

A look back at 2024 : another good vintage !

Global growth has remained stable at 3.2% in 2024, despite a tougher (geo)political context. Falling inflation has bolstered household purchasing power, even if consumer confidence has not yet returned to pre-pandemic levels everywhere. Half of the world's population went to the polls in 2024, with notably the European elections, triggering early elections in France, and the US presidential election. This electoral context did not encourage governments to moderate their fiscal policy, despite high levels of public debt. More generally, 2024 saw a rise in the risks associated with intensifying trade tensions and protectionism, as well as more geopolitical tensions.

A stability that conceals the accentuation of regional disparities. The United States continues to outperform, with growth at 2.8%, above its potential. While some of this can be explained by continued budgetary support, the financial situation of households and businesses remains favourable. In China, growth slowed to 4.9%, well below its pre-Covid average, still penalised by weak domestic demand. In the euro area, growth rose slightly, but was once again below potential, at 0.8%. Germany and Italy continue to be penalised by the importance of their industry, while Spain is surprisingly buoyant. French growth, at 1.1%, benefited from a temporary boost from the Olympic Games, but domestic demand remained sluggish.

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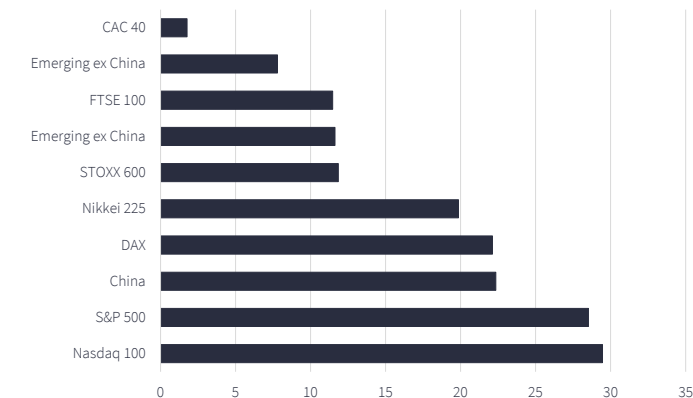
Inflation has continued to fall, prompting central banks to normalise their policies. The European Central Bank (ECB) began easing its easing cycle in June, cutting its rate from 4% to 3% in December. The Bank of England (BoE) and the Federal Reserve (Fed) followed suit – but more moderately, cutting from 5.25% to 4.75% and from 5.50% to 4.75% respectively. At the same time, they continued to reduce their balance sheets with a view to normalising the unconventional policies put in place during Covid. In contrast to the other central banks, the Bank of Japan began to normalise its policy with a moderate rise in its key rate to 0.25%.

Strong equity markets rally, particularly in the United States. The United States continued to stand out, with gains throughout the year totalling more than 28% in dollars. In Japan and Europe, performance was more marked at the start of the year (+12% in Europe, +20% in Japan in yen terms). It should be noted that the French market was penalised by the weight of the luxury goods sector and by political uncertainty (+1.7%). Emerging markets also performed well, although the Chinese market was recently penalised by fears of tougher trade tensions.

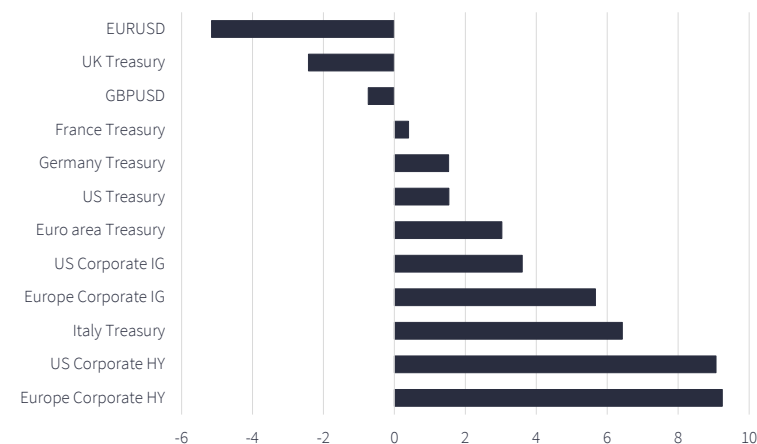
Positive performance on the bond markets, against a backdrop of high-interest rate volatility. Over the year, long-term sovereign yields rose in the United States, the United Kingdom and France, while remaining stable in the rest of the euro area. In terms of performance, the expected hierarchy was respected, with the high-yield corporate segments outperforming the investment-grade corporate segments, which outperformed the sovereign markets.

The dollar rose again against the major currencies, in line with the performance of the US markets.

EQUITY INDICES PERFORMANCE IN 2024 IN TOTAL RETURN



FIXED INCOME INDICES PERFORMANCE IN 2024 IN TOTAL RETURN AND CURRENCY PERFORMANCE



OUR MACRO COMMENTS

Events of the week

US inflation in line with expectations, one week before the Fed meeting.

Inflation in November should enable the Federal Reserve to cut its key rate to 4% at the December meeting. Total inflation stood at 2.7% year-over-year and core inflation at 3.3%, in line with analysts' expectations. The composition of core inflation shows that the disinflationary dynamic is continuing, with inflation in rents and implicit rents moderating, as well as inflation in other services such as medical care. However, the Fed is likely to maintain a more cautious tone given the loss of disinflationary momentum in Q4-24.

The ECB maintains its cruising speed of 25 basis points per meeting

As expected, the ECB made its fourth consecutive rate cut of 25bps, started in June, to bring its deposit facility rate to 3%, while forecasting further cuts at upcoming meetings. The ECB justifies this new cut by 'a disinflation process well underway', with the ECB forecasting in its new economic scenario that underlying inflation will be close to the 2% target in 2025. The ECB has also justified the further cut in interest rates by a deterioration in their growth forecast and the observation that the downside risks to activity are increasing. These decisions are in line with our scenario of 4 interest rate cuts of 25bp by late 2025.

SNB surprises with a 50 bp cut

The SNB surprised the consensus by cutting its key rate by 50bp at its December meeting to 0.5%. This larger than expected cut reflects the weakness of inflation in Switzerland, with headline inflation at 0.7% year-over-year and core inflation at 1.1% in November, significantly below the 2% target. This weakness in inflation is partly explained by the strength of the Swiss franc, resulting in almost zero imported inflation. The markets expect the SNB to continue its cycle of interest rate cuts, bringing the key rate down to 0% by 2025.

THE WEEK IN DATA

Country	Data	Actual	Last	Forecast
China	Inflation Rate November	0,20%	0,30%	0,50%
	Balance of Trade november	97,4 Mds \$	95,27 Mds \$	95 Mds \$
Euro area	ECB monetary policy decision	3,00%	3,25%	3,00%
United States	Inflation Rate November	2,70%	2,60%	2,70%
	Initial Jobless claims	242K	224K	220K
Switzerland	SNB monetary policy decision	0,50%	1,00%	0,75%

Source: Macrobond, December 13, 2024. The colors in the 'Actual' column correspond to the difference from the forecast

KEY EVENTS NEXT WEEK



Monday

Germany Manufacturing PMI
China -Industrial production November
-Retail sales November

Tuesday

United Kingdom Unemployment rate November
United States Retail sales November
United States Fed monetary policy decision

Wednesday

United Kingdom Inflation rate November
Japan Balance of trade November
United States Fed monetary policy decision

Thursday

Japan BoJ monetary policy decision
Germany Gfk consumer confidence
United Kingdom Boe monetary policy decision

Friday

Japan Inflation rate November
United Kingdom Retail sales November

MARKET PERFORMANCES

Interbank rates

%	11/12/2024	13/11/2024	13/09/2024	01/01/2024	13/12/2023
US SOFR	4,597	4,81	5,34	5,34	5,34
Euro area €ster	3,164	3,16	3,66	3,88	3,91
UK SONIA	4,700	4,70	4,95	5,19	5,19
Switzerland SARON	0,953	0,95	1,21	1,70	1,70
Japan TONAR	0,227	0,23	0,23	-0,04	-0,01

10Y Government rates

%	12/12/2024	13/11/2024	13/09/2024	01/01/2024	13/12/2023
US Treasuries	4,32	4,44	3,66	3,88	4,04
France OAT	2,95	3,14	2,84	2,55	2,71
Germany Bund	2,18	2,37	2,15	2,02	2,17
Italy BTP	3,30	3,63	3,44	3,70	3,88
Spain Bonos	2,83	3,11	2,94	2,98	3,17
Switzerland	0,28	0,40	0,41	0,66	0,66
UK Gilts	4,31	4,52	3,77	3,60	3,91
Japan JGB	1,06	1,00	0,87	0,62	0,74

Credit

%	12/12/2024	13/11/2024	13/09/2024	01/01/2024	13/12/2023
United States IG	5,12	5,22	4,68	5,06	5,24
United States HY	7,11	7,19	7,18	7,59	8,11
Europe IG	3,29	3,49	3,54	3,72	4,02
Europe HY	5,57	5,86	6,32	6,80	7,29
Emerging FX	6,17	6,27	6,14	6,77	7,08

Equity indices

12/12/2024 vs	-1w	-1m	-3m	01/01/2024	-1y
World	-0,43	1,81	6,960	22,98	26,95
United States	-0,81	1,33	8,641	27,85	32,59
Euro area	-0,18	4,21	2,155	11,07	11,47
France	-0,03	2,95	-0,294	1,57	1,86
Germany	-0,11	6,59	7,863	19,10	19,27
United Kingdom	-0,03	3,74	0,739	10,95	14,20
Japan	1,67	2,34	8,752	19,60	20,21
Emerging	0,84	2,42	4,715	15,91	20,44
China USD	2,79	2,01	21,123	22,15	25,72
India USD	-0,37	5,78	-3,973	20,11	24,60
Latin America USD	0,95	-3,26	-9,818	-20,90	-14,20

Foreign exchange rates

	12/12/2024	13/11/2024	13/09/2024	01/01/2024	13/12/2023
EUR/USD	1,05	1,06	1,11	1,11	1,08
GBP/USD	1,27	1,27	1,31	1,27	1,25
EUR/CHF	0,93	0,94	0,94	0,93	0,95
USD/JPY	152,25	155,08	140,62	141,03	145,17
USD/CNY	7,27	7,23	7,09	7,08	7,17

Commodity prices

	12/12/2024	13/11/2024	13/09/2024	01/01/2024	13/12/2023
Brent, USD/BL	73	72	72	77	75
Copper, USD/Metric ton	9 039	8 969	9 081	8 476	8 205
Gold, USD/Troy oz	2 681	2 573	2 579	2 063	2 027
Silver, USD/Troy oz	32	31	30	24	23
Palladium, USD/Troy oz	975	946	1 061	1 136	979
Platinum, USD/Troy oz	935	948	996	1 000	923

Source : Bloomberg on 13 December 2024, 1W = 1 week change, 3M = 3 month change, 12M = 12 month change, YTD = year to date change, Equities; total return in local currency. Government bonds = 10 year returns. Figures are rounded.

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