Markets yet to fluster as muster turns to bluster

Here at Blythe Financial, we have spoken to several clients this past week who are understandably anxious about a world that, if you look through the lens of the instant-gratification media, appears to be descending into some Faustian level of unimaginable chaos. It's hard to avoid a little melodrama, especially as at time of writing Storm Éowyn threatens to knock the heads of my hydrangeas.

It is true that Trump's first week in power has not been a quiet one with a list of Executive Orders, pardons, threats, baseless claims, and bluster too long to fit into a weekly update. Trump is a man (although I struggle to believe he is truly human) that thrives on putting opponents off-balance, and he sees the entire world as opponents to his 'America First' ethos.

This rise of American protectionism has the potential to lower global growth, as mentioned in last week's update that trade wars benefit no one, but Trump is ultimately self-serving.

Trump being in power is unequivocally bad news for some geopolitically (for example, his statements on Ukraine are worrying), and Heads of State, politicians and diplomats will be having a very hard time dealing with the torrent of social media-based salvos.

One thing Trump cannot directly control is asset prices and, thus far, the exceptionally large voting machines of bond markets, equity markets, commodity markets, etc are rationally adopting a 'wait and see" approach.

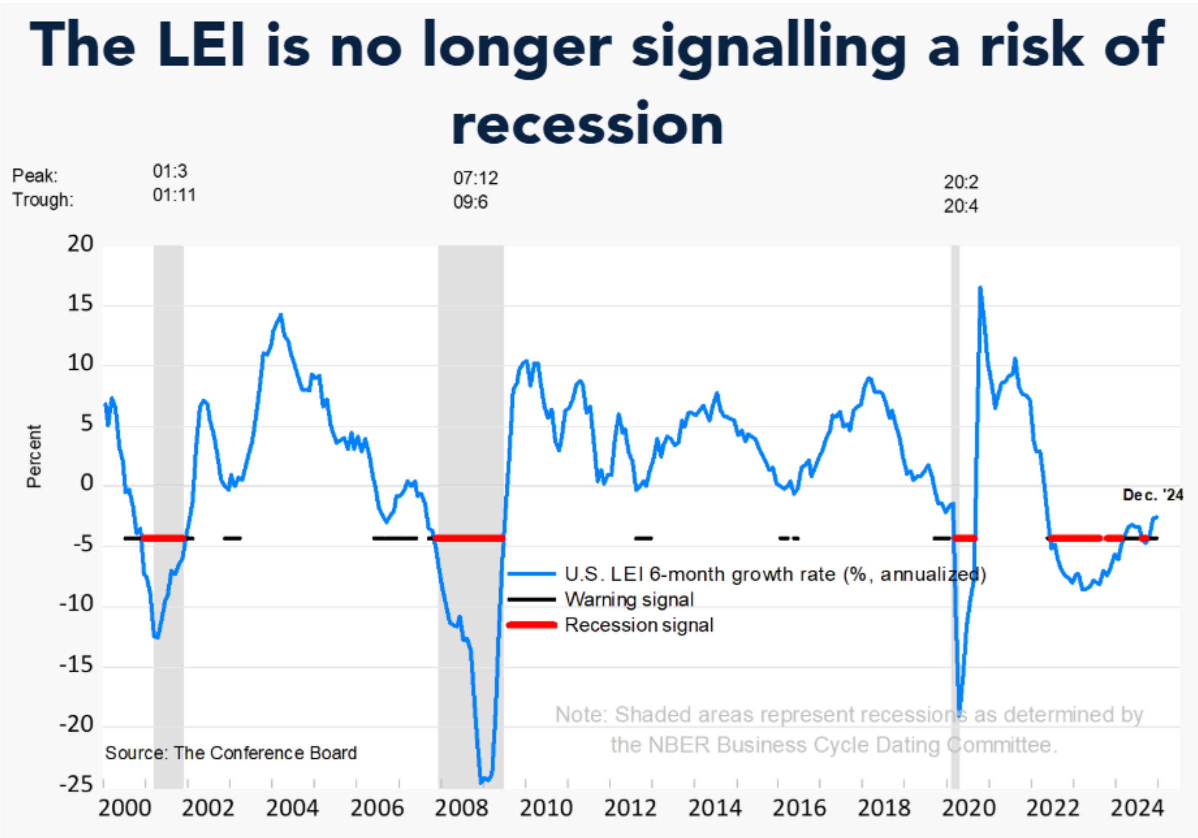
This is not to say that there have been no short-term reactions with, for example, the Chinese Yuan a big mover last night following an interview in which Trump claimed positive conversations with President Xi and while tariffs gave him power, this was a power he would rather not use. He threatens, he backtracks, he threatens, he backtracks. Trump is a walking headline-creator, and the media secretly loves it.

The Japanese yen was also on the rise overnight, instead in response to a more domestically driven piece of actual economics, after the Bank of Japan finally increased its main policy interest rate to 0.5%, the highest level since the 2008 and genuinely an historic decision for the central bank. The move was pretty much priced into markets ahead of the event which was considered neither dovish nor hawkish.

There will be more central bank meetings next week with the European Central Bank signalling another 0.25% rate cut, looking through recent inflationary figures to attempt to alleviate medium-term structural growth issues.

The Bank of Canada is also meeting next week and is likely to join the ECB in lowering borrowing costs. This is not only in the face of trade tensions but also amongst the backdrop of falling inflation and rising unemployment. An expected 0.25% reduction would amount to an overall interest rate reduction of 2% since last summer.

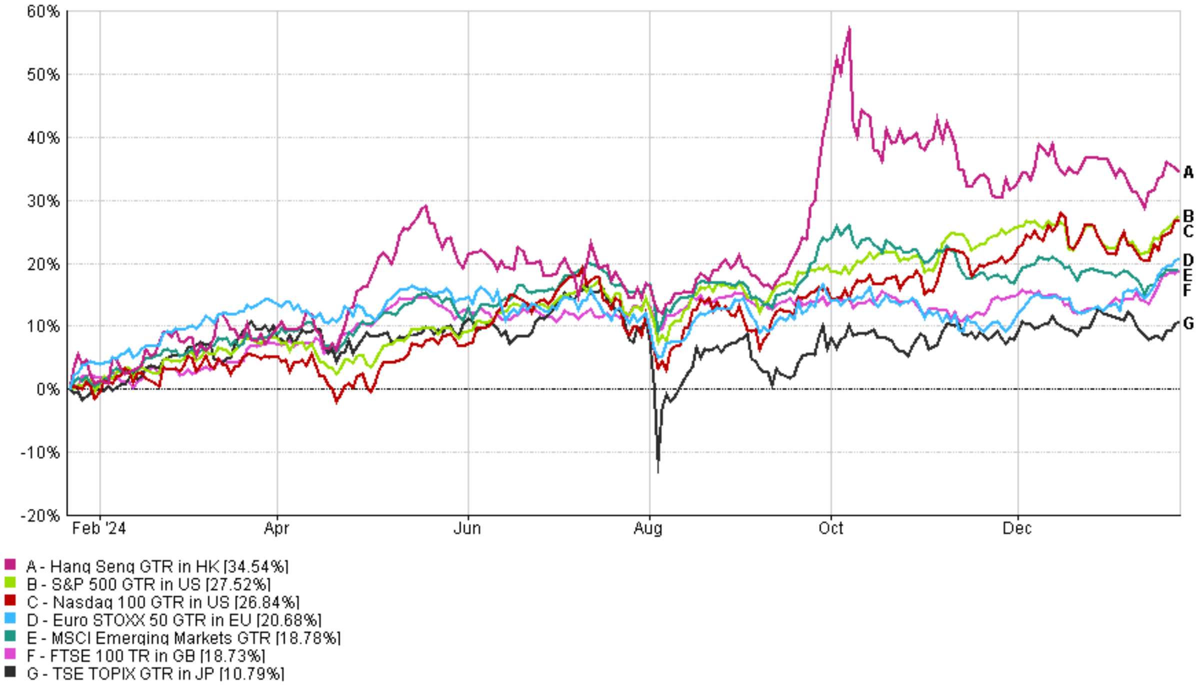
In contrast, the US Federal Reserve will almost certainly keep rates on hold at its next meeting, with markets not expecting another cut until the middle of the year and only two in all of 2025. Trump's policies notwithstanding the economic data continues to look strong and the Conference Board Leading Economic Index (LEI) is pointing towards an extension to the US bull run.



And finally, if you would like Blythe Financials' considered view on the new $Trump meme coin, there's not a bargepole long enough that we wouldn't touch it with.

Where are markets up to?

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



23/01/2024 - 23/01/2025 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	+0.64%	+2.25%	+3.35%	+9.30%
Balanced	+1.00%	+2.99%	+4.74%	+12.42%
Adventurous	+1.12%	+3.21%	+5.19%	+13.62%

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