

Monthly Market Snapshot

December 2024

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets.

Market commentary

December was a volatile month for markets, impacted by geopolitical events, including the lead-in to the second Trump Presidency, as well as mixed economic data.

The US stock market was down in December, but overall it has been a strong year for performance, with US equities returning more than 20% over the 2024 calendar year. The decline in December, was led by losses in technology stocks.

European equity markets produced positive returns in December, and Japanese equities were up strongly for the month, as the Yen weakened.

Australian equities were down for the month, with losses in the Real Estate, Financials and Resources sectors. Some of the losses have been attributed to profit-taking at year end and associated negative sentiment from the drawdown in US equities. The Australian economy exhibited modest growth in 2024, and the housing market is showing signs of cooling, with national home values experiencing a slight decline in December, the first monthly fall in nearly two years.

Emerging markets in aggregate produced positive performance in December. Performance was driven by positive returns from China and Taiwan equities, offsetting losses in other markets, such as South Korea, where market performance was negatively impacted by political instability.

The global bond market struggled in December as government bond yields increased. The 10-year US Treasury yield reached an eight-month high. The US Federal Reserve and European Central Bank both cut interest rates again in December, and there was also interest rate cuts by central banks in Switzerland, Canada and Sweden. However, the Fed forecasts for future interest rate cuts were more moderate than had been previously forecast. Markets' pricing adjusted for less future interest rate cuts, which contributed to the upward movement of bond yields.

The RBA decided again to leave interest rates unchanged in December, but the commentary is that that it likely to make its first rate cut in 2025. This helped Australian bond yields to be relatively flat for the month and Australian bonds delivered

small positive returns compared to the negative returns from global bonds.

Oil experienced an upward jump in price in December and gas prices continued on an upward surge as supply from Russia to Europe was shut down. Conversely, the prices of industrial metals such as copper and iron ore fell over the month, with continued weak demand from China.

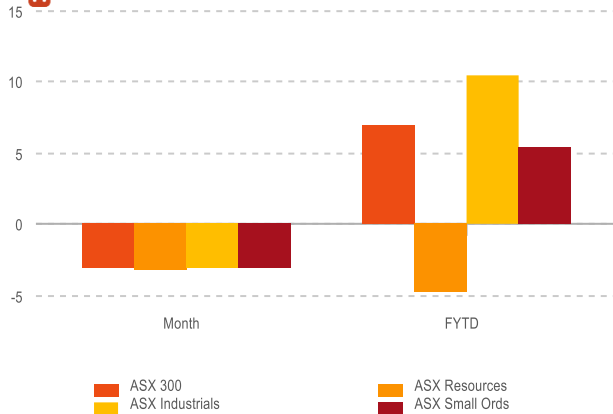
The US dollar continued to strengthen, driven by the re-election of Trump and the likely impact of possible policies including trade tariffs. The material fall in the Australian dollar value provided a significant additional return to unhedged equities.

Listed property and listed infrastructure returns were down significantly in December, negatively impacted by rising bond yields.

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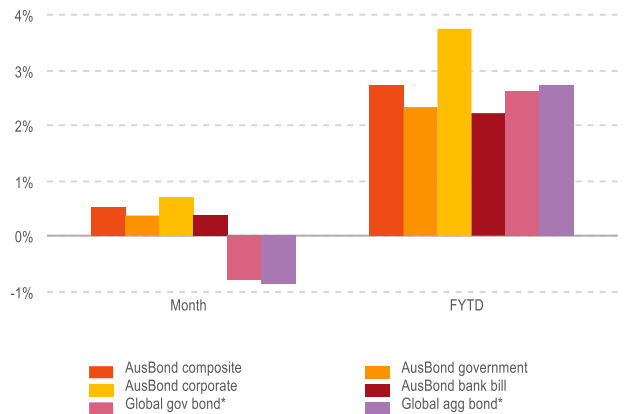
Australian equities



Source: LSEG Datastream



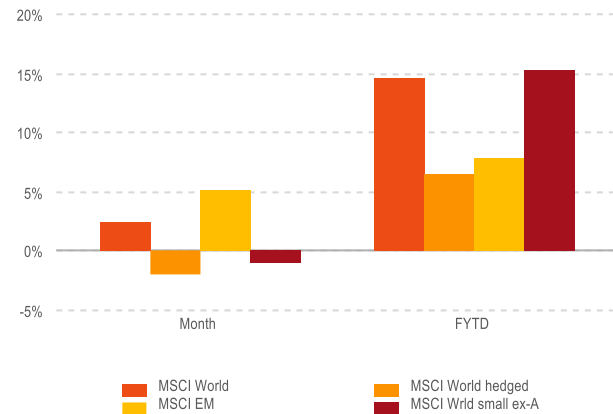
Fixed income



Source: LSEG Datastream



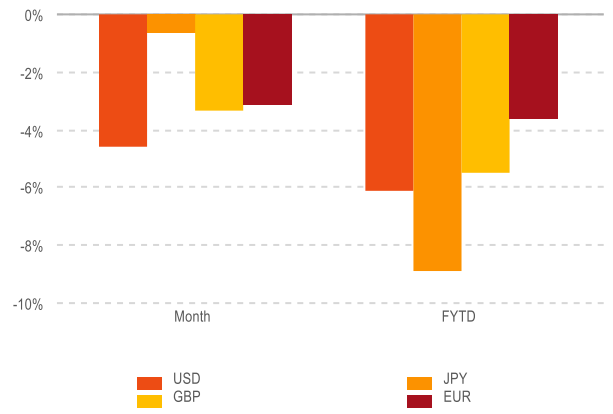
International equities (\$)



Source: LSEG Datastream



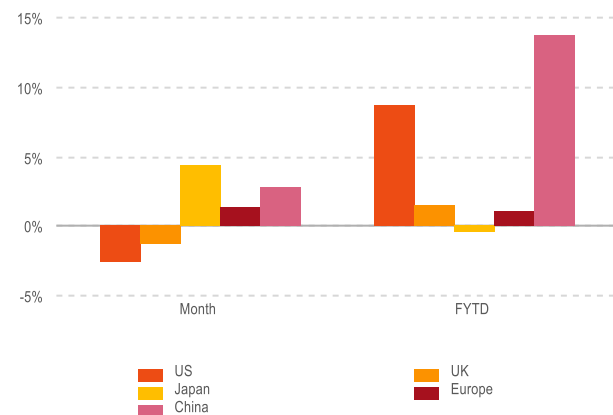
Australian dollar



Source: LSEG Datastream



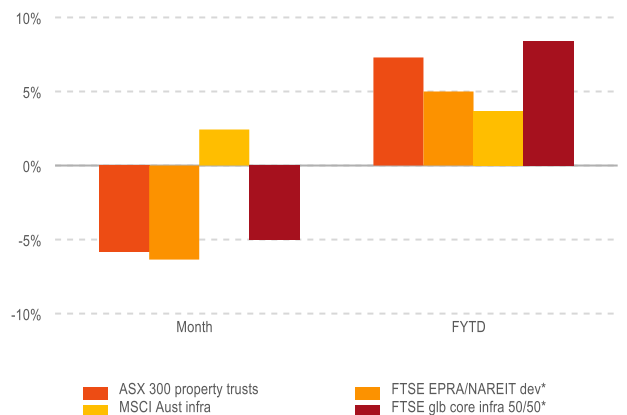
International equities



Source: LSEG Datastream



Real assets



Source: LSEG Datastream *Hedged A\$



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