta (5Y monthly)	0.37	Forward dividend & yield	0.33 (2.45%)
Bid	1,396.50 x --	Volume	11,661,519	PE ratio (TTM)	21.74	Ex-dividend date	17 Apr 2025
Ask	1,397.00 x --	Avg. Volume	7,638,755	EPS (TTM)	0.64	1y target est	1,478.35

BAE Systems, 1 year (Source: yahoo)

GBP/USD (GBPUSD=X) ★ Following

1.2604 **+0.0003** **(0.00%)**

As of 17:14:05 GMT. Market open.

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Previous close	1.2604	Bid	1.2604 x --	Day's range	1.2574 - 1.2621
Open	1.2603	Ask	1.2603 x --	52-week range	1.2101 - 1.3433

GBP/USD, last six months (Source: yahoo)

FTSE Index - Delayed Quote - GBP

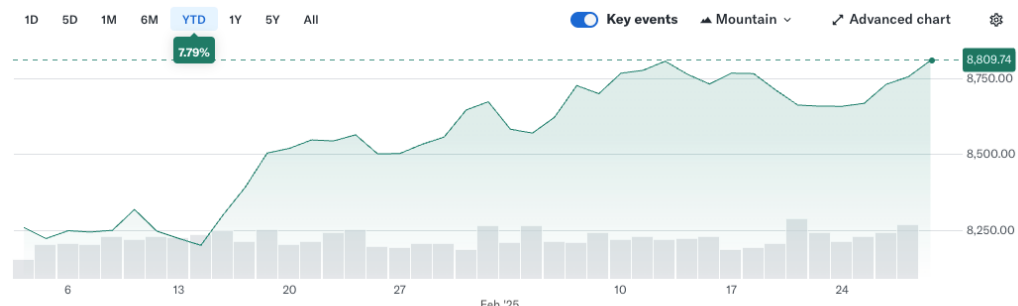
FTSE 100 (^FTSE) ★ Following

8,809.74 **+44.49** **+(0.51%)**

At close: 16:35:30 GMT

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Previous close	8,756.21	Volume	0	52-week range	7,598.50 - 8,820.90
Open	8,756.21	Day's range	8,715.43 - 8,810.50	Avg. Volume	820,969,754

FTSE100 year to date (Source: yahoo)

China too is moving ahead. The Shanghai Composite has had a healthy bounce from September lows, spurred by the regime's declared war on stagflation and subsequent economic stimulus measures. Chinese stocks trade on an average price/earnings of 14, significantly below the US's level of 22 for the S&P500. David Tepper, founder of Appaloosa Wealth Management (<https://www.appaloosawm.com>) and widely considered one of the best hedge fund managers, heavily increased his long positions in China technology companies at the end of 2024 and again last month

	Major	Price	Day	%	Weekly	Monthly	YTD	YoY	Date	
	US500	5954.50	▲ 92.93	1.59%	-0.97%	-1.40%	1.24%	16.84%	Feb/28	
	US30	43841	▲ 601	1.39%	0.95%	-1.95%	3.05%	12.42%	Feb/28	
	US100	20884	▲ 333	1.62%	-3.38%	-2.46%	-0.61%	15.74%	Feb/28	
	JP225	37156	▼ 1,101	-2.88%	-4.18%	-5.73%	-6.87%	-5.13%	Feb/28	
	GB100	8810	▲ 54	0.61%	1.74%	2.94%	7.79%	15.46%	Feb/28	
	DE40	22551	▲ 1	0.00%	1.18%	4.22%	13.27%	27.57%	Feb/28	
	FR40	8112	▲ 9	0.11%	-0.53%	3.04%	9.90%	2.32%	Feb/28	
	IT40	38655	▲ 32	0.08%	0.61%	6.28%	13.07%	18.64%	Feb/28	
	ES35	13347	▲ 77	0.58%	3.05%	8.63%	15.11%	33.46%	Feb/28	
	ASX200	8172	▼ 96	-1.16%	-1.49%	-3.25%	0.16%	6.15%	Feb/28	
	SHANGHAI	3321	▼ 67	-1.98%	-1.72%	2.83%	-0.92%	10.14%	Feb/28	
	SENSEX	73198	▼ 1,414	-1.90%	-2.81%	-4.36%	-6.32%	0.96%	Feb/28	
	TSX	25393	▲ 265	1.06%	0.98%	-0.31%	2.69%	18.86%	Feb/28	
	MOEX	3200	▼ 32	-1.00%	-2.52%	8.47%	11.01%	-1.73%	Feb/28	
	IBOVESPA	122799	▼ 2,000	-1.60%	-3.41%	-0.51%	2.09%	-4.82%	Feb/28	
	IPC	52377	▼ 194	-0.37%	-2.53%	1.60%	5.71%	-5.48%	Feb/28	
	NL25	922	▼ 4	-0.43%	-1.67%	1.88%	4.93%	8.66%	Feb/28	
	CH20	13004	▲ 46	0.36%	0.43%	3.78%	12.10%	13.69%	Feb/28	

Major stockmarket performances (Source: <https://tradingeconomics.com/stocks>)

End tax year and future tax planning

9 weeks before the end of the tax year, investors have an opportunity to get their affairs in order.

Bed & ISA and bed & pension are important and obvious ways to manage capital tax-efficiently. Even if the 2024/25 allowances have been used (£20,000 adult individual ISA allowance, up to £60,000 individual pension allowance depending on earnings), consider additional allowances as follows:

- £9,000 Junior ISA allowance - this is good estate planning for parents and/or grandparents if spare capital is available
- £2,880 net pension allowance for those who are retired and/or non-earners (grossed up immediately by 20% to £3,600)
- £4,000 net LISA allowance for those aged 18-39 (grossed up to £5,000). This forms part of the adult ISA allowance so it is possible to shelter £21,000 for someone aged 18-49 (can be funded up to age 50). LISAs are most tax-efficient for those basic rate taxpayers who are not in or restricted to some extent by their employer's pension scheme.
- £60,000 individual pension allowance for 2024/25. In addition, high earners may have unused allowance from the 3 prior tax years which can be brought forward (earliest year 2021/22 to be used first after use of 2024/25. Use it or lose it **but your earnings in the tax year you contribute must be at least the equivalent of the gross contribution.**)
- £3,000 annual inheritance tax gift exemption - most tax-efficiently used as the annual premium on a whole of life policy in trust. **The allowance for 2023/24 can be used now also if not used previously.**
- For small owner/director businesses with excess cash, make gross pension contributions from the company to the directors in line with the 'wholly and exclusively' rules (ie commensurate with the role and responsibility of the director) in order to reduce corporation tax. (Most companies have their year end coinciding with the tax year but for those that don't, this should be considered 1-2 months prior to the company year end.)

With pensions to be included in the estate for inheritance tax (IHT) purposes from April 2027, there are two changes in strategy to bear in mind:

- **Small business owner/directors over age 55 should consider paying themselves income from their pension in preference to drawing dividends from their company. Corporation tax rates at 19% and 25% are preferable to 40% IHT. Businesses held for more than 2 years also enjoy up to £1m Business Relief IHT exemption.**

- **Higher rate taxpayers should continue to prioritise pension saving for that amount which brings them into the basic rate band, otherwise henceforth ISA saving should be prioritised (see below, assuming £900,000 combined ISA and pension holdings - feel free to contact me with any questions).**

First in, last out?						
£900,000 Estate (2 nd death)						
Values	ISA	Pension	ISA	Pension	ISA	Pension
Death	£450,000	£450,000	£300,000	£600,000	£600,000	£300,000
Allocated NRB	£325,000	£325,000	£216,667	£433,333	£433,333	£216,667
Subject to IHT	£125,000	£125,000	£83,333	£166,667	£166,667	£83,333
IHT due	£50,000	£50,000	£33,333	£66,667	£66,667	£33,333
Total IHT	£100,000		£100,000		£100,000	
Post IHT Values	£400,000	£400,000	£266,667	£533,333	£533,333	£266,667
Net of IHT value	£800,000		£800,000		£800,000	
<i>Beneficiary Income tax</i>						
20%	£0	£80,000	£0	£106,667	£0	£53,333
Net proceeds	£720,000		£693,333		£746,667	
40%	£0	£160,000	£0	£213,333	£0	£106,667
Net proceeds	£640,000		£586,667		£693,333	
45%	£0	£180,000	£0	£240,000	£0	£120,000
Net proceeds	£620,000		£560,000		£680,000	

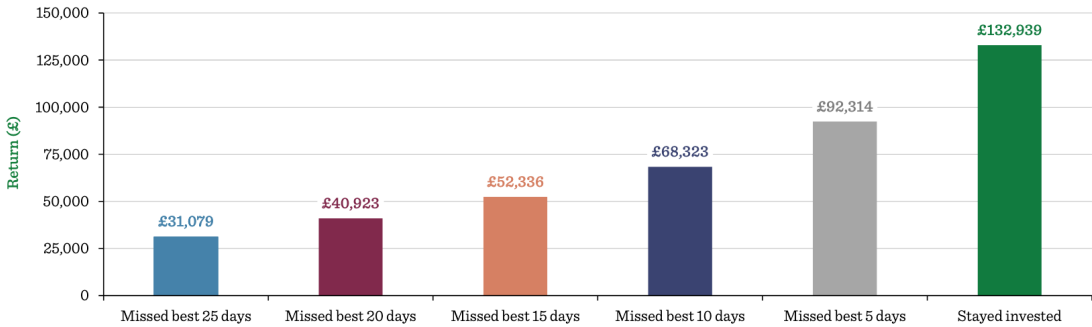
Source: Prudential

As far as 2025/26 is concerned, there is much supporting evidence that taking up allowances early in a new tax year has greater long term benefit than waiting until the end of the tax year.

The reward of staying invested

During periods of volatility it can be tempting to exit the market but missing just a few of the best days can have a big impact on your overall return.

The chart below shows that someone who stayed invested in global equities over the past 30 years, could have received a potential return more than four times greater than someone who missed the best 25 days.



Key takeaways

- ▶ Time in the market is usually more successful than trying to time the market.
- ▶ Keeping your money invested means you can benefit from any upsides or bounces.
- ▶ Missing just a few good days can significantly reduce how much your investment grows.

Source: Investors and Morningstar as at 31 December 2024. Total return in pounds sterling over period 31 December 1994 to 31 December 2024. Based on an initial investment of £10,000 into the MSCI All Country World Index. The information provided is for illustrative purposes only and doesn't represent the past performance of any particular investment. It is not possible to invest directly into an index.

Source: Quilter

Current favoured investment plays (in Bold immediate, Non-bold long term)

Cautious risk: Cash / National Savings Premium Bonds
 Balanced risk: **Managed / Multi-asset funds**
 Market risk: **Multi-asset funds**, UK equity
 Adventurous risk: **Asia**, Europe, **US equity**
 Speculative risk: **Technology**, **Healthcare/Biotech**, New Energy, **Emerging Markets**, **China**, **India**, **US smaller companies**, **Gold & Silver**

Disclosure:

Nicholas Chappell has the following personal investment exposure: Technology (all US, including fintech) 38%, Energy (including New/Green & NatGas/Propane) 7%, Crypto 5%, Pharmaceuticals (US) 2%, Global Multi-Asset 8%, US smaller companies 14%, UK Equity 4%, India 2%, China 12%, Brazil 3%, Gold/Silver 4%, Cash 1%

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