



A VIEW FROM THE SQUARE

May 2025

White Smoke Rises - Habemus Papam

Since we last wrote, there has been a notable recovery in equity assets following the 90 day pause implemented by President Trump on 9th April. While tariffs continue to grab the headlines, there is a strong belief that the bigger story has been the movement of other US assets such as Treasuries and the dollar. Foreign investors have begun to doubt the safe haven status of the US and are boycotting US assets given that they perceive a deterioration in governance.

Last week we also saw the UK and US reach a trade deal with elements such as a reduction on tariffs on British-made cars, UK steel and aluminium tariffs reduced to 0% and streamlined customs procedures to ease trade flows between the two countries. This was announced at a similar time to the latest interest rate decision by the Bank of England, with the base rate reduced to 4.25%. There is one side to the argument to say that the trade deal is a net positive for the UK, in the context of the wider trade war, as UK exports to the US are small and the disinflationary effect from global tariffs should help bring inflation in the UK down closer to target. This would give more scope for the Bank of England to cut interest rates further, and much more meaningfully than the likes of the Federal Reserve in the US, the ECB for Europe, and the RBA of Australia. This is further evidenced by Bank Credit Analysts, who believe that out of any developed market central bank, the Bank of England has the most room to loosen policy (i.e., putting money into the system by buying government bonds) and cut interest rates. We remain bullish on UK government bonds.

History was made at the start of May as Cardinal Robert Prevost was elected Pope, and in doing so became the first US-born pontiff. At a time of heightened volatility from the on-going trade wars, Cardinal Vincent Nichols noted that being sealed off from the world in conclave was "immensely peaceful". While the build-up was split between progressives, who wished to carry on the Francis's legacy, and conservatives, who wanted to return the church to a more traditionalist path, the new pontiff, Leo XIV, is seen as a moderate figure, mediating both sides and emphasized his commitment to welcoming "all those who are in need of our charity" with "open arms."

Let's hope that Pope Leo XIV's first 100 days are less eventful than his fellow American, President Trump.

Liam Goodbrand
Investment Director
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