

# 12-Month Market Review

(as at December 31, 2024)



## Shifting Gears: Global Impact of US Policy Change

### Latest Developments

- **Global Markets Surge:** The MSCI World Index posted an impressive 18% gain in 2024, reflecting broad strength across global equities. In the US, the S&P 500 Index surged 25%, fueled by strong consumer spending and resilient corporate earnings. Europe's DAX Index rose 19%, driven by industrial recovery and supportive monetary policies, while Japan's Nikkei 225 Index gained 21% on robust corporate performance and heightened investor optimism. Smaller US companies also delivered solid results, with the Russell 2000 Index rising 12%, supported by steady domestic growth.
- **US Election Ushers in New Policy Regime:** Donald Trump's re-election as President signals a significant shift in US economic priorities. Markets are preparing for substantial infrastructure spending, tax cuts, and a renewed focus on reshoring jobs. While these policies could drive near-term growth, uncertainties over global trade dynamics and inflationary pressures loom large.
- **US Federal Reserve Adjusts Monetary Policy:** The US Federal Reserve cut its benchmark interest rate by one percentage point over the last three meetings, lowering it to a range of 4.25-4.5%. This easing supports economic growth amid slowing global demand, though inflation concerns remain. Projections for 2025 indicate further but measured rate cuts as the Fed balances growth with price stability.

- **US Labor Market and GDP Growth:** The labor market showed resilience, with unemployment holding steady at 4.1% and 256,000 new jobs added in December. Q4 GDP grew at an annualized 2.3%, driven by strong consumer spending but tempered by weaker exports. These figures underscore a solid economic foundation entering 2025, despite inflation and potential trade headwinds.

### What this Means

- **Market Volatility:** The new US administration's agenda, with its focus on fiscal expansion and deregulation, brings opportunities and risks. At the same time, trade tensions and tariff threats are fueling uncertainty, with potential supply chain disruptions that could weigh on corporate earnings and investor sentiment.
- **China's Role in Global Growth:** Global trade and growth are influenced not only by US policies but also by developments in major economies like China. China's efforts to stabilize its economy include fiscal and monetary measures, but structural challenges in real estate and demographics could limit their impact. Weaknesses in China's economy may spill over into global trade and commodity markets, creating risks for countries heavily dependent on Chinese demand.