President Trump: It's hard to ignore him…, but I find that it's well worth the effort

As predicted in our update last week the Bank of England cut its Base rate by 0.25% to 4.50% yesterday, joining most other central banks in a downward trajectory but in sharp contrast to the US Federal Reserve that has chosen to remain static. The divergence that we talked about last week continues.

The rate cut was taken very positively by the UK equity market with the FTSE 100 Index closing the day up 103 points or 1.21%. Unfortunately, this was not about enthusiasm for the UK economy and instead reflects that the move may help stave off a recession and / or a stagflationary environment.

The Governor of the Bank of England, Andrew Bailey, confirmed in his press conference accompanying the rate cut announcement, that the Bank has halved its growth forecast for the UK economy for 2025 from 1.5% to 0.75%. Of even greater note was that the voting pattern was unanimous for a cut and indeed 2 members voted for a 0.5% rate cut, such is the growing concern about the anaemic growth rate. Expect further rate cuts this year, starting with the next meeting on 20th March.

Sterling fell over 1% against the US Dollar before recovering slightly to close the day at 1.24, whilst the 10 year Gilt Yield took its cue from the press conference rather than the rate cut and moved up again to 4.535%.

In Europe the latest headline inflation numbers suggest that the final leg of getting inflation back to the European Central Bank's target rate of 2% is proving harder than hoped for with the numbers coming in as follows:

	Actual	Expected	Previous
CPI (YoY)	+2.5%	+2.4%	+2.4%
Core CPI (YoY)	+2.7%	+2.6%	+2.7%

A little delve deeper however shows us that the shorter dated numbers are in fact deflationary, and in the case of Core CPI, significantly so:

	Actual	Expected	Previous
Core CPI (MoM)	-0.3%		+0.4%
Core CPI (MoM)	-1.0%		+0.5%

This gives the ECB scope for further rate cuts in the coming months, with their next meeting scheduled for 14th March.

The continued divergence between the US and the rest of the world in terms of interest rate policy will only help to maintain the strong US Dollar, which when propped up by tariffs (of which there's more later) means that our current overweight exposure to US Dollar denominated assets will continue.

At some point, probably sooner than later, we are going to follow the doctrine that we eventually adopted during President Trump's first term in office, and that is to ignore everything that he says until he actually does something.

For now, though it is hard to filter out the endless stream of "initiatives" that are spewing out of the White House.

Last weekend Trump launched a barrage of tariffs, slapping a 25% tariff on Canadian and Mexican imports into the US, and a 10% tariff on Chinese imports.

The tariffs were imposed under Executive Orders, which permit the President to make laws and rules in certain circumstances. Imposing tariffs as an economic weapon is not one of those circumstances, and so the tariffs were imposed ostensibly because of the national emergency created by the supply of the Class A drug, Fentanyl from these countries.

When both Canada and Mexico agreed to beef up their activities to stop the flow of drugs, Trump agreed to suspend the tariffs for a month. China however dealt with the issue differently and retaliated by imposing tariffs on US coal and liquefied natural gas of 10%, and a 15% charge on crude oil.

That China did not impose a tariff on all imports carries its own implicit threat to Trump that China will and can retaliate much stronger if it chooses to do so.

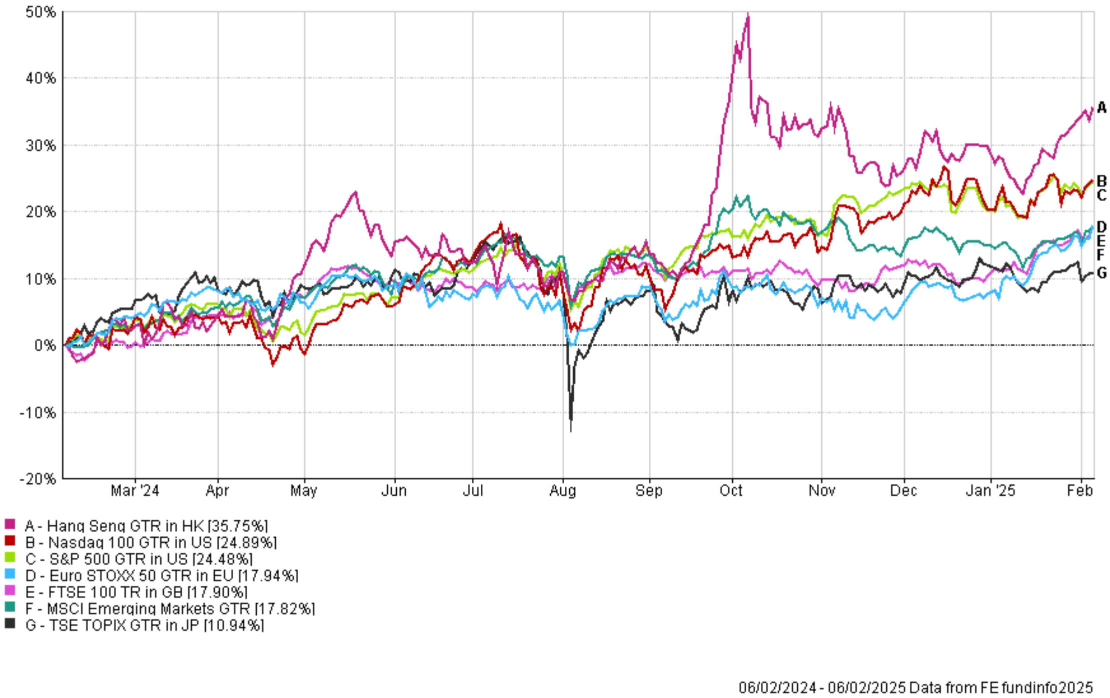
We then went full tilt into Trump's plan to take over the Gaza Strip and resettle all of its inhabitants elsewhere. As the harebrained plan unfolded, it seems that a full rebuilding programme would then follow, creating a "Mediterranean Riviera".

Trump's own words on the matter, "everybody I've talked to thinks it's a great idea" whilst sitting next to a grinning Benjamin Netanyahu, Prime Minister of Israel, suggests that *everybody* consists of Mr Netanyahu and the Oval Office cat.

As my title suggests, learning to ignore him is a skill that I need to redevelop.

Where are markets up to?

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



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	+0.70%	+1.86%	+3.50%	+8.41%
Balanced	+0.66%	+1.89%	+4.04%	+10.52%
Adventurous	+0.70%	+1.66%	+4.05%	+11.30%

We can also update the portfolio performance versus the ARC indices, which you may recall from earlier updates provide us with a benchmark of peer group data. The indices published by ARC are calculated from the aggregate data produced by over 70 different investment management, asset management and discretionary fund management firms. The updated data shows us a comparison since the start date of our portfolios as follows:

Numerically the data is as follows:

Portfolio / ARC Index	Blythe Financial Performance	ARC Index Performance	Blythe Financial Outperformance
Cautious / ARC Sterling Cautious	+32.68%	+30.36%	+2.32%
Balanced / ARC Sterling Balanced	+60.40%	+49.73%	+10.67%
Adventurous / ARC Sterling Steady Growth	+89.68%	+70.02%	+19.66%

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