Gibraltar Asset Management

Stockbrokers & Investment Managers

Market Commentary - March 2025

FTSE 100	**8,679**	S&P 500	5,770
Resistance	8,800	Gold	$2,914
Support	8,320	GBP/EUR	1.1901
VIX	26%	GBP/USD	1.2902

Introduction:

US merchant and marketing pioneer John Wanamaker used to joke that *"half the money I spend on advertising is wasted; the trouble is I don't know which half"*. There are, however, times when 100% of marketing budgets are quite obviously being wasted. Enter the *"vowel movement"* of Abrdn, the name Standard Life Aberdeen chose to rebrand itself with in 2021. Supposedly a reflection of *"a modern, agile, digitally enabled brand"*, it incurred widespread derision for looking more like a typo. The news that Aberdeen has reverted to spelling its name like a serious company, then, seems to mark a shift in business and corporate culture. The age of corporate kitsch is over, and we are all having to get serious in an era where the presidency of the US itself is being merciless run as a business.

Market Outlook:

Over the long term *(since 1962), the FTSE All-Share has returned 7.2% per annum and that does not include the average 3.8% dividend yield earned on top. Therefore, 'strategically', it pays to be in the market. Also, considering inflation averaged 6.2% over the same period, it is vital that an investor invests in equities in order to preserve the purchasing power of their money. However, markets can be subject to swings in the interim and investors should be mindful of these with a view to protecting their capital and thus maintain a 'tactical' view.*

Our allocation to the stock market remains at equalweight. The stock market is juggling multiple concerns, while also seeing some positives in a fast-formulating environment.

We are concerned that consumers have little excess spending capacity following multiple years of inflation; and that these consumers, particularly those in the lower tiers of the economy, will at some point stage a *"buyers' strike"*. Rents have gone up severely (and continue to rise), representing a larger and larger chunk of renters' take-home pay. Prices for food and other necessities are also up sharply. Lower-tier consumers in particular are severely strained by this burden and have less and less available for discretionary spending, from restaurant meals to laptops.

Meanwhile, Fed Chairman Powell recently stated that the central bank is *"in no hurry"* to cut interest rates. The fall in the annual change in inflation has mostly stalled since the summer. The stock market, in our view, can no longer count on increasingly accommodative monetary policy for further gains.

And the Nasdaq has fallen 9% over the last month. After two years of AI euphoria, the arrival of DeepSeek and threats from other low-cost alternatives prompted investors to cash-out winnings in AI names. New policies from the new US administration are also contributing to market uncertainty. Fear of tariffs, the highly uncertain Ukraine situation, and DOGE job cuts are causing some equity investors to move to the

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Market Outlook (cont):

sidelines. Also overhanging the market is the perception that stocks are fully valued, and that it has been a long time since the last correction in equities. The imposition of tariffs is contributing to uncertainty

Amid all these concerns, the outlook for the economy and for corporate earnings is still solid. Fourth-quarter earnings growth has been the strongest in nearly three years, employment remains low and global GDP is expected to continue to expand. On balance, we remain quietly positive on the equity market and would regard any sell-off or even a correction (a 10% pullback) as a buying opportunity.

Recommended Investment:

UK State Pension

People with gaps in their UK National Insurance record have until 5th April to take advantage of an opportunity to increase their UK state pension. For Gibraltar residents who previously lived in the UK and have not made voluntary contributions since, topping up can be a no-brainer.

Many UK expatriates are unaware that they remain eligible for a full UK state pension, even after they move overseas. The UK state pension is currently £221.20 a week which equates to £11,502.40 per year. While it isn't going to afford you a life of luxury in retirement, it is still a benefit worth securing as part of a wider retirement plan.

For men born on or after 5th April 1951 and women born on or after 5th April 1953, there is an opportunity to make voluntary NI contributions to fill in gaps in your NI record between April 2006 and April 2016. However, the deadline for doing so is 5th April 2025. After then, you will only be able to buy credits for gaps in your record from the previous six years.

To receive the full UK state pension (pension age is currently 66 but will rise to 67 in 2028), you need 35 'qualifying years' of NI contributions. They don't have to be consecutive years. If you have fewer, you get less, with every missing year reducing your state pension by £5.82 a week. You need at least a 10-year record to get any state pension at all. Gaps can also be partial - you may have contributions in your record for a certain year but not enough to make it a qualifying year. Partial years are cheaper to fill with voluntary contributions.

Voluntary contributions are priced according to the 2024-2025 rates. Former UK employees can pay 'Class 3' voluntary contributions if they had either previously lived in the UK for three years in a row or paid at least three years of contributions. Class 3 contributions cost £17.45 per week (£907.40 per annum).

Generally speaking, this is good value for money. Adding one qualifying year to your record can cost up to £907.40, which buys £328.64 a year of extra state pension (or £6,572.80 over a 20-year retirement period). In addition, you get a real-terms boost to your state pension by purchasing voluntary NI contributions due to the triple lock which uprates state pensions in line with the highest of inflation, 2.5% or wage growth, although there is no guarantee that this will be maintained indefinitely.

A potential drawback of buying voluntary NI contributions is that they are a bet on your life expectancy. The breakeven point for buying back one year to make financial sense is three years after you start claiming your state pension so, as harsh as it sounds, you need to be confident you will live beyond that to justify paying up. If your health is not great, for example, contributing the money to a pension fund might be a safer option as you can access the whole sum over 10 years before receiving the state pension and your loved ones can inherit it.

Personal circumstances make a massive difference and figuring out whether making voluntary contributions is worthwhile is likely to take some time, so don't leave it until the last minute. You can check your NI record at www.gov.uk/check-national-insurance-record or call the government's Future Pension Centre on +44 800 731 0175.

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Post of the Month:

"Global trade has been through a difficult few years. It's been affected by the pandemic, pirates and impassable canals thanks to stranded ships and droughts. Now it faces a tariff war as Donald Trump implements his election promise to put America first"

Using this blunt instrument, the president believes he can protect and create US jobs, increase badly needed tax revenues to fund a domestic tax giveaway, turn trade deficits into surpluses and force neighbouring states to take greater responsibility for border security. But it's a fallacy to believe that higher tariffs offer a snag-free solution. If kept in place, they will cause far more upheaval than Trump's dismissive description of *"a little disturbance"*.

The US has pushed ahead with 25% tariffs on imports from Canada and Mexico and doubled the 10% duty applied to Chinese imports, spooking markets and adding to concerns about the state of the US economy. A 25% levy on US imports of steel and aluminium will also shortly come into force.

At the start of April, once the new administration has worked out what reciprocal duties are required to match the trade barriers other countries have installed against US goods, we'll find out what stage two of the tariff war looks like as the focus moves to the EU and the UK, although our trade deficit with the US should mean we are in Trump's good books. VAT may be factored into the new US style of thinking, even though it's applied on domestic goods too, along with 'unfair' non-tariff barriers such as subsidies, and here the UK could be snared.

These hardline tactics are a particular worry for the EU. Its large trade surplus with the US makes it highly likely that it faces a blitz of tariffs. The EU tariff rate exceeds the US equivalent in 10 out of the 14 sectors where duties are applied. For example, it applies a 10% tariff to US car imports, while its car exports are currently taxed at 2.5% by the US. In addition to the finished vehicle tariff on US imports, academic studies estimate that non-tariff barriers in the EU add up to the equivalent of an additional 25% levy. The US's new approach could be universal taxes, reciprocal (sector-specific) moves where tariffs are matched to those placed on US exports, or a mix of both: a universal tariff followed by product-specific ones targeting, for example, pharmaceuticals.

Countries have options. They could appease Trump by offering to buy more American goods, or making concessions in other areas. They could reduce tariffs on US goods, to their detriment. In a trade war it is always the *"surplus country"* that has more to lose. They could also retaliate - for example the EU might choose to impose a larger digital services tax.

Some of the worst effects could be tempered by businesses and consumers switching suppliers, and Trump may be forced to row back if the tariff war backfires badly in the US, even if reshoring rates and exports climb. A persistent 25% tariff on Canada and Mexico could lead to a reduction in GDP growth of up to 1%. Tariffs on EU countries and retaliation by affected nations could worsen this.

The extent of the damage wrought on global trade, and GDP growth rates, will depend on the scale of the duties, how long they remain in force and any retaliation measures. But the levies can be expected to fuel inflation as input costs rise (especially in the US), squeeze economic growth (especially in exporting nations) and cause equities to sell off. Even if these fears are overdone, the US's new aggressiveness, lack of diplomacy and disregard for consequences do not bode well.

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Quote of the Month:

"The investor's chief problem - and even his worst enemy - is likely to be himself" - Benjamin Graham

Emotional decision-making, fear, greed, and overconfidence are the biggest risks in investing. Many investors sabotage their returns by buying high out of excitement and selling low out of panic. The key to success is maintaining discipline and rationality, even in turbulent markets.

Economics:

The UK Chancellor's growth agenda was dealt a fresh blow after the British Chambers of Commerce (BCC) slashed its forecast for the UK economy due to the tax and trade *"double whammy"* afflicting UK businesses. The business group now expects the economy to grow by just 0.9% in 2025, a hefty downgrade on the 1.3% growth it envisaged for the economy at the turn of the year. BCC economists said the *"raft of rising cost pressures"* plaguing firms - including the upcoming hikes to national insurance contributions and the minimum wage - will squeeze bottom lines, leaving bosses unable to invest and grow their businesses. Meanwhile, the closely-watched Purchasing Managers' Index sank to 43.9 from 45.1, its lowest level since November 2020 and - excluding the pandemic - a post-financial crash nadir. Vicky Price, chair of the BCC Economic Advisory Council, said firms should expect 2025 to be a *"challenging year"*, and that the forecast showed *"an economy struggling without the secure foundations to kickstart business investment"*.

The European Central Bank (ECB) has cut interest rates for the sixth time in nine months (to 2.5%) as it seeks to bolster eurozone economic growth. The latest cut came as a sell-off of German government bonds spread to other bond markets. The sell-off came after Germany's move to increase military and infrastructure spending. Political parties in talks to form a new government plan to pay for this by loosening Germany's fiscal rules, raising the prospect of a big increase in debt. In response, longer term German bonds saw their biggest sell-off in years. With inflation getting closer to its 2% target, the ECB said its interest rate cuts were *"making new borrowing less expensive for firms and households"*. But it trimmed its prediction for eurozone growth, putting expansion in 2025 at just 0.9%, only slightly above the 0.7% pace recorded last year. The eurozone economy may suffer if the Trump administration goes ahead with plans to impose *"reciprocal tariffs"* on every country that taxes US imports.

US President Donald Trump's cuts to the government workforce have started to hit, but overall hiring last month remained stable as growth in other sectors offset those losses. The Labor Department said federal employment dropped by 10,000 in February. Across the economy, employers added 151,000 jobs, while the unemployment rate ticked up to 4.1%, from 4% in January. Seema Shah, chief global strategist at Principal Asset Management, said the report felt *"reassuringly in line with expectations, showing payrolls growth only modestly weaker than in recent months". "Yet, while the worst fears were not met, the report does confirm that the labour market is cooling. Furthermore, with no shortage of headwinds confronting the US economy, the softening trend is likely to persist and may potentially deepen given the toxic combination of federal government layoffs, public spending cuts, and tariff uncertainty related inertia."* Trump acknowledged that *"there could be some disturbance"* in the economy. But he said he thought reducing the size of government and moving forward with tariffs would unleash private sector growth. *"I think the labour market's going to be fantastic but it's going to have high-paying manufacturing jobs as opposed to government jobs"*.

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Seasonality: *"History doesn't repeat itself, but it does rhyme" - Mark Twain*

The January Barometer

Historically, the returns in January have signalled the returns for the rest of the year. If they are positive, the returns for the whole year tend to be positive and vice versa. First mentioned by Yale Hirsch in the Stock Trader's Almanac in 1972, a variant has it that returns for the whole year can be predicted by the direction of the market in just the first 5 days of the year. Judging by the first 5 days, 2025 is likely to be a positive year for the stock market.

March

March is 8th in the ranking of monthly performance, rising 56% of all the years in March, with an average return of 0.3%. The general trend for the market in March is to rise for the first three weeks and then fall back in the final week - the last week of March has historically been one of the weakest weeks for the market in the whole year.

First Quarter

The FTSE 100 has risen 28 of the 41 years (68%) between 1984 and 2024, posting an average gain of 1.3%.

November - April

Delaying re-entering the market from St. Ledgers Day to Halloween has yielded statistically significant outperformance with the FTSE All-Share rising an average 13.4% from Halloween to May Day since 1965. There is a 1-in-2,000 chance of this arising by chance in random data. One explanation for this is that as the nights draw in during winter, we become anxious and depressed, which means share prices fall and expected returns rise. This then leads to a decent winter rise.

First-Year US Presidential Cycle

The stock market tends to bottom out during the second year of each new presidential term and then recover strongly in the final two years. This is due to each Administration ensuring that the economy is strong by re-election time. Unfortunately, the excessive stoking of the economic fires creates excesses, including over-priced stocks, leading to poor stock market returns in the first two years of the next term.

Chinese New Year - Year of the Snake

Chinese calendar revolves around a 12-year cycle where each year is associated with an animal (rat, ox, tiger, rabbit, dragon, snake, horse, goat, monkey, rooster, dog and pig). Each New Year starts between 21st January and 21st February, the exact date being dependent upon a variety of complex factors. The best performing animals since 1950 have been the goat and dog. The worst performing animals have been the rooster and snake. *In Chinese astrology, the Snake symbolises wisdom, caution, and strategic thinking. These traits might culturally inspire investors to adopt a more analytical or conservative approach. Interestingly, this is the Wood Snake Year, which comes about every 60 years. Wood represents expansion, innovation, and flexibility. This could favour industries like tech, renewable energy, and AI, which thrive on evolution.*

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Investment Calendar:

6th March	ECB Meeting
14th March	Full Moon (markets tend to reach a low point around this time
18th March	FOMC Meeting
20th March	MPC Meeting
21st March	Options Expiry Day
29th March	New Moon (markets tend to reach a high point around this time)

Technical Analysis:

Last month we saw a strong likelihood of a pullback. We were eventually right (with the market falling almost 200 points) but not before the market went on to make new record highs. This was fuelled by robust corporate earnings, commodity and energy sector strength and the BoE's quarter percentage point cut to 4.5%. The market continues to look weak from a technical perspective. The RSI has crossed below the neutral 50 level to a bearish 40. The FTSE 100 is still trending (the ADX is 23) so we look for the market to revert back to its 20-day moving average, lying at 8,550 (nearly 130 points below its current level). Any breakdown below this will see little support until it reaches the 200-day moving average, currently lying at 8320.

"The illusion of randomness gradually disappears as the skill in chart reading improves" – John Murphy

Chart Legend:

(red dashed line)	20 day moving average	(signifies the short-term direction of the security. prices tend to gyrate around their 20 day m/a)
(thin red line)	50 day moving average	(signifies the medium-term direction of the security)
(thick red line)	200 day moving average	(signifies the long-term direction of the security - whether it is in a bull or bear market)
(blue line)		(an indicator that measures 2 standard deviations away from the 20 day m/a)

Technical Analysis Guide:

RSI (relative strength index) - indicates whether a security is overbought (above 70) or oversold (below 30). Also when the RSI moves above 50 that is considered bullish (or vice versa).

ADX (average directional index) - indicates whether a security is in a trend (above 20) or not in a trend (below 20). For trending markets moving averages work best when considering lines of support/resistance. ending markets Bollinger Bands work best (sell at upper band, buy at lower band).

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