World markets review — Fourth quarter 2024

Equities

Global equities stalled in the fourth quarter, pressured by concerns over a potential trade war and signs that interest rates may remain higher than previously expected. U.S. President-elect Donald Trump's victory sent U.S. stocks higher but weighed on the markets of major trading partners, such as Europe and China, which could be hit by higher tariffs under the incoming administration.

Consumer discretionary stocks rallied, gaining nearly 9% in the MSCI World Index, boosted by strong rallies in the shares of consumer-tech giants Amazon and Tesla. Materials stocks posted the largest declines, losing 14% in aggregate as China's slowing economy hurt global demand. Health care and real estate stocks also lost significant ground.

	December 2024		4Q 2024		YTD 2024	
Equity index returns (%)	**U.S. dollar**	**Local currency**	**U.S. dollar**	**Local currency**	**U.S. dollar**	**Local currency**
S&P 500	–2.4	–2.4	2.4	2.4	25.0	25.0
MSCI ACWI	–2.4	–1.6	–1.0	1.3	17.5	20.2
MSCI ACWI ex USA	–1.9	0.3	–7.6	–1.4	5.5	12.6
MSCI World	–2.6	–1.9	–0.2	1.9	18.7	21.0
MSCI Emerging Markets	–0.1	1.2	–8.0	–4.4	7.5	13.1
MSCI EAFE	–2.3	0.4	–8.1	–0.6	3.8	11.3
MSCI Europe	–2.4	–0.5	–9.7	–2.9	1.8	7.8
MSCI Pacific	–2.1	2.1	–5.5	3.5	7.0	17.8

Source: RIMES

Fixed income

Most bond markets declined as inflation remained above target and the U.S. Federal Reserve (Fed) signaled that it wouldn't cut interest rates as aggressively as previously expected. Both the Fed and the European Central Bank lowered policy rates during the quarter as market rates generally moved higher.

In foreign exchange markets, U.S. dollar strength returned after a brief patch of weakness from July to October. The dollar rose sharply against the euro, the yen and most other currencies. The U.S. Dollar Index gained more than 7% during the quarter.

Fixed income index returns (%)	Dec 2024	4Q 2024	YTD 2024
Bloomberg U.S. Aggregate	–1.6	–3.1	1.3
Bloomberg Global Aggregate	–2.1	–5.1	–1.7
Bloomberg U.S. Corp IG	–1.9	–3.0	2.1
Bloomberg U.S. Corp HY	–0.4	0.2	8.2
JPM EMBI Global Diversified	–1.4	–1.9	6.5
JPM GBI-EM Global Diversified	–1.9	–7.0	–2.4

Exchange rates (% change vs. USD)	Dec 2024	4Q 2024	YTD 2024
Euro	–2.0	–7.2	–6.3
Japanese yen	–4.4	–9.0	–10.3
British pound	–1.5	–6.6	–1.8
Canadian dollar	–2.6	–6.1	–8.3
Australian dollar	–5.0	–10.8	–9.3
Swiss franc	–2.8	–6.9	–7.1

Source: RIMES. Returns are in USD.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Past results are not predictive of results in future periods.

North America

U.S. equities advanced over a volatile quarter. The S&P 500 Index rose 2.4%. It touched a record high in early November on investor hopes that Trump's presidential victory would usher in pro-growth policies, but stocks fell sharply in December after the Fed signaled a slower pace of interest rate cuts. The central bank cut its benchmark interest rate by 25 basis points (bps) to a range of 4.25% to 4.50% in December. However, Fed Chair Jerome Powell suggested the bank would take a more cautious approach to further reductions until it saw more progress on inflation. The Fed projected two rate cuts for 2025, down from its previous estimate of four.

The U.S. economy continued to show strength. Third-quarter gross domestic product rose an annualized 3.1%, with consumer spending advancing at the fastest rate since early 2023. Meanwhile, inflation showed signs of stickiness. The core Consumer Price Index, which excludes food and energy costs, rose 3.3% year over year for a third consecutive month in November.

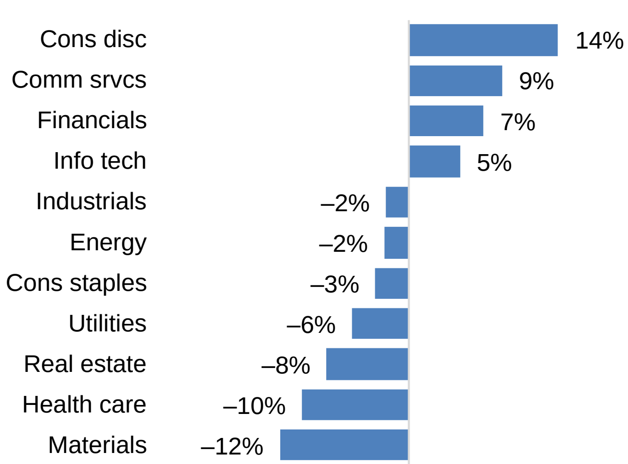
Although still healthy, the labor market appeared to be softening. Nonfarm payrolls rose by a greater-than-expected 227,000 in November. However, workers were having more difficulty finding jobs. Recurring applications for unemployment benefits for the week ended December 14 rose to the highest level in more than three years, and more than 40% of job seekers had been looking for work for at least 15 weeks.

Information technology stocks powered market gains. The Nasdaq Composite Index hit a fresh record in December. NVIDIA and Broadcom rallied on investor enthusiasm for artificial intelligence (AI)-related chip demand. Shares of AI software maker Palantir Technologies soared after it reported strong revenue and raised its operating income forecast. Consumer discretionary was the top-returning sector, fueled by Amazon and Tesla. Amazon rose on better-than-expected earnings, while Tesla shares advanced on hopes the firm would benefit from CEO Elon Musk's close relationship with Trump.

Health care was among the worst-performing sectors in the S&P 500. Health insurers operating pharmacy benefit managers (PBMs) – such as UnitedHealth Group – were hurt after Trump said PBMs needed reform. UnitedHealth also declined after the CEO of its insurance unit was fatally shot in New York City. Drug maker Eli Lilly fell after reporting disappointing sales of its weight-loss and diabetes treatments. Creative software firm Adobe dipped amid a disappointing sales outlook and pessimism that AI might disrupt its business. Materials stocks declined as an economic slowdown in China weighed on metals prices.

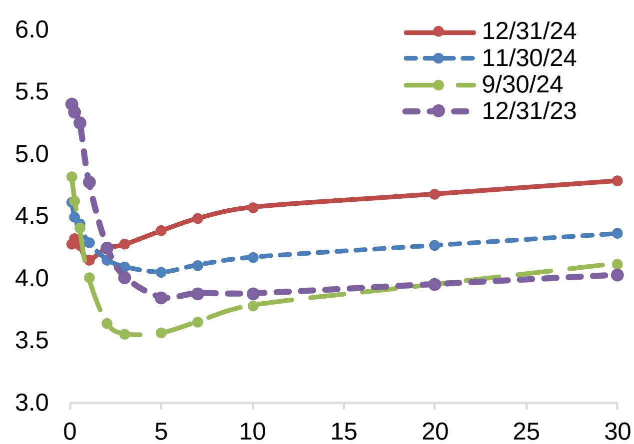
U.S. bonds fell in the fourth quarter. The Bloomberg U.S. Aggregate Index lost 3.1% as yields surged. The U.S. Treasury yield curve steepened. The 10-year yield rose 79 bps to 4.57%, while the two-year yield rose 60 bps to 4.24%. Within U.S. credit markets, the Bloomberg U.S. Corporate Investment Grade Index fell 3.04%. The Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index eked out a 0.17% gain.

S&P 500 total returns (4Q 2024)



Source: RIMES. Data labels reflect rounded figures .

U.S. Treasury yield curve



Source: Bloomberg. The x-axis represents Treasury maturities (years). The y-axis represents the U.S. Treasury yield (%).

Europe

European stocks tumbled amid signs of economic weakness and political instability in the 20-member eurozone. Sluggish economic activity, hindered by the conflict in Ukraine and worries about a looming trade war, sent European stocks plummeting in the final three months of the year. Overall, the MSCI Europe Index lost nearly 10% for the quarter.

Political turmoil weighed heavily on markets. Governing coalitions in Germany and France collapsed in December following no-confidence votes against German Chancellor Olaf Scholz and French Prime Minister Michel Barnier. Germany remains in the hands of a caretaker government until February elections. French President Emmanuel Macron tapped Francois Bayrou as prime minister, making him the fourth person to hold that job over the past year.

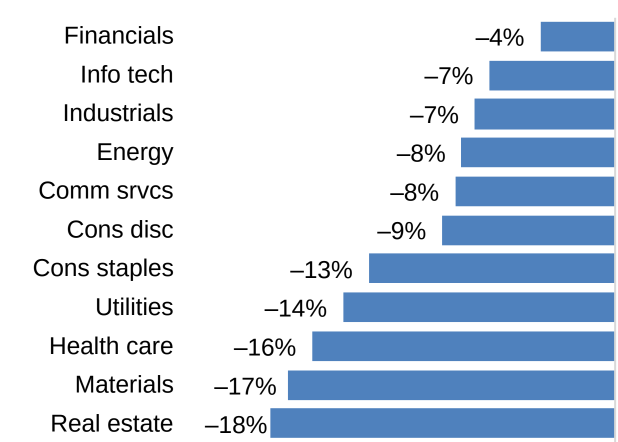
All sectors declined, pressured by concerns over potentially higher tariffs following the victory of U.S. President-elect Trump. During the campaign, Trump threatened to hike tariffs by 10% on European goods and 60% on Chinese exports. Germany's Bundesbank warned that such a drastic move could push Europe's largest economy into recession.

Real estate and materials stocks suffered the largest declines, losing roughly 17% each as recession worries hit economically sensitive sectors. Shares of Air Liquide fell sharply as the French industrial gas supplier was hurt by lower energy prices. Health care stocks also lost significant ground. Shares of Novo Nordisk dropped after the Dutch pharmaceutical company reported disappointing clinical trial results for its next-generation weight-loss drug, CagriSema.

The financials sector fared relatively better, losing 4%. Higher interest rates over the year helped boost profits from bank lending activities. Shares of HSBC and Barclays gained more than 10% during the quarter. Information technology stocks also fell less than the overall market, losing 6.5%. Shares of SAP rose after the German tech giant raised revenue forecasts for its software and cloud computing divisions.

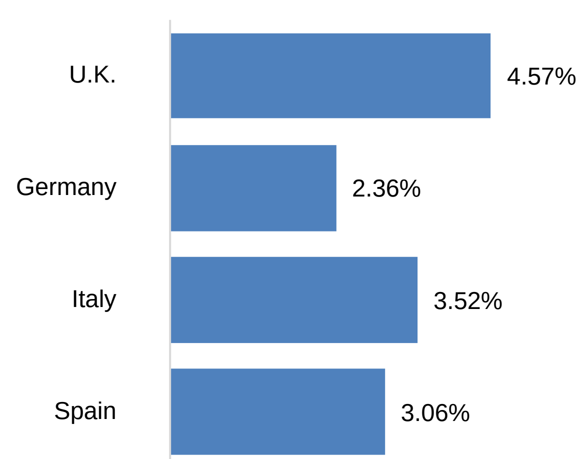
In fixed income markets, European bonds declined amid increasing divergence between the U.S. and European economies. The yield on Germany's benchmark 10-year note rose 24 bps to 2.36%. The same maturity in Spain climbed 14 bps to 3.06%. In currency markets, the euro slipped 7% against the U.S. dollar.

MSCI Europe total returns (4Q 2024)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures.

10-year government bond yields



Source: Bloomberg. As of 12/31/24.

Asia-Pacific

Japanese stocks fell against a weak economic backdrop. Only the financials and consumer discretionary sectors made gains. All other sectors declined. Materials and utilities led losses, each declining by double digits. The yen touched four-month lows in December, ending the quarter down 9% versus the U.S. dollar. The currency's slide was partly driven by the Bank of Japan's (BOJ) decision to keep interest rates unchanged.

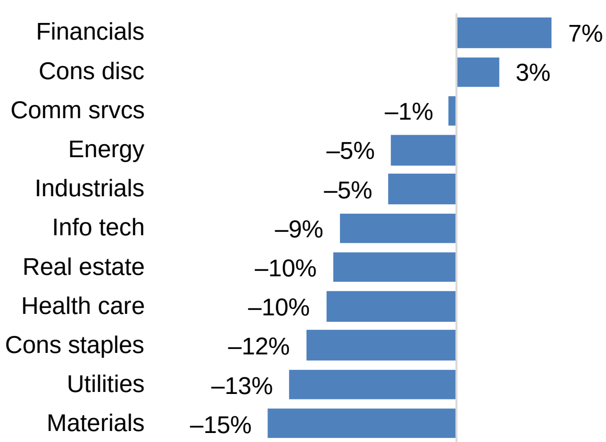
Japan's government approved a $250 billion economic stimulus plan. The package aims to support wages and economic growth by helping underprivileged households contend with rising prices. The plan will provide cash handouts and energy subsidies to low-income households and will also invest in the artificial intelligence and semiconductor industries. Earlier this year, newly inaugurated Prime Minister Shigeru Ishiba called on businesses to increase wages to offset rising prices. Japan's economic growth has remained frail, growing an annualized 1.2% in the third quarter compared to an annualized 2.2% growth in the second quarter.

The BOJ held its key interest rate steady. The central bank kept rates unchanged at 0.25% even as inflation accelerated. Core inflation, which excludes fresh food, rose 2.7% in November, up from 2.4% in September and well above the BOJ's 2% target. A weak yen and higher prices for raw materials and labor continued to impact manufacturing. The headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index (PMI), an indicator of manufacturing performance, went up slightly to 49.6 in December from 49.0 in November. Elsewhere, Toyota's stock rose amid reports it will increase its return-on-equity target to 20%. Fellow carmakers Honda and Nissan unveiled plans for a potential merger by 2026. In other news, shares of Japanese conglomerate Mitsubishi Corp. fell after it reportedly lost $90 million in suspected fraud by one of its copper traders.

Australian stocks sustained double-digit losses. All sectors fell as a sluggish domestic and global economy continued to impact growth. Inflation, however, dropped to its lowest level since 2021. Health imaging company Pro Medicus' stock rose after it inked a deal with Duke University to expand its presence in North America. On the other hand, investment bank Macquarie Group's shares slid after its first-half profit fell short of forecasts. The Australian dollar ended the quarter down nearly 11% against the U.S. dollar.

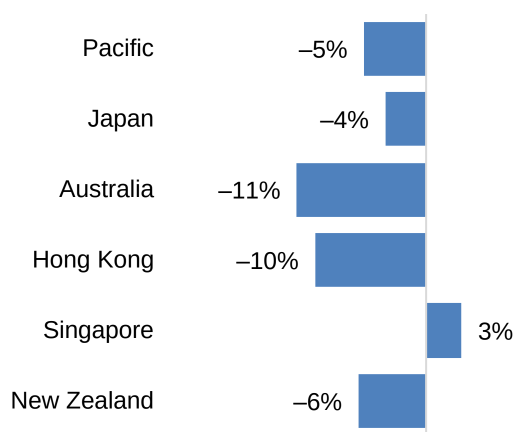
Hong Kong shares declined. The city continued to feel the impact of slower Chinese economic growth and potential trade tariffs by U.S. President-elect Trump. Hong Kong's economy has struggled to recover from pandemic-era restrictions. In October, the city's leader John Lee proposed reforms to spark economic growth including slashing duties on liquor.

MSCI Japan total returns (4Q 2024)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures.

MSCI Pacific total returns (4Q 2024)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures.

Emerging markets

Emerging markets (EM) equities declined during the quarter, with double-digit losses in the MSCI indexes for Brazil, Korea, Indonesia and the Philippines. The MSCI United Arab Emirates Index posted the strongest gains. Overall, the MSCI Emerging Markets Index fell 8%.

Information technology was the only sector to advance during the period, driven by continued gains from chipmaker Taiwan Semiconductor. The energy, materials, consumer discretionary and utilities sectors fell the most. Alibaba Group was among the biggest decliners in the MSCI Emerging Markets Index. The retail giant reported slow growth in its core Chinese e-commerce business.

Chinese stocks fell nearly 8% after initial enthusiasm over the government stimulus package announced in September faded. Its central bank governor reaffirmed plans to continue supportive policies to promote growth as the economy braces for potential new tariffs promised by U.S. President-elect Trump. That news helped boost stocks in December but not enough to fully retrace declines earlier in the quarter.

Slowing economic growth in India dampened enthusiasm for Indian equities, which fell 11%. Gross domestic product for the quarter ended in September was well below the central bank's projection, casting a dark cloud over Prime Minister Narendra Modi's ambitious growth plans.

Latin American stocks fell during the quarter, with the MSCI EM Latin America Index down 16%. Investors questioned the Brazilian government's ability to reverse a fiscal crisis in the country, particularly after its president required emergency brain surgery in December. Stocks there dropped 19%. Mexican stocks tumbled nearly 11% after Trump's threat of 25% tariffs on Mexican exports led many analysts to lower their 2025 economic forecasts.

Developing market currencies mostly fell against the dollar, as the healthy U.S. economy and policy expectations from the incoming Trump administration helped push the dollar higher.

Brazil led broad declines in EM bonds, with its local currency debt down 15% in dollar terms. Concerns over looming tariffs and a stronger dollar next year helped push down EM local-currency government debt by 7% in dollar terms, as measured by the J.P. Morgan GBI-EM Global Diversified Composite Index. U.S. dollar-denominated debt fell 2% in dollar terms, as measured by the J.P. Morgan EMBI Global Diversified Index. ■

4Q 2024 total returns (%)

Equity indexes (USD)	
MSCI Emerging Markets	–8.0
MSCI Brazil	–19.4
MSCI China	–7.7
MSCI India	–11.3
MSCI Mexico	–10.6
MSCI South Africa	–12.1
MSCI Korea	–19.2
MSCI Saudi Arabia	–1.5
MSCI Taiwan	3.3
MSCI Thailand	–10.1

Fixed income / currency	USD debt (USD)	Local debt (USD)	Local debt (Local)	Exchange rate (vs. USD)
JPM EMBI Global Div	–1.9	---	---	---
JPM GBI-EM Global Div	---	–7.0	–0.4	---
Brazil	–5.9	–15.1	–3.7	–11.8
China	–1.1	–0.9	3.1	–3.9
Indonesia	–4.4	–7.0	–1.1	–5.9
Malaysia	–4.7	–7.3	0.5	–7.8
Mexico	–3.7	–7.6	–1.9	–5.7
Poland	–4.7	–8.1	–1.0	–7.1
South Africa	–4.1	–8.2	0.5	–8.7
Turkey	–1.4	1.7	5.2	–3.3

Source: RIMES

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Certain market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

Unless otherwise noted, all returns are in U.S. dollars and assume the reinvestment of dividends. Country stock returns are based on MSCI indexes.

Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies such as Standard & Poor's, Moody's and/or Fitch, as an indication of an issuer's creditworthiness.

Bloomberg indexes are unmanaged, and results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **Bloomberg U.S. Aggregate Index** represents the U.S. investment-grade fixed-rate bond market. **Bloomberg Global Aggregate Index** represents the global investment-grade fixed income markets. **Bloomberg U.S. Corporate Investment Grade Index** represents the universe of investment grade, publically issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. The **Bloomberg U.S. Corporate High Yield Bond Index** measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market.

S&P Global purchasing manager indexes (PMIs) track business trends across both manufacturing and service sectors for various countries. The indexes are based on data collected from companies and follow variables such as sales, new orders, employment, inventories and prices. The **au Jibun Bank Japan Composite PMI**, compiled by S&P Global, provides similar information about Japan.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified and related country-specific indexes track total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, eurobonds. **J.P. Morgan Government Bond Index – Emerging Markets (GBI-EM) Global Diversified** and related country-specific indexes cover the universe of regularly traded, liquid fixed-rate, domestic currency emerging market government bonds to which international investors can gain exposure.

MSCI indexes are free-float-adjusted, market-capitalization weighted indexes. Developed market index results reflect dividends net of withholding taxes. Emerging market index results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter. Each index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **MSCI All Country World Index (ACWI)** is designed to measure results of more than 40 developed and emerging equity markets. **MSCI All Country World (ACWI) ex USA Index** is designed to measure equity market results in the global developed and emerging markets, excluding the United States. **MSCI EAFE® (Europe, Australasia, Far East) Index** is designed to measure developed equity market results, excluding the United States and Canada. **MSCI Emerging Markets Index** is a free-float-adjusted market-capitalization-weighted index designed to measure equity market results in more than 20 global emerging markets. Individual emerging markets listed herein represent a subset of the MSCI Emerging Markets Index. **MSCI Europe Index** is designed to measure developed equity market results across 15 developed countries in Europe. **MSCI Pacific Index** is designed to measure the equity market performance of the developed markets in the Pacific region. It consists of Japan, Australia, Hong Kong, New Zealand and Singapore. **MSCI World Index** is designed to measure equity market results of developed markets. The index consists of more than 20 developed-market country indexes, including the United States.

Nasdaq Composite Index is a broad-based market-capitalization-weighted index that measures all domestic and international-based common-type stocks listed on The Nasdaq Stock Market.

S&P 500 Index is a market-capitalization-weighted index based on the results of 500 widely held common stocks. This index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes.

The **Consumer Price Index (CPI)**, reported by the U.S. Bureau of Labor Statistics, measures the change in prices paid by consumers for goods and services.

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