Dear clients, Dear readers,

2024 started with strong expectations of interest rate cuts. However, the caution shown by central banks quickly dampened this optimism. In the first quarter, the two major central banks kept their key rates at 4% (Europe) and 5.5% (United States). Despite this restrictive stance, the stock markets maintained the positive momentum seen at the end of 2023 thanks to good corporate earnings, particularly in the flourishing artificial intelligence (AI) sector.

The second quarter was a turning point. In response to slowing inflation and with the aim of boosting the European economy, the European Central Bank (ECB) made its first rate cut in five years, lowering its deposit facility rate by 0.25% to 3.75%. The US Federal Reserve (Fed), meanwhile, kept its policy unchanged, citing still high inflation and robust economic growth. In politics, the dissolution of the French National Assembly on 9 June caused turbulence in the French stock markets, widening the performance gap with other European indices.

In the third quarter, the markets continued to perform despite significant political events, including Joe Biden's withdrawal from the presidential race, which was well received by investors. In terms of monetary policy, the ECB cut its key interest rate by a further 0.25% (to 3.5%) while the Fed surprised by the scale of its action with a rate cut of 0.5% to 5%. This accommodative stance strengthened stock market indices, particularly in the United States, where monetary easing helped allay fears of recession and support technology stocks.

The major event of the last quarter was clearly Donald Trump's impressive victory in the US presidential election. His inauguration, scheduled for January 20, will be accompanied by a Republican majority in both the House of Representatives and the Senate. Trump's economic programme with its promised tax cuts, ambitious deregulation and protectionist policies with increased import tariffs, particularly on Chinese imports, could rekindle inflationary pressures. There is also strong support for a pro-fossil fuel policy aimed at reducing domestic costs, as well as a commitment to tighten immigration controls and curb federal spending. These measures, expected in 2025, boosted US markets the day after the elections.

Monetary policies were adjusted further during the last quarter. The ECB cut its key interest rates by 0.25% in October and then in December, taking them from 3.5% to 3%. This decision was made as inflation fell below the symbolic 2% level. In the United States, the Fed also cut rates twice, by 0.25% in early November and mid-December, bringing them down to 4.5%. However, despite this further rate cut, the markets reacted badly to the Fed's last meeting in December. Fed Chair Jerome Powell took a cautious approach to the future, pointing to only two potential interest rate cuts in 2025, whereas most economists expected three or four. This caution is explained by inflation being more resilient than expected, fuelled by a robust economy and labour market.

However, this did not prevent the markets from ending 2024 with an excellent performance, particularly in the United States. US equities outperformed their European counterparts, benefiting from a more favourable economic climate and sustained growth. In Europe, political uncertainty and weak growth dampened indices, while in the US, technology and innovation continued to drive stock market performance, with sectors such as AI recording impressive gains.

Despite the geopolitical tensions caused by the wars in Ukraine and the Middle East, global markets showed considerable resilience. Investors have factored these conflicts into their analysis, perceiving them as localised risk factors with little impact on the global economy.

In commodities, gold recorded a remarkable performance with an increase of 27,2% in 2024. However, oil fell over the past year: -3,1% for Brent. On the currency markets, the dollar appreciated by 6,2% in 2024.

At the dawn of 2025, caution is required. It seems unlikely that the stock market performance of 2024 will be repeated, but market fundamentals remain buoyant. The US economic machine should once again power well ahead of Europe. Further rate cuts are expected on both sides of the Atlantic, while hopes of a settlement of the conflicts in Ukraine and the Middle East are increasing.

The high valuations of US equities suggest increased volatility. Uncertainty over the Trump administration's tax and tariff policies could also shake the financial markets. We could well see some market corrections. We will take advantage of these to strengthen certain positions.

Performance of the main markets in 2024

	December 2024	2024
EURO STOXX 50	1,91%	8,28%
STOXX Europe 600	-0,52%	5,98%
BEL 20	0,88%	15,02%
S&P 500	-2,50%	23,31%
S&P 500 Equal Weight	-6,60%	11,05%
NASDAQ 100	0,39%	24,88%
NIKKEI 225	4,41%	19,22%
HANG SENG	3,28%	17,67%
MSCI EMERGING	-0,29%	5,05%
MSCI WORLD	-2,68%	17,00%

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