World markets review — 2024

Equities

Global stocks rallied, generating double-digit gains for the second year in a row. Driven by enthusiasm for rapid advancements in artificial intelligence (AI), U.S. stocks soared — lifting the MSCI World Index to a gain of more than 18%. Other major developed markets, including Europe and Japan, generated mostly moderate increases while Chinese stocks bounced back strongly from a rough 2023.

Markets advanced despite intensifying geopolitical risks, including ongoing conflicts in Ukraine and the Middle East. The November victory of U.S. President-elect Donald Trump further boosted U.S. stocks but hurt some trading partners amid concerns about higher tariffs. Information technology and communication services stocks led markets higher. Materials was the only sector to post negative results for the year.

	December 2024		4Q 2024		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 rose as many central banks around the world moved to reduce interest rates. With inflation softening, the U.S. Federal Reserve (Fed) and the European Central Bank both slashed policy rates multiple times. Nearly all segments of the U.S. bond market generated solid returns, led by a strong rally in high-yield bonds.

In foreign exchange markets, a strong dollar grew even stronger as the U.S. economy continued to outpace its peers on the global stage. Despite a weak patch from July to October, the dollar rose sharply over the full year against the euro, the yen and most other currencies. The U.S. Dollar Index gained 7%.

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

(% 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.

North America

U.S. equities soared to record highs, bolstered by resilient economic growth, interest rate cuts and rising corporate earnings for most sectors. Overall, the S&P 500 Index climbed 25%, far outpacing gains for other global indexes. The Nasdaq Composite Index gained 30%, driven by investor enthusiasm for developments in AI. The Russell 1000 Index rose 25% as growth outpaced value by a wide margin.

All S&P 500 Index sectors gained except materials, which was flat. Communication services, information technology, financials and consumer discretionary saw the greatest returns. Shares of chipmakers NVIDIA and Broadcom rose on strong demand for AI chips. Apple shares advanced 31% on rebounding iPhone sales, while Meta Platforms gained 66% on higher revenue and profit. Tesla shares gained on hopes the firm would benefit from CEO Elon Musk's close ties to President-elect Donald Trump. On the downside, Intel fell as its business turnaround faltered. Boeing shares declined as the firm struggled with production problems and safety incidents.

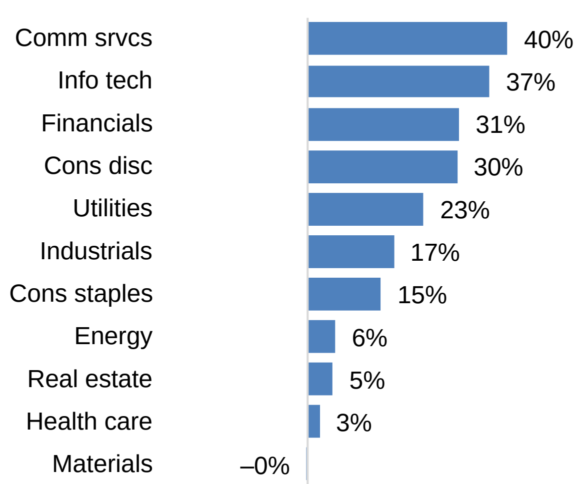
Health care and materials stocks lagged behind other sectors. CVS Health shares sank 41% after repeated cuts to its financial forecast. Health insurer Humana slid amid challenges in its Medicare business. Materials stocks were hurt by lower metals prices tied to China's economic slowdown.

The Fed cut interest rates three times, ending a two-year rate hiking cycle. Overall rate cuts amounted to 100 basis points (bps), leaving the federal funds rate in the range of 4.25% to 4.50%. Still, Federal Reserve Chair Jerome Powell in December suggested the central bank would take a more cautious approach to further reductions until it saw more progress on inflation. The Fed indicated that it projected two rate cuts for 2025, down from its previous estimate of four. In November, core Consumer Price Index, which excludes food and energy costs, rose 3.3% year over year for a third consecutive month.

Overall, the U.S. economy continued to grow at a steady rate, buoyed by solid consumer spending and business investment. Gross domestic product expanded by an annualized 3.1% in the third quarter and 3.0% in the second quarter, up from 1.6% in the January to March period. Growth helped alleviate fears of a potential recession in 2025. Home sales, however, remained weak due to elevated mortgage rates. The unemployment rate also ticked higher.

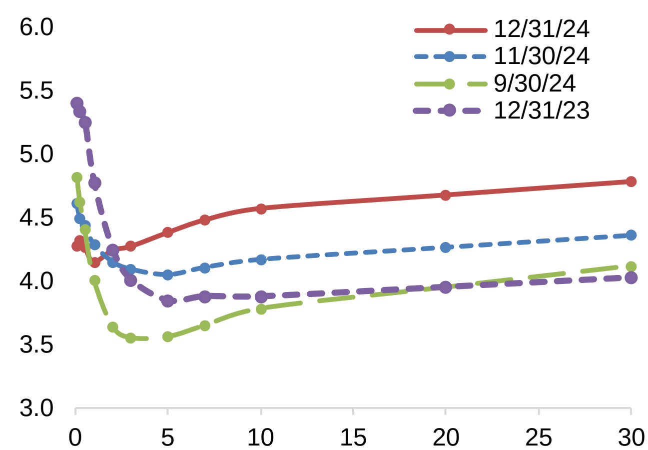
U.S. bond markets rose for the year. The Bloomberg U.S. Aggregate Index gained 1.3% as the Fed ended its aggressive tightening campaign. The U.S. Treasury yield curve steepened after being inverted since 2022. The two-year yield fell 1 bp to 4.24% while the 10-year yield rose 69 bps to 4.57%. The Bloomberg U.S. Corporate Investment Grade Index and the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index rose 2.1% and 8.2%, respectively. Historically tight credit spreads tightened further.

S&P 500 total returns (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 advanced as inflation softened and the European Central Bank (ECB) launched its first monetary easing campaign in nearly five years. Economic growth remained sluggish in the 20-member eurozone as Germany, the region's largest economy, narrowly avoided a recession. Overall, the MSCI Europe Index gained nearly 2% in U.S. dollar terms and nearly 8% in local currency terms.

The ECB started cutting interest rates in June and followed that path for the rest of the year, lowering its key policy rate four times to 3%, down from a record high of 4%. Meanwhile, eurozone economic growth remained weak throughout the year, hovering around 1% on an annualized basis, amid high energy costs and slowing global demand for European exports.

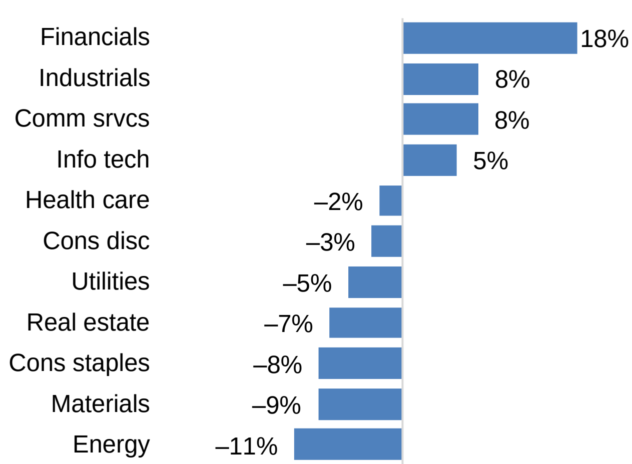
Sector returns were mixed, led by an 18% gain in financials stocks. Banks benefited from generally higher interest rates over the past few years, boosting profits from lending-related activities. Shares of HSBC, Europe's largest bank, Barclays, UniCredit and Intesa Sanpaolo, among others, enjoyed double-digit gains for the year. Industrials and communication services stocks also rallied, with each sector rising about 8% in aggregate.

Energy and materials stocks declined the most, losing 11% and 9% respectively. Oil prices trended flat to down for most of the year amid higher production levels. Shares of energy giants BP and TotalEnergies experienced double-digit declines. Slowing economic growth in China and other emerging markets significantly reduced demand for basic materials, particularly nickel and iron ore. Shares of UK-based mining company Glencore lost more than 24%.

Political turmoil weighed on markets, particularly in the fourth quarter. 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.

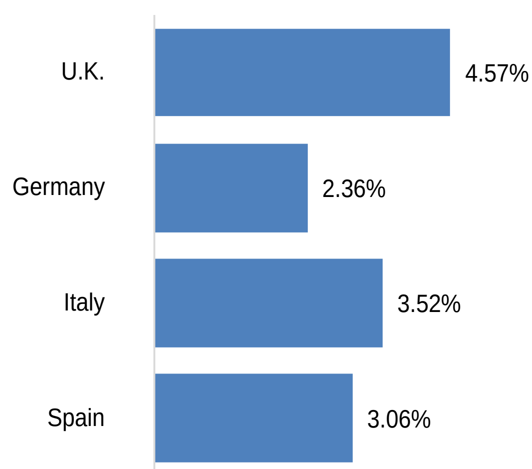
In fixed income markets, European bonds generally declined amid a widening gap between the U.S. and European economies. The yield on Germany's benchmark 10-year note rose 34 bps to 2.36%. Similar maturities in Spain climbed 8 bps to 3.06%. In currency markets, the euro fell more than 6% against the dollar.

MSCI Europe total returns (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 equities rose as economic growth remained frail. The financials and energy sectors posted double-digit gains, while materials and utilities led losses. The yen lost 10% against the U.S. dollar.

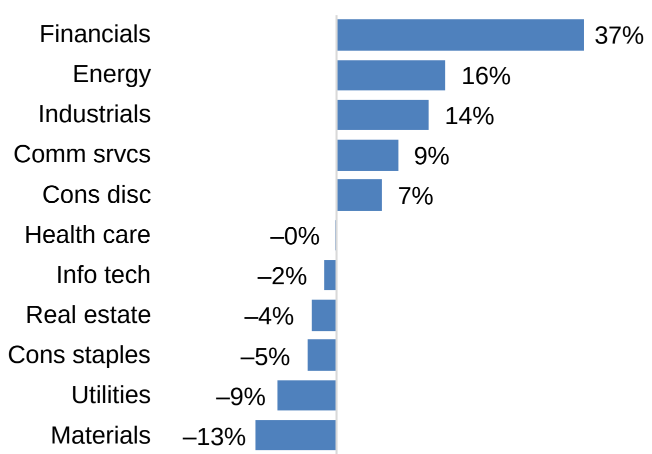
The Bank of Japan (BOJ) ended its era of negative rates. In a historic shift, the BOJ reversed its negative interest rate policy in March, raising rates for the first time since 2007. It raised its key rate again in July to around 0.25% where it remained unchanged. Its decision to hold rates steady pushed down the yen against the U.S. dollar. The yen has remained weak and sank to its lowest levels since 1986 in the second quarter. Core inflation, which excludes fresh food, rose 2.7% in November, up from 2.3% in December 2023 and well above the BOJ's 2% target. The economy grew an annualized 1.2% in the third quarter compared to an annualized 2.2% growth in the second quarter.

Japan approved a $250 billion economic stimulus plan. The package aims to support economic growth by helping underprivileged households navigate rising prices. The plan will provide cash handouts and energy subsidies to low-income households and will also invest in AI and semiconductor industries. It was the first major proposal under Prime Minister Shigeru Ishiba's new government. Former Defense Minister Ishiba replaced Prime Minister Fumio Kishida after he announced his resignation in August. Elsewhere, shares of Japanese financials such as Mitsubishi UFJ, Sumitomo Mitsui Financial Group and Mizuho were buoyed by expectations of further interest rate hikes. On the other hand, semiconductors stocks like Tokyo Electron and Renesas Electronics fell as the U.S. government announced tougher trade rules with China's chip industry.

Australian stocks gained ground amid sluggish growth. Sectors within the MSCI Australia Index were mixed with information technology and consumer discretionary gaining the most. Materials and energy led losses. Inflation softened in the third quarter, hitting the lowest levels since 2021. Meanwhile, Australian bank stocks such as Commonwealth Bank of Australia, Westpac, and National Australia Bank were lifted by elevated property prices. Conversely, falling iron ore prices pushed down shares of miners like BHP, Fortescue and Rio Tinto. The Australian dollar fell 9% against the U.S. dollar.

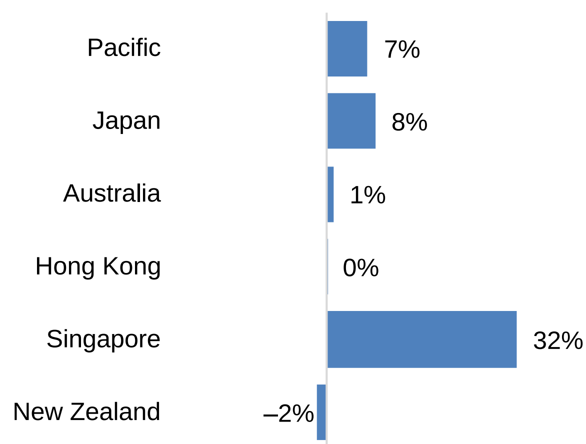
Hong Kong shares advanced slightly despite a mixed economic backdrop. The city's economy grew faster than expected in the first quarter, supported by tourism and private consumption. Yet, the economy lost momentum in the third quarter as slower economic expansion in China and potential upcoming tariffs by U.S. President-elect Donald Trump weighed on growth.

MSCI Japan total returns (2024)



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

MSCI Pacific total returns (2024)



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

Emerging markets

Emerging markets (EM) stocks rose for a second consecutive year, bolstered by China's significant stimulus measures and interest rate cuts in the U.S. and globally. Stocks fell after the U.S. election in November and the promises of new tariffs but finished the year in positive territory. The MSCI Emerging Markets Index gained 7.5%.

Chinese stocks rose more than 19% after three consecutive years of losses. Shares soared in September after the government unveiled sweeping measures to boost its economy and its struggling real estate sector. Officials there are now trying to prepare for what could be significant tariffs on exports to the U.S. under incoming president Trump and they have vowed to continue fiscal support.

The financials and information technology sectors surged the most in China, partially offset by declines in health care. Shares of Xiaomi, a large Chinese smartphone manufacturer that has entered the competitive electric vehicle market, surged 122% this year. Shares of Chinese banking giants China Construction Bank and ICBC also rose. PDD Holdings, an e-commerce conglomerate, was one of the largest detractors as it grapples with increased competition.

Latin America was the only region to experience a decline in equities, weighed down by weakness in Brazil and Mexico. Brazilian stocks tumbled nearly 30% amid skepticism that its president will be able to reverse a significant budget deficit. The central bank raised rates and injected billions to try and boost Brazil's currency, but the measures have not been enough to quell investor fears. On the upside, the MSCI Peru Index rose 16%.

Indian stocks rose more than 11%, bolstered by continued enthusiasm from small investors and hopes that the country could be a beneficiary of Trump's tariff plan. Despite concerns about tepid corporate earnings growth and slowing consumption, this marked the ninth consecutive year of gains for Indian stocks.

Taiwanese semiconductor companies were among the largest contributors to the MSCI Emerging Markets Index as demand for chips to power artificial intelligence (AI) continues to soar. Taiwan Semiconductor, which has the largest weighting in the index, rose 73%. Shares of Mediatek rose 37%.

The U.S. dollar appreciated against most developing world currencies, including the Mexican peso, the Brazilian real and the Turkish lira. While many central banks cut interest rates ahead of the U.S. rate cuts this past year, Brazil raised its rates to fend off inflation.

EM local-currency government debt fell slightly, down 2% in dollar terms as measured by the J.P. Morgan GBI-EM Global Diversified Composite Index. Dollar-denominated government bonds in South Africa and Turkey saw gains while bonds in Brazil and Poland fell. ■

2024 total returns (%)

Equity indexes (USD)	
MSCI Emerging Markets	7.5
MSCI Brazil	–29.8
MSCI China	19.4
MSCI India	11.2
MSCI Mexico	–27.1
MSCI South Africa	6.7
MSCI Korea	–23.4
MSCI Saudi Arabia	0.1
MSCI Taiwan	34.4
MSCI Thailand	1.3

Fixed income / currency	USD debt (USD)	Local debt (USD)	Local debt (Local)	Exchange rate (vs. USD)
JPM EMBI Global Div	6.5	---	---	---
JPM GBI-EM Global Div	---	–2.4	5.3	---
Brazil	–0.2	–22.2	–1.1	–21.4
China	4.1	4.8	7.9	–2.8
Indonesia	0.1	–0.3	4.3	–4.3
Malaysia	–0.2	6.9	4.1	2.8
Mexico	3.6	–15.5	3.7	–18.6
Poland	–0.6	–1.7	3.3	–4.8
South Africa	4.2	13.7	17.3	–3.1
Turkey	7.5	–0.5	19.2	–16.5

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.

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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