



ECONOMIC COMMENTARY

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YOUR WEEKLY
ECONOMIC UPDATE
25 February 2025

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financial well-being*

KEY THEMES INFLUENCING OUR CURRENT ECONOMIC CLIMATE

Understanding economic trends requires the analysis of market forces, policy changes, and global developments. These factors shape business decisions, investor confidence, and financial stability. This week, we explore key themes influencing our current economic climate.

Market volatility and upcoming earnings

The stock market recently faced turbulence, with major indices experiencing declines. High-valuation growth stocks, including Palantir Technologies and AppLovin, were hit particularly hard. Tesla's shares continued their downward trend, approaching lows not seen since early 2025. Rising bond yields and inflation concerns have also increased market uncertainty. Investors are now turning to Nvidia's upcoming earnings report, expected to shed light on the tech sector's future, particularly in artificial intelligence (AI) advancements. Nvidia's performance will likely influence sentiment in AI-driven equities: Strong results could restore confidence, while a weaker report may add to market caution.

Corporate caution amid policy uncertainty

Under President Donald Trump's second term, American businesses are navigating policy unpredictability. Rapid changes in tariffs, immigration, and deregulation have created uncertainty, prompting firms to re-assess long-term investments, especially in manufacturing, energy, and finance. Many companies have scaled back diversity, equity, and inclusion (DEI) initiatives in response to the administration's stance, fostering what some call "scaredy-cat capitalism". However, it is worth considering whether some companies ever fully embraced DEI. Many initiatives may have been driven more by public relations than by a belief in their effectiveness. Amid economic pressures, businesses now seem more comfortable moving away from efforts they see as non-essential or counterproductive.

The United Kingdom's (UK's) economic adjustments

The UK is tackling economic challenges on multiple fronts. Businesses are urging the government to improve workforce health to combat economic inactivity, which stands at 21.5%. Enhanced mental and physical health support is viewed as essential for boosting growth and reducing staff shortages, particularly in struggling sectors like retail and hospitality. Additionally, the UK government has announced plans to transition to next-day securities settlement by October 2027. This move aims to align with the European Union's timetable, enhance market liquidity, and bolster London's financial competitiveness. Market participants expect the change to improve transaction efficiency and reduce systemic risks.

Corporate restructuring and market dynamics

Brookfield is considering selling Melbourne-based asset manager and non-bank lender La Trobe Financial, with a potential valuation of \$2.5 billion to \$3 billion plus debt. The decision, expected soon, reflects financial firms' ongoing re-assessment of portfolios amid changing market conditions. Meanwhile, macro hedge fund Brevan Howard is making strategic shifts following recent underperformance. Expanding into digital assets and increasing its presence in the Middle East, the firm is diversifying its portfolio to adapt to an evolving financial landscape. This trend reflects the broader hedge fund industry's search for alternative investments to mitigate traditional market risks.

Global economic challenges

The global economy continues to face headwinds, with recent data showing slowing private-sector growth in both the UK and America. In the UK, companies are cutting jobs at the fastest rate since late 2020, reflecting consumer uncertainty and inflation concerns. In America, private-sector growth has slowed sharply, impacted by new tariffs and reduced federal spending. Businesses are bracing for potential interest rate adjustments as the Federal Reserve weighs inflation against economic stability. Consumer sentiment has declined, with spending on discretionary goods slowing, owing to rising borrowing costs. Economic shifts in one region affect global markets. Supply chain disruptions, geopolitical tensions, and shifting monetary policies continue to shape the financial landscape, requiring businesses and investors to stay adaptable.

In summary, economic trends are shaped by market volatility, corporate restructuring, and policy uncertainties. As global markets adjust, staying informed remains essential for navigating today's economic climate.

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