Invesco

Global Monthly Outlook

January 2025 (covering December 2024)

Index	Dec (%)	YTD (%)
MSCI World	USD -2.6	19.2
S&P 500	USD -2.4	25.0
MSCI Europe	EUR -0.5	9.2
MSCI Asia Pac ex Japan	USD -1.1	10.8
Hong Kong Hang Seng	HKD 3.3	22.9
Hang Seng China Enterprises (H-shares)	HKD 5.0	31.4
Topix	JPY 4.0	20.4

Source: Thomson Reuters Datastream, total returns in local currency unless otherwise stated. Data as of December 31, 2024. YTD refers to year-to-date.

Global Outlook

US stocks ended 2024 negatively, with the S&P 500 and Russell 2000 down, while the NASDAQ Composite gained slightly. European equities fell in December, ending a year with modest returns. Asia markets performance is mixed. China, Taiwan and Malaysia outperformed while Korea, Indonesia and India detracted this month.

The Federal Reserve (Fed) signals that future reductions would follow a slower and more gradual pace after cutting US interest rates by 0.25%. Given the unexpected hawkish changes to the Fed's dot plot - median projection is now for just 0.5% cuts in interest rates for 2025, versus the 1.0% expected that was in the previous update in September.

United States

- The Fed reduced interest rates by 25 bps to 4.5% in December, marking the third consecutive cut for 2024. The major news was that policymakers were now expecting fewer cuts for 2025 as the Fed attempts to fulfil its dual mandate of keeping inflation within the 2% target and keeping unemployment low.
- At a sector level, performance was broadly negative apart from communication services, consumer discretionary, and information technology which all gained.

Europe (including UK)

- The European Central Bank (ECB) cut its deposit rate by 25 bps, signaling less concern about inflation and a shorter period of restrictive policy. Growth forecasts for 2025 were lowered to 1.1%.
- Besides healthcare, real estate, communication services and utilities were among weaker sectors while technology and consumer discretionary areas were in positive territory for the month.

Asia Pacific (ex Hong Kong ex China ex Japan)

- Asia markets' performance is mixed in December. In Taiwan, the November industrial profits increased 0.9% MoM, exceeding expectations with solid tech sector growth, but domestic activity showed signs of slowing, with employment and retail sales losing momentum.
- The Indian market dropped slightly during the month. The economic data was mixed in December. Manufacturing PMI in India recorded 56.4 in November, slightly down from the prior month, but still firmly within expansion territory. The Services PMI rose to 59.3, signaling growth in the services sector.

Hong Kong and Mainland China (H-shares)

- China's market rallied in December. The China market increased around 19% over 2024. During the month, China signaled a significant shift in monetary policy, moving from a "prudent" stance to a "moderately loose" position to address deflationary pressures and boost consumer confidence.
- IT sector led the rally, driven by expectations of accelerated semi localization. Utilities also outperformed.

Japan

- Japan's stock market rose this month in local currency terms, helped by a weaker yen boosting export-heavy industries.
- The Bank of Japan (BoJ) remained cautious. Governor Kazuo Ueda suggested interest rates might rise if the economy improves, but the timing will depend on economic conditions. He stressed the need to balance supportive policy with keeping inflation within the 2% target.

Fixed Income

- The Fed lowered interest rates by 0.25% in December, totaling a 1.0% cut since September. The ECB also reduced borrowing costs by 0.25% (from 3.25%).
- US Treasuries returned -1.69% in December, German bunds -1.61%, and UK gilts -2.55%. The US economy grew at 3.1% in the third quarter.

Emerging Markets

- Emerging market equities gained, led by Asia Pacific, while the Middle East and emerging Europe also advanced. Brazil's equities declined as Banco Central do Brasil raised the Selic rate by 100bps to 12.25%. Turkey performed well in 2024, cutting its policy rate to 47.5%.
- The Middle East saw strong performance due to robust earnings and oil price recovery. Poland experienced a modest decline, while Hungary and Czech equities faced economic challenges.

From the perspective of Hong Kong pension investing. All data are sourced from Invesco dated January 20, 2025, unless otherwise stated.

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All data as of January 20, 2025, unless otherwise stated.

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