



# State of Play

## Market resolutions

9 January 2025

As we usher in a new year, many of us take a moment to reflect on what we've achieved, as well as set resolutions for the year ahead. While the stock markets themselves cannot make resolutions, we can attempt to envision what a 'New Year's resolution' for a particular market might look like. In this week's State of Play, Santander Asset Management discusses a few key aspirations that could guide the markets in the coming year.

### US: keep inflation low

One of the most pressing challenges for the economy and the US stock market is inflation. The US Federal Reserve (Fed) has been able to lower interest rates in recent meetings due to inflation coming close to their target of 2%. Unfortunately for the Fed and the US market, inflation is showing signs of stickiness, with the November reading coming in at 2.7%.<sup>1</sup>

#### Inflation



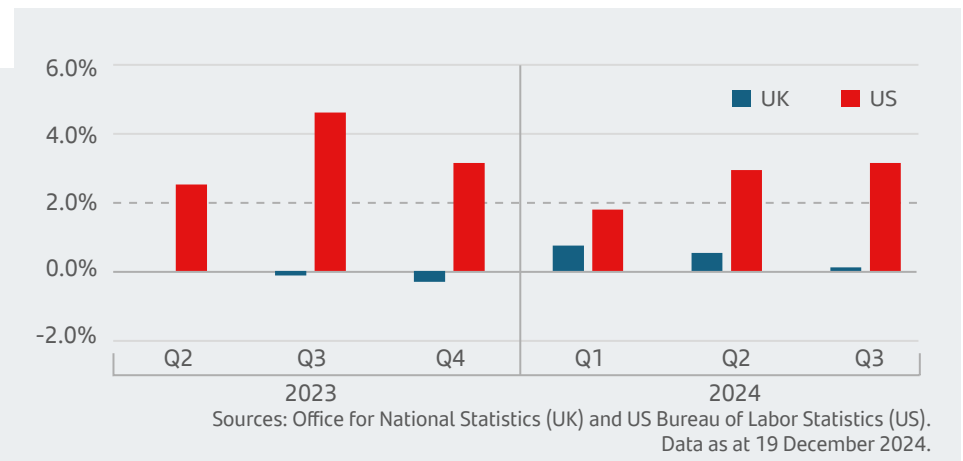
Source: US Bureau of Labor Statistics. Data as at 31 December 2024.

Part of the of the reason for this inflationary uplift is the state of the US labour market, which has shown positive jobs growth. The report for December, due out on 10 January, is expected to show growth of 150,000 jobs with the unemployment rate at 4.2%, according to a Reuters poll of economists.<sup>2</sup> Positive jobs growth is good for economic growth but can have a negative impact on inflation, due to consumers having more money to spend. Another challenge to the US market is the impact of Donald Trump's proposed policy of tariffs on imports. The tariffs anticipated via the media are quite staggering, suggesting tariffs of 60% on Chinese imports specifically and tariffs of up to 20% on all \$3 trillion of US imports.<sup>3</sup> It's too early to say whether Trump will actually impose these policies or if agreements can be reached to prevent them, but it is more than likely to result in price rises for US consumers and increased inflation.

## UK: Increase economic growth

The UK entered 2024 in a minor recession but thankfully managed to overcome this with low economic growth throughout the year. However, compared to its US counterpart, growth in the UK has been lacklustre, suggesting investing in US companies has been more attractive (and profitable) over the course of 2024.

### UK vs US gross domestic product



With interest rates set to fall this year and with greater government spending, economists forecast that economic growth could accelerate, meaning the UK could meet this resolution.<sup>4</sup> They forecast that GDP will increase by 1.7% over 2025, double the 0.8% expansion anticipated for 2024.<sup>5</sup> Some economists believe that increased public spending, due to a rise in employee wages and falling rates, will provide a temporary boost to Britain's economy in 2025. However, the outlook is uncertain due to potential global trade tensions resulting from the possible policies of Donald Trump, as well as a declining eurozone economy.<sup>6</sup>

## Europe: Political stability

2024 was a year full of political uncertainties for many of Europe's major players. Germany's coalition government collapsed on 6 November due to a dispute over 'debt brakes' and borrowing between former Finance Minister Christian Lindner of the liberal Free Democratic Party and Chancellor Olaf Scholz, resulting in only the Social Democrats and Greens remaining in power. Meanwhile, France faced political upheaval when a no-confidence

vote, backed by the Left Alliance and the far-right, led to the ousting of Prime Minister Michel Barnier on 4 December. With Donald Trump's impending inauguration as US president on 20 January just weeks away, eurozone countries will want to make sure that they have a strong political foundation in place to deal with any potential trade wars and Trump's stance on ending the war in Ukraine.

## The value of seeking guidance and advice

It is important to seek advice and guidance from a professional financial adviser who can help to explain how to build an appropriate financial plan to match your time horizons, financial ambitions and risk comfort. If you already have a plan in place or have already invested, it is important to allocate time to review this to ensure this remains on track and appropriate for your needs.

**Learn more!**

Investing can feel complex and overwhelming, but our educational insights can help you cut through the noise. Learn more about the Principles of Investing [here](#).

Note: data as at 9 January 2025

<sup>1</sup>Trading Economics, 6 January 2025

<sup>2</sup>Reuters, 6 January 2025

<sup>3</sup>CNN Business, 12 December 2025

<sup>4</sup>Source: KPMG

<sup>5</sup>Cityam, 6 January 2025

<sup>6</sup>Reuters, 6 January 2025

### Important Information

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