LONDON STOCK EXCHANGE

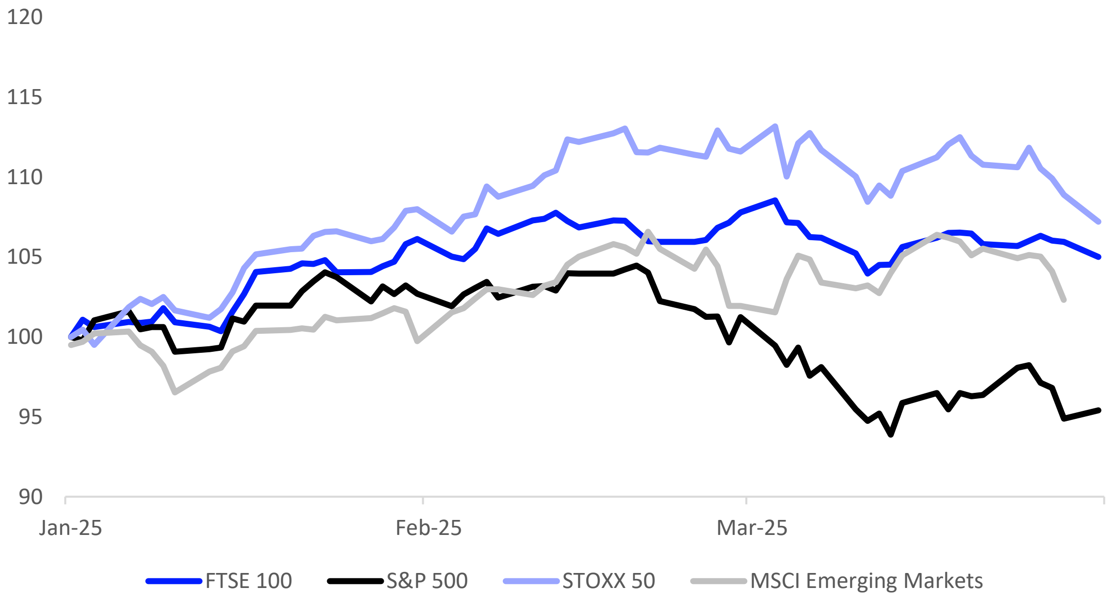
MACROECONOMIC AND EQUITY CAPITAL MARKETS UPDATE

March 2025

Note: updated as of 31 March 2025, recent market volatility will be reflected in the next edition.

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	8,608.5	5.3	8.5	57.1	16.6	1.8	3.6
STOXX 50	5,304.0	8.3	5.2	97.3	17.1	2.2	3.0
S&P 500	5,671.0	-3.6	8.9	124.4	25.8	4.5	1.6
MSCI EM	1,111.7	3.4	5.9	32.6	-	-	-

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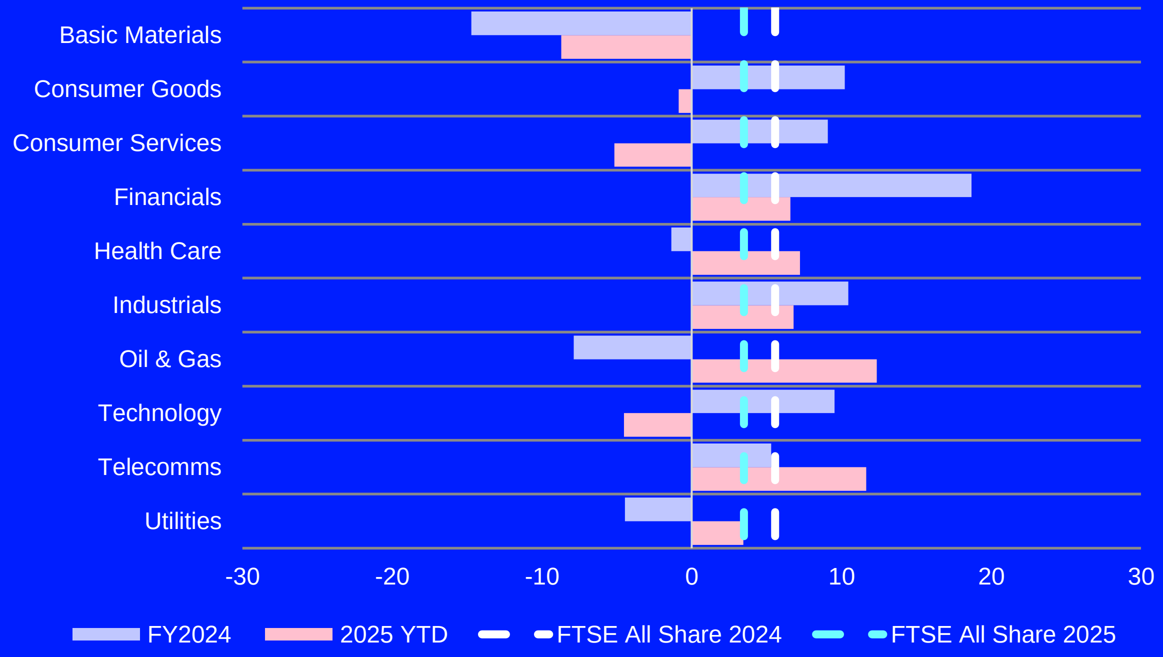
Source: LSEG Workspace, Reuters News, BBC News, 3rd April 2025. *Prices rebased to 100 on 01/01/25

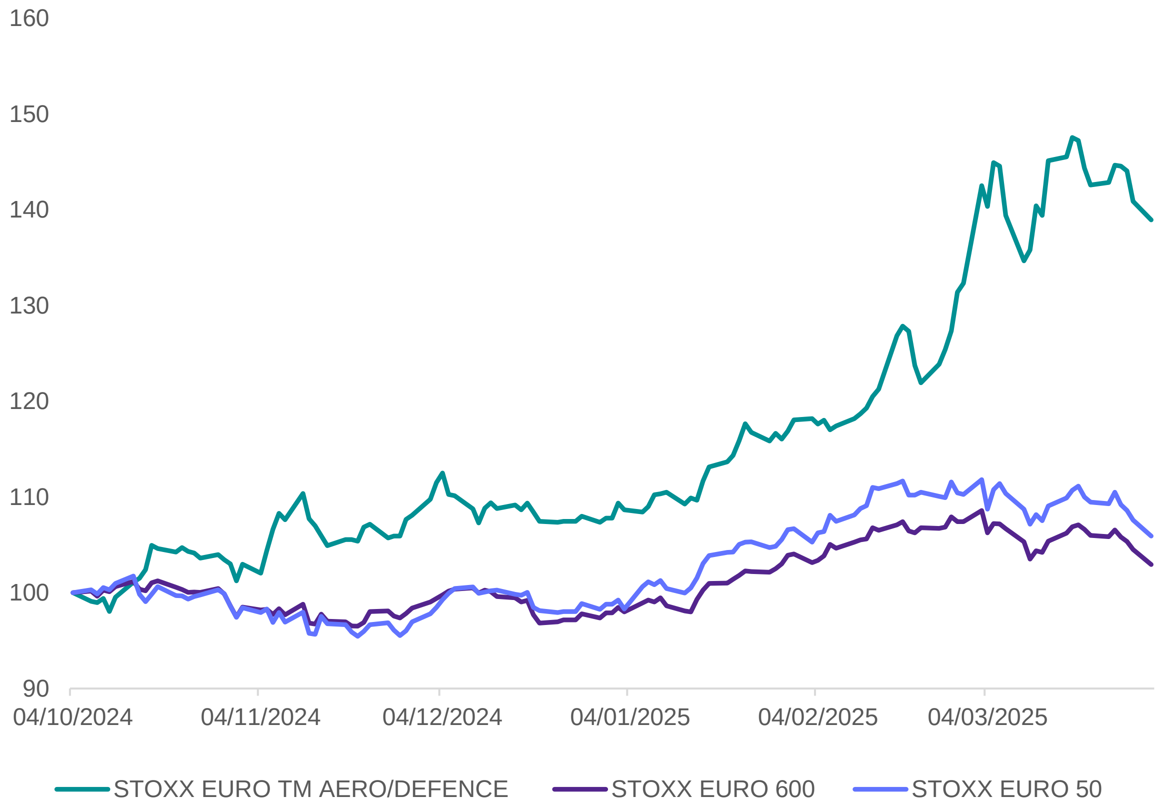
- Stock markets globally had already been impacted by new tariff policies and ongoing uncertainty around President Trump's economic policies in March, with both the FTSE 100 and STOXX 50 flatlining in the month following their upward trajectory in the earlier part of the year.
- The S&P 500 ended March down 3.6% since the start of the year, it's worst quarterly performance since Q3 2022. Similarly, the Nasdaq 100 and S&P 500 both saw their worst single month performance since December 2022. The downward movements in US markets in March was driven by concerns around President Trump's tariff policies, concerns around rising inflation slowing the rate at which the Federal Reserve will cut interest rates, and a feeling of uncertainty around the future impact of President Trump's economic policies.
- The MSCI Emerging Markets index saw a similar drop in March, with US tariff fears fuelling concerns globally.

FTSE All-Share Sector Returns



Increased European Defense Spending

Index Returns*



	Index Returns (%)			
	Level	YTD (to 31st March)	1Y	5Y
STOXX EURO AERO/DEF	2,013.5	28.9	33.5	273.7
STOXX EURO 600	496.3	5.2	-2.7	49.8
STOXX EURO 50	4,878.3	7.2	-3.5	69.3

28.9%
Index return for the STOXX Euro Total Market Aerospace/Defence Index - Q1 2025

Over 4x
Return for the STOXX Euro Total Market Aerospace/Defence Index compared to STOXX 50 and 600 - Q1 2025

- The STOXX European Total Market Aerospace/Defence Index has notably outperformed broader European indices such as the STOXX 50 and 600. This has been driven by a renewed focus on defence due to heightened geopolitical uncertainties.
- In 2024, defence spending in Germany rose by 23.2%, helping to drive a record 11.7% rise in European defence spending in real terms. With added pressure on most European governments to continue increasing defence spending after years of cuts.
- Recent geopolitical tensions including to the war in Ukraine has led to European nations increasing their defence and military spending.

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Source: LSEG Workspace, BBC News, The Guardian, 4th April 2025. *Prices rebased to 100 on 04/10/24

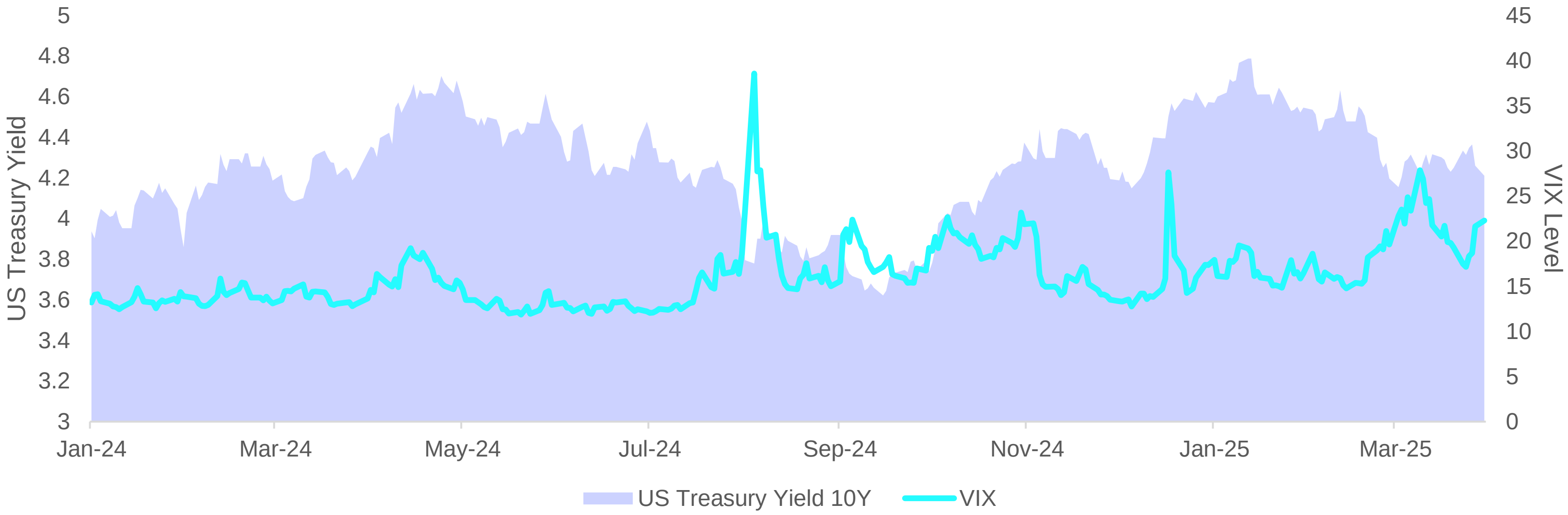
Global Fixed Income Dynamics

- In March, the VIX rose sharply to 28, reflecting increased investor uncertainty amid US equity market declines driven already by President Trump's tariffs and demand for safe-haven assets. February's drop in US equities[3] escalated into a deeper correction through March, fuelling recession concerns, volatility in options markets and rapid selloffs.

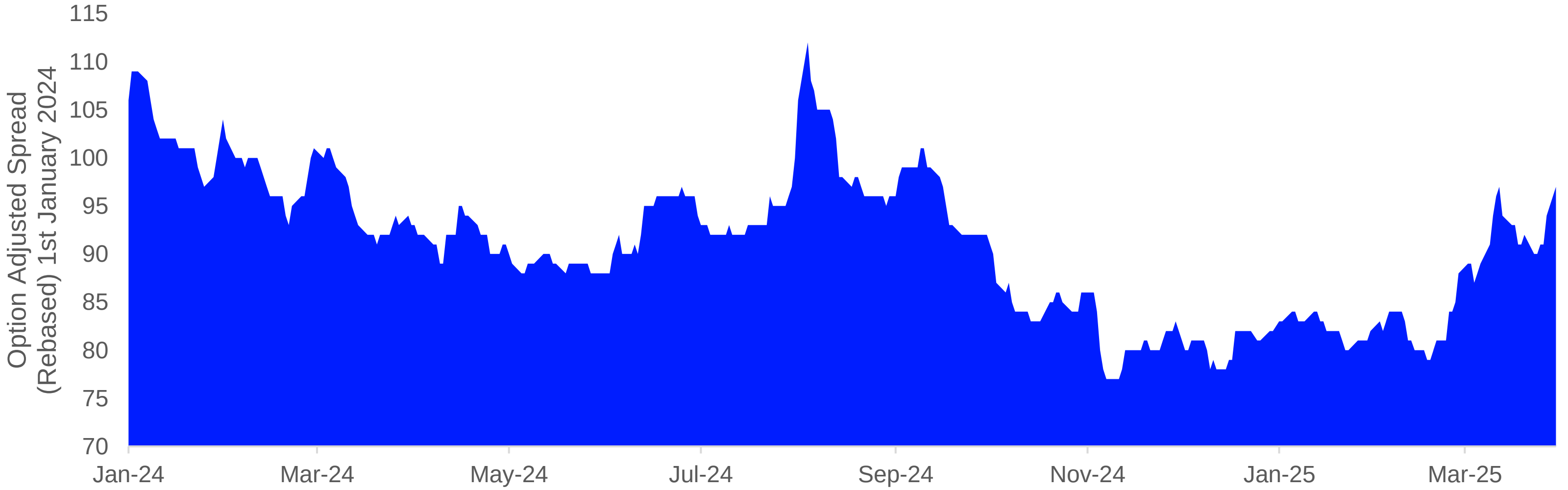
- In March 10-year Treasury yields remained relatively stable, fluctuating between 4.16% and 4.34%, still above 2024's low of 3.63%. Bond markets appeared to be priced for modest GDP growth and inflation expectations, while the Fed held the federal funds rate steady at its March meeting.

- The spreads between corporate bond yields and US Treasuries widened in March to their highest levels since September, reflecting growing investor concerns about a potential recession and global trade tensions.

Volatility vs US 10Y Treasury Bond Yield[1]



10Y US Corporate Bond Spreads[2]



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Source: LSEG Workspace, 4th April 2025. [1] Refinitiv US Government Benchmark Bid Yield [2] ICE BofA US Corporate Index Option-Adjusted Spread, [3] S&P 500

London Continues as the Leading European Exchange

5

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

79

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

£7.4bn

Total capital raised on the LSE in 2025 YTD, ranking London #5 exchange globally and #1 in Europe

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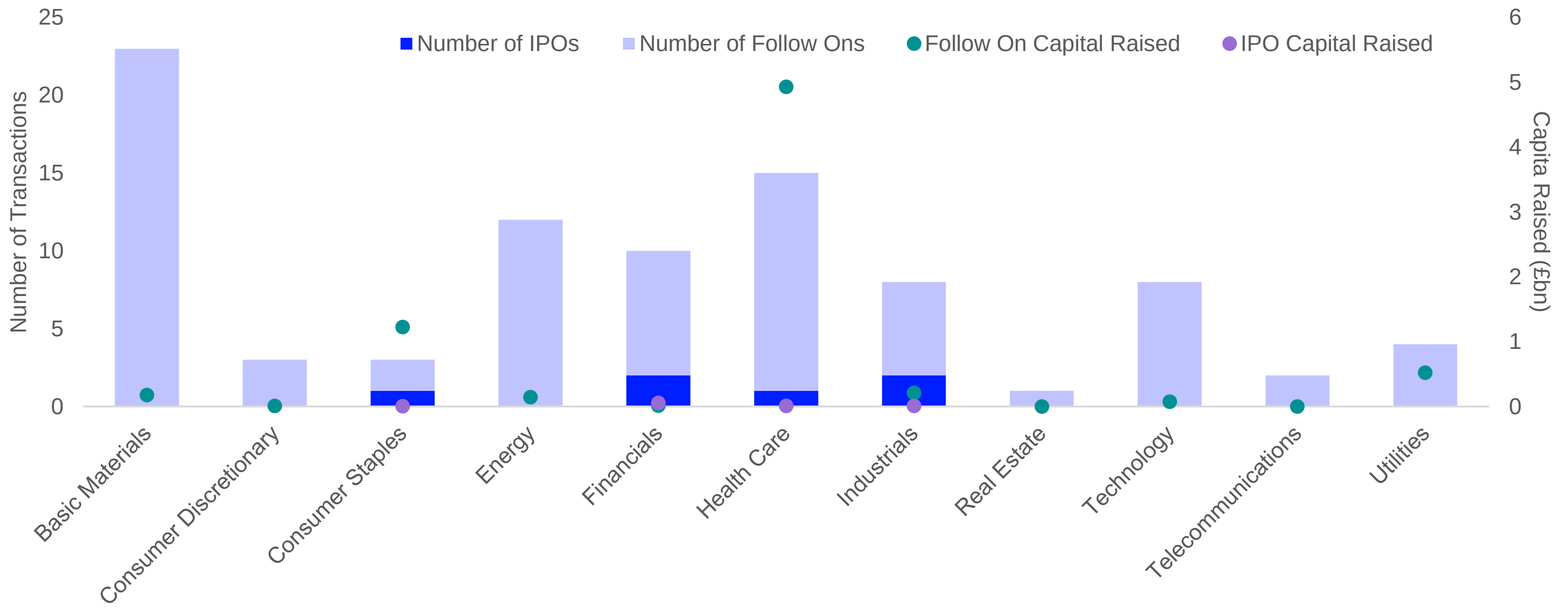
Source: Dealogic, LSEG Workspace, 2nd April 2025.

Transactions by Sector 2025 YTD



Top 10 Offerings on the London Stock Exchange 2025 YTD

Issuer Name	Offer Type	Issue Date	Capital Raised (£m)	Market Cap (£m) at Deal
Haleon plc	Follow-On	15 January	2,499	33,235
Haleon plc	Follow-On	19 March	2,379	35,411
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

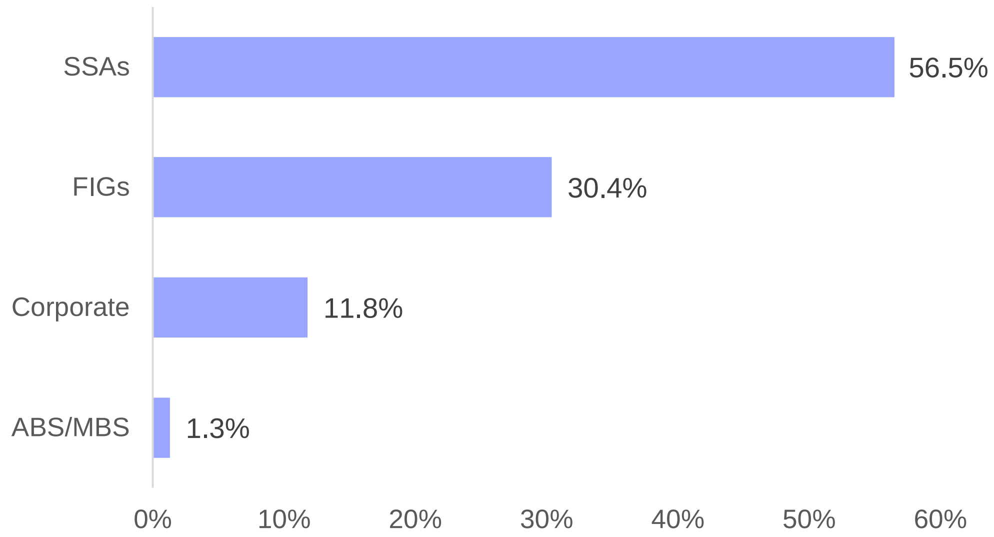
Strong Start for Sovereign Debt Capital Raising in 2025 in London

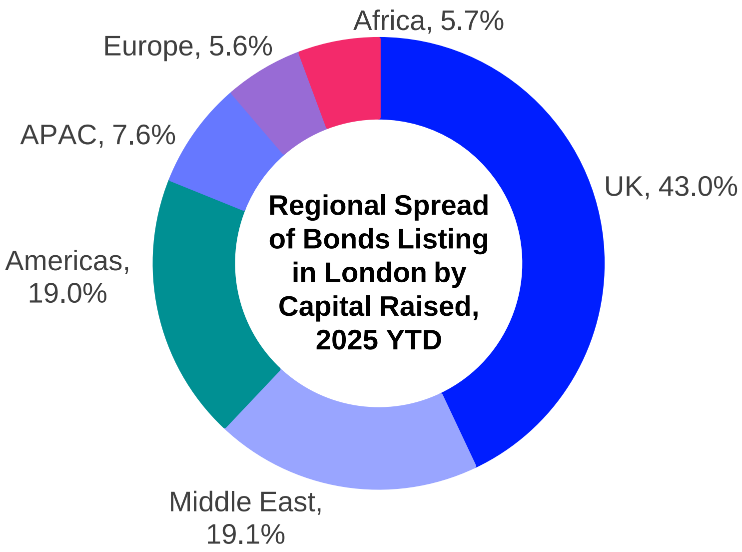
£242.9bn
Raised on the London Stock Exchange through bond transactions in 2025 YTD

4,185
Bond transactions on the London Stock Exchange in 2025 YTD

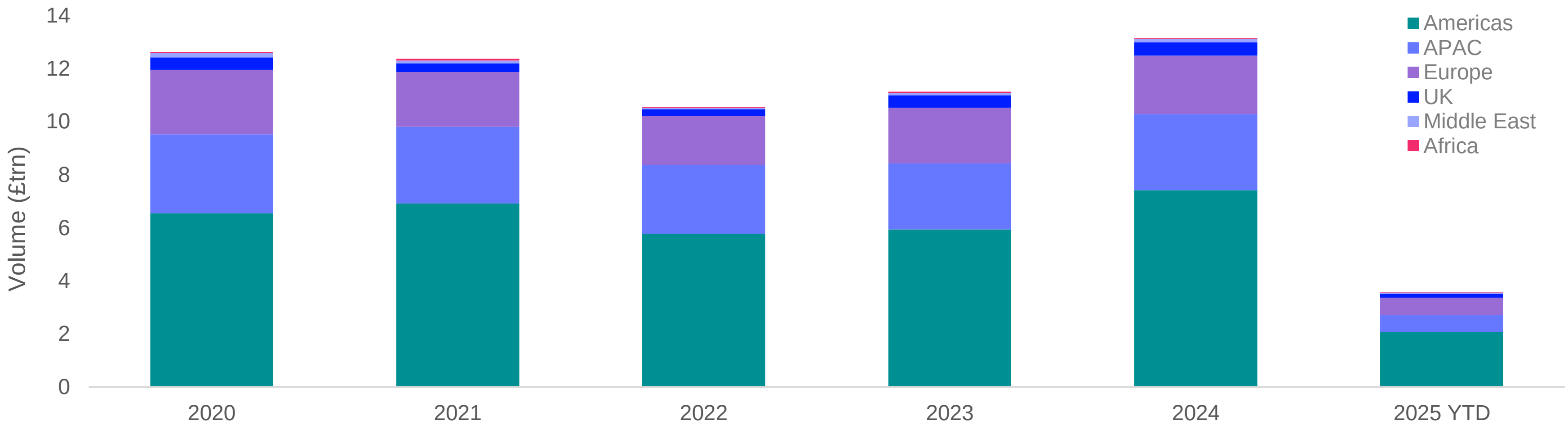
57%
Of capital raised by bond transactions on the London Stock Exchange in 2025 YTD has been by international issuers

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





Global DCM Volumes by Issuer Region



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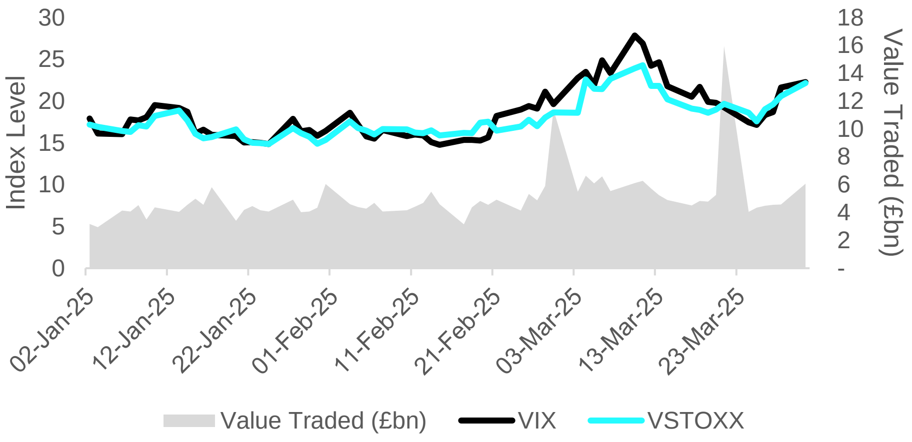
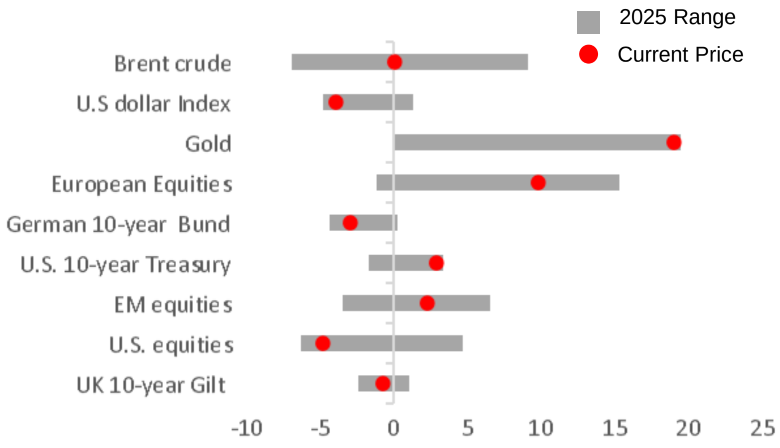
Source: London Stock Exchange, Dealogic, April 2025 All charts include active and matured bonds. Does not exclude 144A/Reg S lines. SSA refers to Supranational, Sovereigns and Agencies. FIG refers to Financial institution groups. ABS/MBS refers to asset-backed and mortgage-backed Securities. Regional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

Dollar Drops as Uncertainty and Economic Fears in US Economy Rises

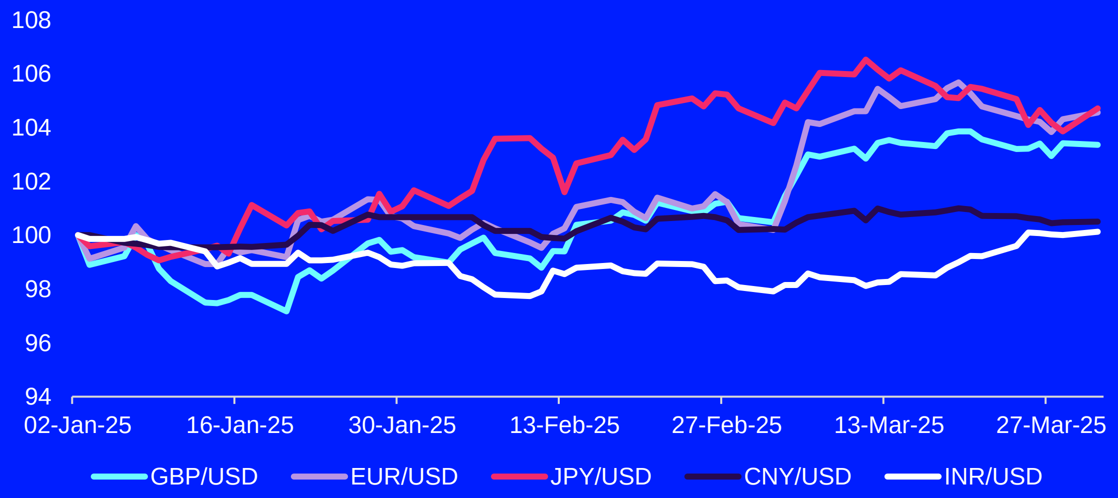
Volatility Rises in March



Select Assets in Review



Select Currencies in Review



- In Q1, rising uncertainty and shaken confidence in the US economy led to a significant decline in the US dollar's value. The dollar index dropped nearly 5%, hitting a 5-month low of 103.24 in March. Meanwhile, major currencies strengthened against the dollar: the Yen rose by 4.7%, the Euro by 4.6%, and the British Pound by 3.4%, emphasizing the dollar's sharp weakening.
- US equities experienced losses throughout in Q1 2025, while European and Emerging market equities saw a slight decline in March after reaching highs in February. This downturn reflected increased market volatility and growing uncertainty surrounding US policies.

Source: London Stock Exchange, LSEG Workspace, 1st April 2025. Note: [1] Value Trade based on London Stock Exchange Orderbook trading data.

Gold breaches $3,000 milestone for the first time

Gold's Price Performance ($)

Demand Drives Record High

Gold has surged past the $3,000 per troy ounce mark for the first time, driven by rising demand for safe haven assets amid deepening global uncertainty. The 18% increase in price since the start of 2025 reflected investor concern over the escalating trade war between the United States and key global partners. The threat of tariffs stoked fears of inflation and economic disruption. As a result, investors shifted capital into gold, traditionally viewed as a stable store of value during periods of financial and geopolitical instability.

Central Bank Buying and Inflation Hedges Bolster Momentum

Alongside private investment, central bank purchases have been a major force behind gold's rally. For the third consecutive year, central banks - particularly in emerging markets - have added over 1,000 tonnes of gold to their reserves, aiming to reduce reliance on the US dollar. Simultaneously, expectations of lower interest rates and weakening yields on traditional assets had increased demand for gold The surge in gold-backed ETFs and physical bullion demand, particularly in the US, further underscored a broad shift in investor strategy.

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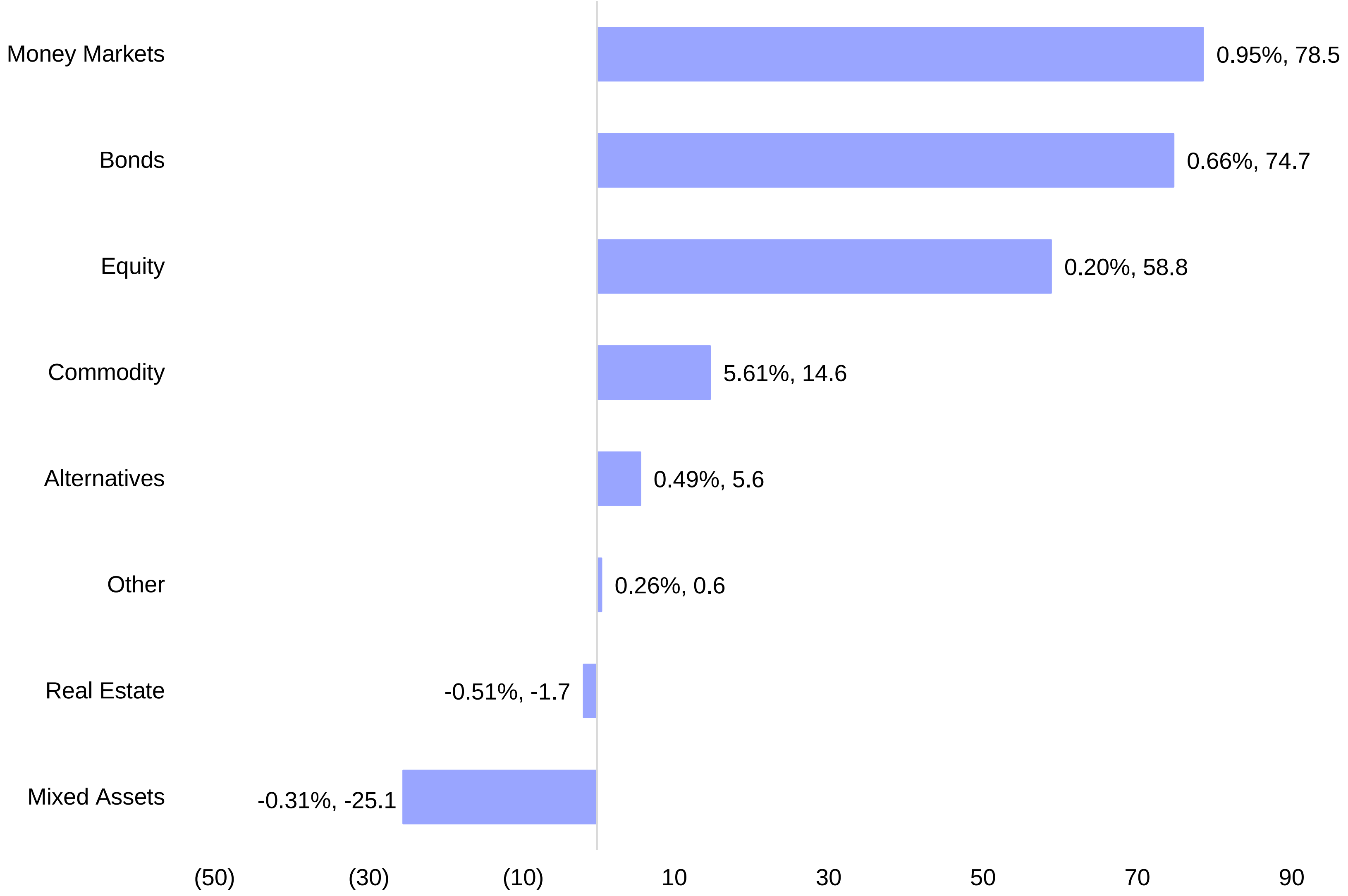
Source: LSEG Workspace, BBC News, FT News, 7th April 2025

Several Asset Classes Saw Inflows

- Money Markets have seen strong inflows this year, as investors park their money while waiting for market instability to subside. With inflation still above target and growing concerns over slowing economic growth, the demand for bonds has remained high.
- Commodities have seen the largest percentage inflows so far this year, at 5.61%. 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 0.31% of AUM. This movement is driven by investors moving towards more focussed strategies.

Net Flows from Global Funds 2025 YTD



Source: LSEG Workspace, LSEG Lipper, April 2025. *Lipper data for 1st January 2025 – 28th February 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	07 May 2025	4.375%	NO CHANGE	-
European Central Bank	17 April 2025	2.5%	CUT	-0.25%
Bank of England	08 May 2025	4.5%	CUT	-0.25%
Bank of Japan	01 May 2025	0.5%	NO CHANGE	-
Swiss National Bank	19 June 2025	0.25%	NO CHANGE	-
Bank of Canada	16 April 2025	2.75%	NO CHANGE	-
Reserve Bank of Australia	20 May 2025	4.1%	CUT	-0.25%

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Inflation Moderating with Positive Growth Outlook

	Real GDP (%)			CPI Inflation (%)			Policy Rates		
	24	25E	26E	24	25E	26E	24	25E	26E
US	2.8	1.9	1.9	3.0	3.0	2.6	4.50	4.05	3.65
Eurozone	0.9	0.9	1.3	2.4	2.2	2.0	3.15	2.15	2.15
UK	1.1	1.0	1.4	2.5	3.1	2.4	4.75	3.75	3.45
Japan	0.1	1.2	0.9	2.7	2.6	1.9	0.25	0.90	1.00
Switzerland	1.3	1.3	1.5	1.1	0.5	0.8	0.50	-	-
Canada	1.5	1.5	1.5	2.4	2.4	2.0	3.25	2.25	2.50
Australia	1.1	2.0	2.4	3.2	2.6	2.7	4.35	3.60	3.45
China	5.0	4.5	4.2	0.2	0.6	1.2	3.10	2.75	2.60

- Globally, central banks are attempting to manage a soft landing with regards to cutting interest rates. However, three of the major central banks are expected to cut at the next meeting, with the ECB decision due in mid-April.
- This is amidst and in spite of concerns around inflation levels beginning to rise, with many global economies expecting to see inflation stay constant or increase slightly over the course of 2025. This is driven by ongoing geopolitical tensions impacting supply chains, as well as the prospect of US tariffs affecting the prices of goods.

Source: LSEG Workspace, Bloomberg, 5th April 2025.

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

Spring Statement 2025

On the 26th March 2025, UK Chancellor Rachel Reeves delivered her Spring Statement, alongside which an updated Office for Budget Responsibility (OBR) analysis was released.

The Chancellor had previously stated that there would only be one fiscal event per year, meaning more significant changes to Government policy are expected to be found in the Autumn Budget.

Key Announcements

- While the Chancellor did not announce significant policy changes she did discuss areas the Government were exploring including:
    - Looking at reforms to Individual Savings Accounts
    - Working with the FCA to give people the confident to invest
    - Exploring how the UK can continue to support businesses looking to start and grow here
- There were also some changes announced to departmental spending including an extra £2.2 billion in defence spending in the next financial year, this follows similar moves from other European countries. 10% of the department's spending will go towards research and development and innovation opportunities.
- The Chancellor has also pledged to reduce Government running costs by 15% by 2030 with around 10,000 civil service jobs likely to be cut.

OBR Analysis

The Office for Budget Responsibility (OBR) is a non-departmental public body which provides economic forecasts and independent analysis of public finances alongside both the Spring Statement and Autumn Budget. Created in 2010, and following new powers granted in July 2024, the OBR is able to make judgements on any major taxation or spending announcements. Analysis from the report published alongside the Spring Statement include:

- Growth forecasts for 2025 have been revised downwards from 2% to 1%, however the following years growth forecasts have been upgraded.
- The Bank of England is not expected to hit its inflation target of 2% until 2027, suggesting inflation may remain higher for longer than initially suggested. The OBR also predicted that annual CPI inflation will rise from 2.5% in 2024 to 3.2% in 2025 which is higher than was forecasted in October following the 2024 Autumn Budget.

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Source: London Stock Exchange, UK Treasury, Office for Budget Responsibility, BBC News, 3rd April 2025

Regional Trends and Headlines

Europe

UK growth was flat in the final quarter of 2024, with GDP increasing by just 0.1%, as confirmed by the Office for National Statistics. Business investment grew by 1.8% year-on-year but fell by 1.9% in the final quarter. The UK's trade deficit widened by £0.5bn due to rising imports.

Germany's government approved its largest fiscal spending increase in more than a generation. Headlined by a €500 billion infrastructure investment fund, the fiscal package could boost Euro area economic growth but also lead to higher inflation and European Central Bank (ECB) policy interest rates.

Marine Le Pen, leader of the far-right National Rally in France, was handed a five-year ban from running for public office after being convicted of embezzlement on the 31st of March 2025. This is expected to prevent her planned run for France's presidency in 2027.

North America

The US added 228,000 jobs in March, exceeding the 140,000 jobs added that economists had expected. Last month's gains outnumber the 117,000 roles added in February, according to data released by the Bureau of Labor Statistics. Unemployment increased to 4.2% from 4.1% the month before.

US consumer spending rebounded less than expected in February. Additionally, underlying prices saw their largest increase in 13 months. This raised concerns that the economy may be entering a phase of slow growth coupled with high inflation, exacerbated by escalating trade tensions.

The Bank of Canada cut the policy rate by 25 basis points to 2.75%, after inflation had risen to 2.6% in February. Canada lost a net 32,600 jobs last month, which was the first decrease in more than three year.

Central and South America

After the International Monetary Fund confirmed a program with Argentina for $20 billion, the country requested that the first payment from this amount should exceed 40%. Economy Minister Luis Caputo explained that in addition to eliminating the fiscal deficit, Argentina had also reduced their public spending.

Colombia's central bank opposed political pressure and held interest rates for a second meeting in a row, as policymakers are concerned about accelerating inflation and the largest fiscal deficit since the COVID-19 pandemic. The bank left its benchmark interest rate at 9.5% in a split decision.

Mexico's economy is slowing rapidly and is predicted to fall into a recession due to uncertainty from changing US tariff plans. GDP shrank by 0.6% in Q4 2024, with the central bank cutting its key interest rate by 50 basis points and warning of significant downward risks.

Source: Financial Times, BBC News, Bank of Canada, Reuters, Vanguard, April 2025.

Regional Trends and Headlines

Middle East

Kuwait is set to borrow for the first time in 8 years, with a new law passed increasing the maximum public debt limit to KD30bn ($97bn). Kuwait's debt to GDP ratio was 3.2% as of the end of 2023.

Saudi-owned Scopely has acquired Pokemon Go from US creator Niantic. Pokemon Go is one of the highest grossing mobile games with over 100 million players in 2024. Scopely has expanded its mobile gaming portfolio, while Niantic looks to pivot towards AI.

The UK has lifted restrictions on several Syrian entities. This includes unfreezing assts of the central bank and lifting sanctions on multiple Syrian oil groups and commercial lenders. The US and EU has already begun to lift some sanctions, though some moves are contingent on reforms taking place under the new government.

Africa

South Africa's coalition government is at risk of collapsing following divisions over the latest budget. The African National Congress (ANC) has been accused of refusing to compromise by the Democratic Alliance, which rejected a proposed VAT increase put forward by the ANC. The new budget passed with 194 votes in favour, and 182 against.

The Democratic Republic of Congo (DRC) is in talks with the US around a potential deal granting US companies extraction rights for mining projects. The DRC has several critical mineral resources including copper, cobalt, and uranium.

The Nigerian Naira is one of the top performing currencies since the US election in November, having risen 7% against the dollar. This is driven by a rally in the local bond market driven by high yields and a devaluation of the country's debt.

Asia-Pacific

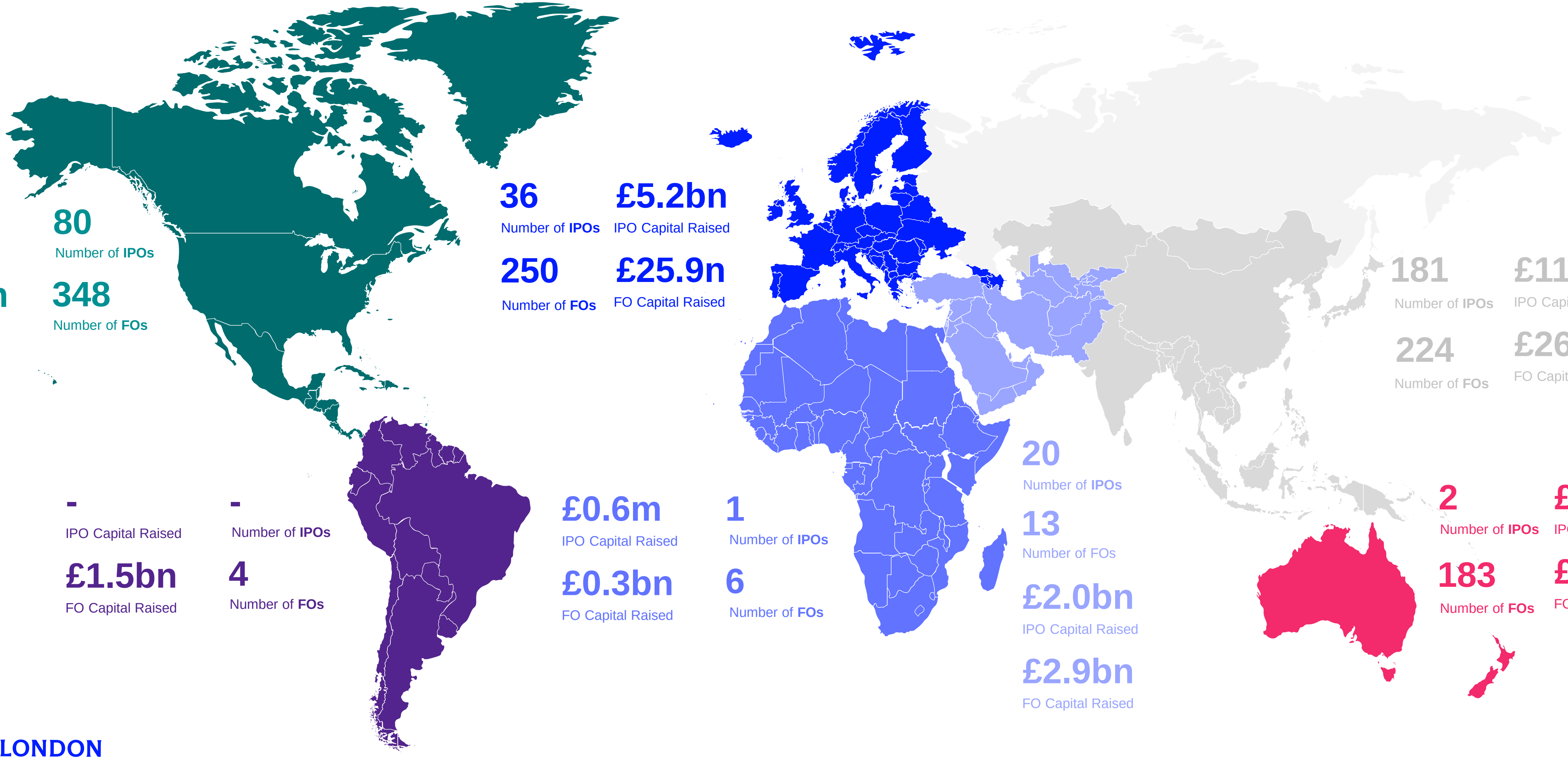
The Indonesian Rupiah fell to its weakest level against the dollar since the 1998 Asian Financial Crisis in March. This was driven by concerns around President Drabowo Subianto's policies and the country's fiscal stability, following an unexpected budget deficit for the first two months of the year.

Indian investors are moving out of the local stock market and into gold. The Nifty 50 is down around 0.5% in 2025, and large inflows have been seen into gold ETFs with a record $437m flowing into the asset in January. Inda is the world's second largest investor in gold after China though this is largely via the physical asset.

Australian Prime Minister Anthony Albanese has called an election for May 3rd. Albanese's Labour party is looking to avoid becoming the first one-term Government since the 1930's. Labour currently lead their opposition, the Liberal Party, 53% to 47%

Source: Financial Times, World Gold Council, The Guardian, BBC News, 3rd April 2025.

Global Equity Capital Markets, 2025 YTD



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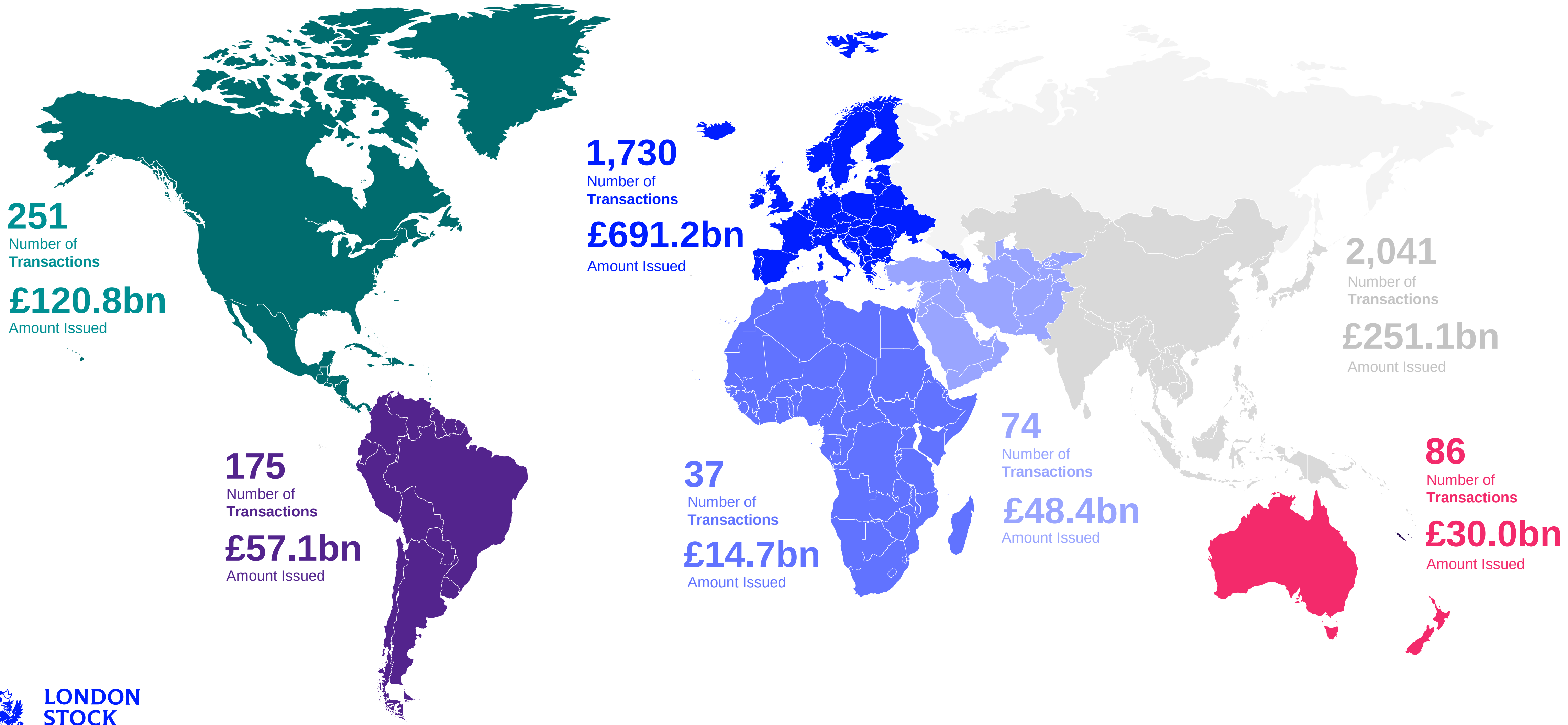
Source: Dealogic, 2nd April 2025.. Deals data covers 1st January 2025 – 31st March 2025.

Global Debt Capital Markets, 2025 YTD



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Source: Dealogic, 7th April 2025. Notes: Deals data covers 1st January 2025 – 31st March 2025.. Region based on Deal Region. Excludes unlisted and unassigned bonds.

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