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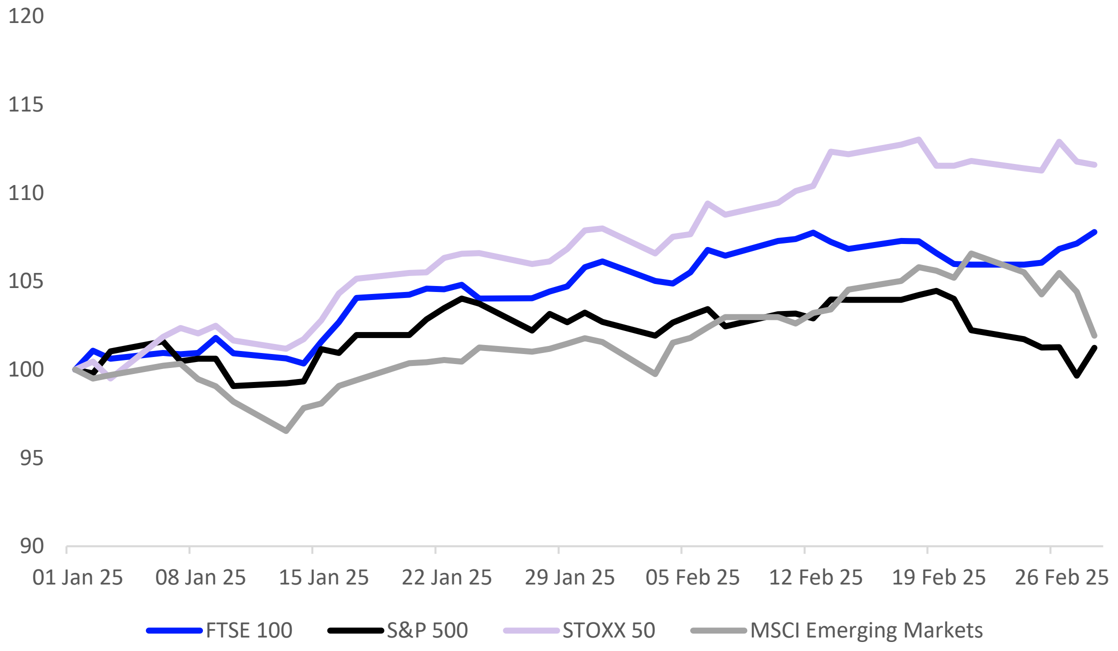
EXCHANGE

MACROECONOMIC AND EQUITY CAPITAL MARKETS UPDATE

February 2025

European Indices Rise while US Indices Fall

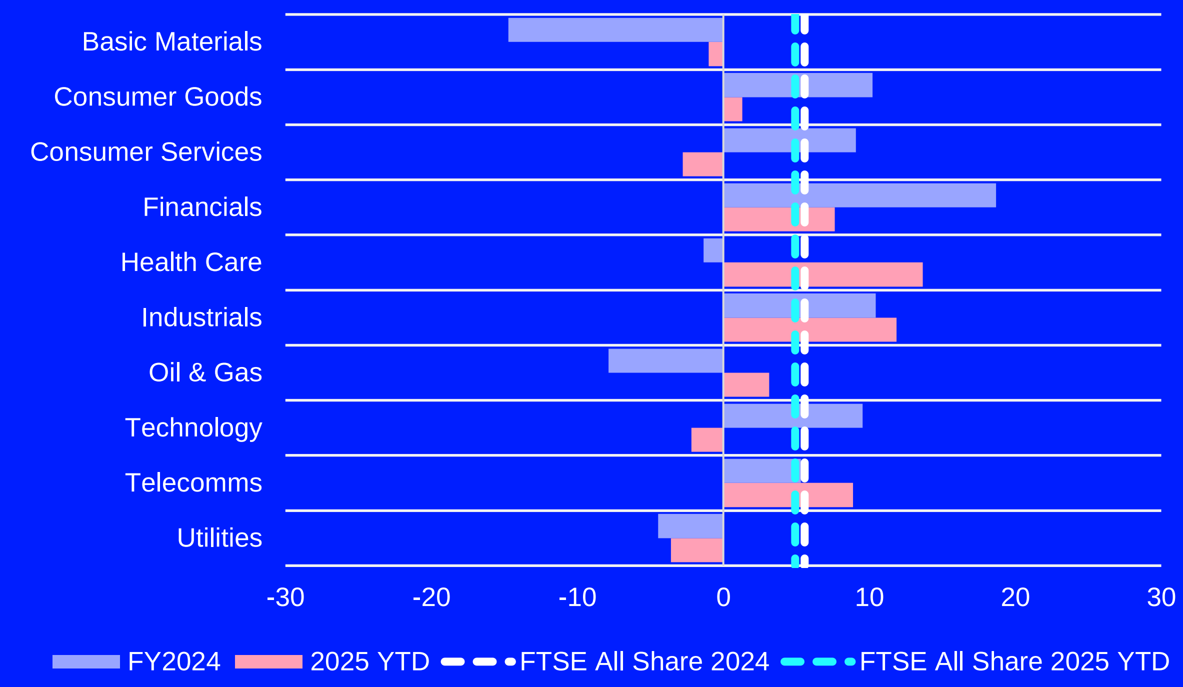
Index Returns*



	Index Returns (%)				Index Characteristics		
	Level	YTD	1Y	5 year	P/E	P/B	Div Yld.
FTSE 100	8679.9	6.2	12.8	34.3	16.6	1.8	3.6
STOXX 50	5468.4	11.7	9.9	69.2	17.1	2.2	3.0
S&P 500	5770.2	-1.9	11.9	94.1	25.8	4.5	1.6
MSCI EM	1128.6	4.9	9.5	11.5	-	-	-

- European stocks extended their strong start to the year in February. The FTSE 100 hit a record high of 8,809.74 on February 28th, supported by strong corporate earnings.
- After a positive January, US equities lost momentum, with the S&P 500 declining 1.4% in February. Investor sentiment weakened amid economic concerns and uncertainty over President Trump's policies. More than half of S&P 500 companies closed the month in the red.
- European investors pulled $510m from US equity ETFs, marking the first outflows since May 2023.
- Within the FTSE All-Share, Healthcare and Industrials are currently the top-performing sectors this year, delivering robust year-to-date gains of over 14% and 12%, respectively.

FTSE All-Share Sector Returns



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Source: LSEG Workspace, Reuters News, FT News, 10th March 2025. *Prices rebased to 100 on 01/01/25

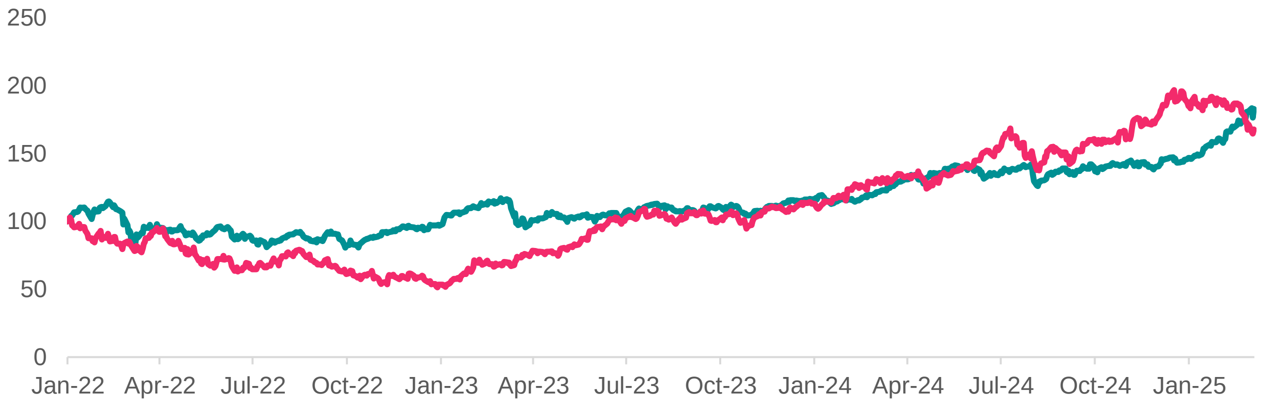
Banks vs Big Tech: The Rivals to the Magnificent 7

While the Magnificent 7 stocks have dominated headlines in recent years, a subset of European stocks have outperformed them since the start of 2022. The 47 stocks which form the Stoxx 600 Banks index, tracking Europe's largest listed banks, are up 83% since the start of 2022, compared to 68% for the Magnificent 7.

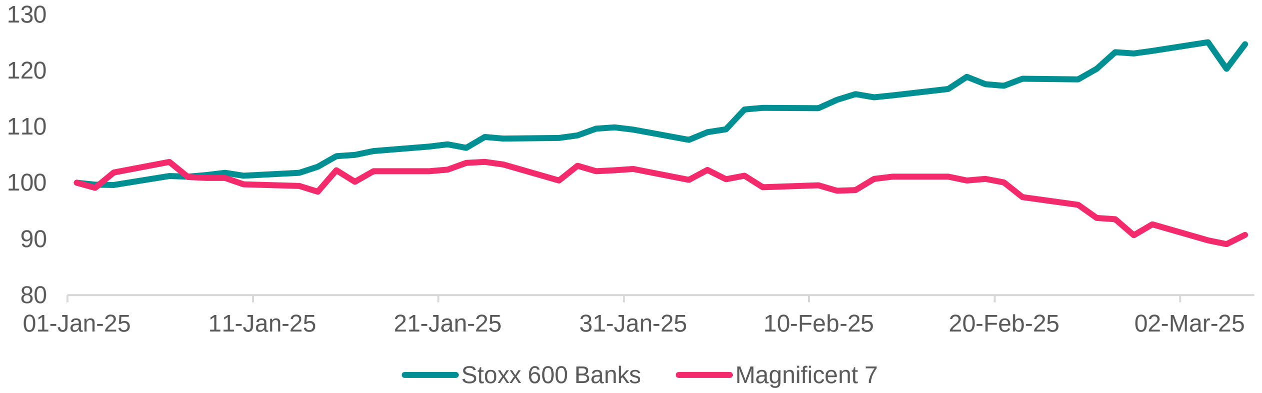
Indeed, fortunes have diverged even further in recent months, while the banking stocks are up 25% in 2025, the Magnificent 7 have seen a reversal of performance and are down 9% for the year.

The banks have seen success in the last few years thought to be due to the high interest-rate environment, with the increase in rates driving increased profitability for the sector. The Magnificent 7 on the other hand has done well generally attributed to the stocks offering higher growth than the rest of the S&P 500 index, as well as increased demand around AI. However, the seven have suffered in early 2025 partially thought to be driven by growth rates between the Magnificent 7 and the rest of the S&P 500 index converging. There have also been concerns around the concentration of the seven stocks in the index including following the announcement around DeepSeek, which cut $3bn off of Nvidia's value, sent US markets tumbling.

Magnificent 7 vs Stoxx 600 Banks, Since January 2022[1]



Magnificent 7 vs Stoxx 600 Banks, Since January 2025[2]



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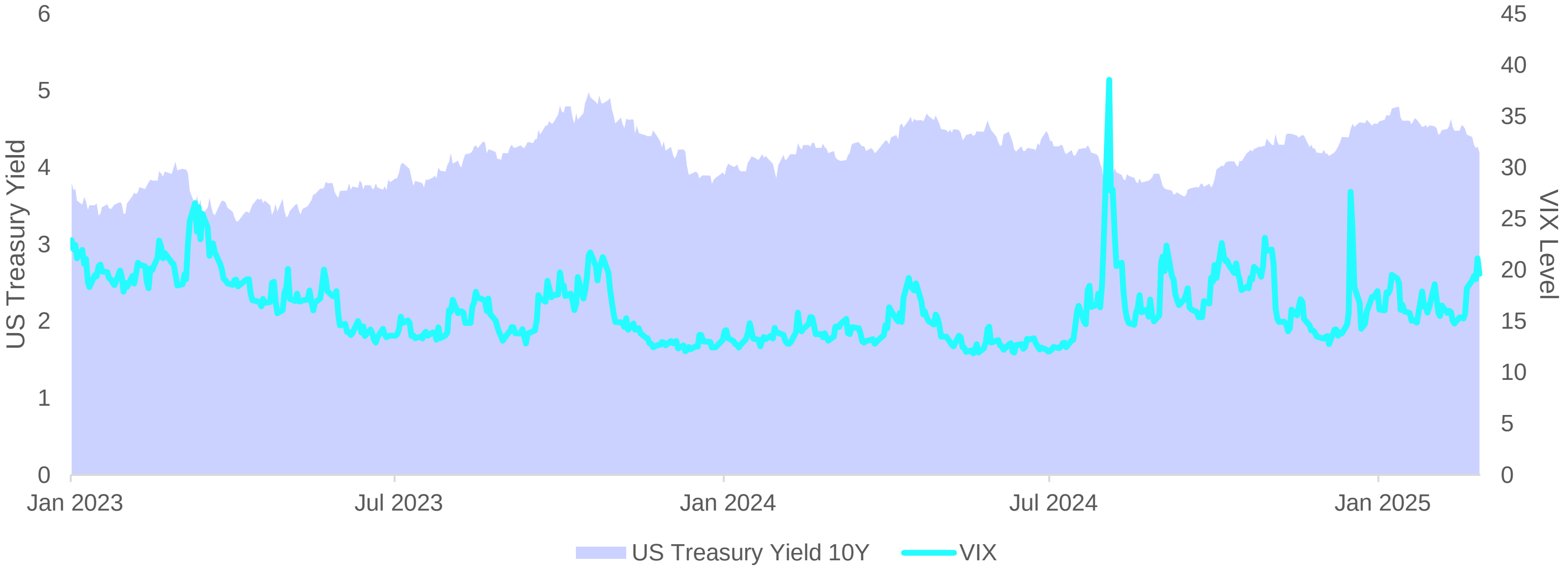
Source: LSEG Workspace, Financial Times, Charles Schwab, 6th March 2025. [1] Rebased as of 1st January 2022. [2] Rebased as of 1st January 2025.

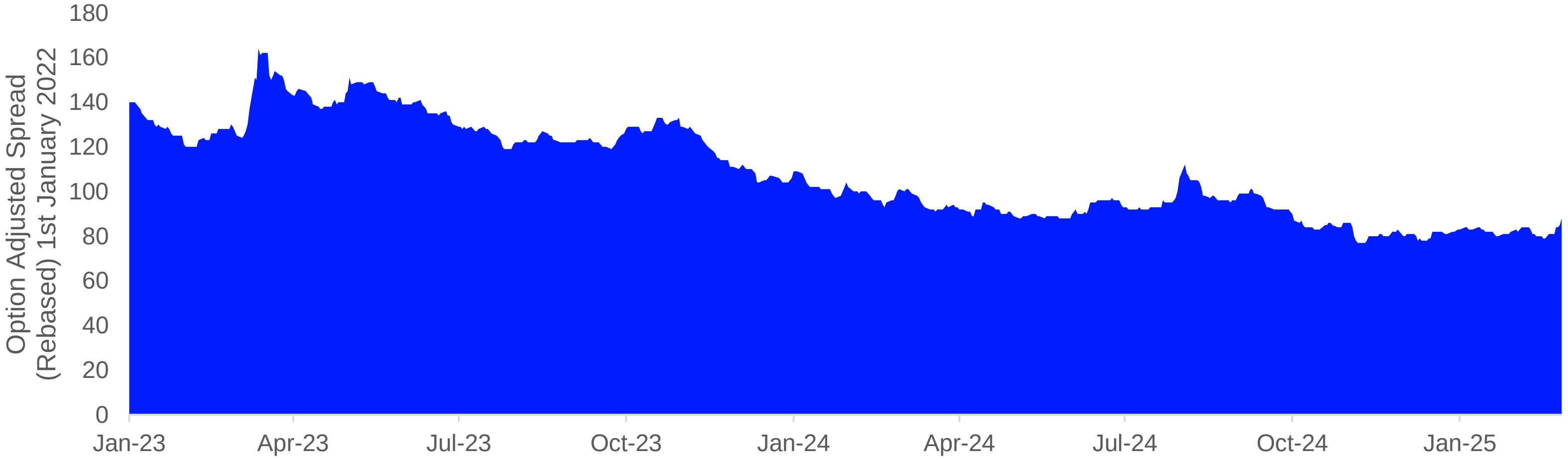
Global Fixed Income Dynamics

- The VIX had moderate fluctuations throughout February but rose to 21.13 at the end of the month, tracking steep losses in US equities driven by President Trump's intended tariffs on imports from Mexico, Canada and China.
- This economic uncertainty has driven the demand for "safe-haven" assets and contributed to decreasing yields, which reached their lowest level so far in 2025.
- US Corporate bond spreads have widened by 7 basis points since the end of January driven by a combination of trade policy uncertainties and increased bond supply.

Volatility vs US 10Y Treasury Bond Yield[1]



10Y US Corporate Bond Spreads[2]



Source: LSEG Workspace, 6th March 2025. [1] Refinitiv US Government Benchmark Bid Yield [2] ICE BofA US Corporate Index Option-Adjusted Spread

London Continues to be the Leading European Exchange

3

Number of **IPOs** on the LSE in 2025 YTD

50

Number of **FOs** on the LSE in 2025 YTD

£4.8bn

Total capital raised on the LSE in 2025 YTD, ranking London #3 exchange globally after NASDAQ and NYSE

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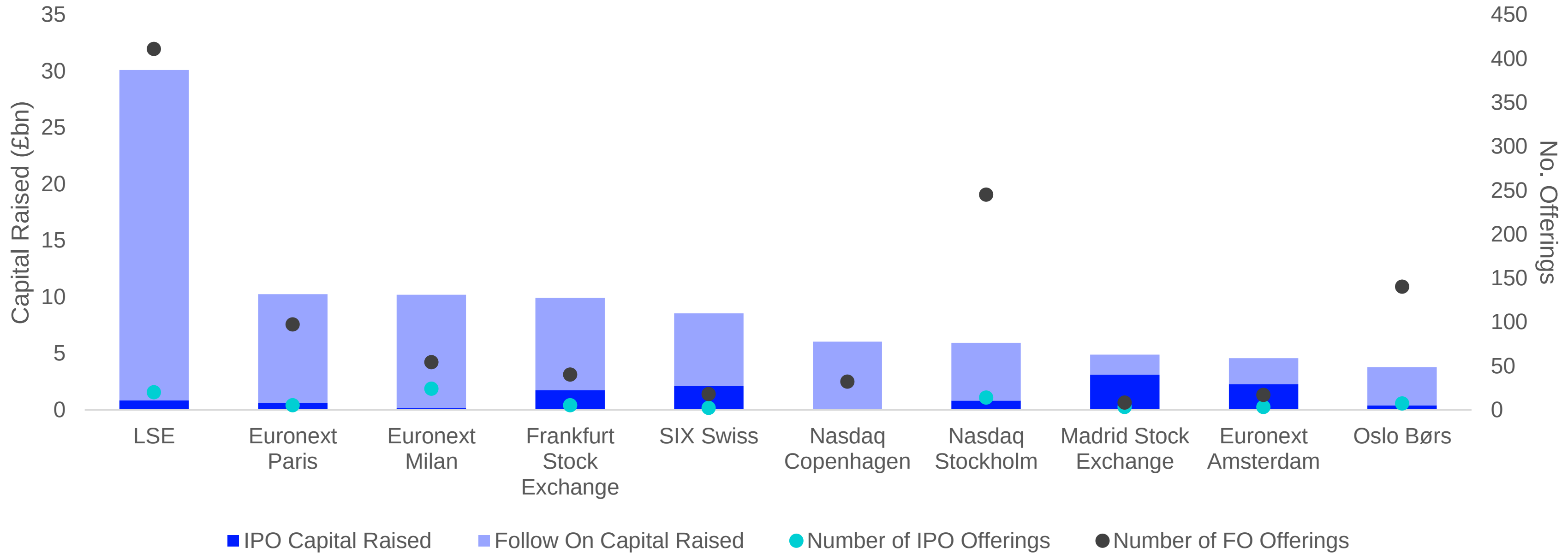
Source: Dealogic, LSEG Workspace, 1st March 2025.

Top 10 European Exchanges Jan 2024 - 2025 YTD



Top 10 Offerings on the London Stock Exchange 2025 YTD

Issuer Nameth	Offer Type	Issue Date	Capital Raised (£m)	Market Cap (£m) at Deal
Haleon plc	Follow-On	15 January	2,499	33,235
British American Tobacco plc	Follow-On	14 January	1,221	64,785
Pennon Group plc	Follow-On	18 February	518	1,965
SigmaRoc plc	Follow-On	06 February	115	785
Diversified Energy Co plc	Follow-On	20 February	98	712
Cornish Metals Inc	Follow-On	29 January	56	103
Achilles Investment Co Ltd	IPO	25 February	54	54
ME Group International plc	Follow-On	28 February	53	830
Adriatic Metals plc	Follow-On	18 February	40	599
Pinewood Technologies Group plc	Follow-On	21 February	35	330

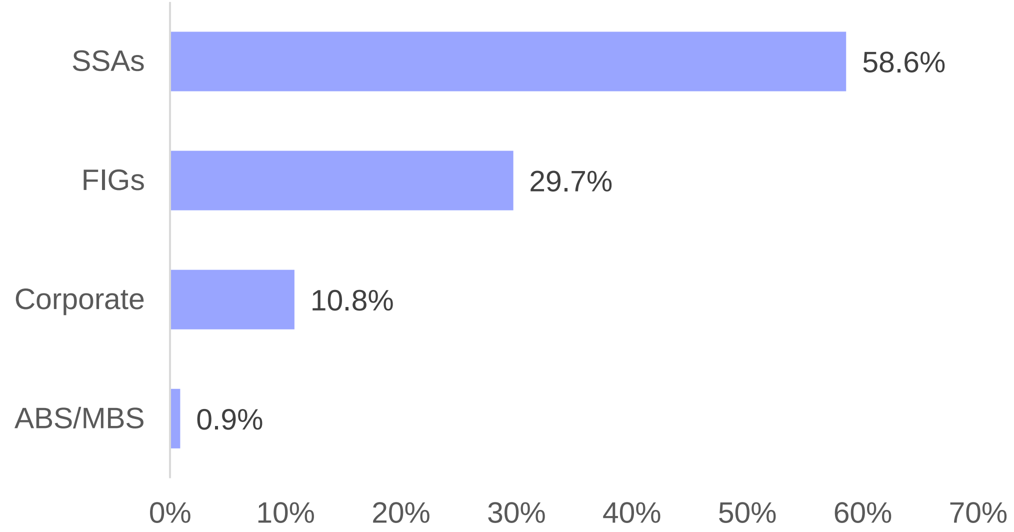
London Sees Strong Sovereign Start to DCM in 2025

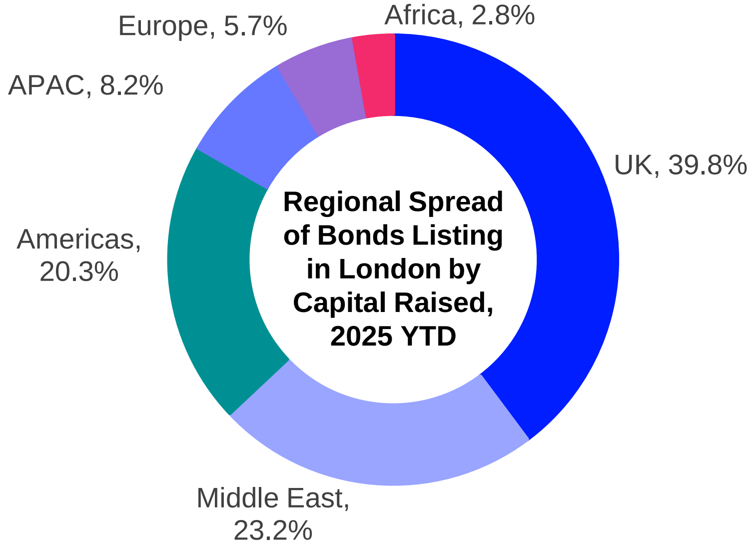
£193.9bn
Raised on the London Stock Exchange in 2025 YTD

2,970
Bond transactions on the London Stock Exchange in 2025 YTD

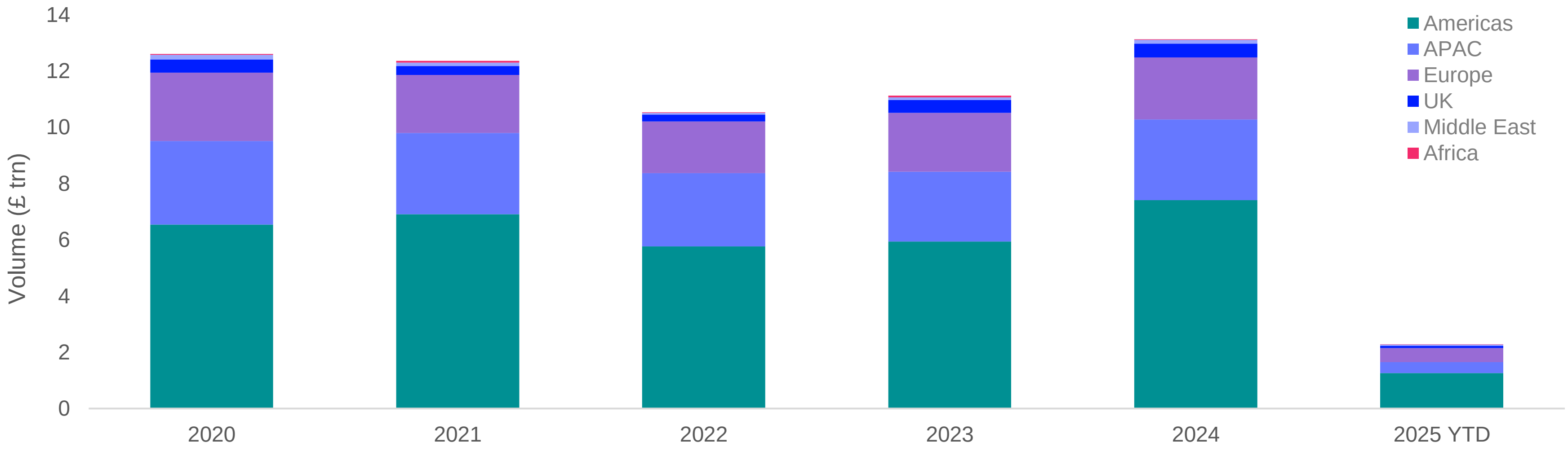
60%
Of capital raised by bond issuances on the London Stock Exchange in 2025 YTD has been by international issuers

SSA's account for the majority of capital raised in London in 2025 YTD





Global DCM Volumes by Issuer Region



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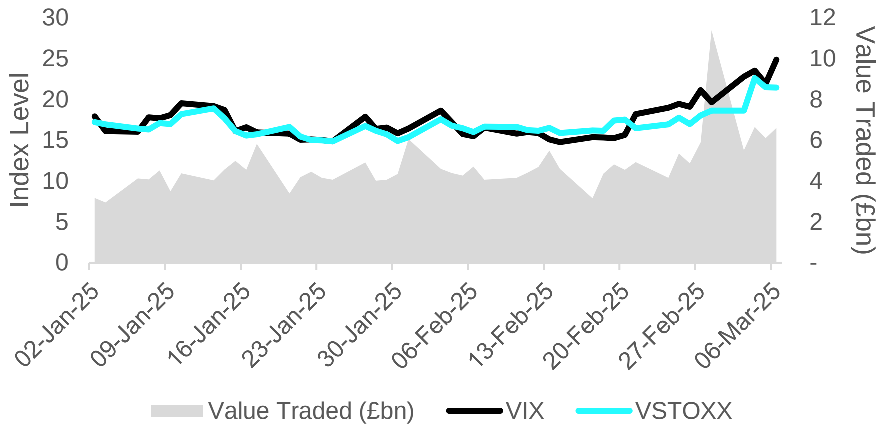
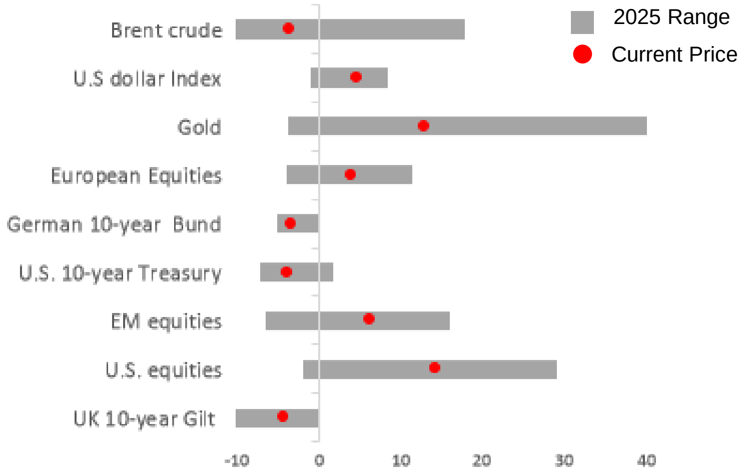
Source: London Stock Exchange, Dealogic, March 2025 All charts include active and matured bonds. Does not exclude 144A/Reg S lines. SSA refers to Supranational, Sovereigns and Agencies. FIG refers to Financial institution groups. ABS/MBS refers to asset-backed and mortgage-backed Securities. Regional spread of London listed bonds is based on total capital raised by bonds from each region.

Volatility Rises Towards End of February

Volatility Rises in February



Select Assets in Review



Inflation Moderating with Positive Growth Outlook

	Real GDP (%)			CPI Inflation (%)			Policy Rates		
	24	25E	26E	24	25E	26E	24	25E	26E
UK	0.9	1.0	1.4	2.5	2.8	2.4	4.75	3.8	3.35
Eurozone	0.7	0.9	1.2	2.4	2.2	1.9	3.15	2.15	2.15
US	2.8	2.3	2.0	3.0	2.8	2.5	4.5	4.1	3.65
China	5.0	4.5	4.2	0.2	0.7	1.4	3.1	2.75	2.6
Japan	0.1	1.2	0.9	2.7	2.5	1.9	0.25	0.8	1.0

- Volatility in markets began to rise towards the end of February in both the US VIX and European VSTOXX indices. This volatility was driven by uncertainty around President Trump's tariffs policies, ongoing geopolitical tensions surrounding the Russian invasion of Ukraine, and with many central banks holding off on further interest rate cuts.
- Volatility has also been seen across asset classes, with many seeing wide ranges for 2025. Gold, Brent Crude Oil, and US equities in particular have seen variability in the year so far, largely driven by investor uncertainty around the impacts of President Trump's policies.
- Inflation continues to be moderate across jurisdictions compared to previous years, though many central banks have slowed rate cuts in response to concerns that inflation may rise slightly again in the coming months.

Source: London Stock Exchange, LSEG Workspace, Bloomberg, 11th March 2025. Note: [1] Value Trade based on London Stock Exchange Orderbook trading data.

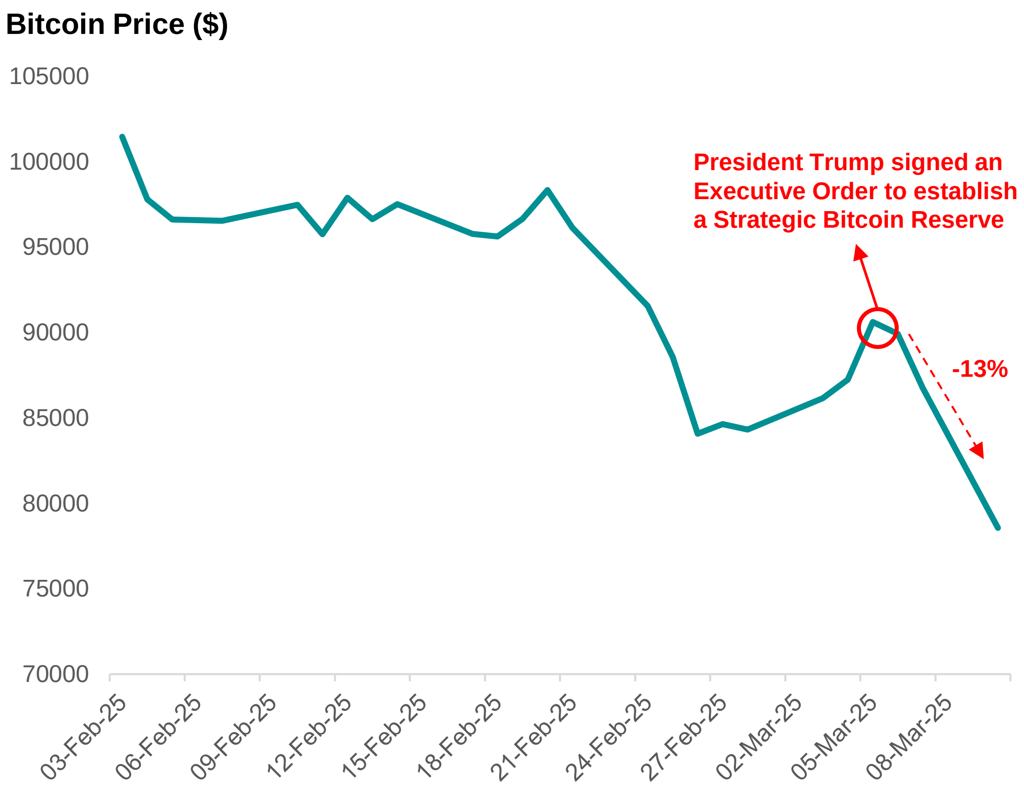
Trump's Bitcoin Reserve: Impact & Market Reactions

Trump's Strategic Bitcoin Reserve Plan

A strategic reserve is a government-managed stockpile of critical resources like oil, gold, or food, designed to ensure stability during economic or geopolitical crises. The US has long maintained strategic reserves, such as the Strategic Petroleum Reserve, to protect against energy shortages. In February, President Trump's administration proposed a new type of reserve—a Strategic Bitcoin Reserve (SBR)—which would essentially create a government-backed stockpile of digital assets, intending to be a potential hedge for future financial stability.The reserve will be funded by Bitcoin seized through criminal and civil forfeitures, with the government holding around 200,000 Bitcoins worth $17.5 billion. The plan also includes a broader Digital Asset Stockpile, featuring other cryptocurrencies like Ethereum, XRP, Solana, and Cardano.

Bitcoin's Performance in 2025

Bitcoin has experienced significant volatility in 2025. After President Trump's announcement about the creation of the Bitcoin Reserve, the price of Bitcoin saw a sharp drop and since has briefly dipped below $80,000, marking one of its largest declines of the year. This triggered concerns among investors, with the cryptocurrency experiencing a 6% drop in a single day.



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Source: LSEG Workspace, FT News, NPR, White House, BBC News, 10th March 2025.

Majority of Banks Expected to Hold at Next Meeting

Interest Rate Decision Predictions

Central Bank	Next Meeting Date	Current Rate	Predicted Action[1]	Change By[1]
Federal Reserve	19 March 2025	4.375	NO CHANGE	-
European Central Bank	17 April 2025	2.5	CUT	-0.25
Bank of England	20 March 2025	4.5	NO CHANGE	-
Bank of Japan	19 March 2025	0.5	NO CHANGE	-
Swiss National Bank	20 March 2025	0.5	CUT	-0.25
Bank of Canada	16 April 2025	2.75	NO CHANGE	-
Reserve Bank of Australia	1 April 2025	4.1	NO CHANGE	-

Recent Economic Events

	Event
05 Feb	Producer Prices
07 Feb	Unemployment Rate
03 Mar	BOE Consumer Credit
03 Mar	Flash Consumer Prices
03 Mar	Construction Spending
03 Mar	Unemployment Rate
05 Mar	Business Activity Survey
05 Mar	Construction Orders

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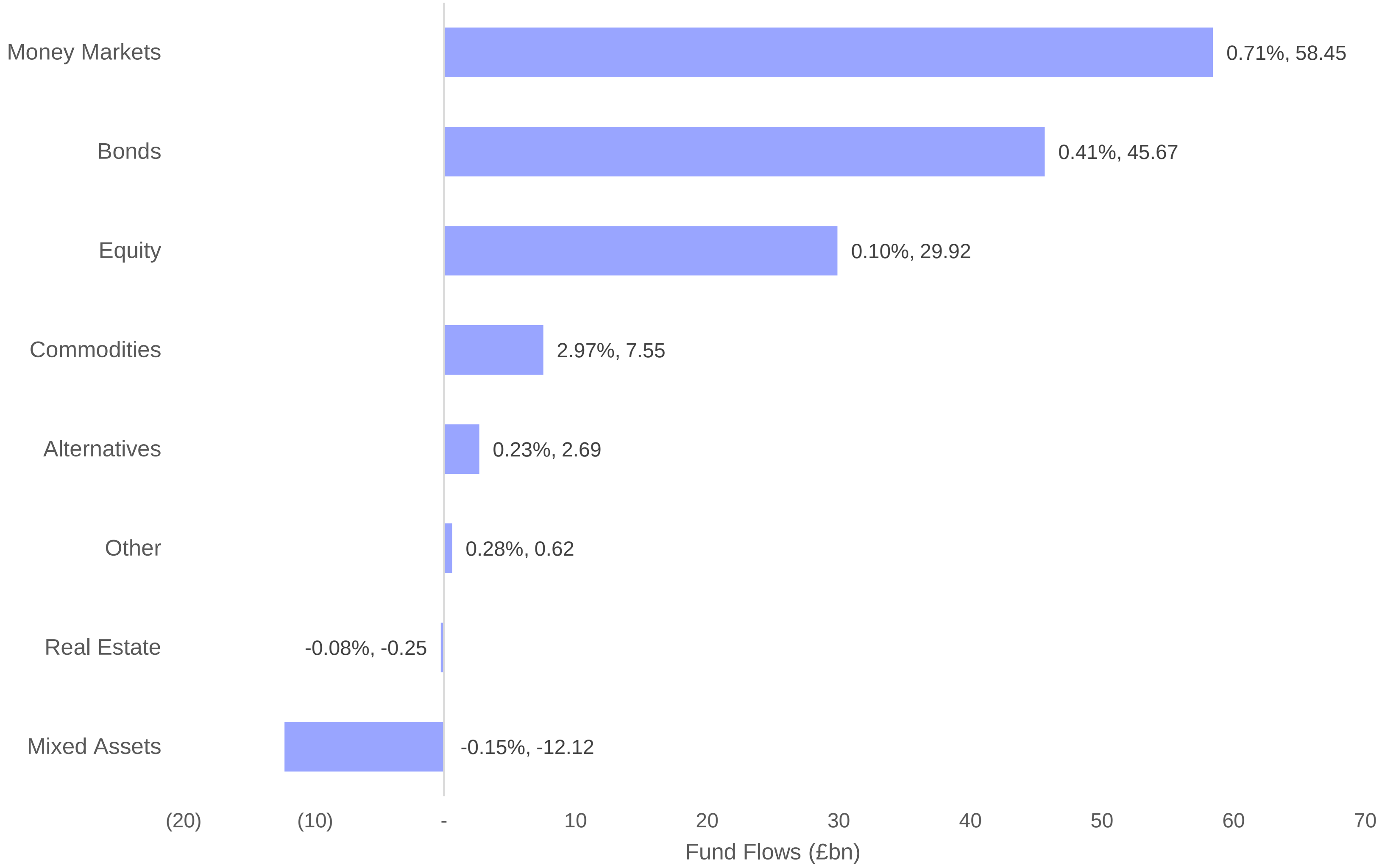
Source: LSEG Workspace, March 2025. [1] LSEG Workspace provides centrally calculated probabilities and expected changes for several central bank target interest rates.

Several Asset Classes Saw Inflows

- Since the beginning of 2025, bonds have seen strong inflows, as investors continued to lock in high yields before expected Federal Reserve rate cuts later in 2025. With inflation still above target and concerns over slowing economic growth, demand for bonds has remained high.
- Commodities have seen the largest inflows so far this year, almost 3%. Rising gold prices and falling oil prices, alongside uncertainty in the markets, is thought to have encouraged investors to seek commodities as a hedge against market volatility.
- Mixed Assets have seen the largest outflows of 2025 so far, though this only represents a 0.15% change of AUM. This movement is driven by investors moving towards more focussed strategies.

Net Flows from Global Funds 2025 YTD



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Source: LSEG Workspace, LSEG Lipper, March 2025. *Lipper data for 1st January 2025 – 31st January 2025.

Regional Trends and Headlines

Europe

UK inflation rose to 3% in January, its highest level in 10 months, due to factors like airfares and higher school fees. While services inflation eased slightly below expectations, persistent price pressures present challenges for the Bank of England. Despite this, wage growth remains strong, and further rate cuts are anticipated.

Germany's 2025 election saw a major shift, with Friedrich Merz's conservatives winning and Alternative for Germany (AfD) doubling support, now the second-largest party. Despite controversies surrounding the AfD, voter turnout hit a 40-year high, and a wave of young, socially active voters shaped the results, including support for the Left party.

Eurozone economic activity stagnated in February, with inflation measures rising again. Despite weak growth, inflationary pressures complicate the European Central Bank's efforts to cut interest rates, signalling challenges ahead.

North America

Oil prices hit a three-year low as concerns grew over President Trump's trade tariffs slowing US economic activity and oil demand. Rising crude inventories and OPEC+'s decision to increase production added pressure, with analysts warning of further market volatility.

The US dollar has dropped over 4% this year, its worst start since 2008, as recession fears grow, and rate cuts become more likely. Tariffs, policy uncertainty, and shifting global interest rates have contributed to the decline, while investors increasingly expect the Federal Reserve to cut rates multiple times in 2025.

Ontario has imposed a 25% surcharge on US power exports in response to President Trump's tariffs, impacting 1.5 million homes and businesses. Premier Doug Ford warned of further action if tariffs persist.

Central and South America

Argentine President Javier Milei has pledged an antitrust investigation after Spain's Telefónica sold its Argentina unit for $1.25 billion to a company part-owned by Grupo Clarín. Milei warned the deal could threaten market competition, consolidating 70% of telecom services under one group.

Colombia's leftist government is reported to be in disarray as President Petro demands cabinet resignations. Key ministries lack leadership, amid growing violence and a security crisis. Petro's appointments ahead of 2026 elections have intensified political turmoil, threatening the nation's stability.

Mexico faces rising costs as President Trump's tariffs hit manufacturing and retail sectors, particularly automotive. Companies like Continental and Forvia warn of significant financial impacts, with higher prices expected for US-bound goods from Mexico.

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Source: Financial Times, BBC News, Reuters, March 2025.

Regional Trends and Headlines

Middle East

UAE-based Ambrosia Investment Holding acquired a 50% stake in Mali's Sadiola mine and a 12% stake in Allied Gold for $500 million. The mine produces 200,000 ounces of gold annually, with plans to double that by 2028.

OPEC+ confirmed an oil production increase starting April 2025, causing Brent crude prices to drop to $70.60 per barrel, a five-month low. This includes major producers like Saudi Arabia, Russia, and Iraq. The move follows previous policies which had seen limited production.

Syrian businesses are struggling with unwanted goods due to an influx of cheap imports after the removal of tariffs. This has led to a significant drop in local sales, with some companies halting operations. Both cash shortages and reduced purchasing power, are intensifying the issue.

Africa

South Africa's budget presentation has been delayed due to a cabinet disagreement. The pro-business Democratic Alliance and senior figures in the African National Congress are at odds over proposed fiscal measures, leading to the postponement.

The Democratic Republic of Congo has suspended cobalt exports for four months to curb oversupply and stabilise falling prices. The country, holding 75% of global cobalt supply, faces reduced demand due to alternative battery technologies. The suspension may be limited by regional conflicts and porous borders.

Illegal gold mining in Ghana has led to a 20% drop in cocoa yields, driving up global chocolate prices. Farmers are abandoning cocoa for more profitable mining, while environmental damage worsens the cocoa shortage.

Asia-Pacific

Japanese investors sold €41 billion in Eurozone bonds in just six months, the fastest pace in a decade. This represents 2.5% of their total foreign bond holdings. The sell-off has raised borrowing costs for European governments, with Germany's 10-year bond yield rising to 3.3%.

China has set a growth target of around 5% for 2025, despite challenges such as potential US tariffs. Chinese exports are expected to decline by 0.9% in 2025. In response, the Chinese government plans to boost domestic consumption to stabilise the economy.

Australia's Reserve Bank cut interest rates to 4.10% on February 18, 2025, its first reduction since 2020. The move aims to ease financial strain ahead of the election, which must be held by May 17, 2025.

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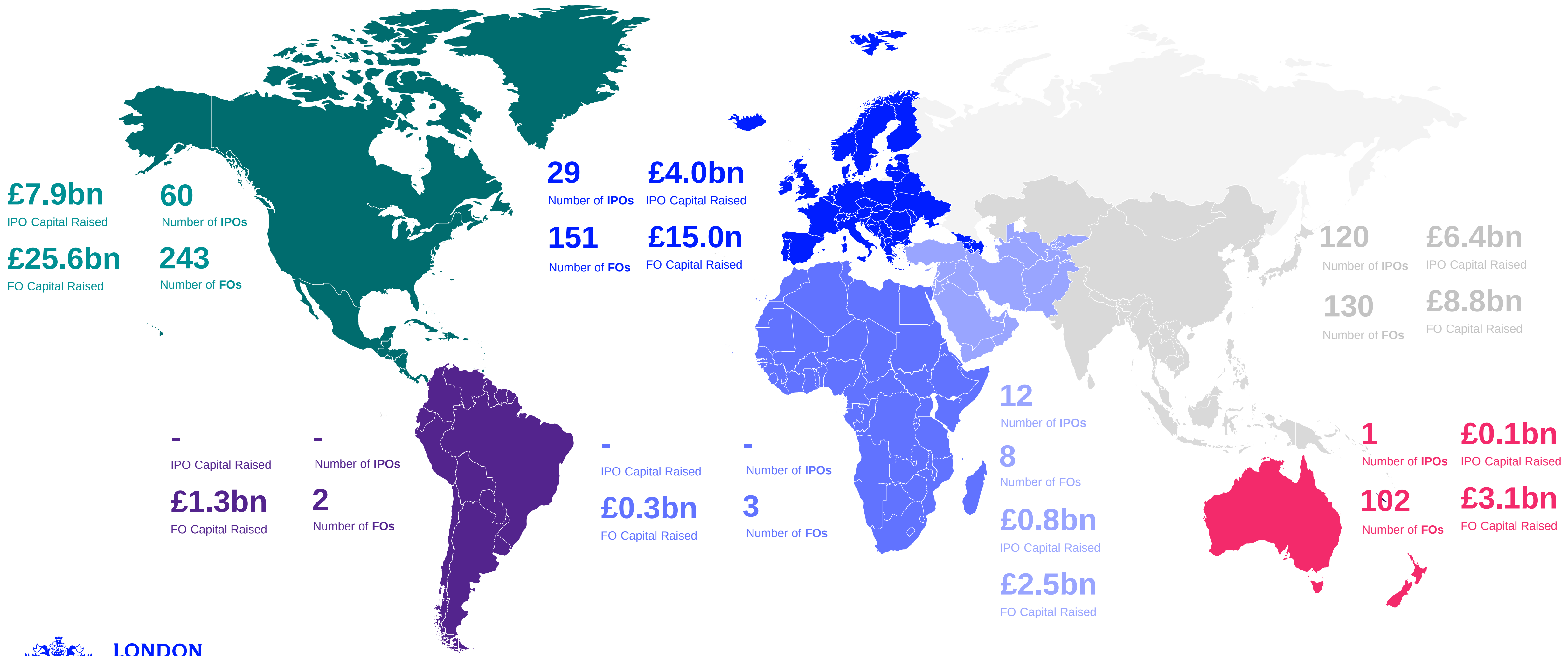
Source: Financial Times, Rystad, Al Jazeera, 6th March 2025.

Global Equity Capital Markets, 2025 YTD



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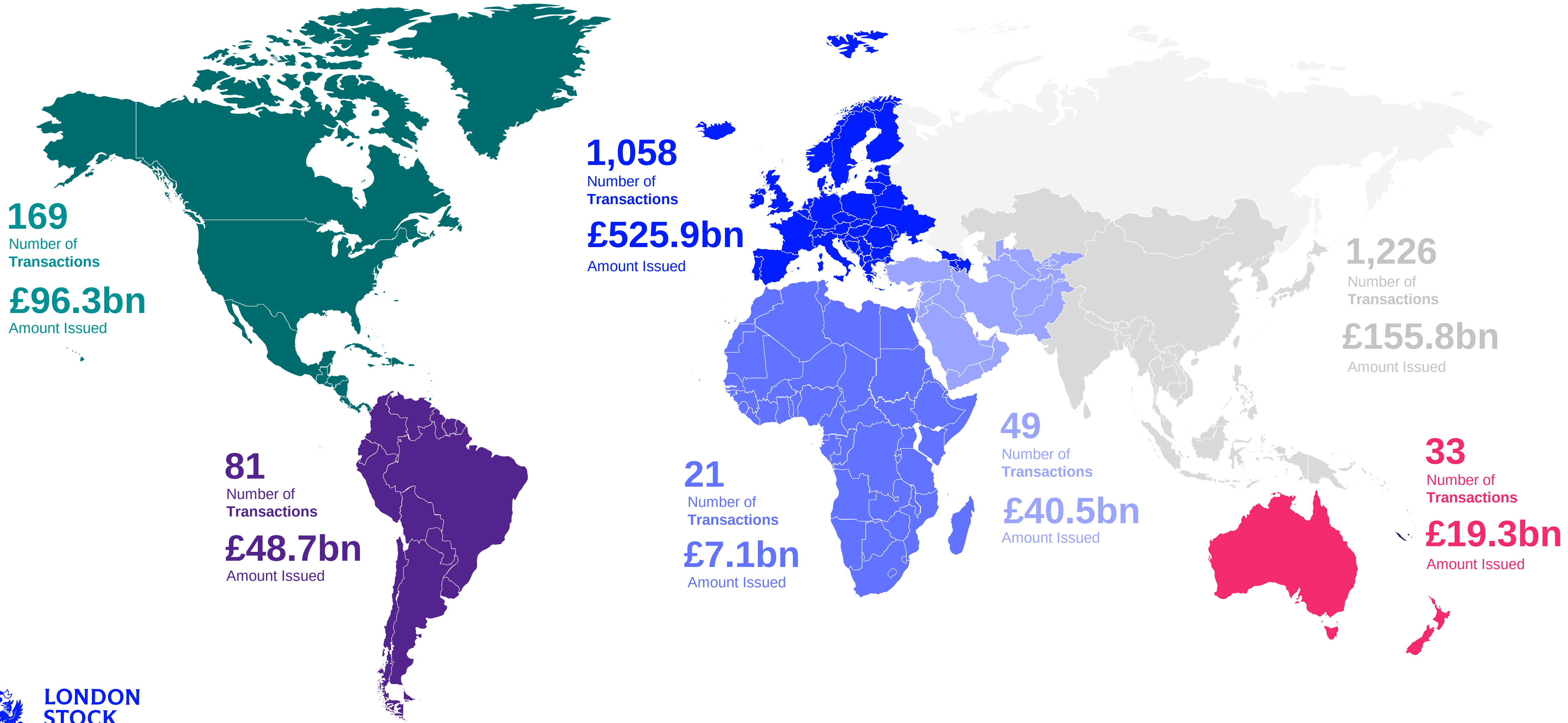
Source: Dealogic, 10th March 2025. Deals data covers 1st January 2025 – 28th February 2025

Global Debt Capital Markets, 2025 YTD



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Source: Dealogic, 5th March 2025. Notes: Deals data covers 1st January 2025 – 28th February 2025.. Region based on Deal Region. Excludes unlisted and unassigned bonds.

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