Market Update - January 2025

Focus on your own financial goals and strategies rather than comparing yourself to others.

Anna Schofer
General Manager

Waiting for the right moment

With share markets having a second year increasing by over 20%, and the bond market benefiting from a drop in interest rates it has been a busy time across the investment landscape.

As interest rates look set to continue their fall, it is a great reminder to make sure portfolios are well diversified. Markets are always changing and reacting to a moving landscape across the world – through geo political events, regulation change and also surprises like global pandemics and natural disasters.

Our key focus for client portfolios is on the preservation of capital. Not so dissimilar to Warren Buffet's US$950B Berkshire Hathaway, who are holding high cash reserves of 30% at present. Our strategy is to have a vast number of investments that can weather a storm and balance each other out to keep it as smooth of a ride as possible for investment portfolios.

Kayla, our friendly voice at the end of the phone, was busy at the end of 2024, reaching out to as many clients as possible. She expressed our gratitude for your support in a great year of returns! The team is now back from a well-deserved break and is actively working behind the scenes to seize opportunities that arise in the coming months – either new bond issues or falling markets.

We are looking forward to a prosperous 2025, filled with new opportunities and continued growth.

Daryl Buckingham
Financial Adviser

The future you

A question we frequently encounter is, "Will I have enough money when I retire, and how do I make it last?"

This is precisely why we are passionate about what we do at RIVAL Wealth. We take the time to understand your unique situation, your goals, your hobbies, your family, and what matters most to you.

By developing a robust financial strategy and working closely with our experts, we can help alleviate the worries about your financial future. Our goal is to ensure you have a plan that not only meets your needs but also provides peace of mind as you approach retirement.

We're here to help you every step of the way, proactively guiding you and looking ahead. You're not alone, we are in this together!

Brett Tulloch
Portfolio Manager

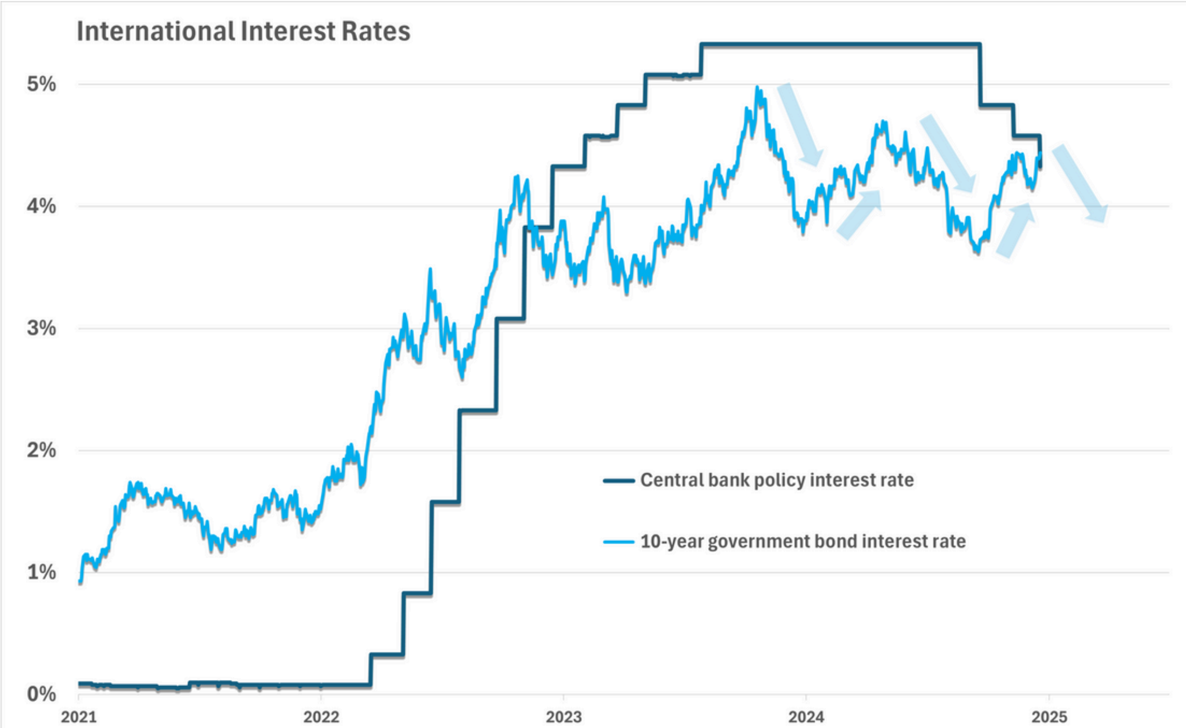
Steady as she goes

The last quarter of 2024 saw a period of consolidation for investor portfolios to round out a positive year. Equity markets, led by the U.S., continued their steady climb higher, which they have been doing for over 2 years now, with only two 7% drops during that 2 year period. However, long-term interest rates jumped sharply higher at the start of the quarter, resulting in fixed interest bond returns being subdued, and a rising U.S. Dollar also had a dampening effect on investor returns. This is expected to turn again with fixed interest bonds being attractive in 2025 due to the interest rate easing cycle, which should also see the U.S. Dollar weaken. The situation of stable equity markets and volatile interest rate markets is somewhat ironic, which we discuss in the Market Outlook section below.

Market outlook

Observing financial markets is to observe human behaviour in action. We currently see stable equity markets and volatile interest rate markets, at a time when the economic and geopolitical backdrop is uncertain. This makes us round back on the fact that humans have a tendency toward recency bias, i.e. more recent events remain in people's minds and unduly influence their thinking.

In recent years, inflation was the major event that caused markets to drop significantly in 2022. As a result, we currently see something of a knee-jerk reaction to anything that might signify higher inflation. At the first sign of a change in inflation, interest rates move higher. So, despite interest rates peaking at the end of 2023 and central banks bringing interest rates down in 2024, people are still acting like we're in 2022 worried about inflation.



If you've ever been to a pantomime, you'll know that the major risk is always, "Behind you!" That is to say, risk is found in the place where the market is not looking. Currently, the market is not looking at how equity valuations have increased; nor the muted corporate revenue growth of recent years; even at rising unemployment; or pending tariffs, all of which are risks to equity market stability and beneficial for fixed interest investments where the balance of risks has shifted creating opportunities. This highlights our current portfolio positioning to preserve capital, investing in direct bonds offering great interest rates for long periods.

Reach out to our team

Our dedicated investment team is always here to support you with any questions or concerns you might have. Whether you're looking for advice on your current portfolio, insights into market trends, or just need some guidance on your investment journey, we're here to help. Don't hesitate to reach out to us – we're just a call or email away and always happy to assist.

Here are our contact details: **06 370 4441**

0800 474 825

investments@rivalwealth.co.nz