



**Global Trust Company
Market Review**

January 2025

Cautious Optimism

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In January 2025, financial markets exhibited a blend of optimism and caution across various asset classes.

Equities: Global equity markets started the year on a positive note. Europe led the way, with the MSCI Europe ex-UK index jumping over 7%, buoyed by a lower technology weight and strong performances in the financial and consumer discretionary sectors. Meanwhile, the U.S. markets were a bit more modest; the S&P 500 posted a gain of roughly 2.8%, navigating a volatile month highlighted by the inauguration and a wide range of executive orders implementing policy changes in areas including government spending, immigration, and trade/tariff policy. Globally, tech drama was hard to miss: a Chinese AI company called DeepSeek stirred up concerns, and heavyweights like Nvidia saw a dramatic drop, which reminded many investors of the importance of diversification across regions and sectors. Nvidia's market value fell by nearly \$600 billion on January 27th, the largest one-day fall in U.S. stock market history.

Fixed Income: The fixed income markets experienced modest gains, with U.S investment grade bonds advancing 0.5%. Markets saw heightened volatility early on, driven by fiscal policy expectations and inflation concerns. Despite this, tighter credit spreads and softer-than-expected inflation data helped lift returns overall. Meanwhile, a weaker U.S. dollar was a tailwind for emerging market debt, which was up 1.2% for the month.

Real Assets: Commodities continued their upward trajectory, climbing 4.0% in January. Gold and other metals benefited from tariff concerns while oil prices were supported by colder weather and geopolitical factors. Unlevered U.S commercial property prices were essentially unchanged in January. Investors will watch closely the returns of levered core property funds throughout 2025, with property-type allocations expected to play a large role in determining results. Public REITs gained a modest 1.0% in January, led by industrial, timberland, and healthcare. Data center return declined alongside questions about AI needs in the aftermath of the DeepSeek announcement.

Diversifying Strategies: The directional equity hedged strategies gained 2.1%, helped by positive returns from long books. Even-Driven strategies, which often focus on disliked, deep value securities and M&A speculation, climbed in January as new government leadership raises expectations for a strong M&A cycle in 2025. Uncorrelated Macro strategies also advanced as interest rates fell while commodities gained.

In summary, while January 2025 showcased positive performance across various asset classes, underlying economic indicators such as rising inflation and potential monetary policy shifts, alongside elevated valuations in many risk-seeking assets, warrant a cautious and selective investment approach moving forward.

Exhibit 1: Asset Class Returns (2016 – YTD 2025)

2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD
High Yield 17.1%	Intl Equity 27.2%	IG Bonds 0.0%	US Equity 31.5%	US Equity 18.4%	US Equity 28.7%	Cmdty 16.1%	US Equity 26.3%	US Equity 25.0%	Intl Equity 4.0%
US Equity 12.0%	US Equity 21.8%	High Yield -2.1%	REITs 23.1%	60/40 14.0%	REITs 27.2%	Diversifying -1.7%	60/40 18.0%	60/40 15.5%	Cmdty 4.0%
Cmdty 11.8%	60/40 14.5%	60/40 -2.6%	60/40 22.4%	Intl Equity 10.7%	Cmdty 27.1%	High Yield -11.2%	Intl Equity 15.6%	Diversifying 9.8%	US Equity 2.8%
60/40 8.3%	REITs 11.4%	US Equity -4.4%	Intl Equity 21.5%	Diversifying 8.4%	60/40 16.6%	IG Bonds -13.0%	High Yield 13.5%	High Yield 8.2%	60/40 1.9%
REITs 5.0%	Diversifying 7.5%	Diversifying -4.7%	High Yield 14.3%	IG Bonds 7.5%	Diversifying 9.8%	Intl Equity -16.0%	REITs 10.9%	Intl Equity 5.5%	REITs 1.8%
Diversifying 4.8%	High Yield 7.5%	REITs -4.7%	Diversifying 8.9%	High Yield 7.1%	Intl Equity 7.8%	60/40 -16.1%	Diversifying 7.4%	Cmdty 5.4%	Diversifying 1.6%
Intl Equity 4.5%	IG Bonds 3.5%	Cmdty -11.3%	IG Bonds 8.7%	Cmdty -3.1%	High Yield 5.3%	US Equity -18.1%	IG Bonds 5.5%	REITs 2.0%	High Yield 1.4%
IG Bonds 2.7%	Cmdty 1.7%	Intl Equity -14.2%	Cmdty 7.7%	REITs -8.2%	IG Bonds -1.5%	REITs -24.4%	Cmdty -7.9%	IG Bonds 1.3%	IG Bonds 0.5%

Source: IG Bonds = Bloomberg US Aggregate; US Equity = S&P500; Intl Equity = MSCI ACWI xUS; High Yield = Bloomberg US Corporate High Yield; REITs = FTSE EPRA/NAREIT Developed; Cmdty = Bloomberg Commodity; Diversifying = HFN Hedge Fund Aggregate; 60/40 = 60%S&P500/40%Bloomberg US Aggregate

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