...and a Happy New Year. Let's hope it's a good one.

With the markets interrupted through much of the Christmas and New Year period, there has been less news than salads over the festive season.

On the 23rd of December the UK Office of National Statistics (ONS) revised the 3rd Quarter figure down to 0.0%. The ONS has also revised down its estimate for growth in April-June to 0.4%, down from 0.5% growth estimated earlier.

2025 has begun how 2024 ended with equities having a wobble and the US dollar remaining strong as investors bet that Federal Reserve rate cuts will be few and far between this year. US unemployment figures issued on Thursday supported this view with applications falling to an eight-month low.

Chinese stocks declined by 3% into the new year as Chinese 2-year government bond yields closed in on 1%; they are now lower than during the peak of the Great Financial Crisis. The Financial Times has reported today that the People's Bank of China plans to cut interest rates as it makes a historic shift to a more orthodox monetary policy to bring it closer into line with the US Federal Reserve and the European Central Bank and will do so "at an appropriate time" in 2025.

As to which we have alluded many times through 2024, China is experiencing a balance sheet recession as President Xi Jinping attempts to gently deflate the country's property bubble. An overly leveraged private sector is unlikely to adopt more credit in this scenario solely because interest rates are lower and thus the country's predicament is being compared closely to Japan's lost decade in the '90s. China's economy is in trouble, and it is possible that interest rate policy will not be sufficient to change its fortunes.

Where are markets up to?

The rolling 12 month % cumulative returns in local currency from various indices is shown in the following chart:

02/01/2024 - 02/01/2025 Data from FE fundinfo2025

Where are the portfolios up to?

The portfolio performance, net of fees, to close of business on Thursday is as follows:

	1 week	1 month	3 months	12 months
Cautious	+0.30%	-1.00%	+1.10%	+7.12%
Balanced	+0.34%	-1.06%	+1.80%	+9.59%
Adventurous	+0.34%	-0.98%	+2.31%	+10.29%

As ever, if you would like to discuss any aspect of your portfolio, please do not hesitate to contact us on service@blythefinancial.com.