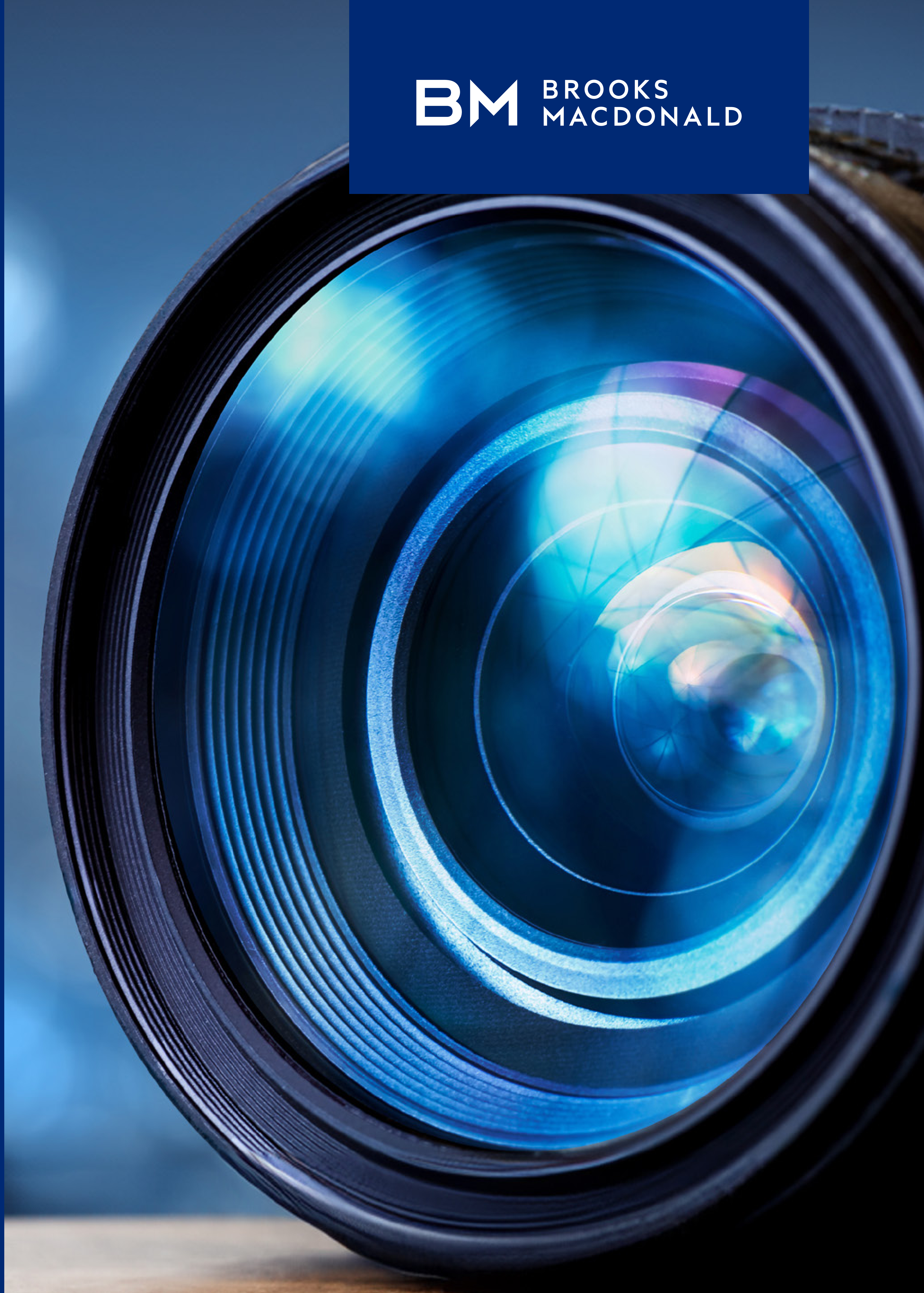
The Monthly Edit / December 2024

We examine the markets daily, and our monthly update is a selection of key global stories explained through an investment lens.



BROOKS MACDONALD

Market headlines

Global equities wrap up a strong 2024 despite some profit taking in December: Global stock markets declined in December due to inflation and interest rate concerns, affecting an otherwise strong year.

Trade tariff tensions fail to dent global growth outlook: The global economic growth forecast for 2025, was raised to 3.3% from 3.2% despite concerns about global trade tariffs under the incoming US Trump administration.

Bond markets face challenges despite rate cuts: Higher government bond yields caused global bond markets to struggle, with bond prices falling. Despite cuts by the US and European central banks, investors worried about future reductions in 2025 and beyond.

China's stimulus fails to revive stock market rally: China's new promises of economic support failed to impress investors, who believe a far bigger effort is needed due to its property market bubble, high youth unemployment, and trade tariff threats.

The big topics

Positive US economic data brings relief

Encouraging news from the US economy might ease investors' worries.

Recent reports show a drop in the number of people registering as unemployed, indicating a healthier job market. The overall economic growth for the past few months has been revised upwards, suggesting a faster than expected expansion.

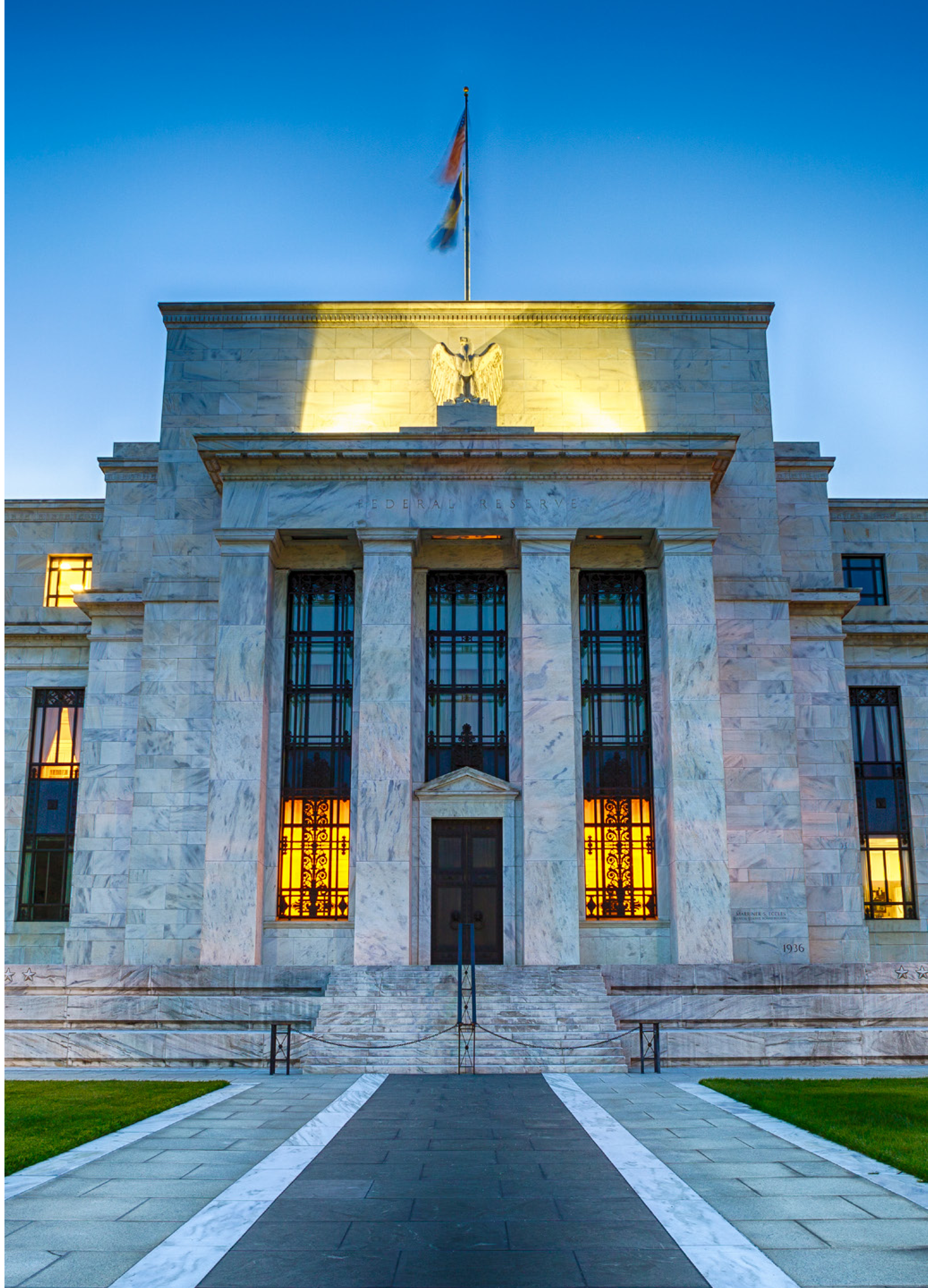
Consumer spending in the US has also shown signs of strength, reflecting increased household confidence. This positive economic data offers hope and reassurance about the immediate economic outlook. These signs suggest a continued stable and resilient US economy ahead, providing a welcome confidence boost for investors.

Political shake-ups and market ripples

The political landscape was marked by significant upheaval across major nations.

France faced political turmoil as Prime Minister Michel Barnier was ousted in a no-confidence vote, leading to government collapse. Germany's coalition government also fell apart, prompting early elections in February 2025. Canada is the latest to suffer political uncertainty. Alongside France and Germany witnessing their embattled leaders fight for political survival, Canada's Prime Minister Justin Trudeau looked likely to announce his resignation (which was later confirmed in early January) following the resignation of his finance minister before Christmas.

These political instabilities significantly impacted markets. European indices, particularly in France and Germany, experienced pressure due to credit concerns and political uncertainty. In Canada, market reactions were cautious, reflecting concerns over potential leadership changes and economic policies.



Central banks: navigating uncertain waters

The US Federal Reserve (Fed) cut interest rates by 0.25% in December, bringing the target range down to between 4.25% and 4.5%.

This move was aimed at stimulating economic growth and boosting investor confidence. However, Fed Chair Jerome Powell emphasised a cautious approach to further rate cuts, focusing on the need to see progress in reducing inflation. The European Central Bank also cut rates by 0.25%, citing slower economic growth in key markets.

The Bank of England kept the interest rate at 4.75% to balance supporting economic growth while managing still stubborn inflation pressures. These decisions reflect the challenges central banks face in navigating uncertain economic waters. Investors are watching these moves closely, which have significant implications for global markets.

UK economic outlook: a mixed bag

The UK economy faced a subdued end to 2024, with growth expectations slowing down.

This was primarily due to expected higher employment costs and sluggish private-sector activity, partly following the new Labour government's October Budget. Despite these challenges, the retail sector experienced strong festive season sales in December, driven by increased consumer spending and promotions.

UK house prices ended the year on a strong footing, with a 4.7% annual increase in December. With the Bank of England keeping the interest rate at 4.75%, the market reaction was cautious, with investors closely monitoring the central bank's next moves and their potential impact on economic growth and inflation.

Important information

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