QUARTERLY ADVISER

JULY 2025

QUARTERLY ADVISER | JULY | 25

Welcome to this edition of The Quarterly Adviser

Against the backdrop of the ever-changing landscape of the UK economy, we believe it is more important than ever to keep our clients informed of market updates and discussion topics that keep you informed and reassured that your plans are in safe hands.

For more information on any of the topics covered in this edition of the Quarterly Adviser, please don't hesitate to get in touch with your Financial Adviser via the contact details on this page.

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Index	Level 30 Apr 2025	Level 31 May 2025	Change*
S&P 500	5569	5912	+6.1%
FTSE 100	8494	8772	+3.3%
Euro Stoxx 600	527	548	+4.0%
Nikkei 225	36045	37965	+5.3%
Shanghai	3279	3347	+2.1%
US 10 Yr Treasury Yield	4.17%	4.41%	+0.24
UK 10 Yr Gilt Yield	4.42%	4.63%	+0.21
Bund 10 Yr	2.44%	2.50%	+0.06

*all returns in local currency terms. Past performance is not a guide to future

Overview

At the risk of sounding repetitive to regular readers, President Trump's decision on tariffs continued to have a major influence on markets during May.

Strong returns were seen across equity markets globally, continuing the trend from mid-April, as he conceded on the level of tariffs applicable to China. These were put on hold for 90 days while negotiations in this area continued, with the effective tariff level now at a 'mere' 45%. This was reciprocated by China, who also reduced tariffs on US goods. The waters were muddied somewhat towards the end of the month, as the US Court of International Trade ruled that the majority of the tariffs were outside the President's power to apply, although they remain in place while the administration appeals.

Early in the month, a trade deal with the UK was trumpeted by the US administration as an example of a positive impact from the tariff policy. It should be observed that the UK is one of the few countries in the world that has a trade deficit with the US, so how much importance should be placed on this is debatable and a late May decision by Trump to increase global tariffs on Steel to 50%, brought into question how genuine it might be.

Although the changes in yield on the bonds in the table above suggest only minimal activity in the bond market, the opposite was true in terms of media coverage and larger upward moves in longer-term government borrowing rates in many major economies.

As an example, the US 30yr bond yield climbed from 4.68% to over 5% at one point during May. This was attributed to concerns over many governments' ability to fund fiscal deficits, particularly in the US, and the fact that interest payments are becoming an increasingly higher proportion of those governments' spending.

However, it can also be attributable to the current high level of uncertainty surrounding the global economy and, thus, interest rate backdrop. Governments are having to rely less on selling long term (20yr+) debt due to lack of investor appetite, as those investors are reluctant to lock in rates during this period of uncertainty.

This is also going on when many governments are increasing the supply in the market by unwinding quantitative easing (selling or not rolling over expired bonds), which means they are no longer the buyer of last resort.

Yet this should be kept in perspective, as US rates were this high as recently as 2023. Furthermore, this dislocation does mean that there are some now very attractive yields available for the patient investor.

Despite the volatility at the longer end of the bond market, the recovery in markets meant we saw positive returns from all portfolios during May.

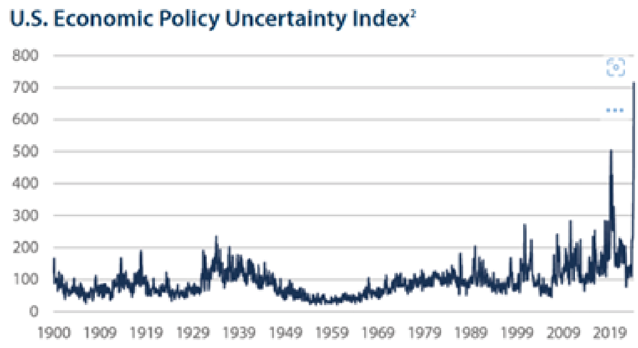
US

The bounce back in the S&P 500 was led by those stocks that have been hit hardest on the downside more recently, such as the Magnificent 7. This cohort was helped by some strong earnings numbers from Nvidia that suggested that the AI theme was still very much in play and helped lead to the index's best performance in May since 1990. Whilst the highest returns were seen in the broad index, both Mid and Small cap indices delivered returns of over 5% percent.

On the economy front, the Federal Reserve continued its policy of pausing on interest rate cuts while they sought more clarity on any inflationary impacts of tariffs, much to the ire of the President, but two cuts are still being priced in by the market at some point this year.

Unsurprisingly, consumer sentiment has reflected both the shock and relief over tariffs; the Conference Board Consumer Confidence Index increased by 12.3 points in May to 98.0, up from 85.7, having declined sharply in April.

US GDP declined by 0.2% in Q1, and perhaps to reaffirm the whipsaw effect in sentiment caused by the 50 or so tariff announcements since April and their potential impact on the US economy, a US Economic Uncertainty Index (comprised of media coverage, tax provisions and economists' forecasts), reflected similar volatility as that evidenced in markets in April:



(2) Source: Baker, Bloom, & Davis, First Trust Advisors. Monthly data 1/1900 – 4/2025.

The US Tax and Spending Bill managed to pass through Congress. Before passing to the Senate. It was perhaps the perceived imbalance between tax cuts and spending and the impact on the US fiscal deficit that helped to contribute to US bond market volatility.

Yet a clause contained within the bill, particularly concerned foreign investors and possibly helped contribute to the continued weakness of the dollar, as it implied that foreign investors could in the future be singled out for increased taxation on their US bond and equity investments based on a subjective view of their own tax policies.

UK

As mentioned earlier, the UK and US struck a trade deal, which meant that the UK was still stuck with the minimum10% tariff, but there were concessions made in relation to tariffs on steel and car exports to the US.

However, the consensus was that there wasn't that much detail to latch on to, apart from the fact that China was upset by the fact it seemed to suggest us colluding against them.

On the economic front, the Bank of England cut interest rates by 0.25%, bringing them down to 4.25%. Following that, the April headline core inflation figures showed a steep increase to 3.53%, from 2.6% in March, which might suggest limited further progress on the rate cuts front.

However, these figures include the significant increases in water, gas and electricity bills, which were widely expected to adversely impact the overall level. The level of inflation for Services was 5.4%, which could well reflect price rises as a result of the increase in employers' national insurance contributions. Core Goods inflation, in contrast, was only 1%. It is, therefore, likely that the BOE will discount the exceptions and monitor the underlying level of inflation moving forward in relation to their target level of 2%.

At an index level, the FTSE mid 250 index rose by over 6%, and this has now returned around 3 times the level of the large cap 100 index over the last couple of months, reflecting the strength in sterling, which reduces imported input costs.

Europe

European markets responded to movements on tariffs in a similar vein to elsewhere. This was despite a threat by President Trump to apply an almost immediate blanket tariff rate of 50% on EU goods, as he became frustrated with the slow progress on the tariff negotiations. The announcement initially caused a sharp sell off in equity markets, but this soon reversed, perhaps as investors began to doubt the sincerity of the threat.

Regardless, it was enough to stimulate immediate action from European Commission president Ursula von Leyen, who managed to delay the threat to July 9th following a call with Trump. Despite the threat from tariffs, unlike the US, the EU area seems to be stabilising, with some growth forecasts for the region back to where they were prior to the US election and Germany is expected to receive a boost to industry from defence and industrial policy across the region.

Japan

As a significant exporter to the US, Japan's equity market rallied as with elsewhere. However, it was the country's government bond market that was the centre of attention globally.

As mentioned in relation to elsewhere in the world, long dated bond yields have risen significantly recently and there has been low take up of new long dated bond issuance.

This causes a problem for the Bank of Japan, since government debt is over 200% of GDP, following decades of supporting the domestic bond market in order to suppress yields to combat deflation. Now, this is being reversed; they are faced with the dilemma of stimulating a weak economy while inflation rises. Raising interest rates to slow inflation will weaken demand further and, at the same time, further increase the already increasing interest payments for the country.

One side effect of the higher bond yields is that it makes Japanese assets more attractive to domestic investors and there is speculation that there will be further repatriation of overseas assets, most notably the US which at the same time is not doing much to endear itself to overseas investors. It will, however, be stimulatory for Japanese asset prices.

Asia and Emerging Markets

Hong Kong, Taiwan and Korea were among the strongest performers during the month, with the first up nearly 10%. Many of the companies which will be beneficiaries of lower tariff rates on Chinese goods are listed here, so were exhibiting a clear reaction to the deferring of the higher rates.

Taiwan and Korea are both linked to the rebound in technology related stocks and have also allowed their currencies to appreciate against the dollar in an attempt to deflect any criticism from the US about abusing weak currencies to flood the US market (and thus help their case in negotiating tariffs).

China, it should be remembered, is still susceptible to weaker overseas demand for its products, with a weak property market overhanging domestic demand. The key issue for the authorities here is to see if they can stimulate the domestic economy to the extent that it can pick up some of the slack. Latin American markets were more subdued than elsewhere, as they had previously escaped much of the volatility associated with tariffs in April.

Summary

The continual flip-flopping over tariff levels is leading investors to be increasingly sanguine over the potential impact of any headline statements made by the US President: note the subdued market reaction to the imposition of a 'non-negotiable' 50% tariff on EU goods at the end of the month.

Nonetheless, the fact remains that with higher tariffs in place, we have a lower probability of company earnings expectations that were in place pre-'Liberation Day' being met, and a US market that is at a higher level with an equally high valuation.

So, we still need to be cautious over the prospects here. Fortunately, markets outside the US seem to be latching on to new dynamics that may reduce their reliance on the US and as a globally diversified investment manager, our clients' reliance on that too. Additionally, whilst bond markets may seem volatile at times, we should remember that higher yields mean that there will be higher returns in the future; we just need to be mindful of navigating that volatility.

Rockhold Asset Management, with contribution from 7IM, Marlborough and LGT, June 2025

The Power of Mindsets

How Your Adviser Supports Both Mindset and Money

When we think about financial planning, we often picture numbers, reports, charts, and projections. These are the parts we can see — the structure of a well-built financial plan. But beneath that structure is something less visible but even more powerful: our behaviour.

The truth is, financial success isn't just about the numbers. It's also about how we feel and how we react along the way. Life throws us curveballs, markets go up and down, headlines shout for our attention, and emotions kick in. Whether we realise it or not, our financial decisions are shaped just as much by emotion and psychology as they are by strategy.

This is where **behavioural check-ins** can make all the difference.

Unlike the usual portfolio reviews, behavioural check-ins are conversations focused on *you* — your thoughts, your feelings, and how they might be influencing your financial choices.

For example:

- Are you feeling anxious about market dips?
- Are you tempted to act on something you've just seen in the news?
- Are you being swayed by what friends, family, or social media are doing?

These moments can quietly pull us off course. It's rarely a spreadsheet that causes someone to abandon a solid plan, it's usually fear, uncertainty, or impatience that drives those decisions.

Do your financial goals still feel right for where you are in life?

We often set financial goals during a particular phase — maybe when we were younger, before children, before career changes, or before life threw in a few surprises. But life evolves, and so do our priorities. Without taking time to check in, we can end up working toward goals that no longer truly fit who we are or what we value today.

That's why having regular conversations with your adviser — not just about your portfolio, but about your mindset, your concerns, and your life changes — is so valuable.

Today, financial advisers are much more than number crunchers. In a world overflowing with information and constant noise, a great adviser is also a calm voice, a sounding board, and a behavioural coach who can help you stay focused on what really matters: your long-term wellbeing and goals.

Remember, building a financial plan is the easy part. Sticking to it is where the real work, and real success, happens.

Behavioural check-ins don't replace financial planning; they strengthen it. They help you stay aligned, steady, and confident, even when the world feels anything but.

Get in touch with us for a check-in. Your future self will thank you.

Investments carry risk. The value of your investments (and any income from them) can go down as well as up and you may not get back the full amount you invested.

Artificial Intelligence... The Good, The Bad & The Scary

Has ChatGPT replaced your favourite search engine...perhaps not yet.

It's very possible that you are one of the 400 million*, weekly active users of the most widely recognised chatbot available. As of the time of writing, ChatGPT is the 8th most visited website globally.

Capable of responding to a vast range of queries and task requests within seconds, and with iterative improvements regularly being rolled out, it is no surprise that ChatGPT's popularity has soared.

However, it is important to understand what distinguishes AI tools like ChatGPT from traditional face-to-face financial advice, and where the risks may lie in relying too heavily on technology alone.

The Value of Face-to-Face Financial Advice

Traditional face-to-face advice offers a depth of personalisation and human connection that no digital tool can replicate.

When meeting with a financial adviser, you can benefit from a personal relationship built on trust and understanding. **Advisers take time to learn about each client's goals and circumstances,** offering support and insight that goes beyond numbers which is something AI isn't equipped to replicate.

Financial advisers operate within a strict regulatory framework governed by their Advice Network, and the guidelines of the Financial Conduct Authority (FCA).

This regulatory environment ensures that the advice given is suitable, compliant, and tailored to the individual's unique circumstances. Advisers are required to document their recommendations, conduct detailed fact-finding, and take responsibility for the advice they deliver. If something goes wrong, clients have access to legal protections through the Financial Ombudsman Service or compensation schemes like the Financial Services Compensation Scheme (FSCS). In contrast, ChatGPT and other AI tools are not subject to any form of financial regulation.

AI cannot accurately assess suitability, cannot take responsibility for outcomes, and cannot offer support and expertise to you, and your family

But what *can* it do?

Where ChatGPT excels is in its accessibility and speed.

ChatGPT can be a powerful educational tool. The output can be changed and enhanced according to your learning style.

It is available around the clock, can explain jargon in plain language, and can help users prepare more informed questions before meeting with a financial adviser. For basic fact-finding or general knowledge, it serves a useful role in improving financial literacy.

What does it remember about you?

When using any Artificial Intelligence software, it is important to remember that your data is currency. Sensitive information should never be input to a tool like ChatGPT.

To find out why, try this prompt in ChatGPT:

"Tell me about myself"

https://explodingtopics.com/blog/chatgpt-users

Enjoy Summer Without Compromising Your Financial Goals

Balancing business, family, holidays & finances

As summer rolls in and calendars quickly fill with both client meetings and family holidays, many people find themselves navigating competing priorities. Balancing work commitments, family needs, and much-needed downtime can feel like walking a tightrope.

But with the right financial plan, it is possible to enjoy the best of all worlds, without feeling like you have to sacrifice one part of life for another.

Summer Brings More Than Sunshine — It Brings Choices

For many clients, the pressure of this season isn't about a lack of time or money, it's about a lack of clarity. When we feel stretched, mentally overloaded, or financially reactive, it's often because we haven't taken a step back to look at the bigger picture.

This is where your financial adviser can make a real difference. At this time of year, advisers aren't just there to manage portfolios or check off financial tasks.

They're there to help you align your money with your life — to make sure your spending, saving, and investment strategies actually support the way you want to live, not just now, but in the months and years ahead.

For Families

Summer holidays are a chance to create special memories, but they can also bring higher spending, whether it's travel, home projects or spontaneous activities... The costs can quickly add up.

The key isn't to cut back on things that matter, but to distinguish between **spending that genuinely adds value** and spending driven by emotional impulses.
It's easy to fall into the trap of overspending in an effort to make the most of family time, to "make memories at any cost," or to ease the guilt of busy schedules.

Behavioural finance shows us that these emotional spending patterns are especially common during meaningful life moments.

This is where your financial adviser can help. Not to say "no" to your plans, but to ask helpful questions:

- Was this expense planned for?
- Does it align with your bigger financial picture?
- Will you still feel good about this choice when summer ends?

For Business Owners and Professionals

Summer can be a valuable time for strategic reflection.

If your work slows down in the warmer months, it might be the perfect opportunity to think about:

- **Seasonal income patterns:** Should your cash reserves or dividend strategies reflect these cycles?
- **Work-life boundaries:** Can you delegate or automate more, so you can enjoy family time without feeling tethered to the business?
- **Financial freedom:** Can you take time off without financial stress? That's often the truest measure of success.

A Season for Living Well

Summer is meant to be enjoyed. With the right financial conversations, you can make choices that allow you to relax, make meaningful memories, and stay confident in your financial direction.

If you haven't spoken with your adviser about your summer plans, or how your financial strategy can support the life you want right now, this is a great time to check in.

Financial Procrastination:

From 'I'll Do It Tomorrow' to 'I Wish I Started Earlier'

Lack of confidence in financial knowledge

People often delay money decisions because they don't feel they know enough. Research[1] reveals that **22% of UK adults rate their confidence in managing money as 'low'**.

This confidence gap creates a paralysing effect that makes people put off decisions to avoid mistakes.

Fear of failure or making mistakes

Money decisions often trigger emotional responses based on fear. Loss aversion makes people feel losses nowhere near as much as similar gains, especially with money. Then many people experience "financial anxiety," where just thinking about finances triggers stress.

Research shows that financial self-efficacy (believing in your ability to handle money) completely arbitrates between procrastination and financial behaviour. This means doubting your money skills guides you toward poor financial choices and avoiding them altogether.

Thinking there's always more time

Present bias affects financial procrastination by a lot. This mental trap makes today's rewards feel much more valuable than future ones. Our brains choose short-term comfort over long-term benefits when faced with money decisions.

Common behaviours that signal financial procrastination

You need to spot the warning signs of financial procrastination to regain control of your money. Several behaviours show you're avoiding important financial decisions that can get pricey down the road.

Delaying retirement savings

Your retirement funds take a big hit when you put off pension contributions. Studies show[2] a five-year delay could leave you with £54,000 less in your retirement savings. To name just one example, see how starting contributions at age 22 could build up to £434,000 by age 66, while waiting until 27 would only get you to £380,000.

This huge difference comes from missing out on compound growth, a powerful money-making tool that loses its punch every year you wait.

Ignoring budgeting and expense tracking

Most people dodge budgeting until money problems force their hand. This head-in-the-sand approach often comes from what experts call the "illusion of stability", the false sense of security you get from seeing money in your account. There's another reason people wait: they convince themselves they'll start budgeting when life gets less busy, which rarely happens. The result? Expense tracking never starts, and money problems slowly pile up.

Practical steps to overcome procrastination

Breaking free from financial procrastination needs clear actions that turn your good intentions into real results. These practical strategies will help you overcome the roadblocks that keep you from reaching financial wellness.

Identify your financial priorities

Setting clear financial goals is your first step to beat procrastination. Think about what matters most to you financially, building an emergency fund, saving for retirement, or paying off debt. Research shows you're more likely to take action when you have specific goals.

Start by writing down your key financial objectives. For retirement planning, experts say you should save at least 15% of your gross monthly income[3].

This might look scary at first, but even small amounts can grow into real wealth over time. Your emergency funds should come first, then tackle high-interest debt, and finally focus on retirement savings.

Break tasks into smaller actions

Breaking down complex tasks into bite-sized pieces makes them less scary and easier to handle.

Here's a simple way to do it:

- Get a clear picture of what needs to be done
- Split big tasks into smaller, manageable chunks
- Put these smaller tasks in order
- Figure out how long each part will take
- Focus on what's urgent and important first

This approach helps fight our tendency to put off financial planning. Small wins build confidence quickly and give you the momentum to tackle bigger financial goals.

Financial procrastination doesn't have to be your reality forever.

You can beat the urge to delay money decisions. Start by setting clear priorities and breaking tasks into smaller steps. Good budgeting tools and a financial adviser's guidance can help too. Small actions you take today will grow by a lot over time.

The gap between financial security and regret often comes down to timing. People who start saving and planning early reach their goals with less struggle. Those who keep delaying face tougher challenges and fewer choices as time passes.

Note that beating financial procrastination isn't about being perfect - it's about moving forward.

Every positive step, whatever its size, brings you closer to your goals. The best time to tackle your finances was years ago, but without doubt, today works too. Your future self will thank you for the choices you make now.

A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available.

1 https://www.fca.org.uk/publication/financial-lives/financial-lives-survey-2024-key-findings.pdf

2 https://www.pensionsage.com/pa/Delaying-pension-savings-by-five-years-could-mean-54000-less-in-retirement.php

3 https://retirement-international.fidelity.co.uk/news-insights-from-fidelity/a-saving-and-spending-rule-of-thumb/

Legacy Planning:

Leaving more than money, to the ones you love.

Understanding the Difference: Legacy Planning vs. Estate Planning

Estate planning is about managing what happens to your assets when you pass away. Estate planning deals with the "what" – which may include your property, investments and personal possessions. It's the practical side of planning, typically including:

- Writing your Will
- Setting up Trusts
- Planning for inheritance tax
- Choosing executors and guardians
- Putting Powers of Attorney in place

Estate planning ensures that your money, property, and personal items are passed on efficiently, according to your wishes, and with as little legal or tax complication as possible.

Legacy planning however, goes beyond the legal and financial. It's about the story you leave behind. It covers the "why" - your values, wisdom, life lessons and the mark you want to leave on future generations.

Legacy planning focusses on:

- The values, life lessons, and traditions you want to pass on
- Philanthropy and charitable giving
- Supporting future generations in ways that reflect your personal beliefs
- Creating memories and making a positive impact on family, community, or causes that matter to you.

Legacy planning asks: How do you want to be remembered? It's less about "who gets what" and more about why and how those gifts can shape the future

Why Both Matter

Estate planning protects your assets.
Legacy planning protects your values.

When combined, they allow you to pass on both wealth and meaning, a financial plan that not only provides for your loved ones but also reflects who you are.

If you'd like to explore this further, your financial adviser can help you bring both aspects into your plan, ensuring your wealth serves your life, and your legacy.

Your life circumstances change, and your legacy plan should too. Regular meetings with your adviser help keep your arrangements in line with your wishes as family dynamics, asset values, and tax rules shift.

The best legacies blend financial assets with personal values. The guidance, wisdom, and principles you pass down often hold more value than material wealth. Start your legacy planning today and shape how future generations will remember you.

The Financial Conduct Authority does not regulate Wills, Trusts, Powers of Attorney, Inheritance Tax and Estate planning.

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