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RBC Brewin Dolphin

Markets in a Minute

In the first Markets in a Minute of 2025, Chief Strategist Guy Foster highlights three of the key economic challenges facing governments in the new year, and analyses why there's a global slowdown in the manufacturing sector.

To view the latest Markets in a Minute video click here.

Happy New Year and welcome to 2025!

The start to the year was marred by news of tragic terrorist action in the U.S., which serves as a reminder of the fractious state of current affairs.

On the markets front, it's been mercifully quiet. U.S. equities have gradually declined since Christmas Eve, and have therefore been the relative laggards over the festive period. Most other equity markets were little changed.

Just as the regional market leadership took a break, so has its sector leadership. Technology and communication services were amongst the worst performers while oil stocks outperformed. This follows a report on U.S. oil inventories, which suggested the market's tighter than expected.

Without much news last week, we've taken the opportunity to look at how and when the action will return to the markets.

Last year was momentous, with half the world's population voting in democratic elections, and the vast majority choosing to change their governments. Given that a quarter of the world live within dictatorships, we might expect a quieter year in 2025.

That would be a wild assumption. Elections can be triggered early (as France's and the UK's were last year, and Germany's will be in February), and the impact of November's U.S. election was felt as the House of Representatives appointed a speaker. Mike Johnson, who had the all-important endorsement from President-elect Donald Trump, was reelected by an incredibly slim margin of 218-215.

The Republicans won a five-seat majority in November, after which Matt Gaetz resigned. Johnson is not universally popular amongst the Republican congressmen (nobody is), so it was a test of Trump's authority whether he could pressure them into supporting a single candidate.

Normally, we would have had U.S. employment data to discuss on the first Friday of the month. However, in deference to the holidays, they will be released this week. The expectation is that 150,000 new private sector positions were added during December. The unemployment rate probably stuck at 4.2% and wage growth at 4% per annum.

Economic growth in the U.S. was probably still quite strong, with consumer spending growing at an annual rate of at least 2% – however, purchasing managers indices released on Thursday suggested the manufacturing sector has ground to a halt. Manufacturing was contracting for most of last year in continental Europe and has been losing momentum in the UK, too.

The services sector saw a marginal expansion of business activity in December, with the index increasing to 51.1 from 50.8 in November, according to the S&P Global UK Services PMI.

With this being a new year, investors will be excited to hear how companies performed during the last quarter. The earnings season starts next week, with the big day of banking results falling on 15 January.

This week is a quiet one for company news with the jobs report and the sitting of a new Congress looking like the main events for now.

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