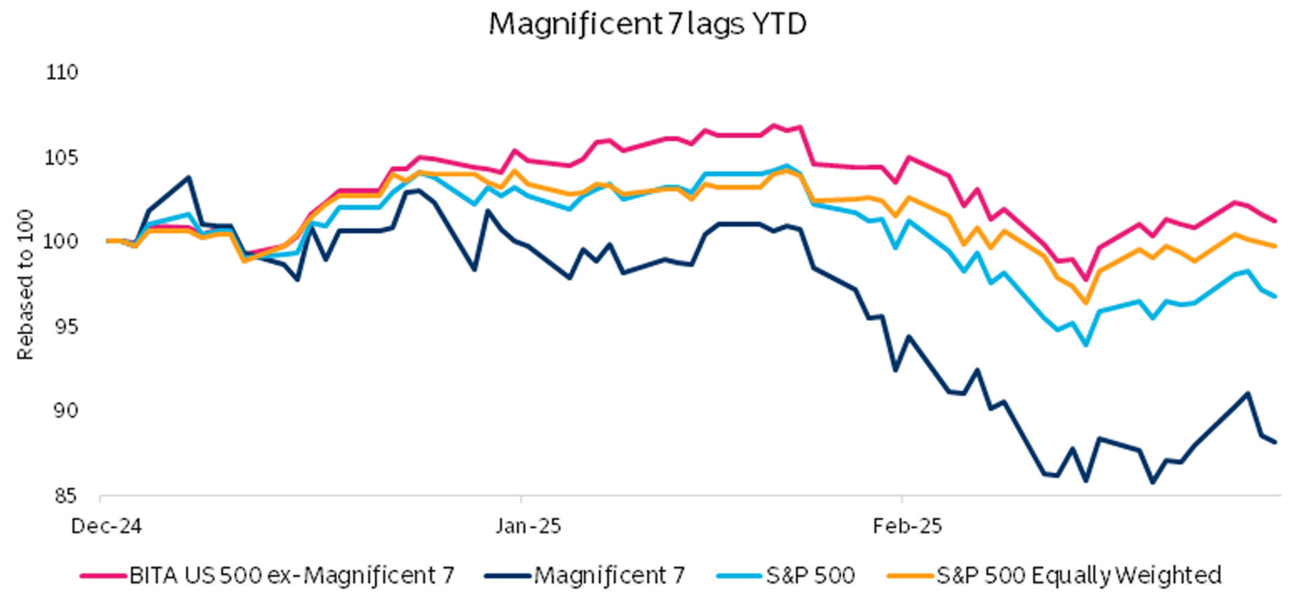
Chart of the Week

31 March 2025



Source: Momentum Global investment Management, Bloomberg L.P. Data to 27 March 2025.

Lag-nificent 7

Gabby Byron
Investment Services Executive

What this chart shows

The chart compares the year-to-date performance of the S&P 500, a market cap-weighted index of the Magnificent 7, the equal-weighted S&P 500 as well as the BITA US 500 ex-Magnificent 7 Index. While this handful of stocks drove returns in 2023 and 2024, their dominance has faded so far in 2025, with the group underperforming an equal-weighted approach.

Why this is important

Market leadership changes over time, and history suggests that extreme concentration in a small group of stocks rarely lasts indefinitely. Similar trends played out after the dot-com boom, when a handful of high-growth names eventually gave way to broader market participation. The recent underperformance of the Magnificent 7 highlights the risk of excessive exposure to a small group of names, especially when valuations are stretched.

For portfolio positioning, this shift reinforces the case for diversification. We've recently introduced exposure to an equal-weighted S&P 500 fund in some of our portfolios to help reduce reliance on those dominant names and capture opportunities across a broader range of companies. As the name suggests, the equal-weighted fund assigns an equal weight to all 500 companies within the S&P 500, reducing the concentration risk inherent in traditional market cap weighted indices. So far in 2025, smaller weighted companies within the S&P 500 have outperformed and the equal-weighted structure has allowed their performance to make a more meaningful impact. On top of this, the emergence of DeepSeek significantly impacted major tech stocks at the end of January, triggering a sharp sell-off in AI related stocks, with Nvidia falling 17% in a single day. While mega-cap tech remains a core part of the market, a more balanced approach may offer better returns as leadership rotates.

Weekly market update

week ending 28 March 2025

momentum
global investment management

President Donald Trump's announcement of a 25% tariff on all imports of foreign-made cars and parts has significantly impacted global markets, raising concerns about inflation, economic growth, and the potential for a broader trade war.

US

» President Trump announced a 25% tariff on all imports of foreign-made cars and parts, effective April 2 for vehicles and May 3 for auto parts.

» Core PCE rose 0.4% in February, pushing the year-on-year rate up to 2.8%. Additionally, the University of Michigan survey showed long-term inflation expectations hitting a 32-year high.

» US consumer confidence has hit a 12-year low, raising concerns about future spending and potential economic downturns.

» Financial markets are bracing for volatility due to new "reciprocal" tariffs on various trading partners, with analysts predicting persistent inflation and slower economic growth.

UK

» Chancellor Rachel Reeves presented the Spring Statement, emphasising the need to stabilise public finances amid global trade uncertainties. The latest measures include benefit changes and reforms to public services.

» The UK government faces economic threats from US protectionist policies, including recent tariffs on UK car imports and potential future tariffs on pharmaceuticals.

» The Office for Budget Responsibility warned that a US-initiated trade war could nullify the UK's fiscal savings, potentially leading to higher taxes or further spending cuts.

» Headline CPI for February was down to 2.8% vs 3.0% expected, leading markets to dial up rate cut expectations at the next Bank of England meeting in May.

Europe

» The EU is considering retaliatory measures in response to the US's new car tariffs, including potential tariffs on US goods.

» European markets are experiencing volatility due to concerns over escalating trade tensions between the US and EU.

» The European Central Bank is closely monitoring inflation data and the impact of US tariffs on the region's economy.

» EU leaders are exploring negotiated solutions to avoid a full-scale trade war with the US, aiming to protect the European economy.

Rest of the World/Asia

» China's official manufacturing activity grew by its fastest pace in a year, coming in at 50.5. This saw the Chinese composite PMI expand to 51.4 in March from 51.1 in the month prior.

» Analysts are closely watching China's policy responses to US trade actions, anticipating potential adjustments to maintain economic stability.

» The Bank of Japan has signalled the possibility of interest rate hikes if inflationary pressures persist, adding complexity to the economic outlook.

» International businesses are reassessing supply chains and market strategies in light of new tariffs and trade barriers.

Weekly market data

week ending 28 March 2025

momentum
global investment management

		Cumulative returns			
Asset Class / Region	**Currency**	**Week ending 28 March**	**Month to date**	**YTD 2025**	**12 months**
Developed Markets Equities					
United States	USD	-1.5%	-6.2%	-4.9%	7.2%
United Kingdom	GBP	0.3%	-1.0%	7.3%	12.9%
Continental Europe	EUR	-1.8%	-2.7%	7.9%	6.5%
Japan	JPY	-0.6%	3.9%	0.1%	2.8%
Asia Pacific (ex Japan)	USD	-0.6%	1.6%	3.2%	11.6%
Australia	AUD	0.7%	-1.7%	-1.1%	4.7%
Global	USD	-1.4%	-4.3%	-1.6%	7.2%
Emerging Markets Equities					
Emerging Europe	USD	2.6%	7.1%	19.5%	18.6%
Emerging Asia	USD	-1.1%	2.0%	3.4%	12.4%
Emerging Latin America	USD	-1.6%	5.8%	13.7%	-12.8%
BRICs	USD	-0.5%	5.7%	9.1%	20.1%
China	USD	-1.0%	3.5%	16.8%	42.7%
MENA countries	USD	1.3%	-0.7%	1.6%	1.9%
South Africa	USD	-0.4%	8.2%	14.6%	31.3%
India	USD	1.3%	8.7%	-0.2%	4.0%
Global emerging markets	USD	-0.9%	2.4%	4.7%	10.3%
Bonds					
US Treasuries	USD	0.0%	-0.1%	2.7%	4.2%
US Treasuries (inflation protected)	USD	0.5%	0.1%	3.7%	5.7%
US Corporate (investment grade)	USD	-0.2%	-0.5%	2.1%	5.1%
US High Yield	USD	-0.5%	-1.0%	1.0%	7.7%
UK Gilts	GBP	0.1%	-1.2%	0.3%	-1.4%
UK Corporate (investment grade)	GBP	-0.2%	-1.2%	0.3%	2.3%
Euro Government Bonds	EUR	0.3%	-1.8%	-1.3%	1.2%
Euro Corporate (investment grade)	EUR	0.2%	-0.9%	0.2%	4.5%
Euro High Yield	EUR	-0.2%	-0.8%	0.8%	7.8%
Global Government Bonds	USD	0.0%	0.5%	2.5%	2.1%
Global Bonds	USD	0.1%	0.6%	2.7%	3.1%
Global Convertible Bonds	USD	-1.2%	-0.9%	1.6%	9.0%
Emerging Market Bonds	USD	-0.6%	-0.7%	2.0%	6.4%

		Cumulative returns			
Asset Class / Region	**Currency**	**Week ending 28 March**	**Month to date**	**YTD 2025**	**12 months**
Property					
US Property Securities	USD	0.8%	-4.6%	-0.2%	8.0%
Australian Property Securities	AUD	-2.4%	-2.9%	-5.3%	-6.7%
Asia Property Securities	USD	0.8%	3.9%	7.6%	1.3%
Global Property Securities	USD	0.7%	-1.9%	1.4%	5.7%
Currencies					
Euro	USD	0.0%	4.1%	4.6%	0.2%
UK Pound Sterling	USD	0.1%	2.8%	3.4%	2.5%
Japanese Yen	USD	-0.5%	0.3%	4.9%	0.9%
Australian Dollar	USD	0.2%	1.3%	1.7%	-3.5%
South African Rand	USD	-1.2%	1.3%	2.5%	2.7%
Swiss Franc	USD	0.1%	2.3%	2.9%	2.2%
Chinese Yuan	USD	-0.1%	0.2%	0.5%	-0.5%
Commodities & Alternatives					
Commodities	USD	0.6%	1.7%	4.2%	5.4%
Agricultural Commodities	USD	-0.8%	-0.6%	-0.8%	-1.8%
Oil	USD	2.0%	0.6%	-1.4%	-15.8%
Gold	USD	2.1%	8.0%	17.6%	38.8%

Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.