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Investor trends survey

Q4 2024

*Welcome to the latest edition of our investor trends survey, a quarterly survey of the views of our **WealthSelect global partners**, a select group of high-quality asset managers including Fidelity, BlackRock, Invesco, and Artemis.*

We ask our WealthSelect global partners for their views on a wide-range of issues including expectations for global growth, their views on the important drivers of markets, and how they feel key topics might impact markets going forward.

Executive summary

The latest investor trends survey found:

- The US is comfortably expected to provide the best returns out of any market in 2025, with Donald Trump's second presidency providing a boost to markets.
- The changing demographics in developed economies is not driving allocation decisions for now, but will become increasingly important.
- AI will have a significant impact on enhancing corporate profitability by 2030, but sceptical voices remain.

Key findings

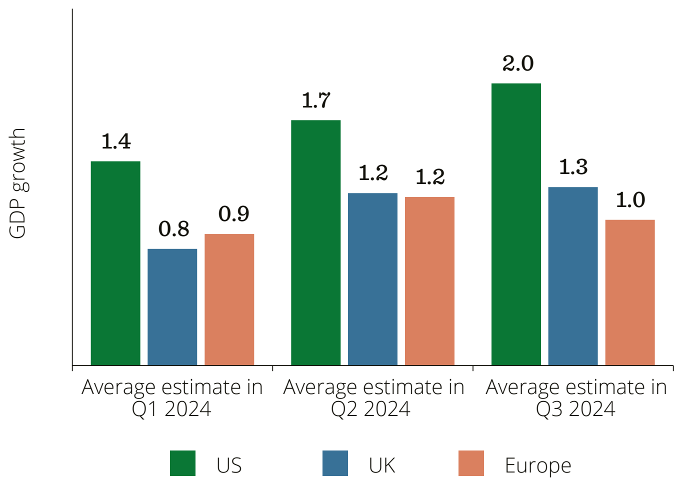
US remains streets ahead

For the US and UK, 2024 has been a year of economic rebounds as growth expectations for 2025 have been revised upwards. At the same time Europe has been going backwards with growth expectations cut despite the European Central Bank being the first to pull the trigger on interest rate cuts.

This story is being played out within corporate boardrooms too, with earnings expectations remaining stable in the US, but less so elsewhere. With the election of Donald Trump as President, and his deregulation agenda, the contrast between the US and the rest of the world could become even starker over the next 12 months.

The asset managers we surveyed expect this to translate into stronger share price returns for US companies as a result. Just over 40% of respondents expect the US to be the best performing region in 2025. China and Japan receive some support (16.7% each), with 12.5% for the UK, and just 5.6% of respondents expecting Europe to outperform.

What are your expectations for real GDP growth in 2025?



In contrast, 37.5% of respondents predict that Europe will be the weakest region in 2025 closely followed by Japan (18.8%), after it had a successful run in 2024 after waking up from its slumber.

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Lindsay James, Investment Strategist, Quilter

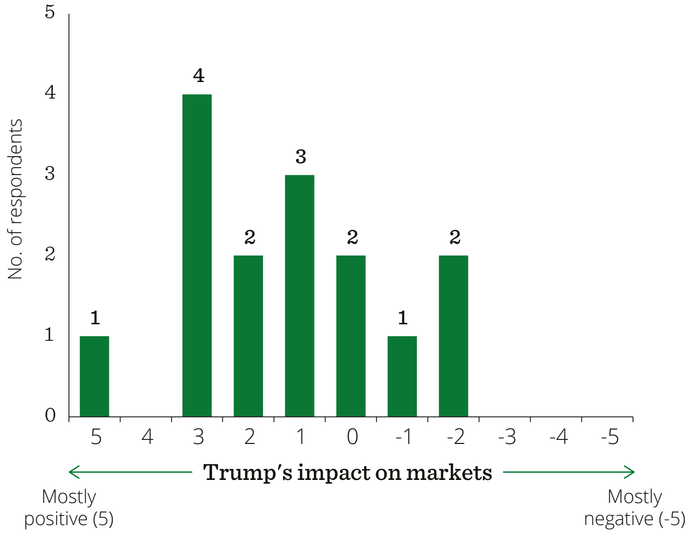
As with Trump's previous stint in the Oval Office, there won't be a quiet moment for markets and the ride for investors could get bumpy at times.

'Trump trade' remains in play... for now

Donald Trump may not return to the White House until January, but already markets have received a significant boost following his election victory at the beginning of November. Financials, smaller companies, and value-oriented companies were the clear winners from the election results as markets expect higher yields, deregulation and tax cuts, and a focus on domestic markets.

Overall, our WealthSelect global partners expect to see the positive trend for stock markets continuing. Asked to rate Trump's potential impact on markets on a scale from mostly positive (5), to mostly negative (-5), our respondents averaged at +1. However, perhaps indicating quite how volatile they expect his second presidency to be, responses ranged from scores of 5 down to -2.

Indeed, while Trump appears to bode well for stock market returns in the short-term, the impact of his protectionist policies remains to be seen. As with Trump's previous stint in the Oval Office, there won't be a quiet moment for markets and the ride for investors could get bumpy at times.



Hope remains for lower rates

Despite the risk a Trump Presidency poses to interest rates, investors are expecting to see interest rates continue to come down to more palatable levels. Just under half of respondents (44.4%) expected UK rates to trough between 1% and 3%, with the same number of respondents expecting it to level off in the 3%-4% area.

Investors are expecting rates to bottom out at a higher level in the US during this rate cutting cycle, perhaps highlighting the inflationary risks that appear more present in that country. More than half of the fund managers surveyed (57.1%) expect interest rates in the 3%-4% zone, with more than four in ten (42.9%) predicting rates in the region of 2%-3%.

The biggest risk to expected rate cuts in the US was seen as inflation. However, whilst half said higher core inflation was the primary risk to those rate cuts, new trade tariffs were the factor cited as the next biggest risk. Finally, higher energy prices, also inflationary in nature, and stronger consumer demand were both chosen as the third greatest risks to rate cuts in the US.

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Demographics a future problem?

Developed markets are increasingly waking up to the fact that they have a ticking timebomb when it comes to the demographic make-up of their countries. Ageing populations coupled with falling birth rates means taxes will increase and spending on health and social care will soar. This will ultimately have a significant impact on monetary and fiscal policy as priorities change and growth becomes threatened.

However, for asset managers, allocation decisions appear to continue to be made without this issue in mind. More than six in ten (61.5%) of respondents said it had little bearing on their current allocations, with less than a quarter (23.1%) saying it had a more significant impact.

Looking forward, those surveyed see it very much as a problem for the future, with just 14% expecting demographics to have no bearing on allocations, compared to 35.7% predicting it will have more of an impact.

AI to the rescue?

Artificial intelligence (AI) has often been heralded as the silver bullet to productivity issues and the shift in demographics. The hype continues to grow, with businesses investing huge sums in AI capabilities despite a lot of the claims of productivity gains, for now, unproven. That said, asset managers are expecting it to have some sort of positive impact on corporate profitability by 2030, with six in ten believing that will be the case.

One asset manager believes there will be 'winners and losers from AI applications', but 'stock selection will be key', rather than it being a trend that sees the tide rise all boats. However, another manager was more sceptical, saying 'it remains to be seen if AI will really enhance productivity growth'.

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