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Market Snapshot

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Investors were jittery this week.

Bond markets sold off. German borrowing costs soared after the parties hoping to form Germany's next government agreed to create a €500bn infrastructure fund and loosened its "debt-brake" rules to allow extra spending on defence. This sell-off spread around the world, with Japan's 10-year borrowing costs hitting a 16-year high adding to jitters about the impact of tariffs after Donald Trump issued a rousing defence of his policies in Congress.

Equities sold off this week as worries about the impact and confusion of Donald Trump's policies increased. Tariffs were raised on goods from Canada and Mexico, with high-profile, last-minute exemptions.

Market participants keenly await the US non-farms payrolls data for February, released on Friday afternoon. Expectations of interest rates cuts by the Federal Reserve have risen recently and the data may give the market an insight into the central banks thinking.

In UK equities, the FTSE 100 was down 1.6% over the week by mid-session on Friday, with the more UK-focused FTSE 250 also 1.6% lower.

Geopolitics

The Trump administration suspended military aid deliveries to Ukraine and cut off intelligence sharing with Kyiv in a move that could seriously hamper the Ukrainian military's ability to target Russian forces. US intelligence co-operation has been essential for Ukraine's ability to identify and strike Russian military targets.

What does Russia, the US, the European Union and Ukraine want from any peace deal struck between Kiev and Moscow?

Donald Trump's tariffs on goods from Canada, China and Mexico kicked in on Tuesday, prompting retaliatory measures and rattling markets. However, in an eleventh-hour decision, Mr Trump gave car manufacturers a one-month exemption amid concerns the trade barriers could hurt the US economy. On Thursday, the US President signed executive actions to delay until 2 April tariffs on all products from Mexico and Canada that are covered by the USMCA free trade treaty. Earlier announced import tariffs of 25% on steel and aluminium are still scheduled to take effect on 12 March.

Canada has already announced that retaliatory tariffs on C$30bn of US imports would take effect immediately, while China said tariffs of up to 15% one some US goods will take effect from 10 March. Mexico's president Claudia Sheinbaum Pardo said she would announce retaliatory tariffs on Sunday.

Donald Trump is changing policies all round the world.

Several Canadian provinces have taken US liquor off store shelves as part of retaliatory measures against Donald Trump's tariffs. Jack Daniel's maker **Brown-Forman's** chief executive Lawson Whiting said Canadian provinces taking US liquor off store shelves was "worse than a tariff" and a "disproportionate response" to levies imposed by the Trump administration.

Economics

Bank of England governor Andrew Bailey and other policymakers are to appear before the Treasury committee. Mr Bailey said there was a "major shift going on in the US" which the central bank would have to "take very seriously". He said that the risks to the UK and world economy were substantial.

Chancellor Rachel Reeves is issuing a Spring Forecast on 26 March – but it is expected to be more of a spending review rather than a 'fiscal event'. It was reported that the funding for Labour-launched GB Energy, a publicly owned company that invests in renewable energy, will be cut. Other spending cuts are expected.

Beijing has unveiled ambitious economic growth targets for 2025, despite the headwinds from Donald Trump's tariffs. At the opening session of the annual National People's Congress in Beijing, Prime Minister Li Qiang said China would target GDP growth of "around 5%" in 2025. The inflation target for 2025 was lowered to 2% from "no more than 3%" last year. In response to the trade war with Washington, China has imposed its own tariffs of up to 15% on a wide range of US agricultural goods. China's foreign affairs ministry said: "If war is what the US wants, be it a tariff war, a trade war or any other type of war, we're ready to fight."

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Indeed, activity in China's services sector continued to expand in February, according to a survey released on Wednesday. The Caixin/S&P Global services purchasing managers' index rose to 51.4 from 51.0 in January, coming in above the 50.0 mark that separates contraction from expansion for 26 months in a row. It was above analysts' expectations for a reading of 50.8.

Companies

Construction group **Galliford Try** raised its full-year profit and revenue guidance following what management described as an "excellent" first half. For the six months to 31 December 2024, the group reported adjusted pre-tax profit of £20.5m, up 22% on the previous year, and revenue of £923.2m, up 12.7%. Its interim dividend was upped by 37.5% to 5.5p a share. Management also pointed out a good pipeline of bidding opportunities in all its chosen sectors.

Shares in brickmaker **Ibstock** jumped after management said it expected improved trading due to a strengthening housebuilding sector. In the year to 31 December, revenues slid 10% to £366m - or by 13% on a like-for-like basis - while pre-tax profits slumped 30% to £21m. Ibstock said trading in the early weeks of 2025 had been "solid", with sales volumes ahead of the comparative period a year previously."

ITV's profits jumped in 2024 thanks to record earnings at the broadcaster's production arm, ITV Studios, which was boosted by hits? including Mr Bates vs the Post Office. Revenues were down 3% to £4.1bn in 2024 compared with the previous year, but its measure of adjusted profits was up 11% at £542m. Profit before tax more than doubled to £521m, up from £193m a year earlier. The studios arm is seen as essential for future growth, as linear TV viewing declines to the benefit of streaming services. Reports suggested ITV is considering a tie-up of ITV Studios with All3Media, which could create a production group worth more than £3bn.

Pest control firm **Rentokil Initial** saw its revenue rise but its profits dip in a challenging year for the business. The business said North America had seen a weaker performance, with organic revenue growth of 1.5%, despite a stronger showing internationally, where organic growth reached 4.7%. Rentokil noted that integration efforts with large US acquisition Terminix were progressing, but the execution had affected North American performance. The results were in line with reduced guidance issued in September last year.

Schroders shares rose after it announced a plan to deliver £150m of annualised cost savings as its new chief executive Richard Oldfield unveiled plans to boost profitability. Its full-year results showed higher operating expenses, lower performance fees and reduced returns from joint ventures weighed on profits. The new strategy involves "focusing our business, simplifying it and scaling our infrastructure," Mr Oldfield said.

Melrose Industries shares fell despite full-year profit coming in at the top end of expectations.. The shares performed strongly in the run up to the results. Looking ahead, management said it had also set five-year targets including revenue of about £5bn by 2029, adjusted operating profit exceeding £1.2bn, and free cash flow of £600m.

Infrastructure group **Balfour Beatty** said chief executive Leo Quinn will step down later this year after 10 years in the role. Philip Hoare, currently the chief operating officer of Toronto-listed engineering services and nuclear enterprise AtkinsRéalis, will replace Mr Quinn.

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