

December Market Review 2024

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December Economic Background

- Rising inflation in the UK contributed to Bank of England (BoE) holding rates at 4.75%
- Global equities fall over December, driven by U.S stock sell-off
- China signals shift to “moderately loose” monetary policy

Equities & Bond Performance %			
	October	November	December
Global EquityMarket	1.88 ▲	4.94 ▲	-1.17 ▼
Global Bond Market	0.84 ▲	1.49 ▲	-0.69 ▼

As of 31/12/2024, in GBP terms. Source: Morningstar (Morningstar Global Markets; Bloomberg Global Aggregate)

Market Review

UK Market: In December, it was revealed that the UK economy unexpectedly shrank by 0.1% in October, marking a second consecutive monthly contraction. Chancellor Rachel Reeves attributed this downturn to the Conservatives’ economic legacy, which she argued required £40bn in tax rises in Labour’s autumn Budget, however political opponents claimed that the Budget measures were overly heavy handed and a cause for the decline. Regardless, it increasingly appears that the Budget measures are leading to constrained spending and investment, key drivers of economic growth, and dampening consumer confidence. UK Consumer Price Index (CPI) inflation also rose for the second consecutive month, reaching 2.6% in November (its highest since March), up from 2.3% in October, and moving away from the BoE’s mandated 2% inflation target. While markets had already largely dismissed the prospect of a December rate cut by the BoE, the news of rising inflation crystallised these expectations. This came to fruition as interest rates remained at 4.75% during the final meeting of the year on December 19th.

U.S Market: Across the pond, U.S stocks experienced a sell-off following the Federal Reserve’s (Fed) decision to cut interest rates by 0.25% but with signalling of a slower pace of easing in the coming year. While the rate cut was widely anticipated, the Fed’s forward guidance disappointed investors who had hoped for a more dovish approach or a faster pace of rate reductions to stimulate economic growth. This dampened outlook on future liquidity and growth prospects drove stock prices lower. Given the large weighting of U.S stocks in global equity markets, this sell-off was a major factor in the 1.2% decline in global equities for December.

Asia Market: Asian markets navigated a complex landscape in December, with attention centered on China’s monetary policy and South Korea’s political dynamics. China marked a historic pivot by loosening its monetary policy stance for the first time in 14 years, signalling a shift towards a “moderately loose” monetary policy stance next year, moving away from the current “prudent” approach to address the mounting challenges in the economy. Market reactions were largely positive, with Chinese equities rallying in anticipation of improved economic conditions. However, some analysts cautioned that structural challenges, including a struggling property sector and weak domestic demand, continue to temper the longer-term impact of these measures.

In South Korea, political uncertainty loomed large following President Yoon Suk Yeol’s declaration of martial law, and the triggering of a political crisis and widespread protests. While Yoon currently remains in office, on December 31st a warrant was issued for his arrest. However, at the time of writing Yoon remains defiant, vowing to “fight” authorities. South Korean markets reacted nervously, with equities dipping amid concerns about the impact of political instability on economic policies and investor confidence. Overall, while China’s policy pivot offered some support to regional markets, South Korea’s political turmoil served as a reminder of persistent geopolitical and domestic risks in the region.



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