



Monthly Market Review

DECEMBER 2024

Global equity markets delivered exceptional performance in 2024, despite December weakness. The S&P 500 fell 2.5% in December, yet closed the year up 23.3% – its second consecutive annual gain of more than 20%. The two-year gain of 53% is the best since 1997 and 1998.

AI enthusiasm bolstered the tech-heavy NASDAQ to outperform, gaining 0.5% in December to close the year up 28.6%. The S&P/ASX 200 Accumulation Index underperformed the U.S. market, falling 3.2% in December to close 2024 up 11.4%.

In the final meeting of the year, the Federal Reserve (Fed) decided to lower policy rates by another 25 basis points to 4.25% - 4.50%, the third consecutive rate cut. However, the Fed shifted to a more cautionary tone in relation to future cuts. Concerns also grew around the inflationary impact from stimulatory policies of the Trump administration. U.S. bond yields rose, and the Bloomberg Global Aggregate index fell 2.1% in USD terms in December.

Gold delivered strong performance in 2024, up 27.2% (although 0.7% lower in December). Oil prices were more muted. Brent Crude fell 3.1% over the year, while West Texas Intermediate Crude gained just 0.1%. U.S exceptionalism continues to support U.S dollar strength. The USD index was up 2.6% in December to close the year up 7.1%.

Australia

- The Australian equity market, as measured by the S&P/ASX 200 Accumulation fell 3.2% in December, however still delivered solid performance over the year, up 11.4%. Over the month Consumer Staples (+0.5%) and Energy (+0.3%) were the only sectors to close higher, while Real Estate (-7.0%), Materials (-4.5%) and Information Technology (-4.4%) underperformed.
- Australian bonds were broadly flat over the month, with the Bloomberg AusBond Composite Index (AUD) rising just 0.5%. The Index delivered positive performance in 2024, up 2.9%.
- Monthly CPI increased to 2.3% in the 12 months to November (up from 2.1% in October). The most significant price rises were Food and non-alcoholic beverages (+2.9%) and Recreation and culture (+4%). Annual Trimmed mean inflation, which excluded significant falls in Automotive fuel and Electricity was 3.2% in November, down from 3.5% in October.
- As expected, the Reserve Bank of Australia (RBA) kept the cash rate steady at 4.35% in the December meeting, however the Board noted that it is gaining confidence that inflation is moving sustainably towards target.
- Third quarter gross domestic product (GDP) was below expectations at 0.3% quarter-on-quarter, and only 0.8% year-on-year. This was the slowest annual pace since late 2020. The expansion was almost entirely driven by government spending with public investment hitting record levels. Private investment contributed to the weakness, falling 0.6%, while private consumption (which accounts for half of GDP) was flat.
- The Westpac-Melbourne Institute Consumer Sentiment Index fell 2.0% to 92.8 in December. Although consumer sentiment improved materially over the year, the general mood remains

pessimistic. The biggest drop was around expectations for the economy. The 'economic outlook, next 12 months' sub-index dropped 9.6% to 91.2.

- The unemployment rate, seasonally adjusted, fell to 3.9% in November. Labour markets remain relatively tight, with unemployment and underemployment measures still low compared to pre-pandemic levels.
- Nationally, residential property price growth stalled, falling 0.2% as measured by the CoreLogic five capital city aggregate. Perth prices climbed 0.7%, followed by Adelaide (+0.6%) and Brisbane (+0.5%). Nationally, residential property prices increased 4.7% over the past 12 months.

International

- The S&P 500 hit more than 50 new all-time highs in 2024 delivering its best two-year return in more than 25 years. Although the S&P 500 Index fell 2.5% in December, it climbed 23.3% over the year. The technology-heavy NASDAQ Composite Index outperformed closing the month up 0.5% and rising 28.6% in 2024.
- Sectors which included Magnificent Seven companies outperformed over the year. Communication Services (which includes Alphabet and Meta) was the best performing sector in 2024, up 38.9%. Information Technology (Apple, Microsoft and NVIDIA) gained 35.7% and Consumer Discretionary (Amazon and Tesla) added 29.1%. Materials (-1.8%) lagged and was the only negative sector for 2024.
- Headline U.S. inflation rose 0.3% in November rising for the fifth consecutive month. Year-over-year inflation increased to 2.7% (up from 2.6% in October). Core CPI (excluding food and energy) rose by 3.3% in the 12 months to November. All figures were in line with forecasts but remain above the Fed's 2% annual target.
- The Fed lowered its target Federal Funds Rate by 0.25% to between 4.25% and 4.50% in its December meeting. However, the central bank indicated there would be fewer rate cuts in 2025, with the Committee revisiting the "extent and timing" of additional cuts.
- Despite rate cuts, U.S. 10-year bonds rose 40 basis points over the month, to close the year at 4.57%. The U.S 10-year was 69 basis points higher versus December 2023 (3.88%). The Bloomberg Global-Aggregate TR Index (AUD) fell 0.9% over the month but was up 2.2% for 2024.
- U.S. corporate earnings remained solid. According to Factset S&P 500 corporate earnings grew 5.9% year-over-year in the third quarter of 2024 for its fifth consecutive quarter of positive earnings growth. For the fourth quarter, S&P 500 Index EPS is expected to grow 11.9%, which would be its best quarter since Q4 2021.
- The Euro Stoxx 600 Index fell 0.5% in December, and rose only 6.0% for the year, underperforming other developed markets. Annual inflation in the Eurozone rose to 2.4% in December up from 2.3% in November.
- The Nikkei 225 Index delivered solid performance in 2024 up 19.2% (+4.4% in December), reaching new record highs, bolstered by improving economic sentiment, corporate governance reforms and rising foreign investor interest. The Bank of Japan ended the eight-year-long zero interest rate policy in March, which was followed by another rate hike in July.
- Emerging markets underperformed in 2024, with the MSCI Emerging Markets Index (USD) rising just 5.1% (-0.3% for December). The declines were largely driven by weakness in China and a strong US dollar.
- The USD Index (the value of the U.S. dollar against a basket of widely recognised, publicly traded currencies) rose 2.6% in December, and is up 7.1% over the year. The Australian dollar fell versus the USD, closing the year at 61.88¢ (vs 65.12¢ in November) and significantly lower than the December 2023 close of 68.12¢.

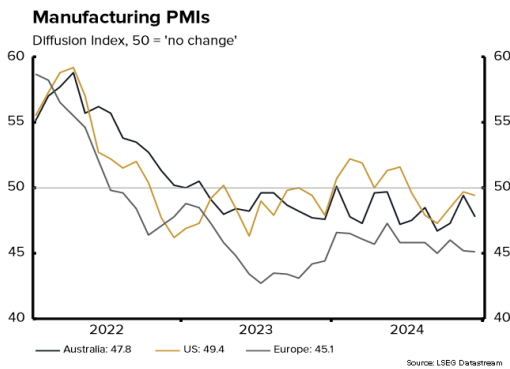
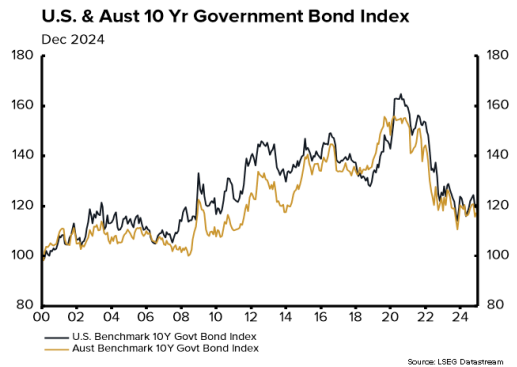
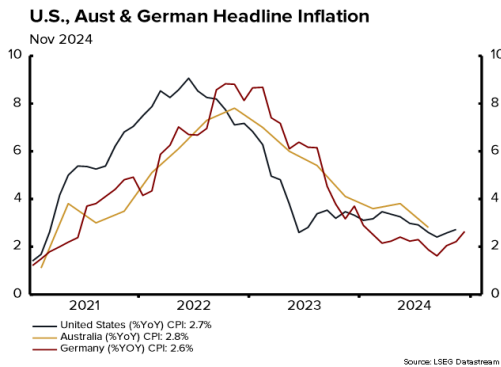
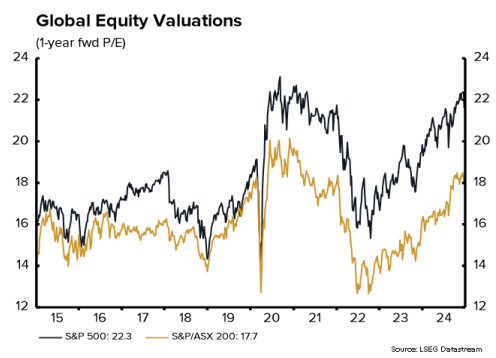
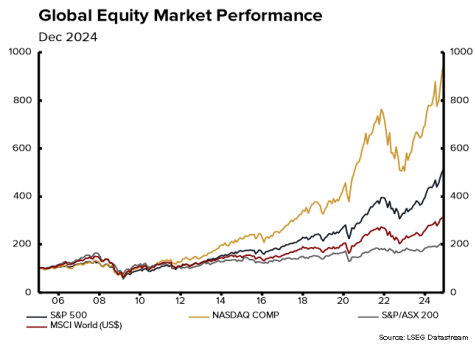
Commodities

- Commodity markets remained volatile. Oil prices recovered in December with West Texas Intermediate Crude rising 5.5% to close the year with a marginal gain of 0.1% closing at US\$71.72/bbl. Brent crude rose 2.3% (-3.1% for the year) to close at US\$74.64/bbl. Iron ore price fluctuated but ended the year significantly weaker with prices falling 3.4% in December to close the year down 29.9%.
- Gold (USD) continued to retreat from all-time highs, falling 0.7% in December, however soared 27.2% over the year. Silver fell 5.6%, to close the year with a 21.5% gain.

Global Markets – 31 December 2024

| Equities | YTD | 1 Month | 3 Months | 1 Year | 3 Years (p.a.) | 5 Years (p.a.) |
|--|-------|---------|----------|--------|----------------|----------------|
| S&P /ASX 200 Accumulation Index (AUD) | 11.4% | -3.2% | -0.8% | 11.4% | 7.4% | 8.1% |
| S&P/ASX Small Ordinaries Index (AUD) | 5.5% | -3.3% | -1.5% | 5.5% | -4.3% | 1.3% |
| S&P 500 Index (USD) | 23.3% | -2.5% | 2.1% | 23.3% | 7.3% | 12.7% |
| NASDAQ Composite Index (USD) | 28.6% | 0.5% | 6.2% | 28.6% | 7.3% | 16.6% |
| Russell 3000 Index (USD) | 22.1% | -3.2% | 2.3% | 22.1% | 6.4% | 12.1% |
| FTSE 100 Index (GBP) | 5.7% | -1.4% | -0.8% | 5.7% | 3.4% | 1.6% |
| Euro Stoxx 600 (EUR) | 6.0% | -0.5% | -2.9% | 6.0% | 1.3% | 4.1% |
| Nikkei 225 (JPY) | 19.2% | 4.4% | 5.2% | 19.2% | 11.5% | 11.0% |
| Hang Seng (HKD) | 17.7% | 3.3% | -5.1% | 17.7% | -5.0% | -6.6% |
| MSCI Emerging Markets Index (USD) | 5.1% | -0.3% | -8.1% | 5.1% | -4.4% | -0.7% |
| MSCI World Ex Australia (AUD) | 31.2% | 2.6% | 12.1% | 31.2% | 12.2% | 14.1% |
| Bonds | | | | | | |
| Bloomberg AusBond Composite Index (AUD) | 2.9% | 0.5% | -0.3% | 2.9% | -0.8% | -0.2% |
| Bloomberg Global Agg Bond TR Index (AUD) | 2.2% | -0.9% | -1.2% | 2.2% | -1.9% | -0.5% |
| Currency | | | | | | |
| AUD/JPY | 1.3% | -0.2% | -2.0% | 1.3% | 5.2% | 5.0% |
| AUD/USD | -9.2% | -5.0% | -10.5% | -9.2% | -5.2% | -2.5% |

Source: Bloomberg 31 December 2024 (All returns are in local currency terms.)



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