WEEKLY MARKET UPDATE | DECEMBER 20, 2024

Stocks move lower as Fed projects higher-than-expected interest rates.

The economy

- Despite a rally on Friday, major U.S. equity indexes moved lower during the week ending December 20, prompted by the Federal Reserve's (Fed) forecast of fewer-than-expected interest-rate cuts in 2025. The central bank's announcement led to a market selloff on Wednesday. At the end of the week, a looming U.S. government shutdown further rattled investors.
- By an 11-to-1 margin, the Federal Open Market Committee (FOMC) voted to reduce the federal-funds rate by 25 basis points (0.25%) to a range of 4.25% to 4.50% following its meeting on Tuesday and Wednesday. Cleveland Fed President Beth Hammack voted to maintain the target rate in a range of 4.50% to 4.75%. In a statement announcing the rate decision, the Committee commented that "labor market conditions have generally eased, and the unemployment rate has moved up but remains low. Inflation has made progress toward the Committee's 2 percent objective but remains somewhat elevated." The FOMC also noted that, in considering further rate cuts, the Committee members will "carefully assess incoming data, the evolving outlook, and the balance of risks."
- The Fed's so-called dot plot of economic projections indicated a median federal-funds rate of 3.9% at the end of 2025, up from its previous estimate of 3.4% issued in September, signaling that the central bank anticipates federal-funds rate cuts totalling roughly 50 basis points by the end of next year. The central bank's previous projection suggested that the benchmark rate would decline100 basis points in 2025. The Fed estimated that core inflation, as measured by the core personal-consumption-expenditures (PCE) price index, will rise by an annual rate of 2.5% next year—modestly higher than the central bank's 2.2% forecast in September. The personal-consumption-expenditures (PCE) price index is widely considered the Fed's preferred measure of inflation as it measures the prices that consumers pay for goods and services to reveal underlying inflation trends.
- After Elon Musk pressured Republicans to nix a bipartisan agreement, the U.S. House of Representatives failed to reach an agreement to fund the government's operations before the current agreement expires at 12:01 AM on Saturday, December 21. On Thursday, by a vote of 235 to 174, the House rejected a bill that would have extended government funding through March 14 of next year. Thirty-eight members of the Republican Party majority joined 197 Democrats in voting against the proposal, which had the support of President-elect Donald Trump.
- The Department of Commerce reported that the PCE price index ticked up 0.1% in November, marginally lower than/matching the 0.2% increase in October. The index's annual upturn of 2.4% was up slightly from the 2.3% increase in October, and was in line with the market's expectations. Food prices increased 0.2% and 1.4% in November and over the previous 12 months, respectively. Prices for energy goods and services rose 0.2% in November and increased 4.0% year-over-year. The core PCE price index, which excludes volatile food and energy prices, advanced 0.1% in November, down from the 0.3% rise for the previous month. The year-over-year rise of 2.8% matched the upturn in October.
- According to the third estimate from the Department of Commerce, U.S. gross domestic product (GDP) grew at an annualized rate of 3.1% in the third quarter of 2024—up from the government's second estimate of 2.8% and slightly higher than the 3.0% increase in the second quarter of this year.

Stocks

- Global equities recorded negative returns for the week. Emerging markets outperformed developed markets.
- U.S. stocks lost ground during the week. Information technology and utilities were the top-performing sectors, while energy and real estate were the primary market laggards.
- Growth stocks led value, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield rose to 4.53% over the week.
- Global bond markets posted losses for the week.
- High-yield bonds led the markets, followed by corporate bonds and government bonds.

The Numbers as of December 20, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-3.1%	15.5%	16.6%	839.4
MSCI EAFE ($)	-3.1%	0.5%	2.0%	2247.6
MSCI Emerging Mkts ($)	-2.3%	5.7%	8.4%	1081.8
US & Canadian Equities				
Dow Jones Industrials ($)	-2.3%	13.7%	14.5%	42840.3
S&P 500 ($)	-2.0%	24.3%	24.9%	5930.9
NASDAQ ($)	-1.8%	30.4%	30.8%	19572.6
S&P/ TSX Composite (C$)	-2.7%	17.4%	18.5%	24599.5
UK & European Equities				
FTSE All-Share (£)	-2.5%	4.5%	5.0%	4421.1
MSCI Europe ex UK (€)	-2.1%	4.7%	4.9%	1764.0
Asian Equities				
Topix (¥)	-1.6%	14.2%	16.2%	2702.0
Hong Kong Hang Seng ($)	-1.3%	15.7%	18.6%	19720.7
MSCI Asia Pac. Ex-Japan ($)	-2.2%	8.3%	11.2%	572.6
Latin American Equities				
MSCI EMF Latin America ($)	-5.4%	-29.3%	-28.4%	1881.7
Mexican Bolsa (peso)	-3.9%	-13.6%	-13.7%	49609.3
Brazilian Bovespa (real)	-2.3%	-9.2%	-7.9%	121789.0
Commodities ($)				
West Texas Intermediate Spot	-1.9%	-2.4%	-5.0%	69.9
Gold Spot Price	-1.2%	27.1%	28.6%	2625.7
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-1.2%	-1.8%	-1.3%	463.1
JPMorgan Emerging Mkt Bond	-1.4%	5.7%	6.0%	897.0
10-Year Yield Change (basis points*)				
US Treasury	13	65	64	4.53%
UK Gilt	10	98	98	4.51%
German Bund	3	26	32	2.28%
Japan Govt Bond	2	45	48	1.06%
Canada Govt Bond	10	17	16	3.28%
Currency Returns**				
US$ per euro	-0.7%	-5.5%	-5.3%	1.043
Yen per US$	1.8%	10.9%	10.0%	156.40
US$ per £	-0.4%	-1.3%	-0.9%	1.257
C$ per US$	1.0%	8.5%	8.2%	1.437

Source: Bloomberg. Equity-index returns are price only, others are total returns.
*100 basis points = 1 percentage point.
**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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