



DECEMBER QUARTER 2024

Global Overview:

The final quarter of 2024 showcased a mixed economic landscape as the world economy navigated through persistent geopolitical tensions, moderating inflation rates, and evolving central bank policies. Despite headwinds, global growth maintained modest momentum, driven by emerging markets and a resilient services sector in advanced economies.

Key Highlights:

- **Global GDP Growth:** Estimated at 3.1% for Q4, with stronger-than-expected growth in Asia-Pacific offsetting weaknesses in Europe and North America.
- **Inflation Trends:** Global inflation decelerated to an average of 4.2%, down from 4.7% in Q3, aided by stabilising energy prices and easing supply chain pressures.
- **Central Banks:** Major central banks signalling a pause or slowdown in rate hikes, with the Federal Reserve maintaining the federal funds rate at 5.5% and the European Central Bank adopting a cautious stance.



CENTRAL BANK ACTIONS

Australia: The Australian economy exhibited moderate growth in Q4 2024, with GDP expanding at an annualised rate of 2.1%. The services sector, particularly tourism and hospitality, experienced robust growth as international travel recovered fully. Resource exports remained steady, supported by strong demand from Asia, particularly China and India. Inflation eased to 3.4%, a marked improvement from earlier in the year, largely due to stabilising energy prices and a decline in housing-related costs. The Reserve Bank of Australia (RBA) held the cash rate steady at 4.1%, citing progress in taming inflation without significantly hindering economic growth. Labour markets remained tight, with unemployment at a low 3.7%.

United States: The U.S. economy demonstrated resilience despite higher borrowing costs. Real GDP growth for Q4 was estimated at 2.3% annualised, supported by robust consumer spending during the holiday season. The labour market remained robust, with unemployment steady at 3.8%, underscoring sustained demand for workers despite a tightening monetary environment. Housing market activity, however, continued to be subdued due to elevated mortgage rates, which constrained new home sales and refinancing activity. Inflation showed signs of moderation, ending the quarter at 3.2%, aided by stabilising energy prices and softer increases in food and shelter costs. The Federal Reserve maintained its policy rate at 5.5%, emphasising its data-dependent approach and commitment to achieving its 2% inflation target. The tech and healthcare sectors emerged as bright spots, bolstering corporate earnings, while manufacturing activity saw a slight contraction due to weaker external demand.

Eurozone: The Eurozone encountered significant economic headwinds in Q4 2024. GDP contracted slightly by 0.2%, reflecting persistent challenges in the manufacturing sector and lingering energy supply uncertainties. Germany, the region's economic powerhouse, struggled with weaker industrial production and declining exports, while southern European economies saw modest growth driven by tourism. Inflation in the Eurozone eased to 3.6%, providing some relief to consumers and businesses but still above the European Central Bank's (ECB) 2% target. The ECB maintained a cautious policy stance, signalling a potential pause in rate adjustments as it assessed the risks of stagnation versus inflation persistence. Labour markets exhibited resilience, with the unemployment rate holding steady at 6.5%, though disparities across member states remained pronounced.

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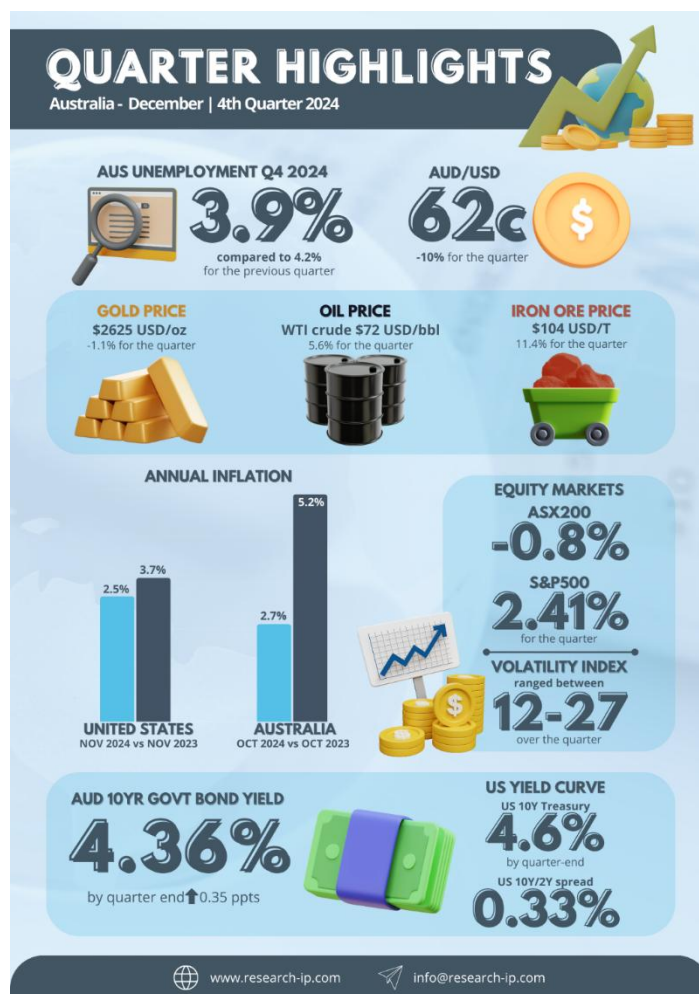


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Asia-Pacific: The Asia-Pacific region emerged as a key driver of global economic growth in Q4 2024. China's economy rebounded modestly, with Q4 growth at 4.6% year-on-year, driven by government stimulus measures and a revival in domestic consumption. Industrial production and export activity improved, though structural challenges such as a cooling real estate market persisted. India continued its robust trajectory, growing at 6.8% year-on-year, fuelled by strong industrial output, infrastructure investments, and export demand, particularly in technology and pharmaceuticals. Japan's economy grew at a slower pace of 1.1%, constrained by weak domestic demand and declining exports, while South Korea showed resilience with strong performance in semiconductor and electronics exports. Southeast Asian economies, including Indonesia and Vietnam, benefited from steady foreign direct investment and regional trade integration, although external demand softened slightly due to slower growth in Western markets.

Emerging Markets: Emerging markets displayed varied performances in Q4 2024. Commodity-exporting nations such as Brazil and South Africa capitalised on stable global demand for raw materials, with oil and agricultural exports contributing significantly to revenue streams. Conversely, countries with high external debt burdens, including Turkey and Argentina, faced challenges stemming from currency volatility and tighter global financial conditions. Latin American economies broadly benefitted from strong export demand, particularly for metals and agricultural products, while Sub-Saharan Africa experienced mixed growth, with stronger performances in resource-rich nations offset by weaker economies dependent on imports. Political stability and structural reforms were key differentiators in growth outcomes. In Asia, countries such as Vietnam and Indonesia thrived on foreign direct investment and manufacturing exports, reinforcing their status as attractive destinations for global supply chains.

Infographic 1: Quarterly Investment Markets Commentary



Source: Research IP

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RIPPL Investment Commentary

Equities

United States: Major indices like the S&P 500 and Nasdaq posted moderate gains, buoyed by strong earnings from technology, consumer discretionary, and communication services sectors.

Small-cap stocks, represented by the Russell 2000, underperformed due to rising borrowing costs and investor preference for large-cap resilience.

Dividend-paying stocks saw mixed performance as investors weighed income against growth opportunities.

Europe: Stoxx 600 faced pressure from weak manufacturing data and slower economic recovery in Germany and France.

UK equities outperformed slightly within Europe, supported by stronger-than-expected GDP growth and a weaker pound that favoured exporters.

Luxury goods companies struggled as Chinese consumer spending remained subdued.

Asia-Pacific: Japanese equities were a bright spot, with the Nikkei 225 reaching multi-decade highs on strong corporate earnings and yen depreciation.

Chinese markets were flat as stimulus measures failed to boost investor confidence significantly, though tech and EV sectors showed pockets of strength.

Indian equities extended gains driven by robust domestic consumption and foreign investor inflows.

Emerging Markets: Latin America saw positive equity returns, with Brazil's market benefiting from stabilising inflation and pro-growth fiscal policies.

Southeast Asian markets such as Indonesia and Vietnam showed resilience amid improving trade and investment flows.

Fixed Income

Government Bonds: U.S. Treasury bonds saw a steepening yield curve, with 10-year yields ending the quarter around 4.6% as markets priced in slower rate hikes.

Eurozone government bonds faced upward pressure on yields amid persistent inflation concerns, with German Bunds at their highest yields since 2012.

Emerging market sovereign bonds performed well, supported by stable dollar dynamics and easing inflationary pressures in key economies.

Corporate Bonds: Investment-grade bonds outperformed high-yield counterparts due to a flight to quality in a cautious risk environment.

High-yield (junk) bonds showed selective gains, particularly in energy and technology issuers, where fundamentals remained strong.

Commodities

Oil: Brent crude remained in the \$85–\$95 per barrel range as geopolitical tensions in the Middle East and supply cuts by OPEC+ supported prices.

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West Texas Intermediate (WTI) followed a similar trajectory, ending the quarter near \$90 per barrel.

Gold and Precious Metals: Gold prices remained stable around US\$1,950–\$2,000 per ounce, benefiting from persistent geopolitical risks and inflation hedging.

Silver and platinum saw modest gains, driven by industrial demand, particularly in green technologies like solar panel manufacturing.

Industrial Metals: Copper prices rebounded slightly due to expectations of higher demand from renewable energy projects and infrastructure spending in the U.S. and China.

Aluminium and nickel remained range-bound as weaker demand from China tempered gains.

Currency

U.S. Dollar (USD): The U.S. dollar index (DXY) softened slightly during Q4 but remained resilient, trading in the range of 104–106. This was underpinned by the U.S. economy outperforming other developed markets, particularly in terms of GDP growth and labour market strength.

The dollar's slight decline was attributed to market expectations of a pause in Federal Reserve rate hikes, as inflationary pressures showed signs of easing.

Weakening dollar dynamics provided relief to emerging market currencies, boosting trade competitiveness and reducing dollar-denominated debt burdens.

Euro (EUR): The euro traded under pressure at US\$1.06–\$1.08 due to a combination of sluggish economic growth in the Eurozone, particularly in Germany, and dovish commentary from the European Central Bank (ECB).

Inflation in the Eurozone remained elevated, but weaker-than-expected industrial production and consumer spending restrained the currency.

Geopolitical tensions in Eastern Europe and lower energy demand also weighed on sentiment.

Japanese Yen (JPY): The yen strengthened marginally against the dollar, trading in the range of ¥145–¥150 per USD, as geopolitical uncertainties drove safe-haven demand.

However, gains were limited by the Bank of Japan's continued ultra-loose monetary policy, which contrasted sharply with other major central banks.

Emerging Market Currencies: Mexican Peso (MXN): The peso continued to perform strongly, supported by stable inflation, strong remittance inflows, and proximity to U.S. trade and supply chains.

South African Rand (ZAR): Stabilising commodity prices, particularly for precious metals, boosted the rand. Improved fiscal management also bolstered investor confidence.

Indian Rupee (INR): The rupee appreciated modestly against the dollar, driven by strong domestic demand, stable inflation, and robust capital inflows into Indian equity markets.

Australian Dollar (AUD): The Australian dollar traded within a tight range of US\$0.62–\$0.65, recovering slightly towards the end of the quarter as global risk appetite improved.

The AUD benefited from steady demand for Australian commodities, particularly iron ore, lithium, and LNG.

Weakness in the AUD earlier in the quarter was tied to global risk aversion and subdued domestic economic data. However, stabilising inflation and resilient trade surpluses provided late-quarter support.

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The AUD remained sensitive to Chinese economic performance, given Australia's trade reliance on China, and saw small gains as Beijing implemented additional economic stimulus measures.

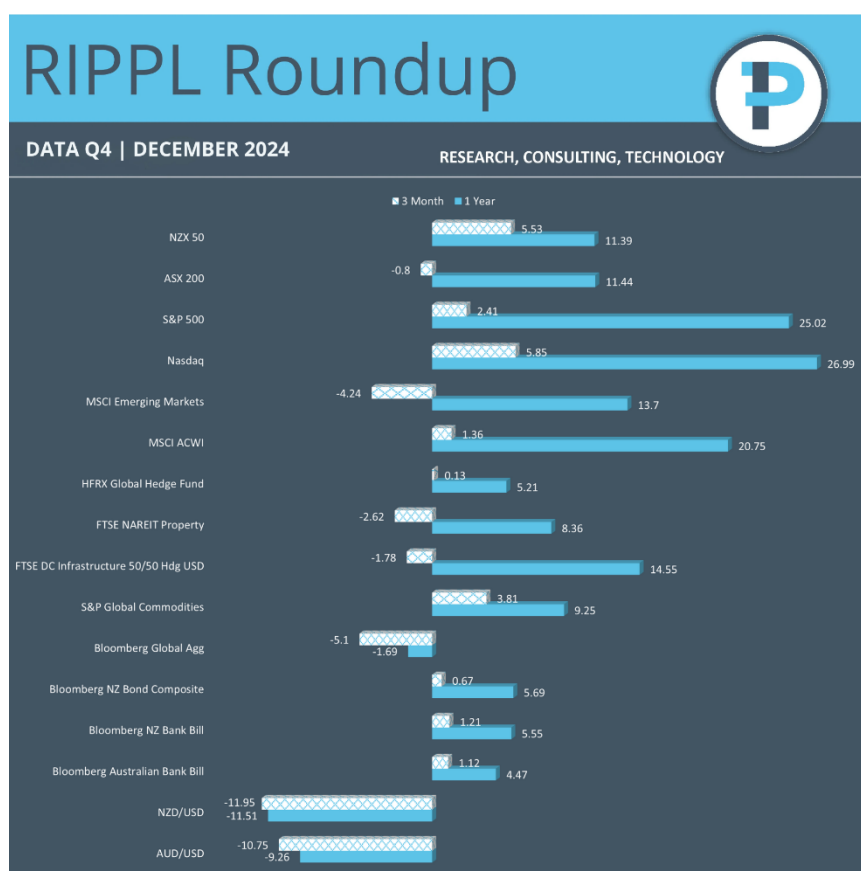
Broader Currency Trends: commodity-linked currencies like the Canadian dollar (CAD) and Australian dollar (AUD) showed resilience as global commodity markets remained robust.

Safe-haven currencies such as the Swiss franc (CHF) and Japanese yen saw inflows due to ongoing geopolitical uncertainties in the Middle East and Eastern Europe.

Emerging market currencies broadly benefited from the weakening dollar and improving global trade dynamics, with standout performances in Latin America and Asia

Chart 1 below shows the movement of markets over the quarter and for the 12 months to 31 December 2024. Notably, most of the indices are positive for the year, other than Global Bonds and both the NZD and AUD to USD relationship, which were negative for the quarter as well.

Chart 1: Market Indices



Source: Research IP

In conclusion, the fourth quarter of 2024 highlighted the resilience and complexity of the global economy, with notable growth in emerging markets offsetting challenges in advanced economies. While inflation eased and central banks adopted cautious stances, sustained geopolitical uncertainties and regional disparities underscore the need for adaptive strategies in navigating the evolving economic landscape.

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