

Investors get interest rate gift, but dislike the way it's wrapped

A year of interest rate speculation culminated in a week where the central banks of some of the world's largest economies made their final rate decisions of the year. In what was a widely expected move, the Fed cut interest rates by 25-bps on Wednesday. What was not so keenly anticipated were the hawkish remarks from Jerome Powell, who indicated fewer rate cuts in 2025. Markets reacted badly, and U.S. stocks slumped in one of their worst trading days of the year. On Friday, the PCE price index, the Fed's preferred inflation measure, was recorded at 2.4% for November, up from 2.3% in October but below consensus expectations. This sparked a revival in the market; however, the S&P 500 still finished the week down over 2%. The 10-year Treasury yield spiked in reaction to the likelihood of higher-for-longer interest rates and finished the week holding above the 4.5% level.

The Bank of England voted to maintain interest rates on Thursday despite pressures to cut amid an economic slowdown. The decision may have been influenced by CPI data, which showed that headline inflation rose from 2.3% in October to 2.6% in the year to November, the highest level since March. The FTSE 100, which had already dipped in tandem with U.S. markets on Thursday, edged lower again on Friday to finish the week down more than 2.5%. Meanwhile, 10-year gilt yields continued their advance upward above the 4.5% mark. In the Eurozone, the manufacturing PMI stayed at 45.2 in December, versus the 45.3 forecasted. The euro was on the defensive, hitting a near two-year low against the dollar in the mid-1.03 range following the Fed's announcement.

The Bank of Japan also decided to hold rates, and the yen hit a five-month low against the dollar. In China, the one-year bond yield dropped below 1% last week to its lowest level in more than 20 years as investors continue to project further rate cuts in 2025.



Fact of the week

Wednesday marked the Dow Jones Index's 10th consecutive session of losses, its longest losing streak in 50 years.

Snapshot



- Oil
- Gold



- Corporate Bonds
- Sovereign Bonds
- World Equities
- Copper

The week ahead

| | |
|---------------|--|
| 23 Dec | U.S. consumer confidence reading is released. |
| 25 Dec | Christmas Day – Markets closed. |
| 26 Dec | U.S. initial jobless claims are reported, UK markets closed. |

Our regular market information continues on the next page.



| | 1 Week Return 13.12.24 to 20.12.24 | | Year to Date Return 31.12.23 to 20.12.24 | |
|-----------------|---------------------------------------|-------|---|-------|
| | Local Currency | Euro | Local Currency | Euro |
| World | -2.4% | -1.6% | 19.1% | 26.6% |
| U.S. | -2.1% | -1.2% | 25.7% | 33.6% |
| Europe | -3.0% | -3.0% | 5.8% | 5.8% |
| Ireland | -0.9% | -0.9% | 19.6% | 19.6% |
| U.K. | -2.5% | -2.2% | 8.2% | 13.1% |
| Japan | -1.8% | -2.7% | 16.7% | 11.7% |
| Hong Kong | -3.2% | -2.3% | -2.1% | 4.4% |
| Corporate Bonds | -1.2% | -1.2% | 1.4% | 1.4% |
| Sovereign Bonds | -0.6% | -0.6% | 1.8% | 1.8% |

Warning: Past performance is not a reliable guide to future performance.
Warning: The value of your investment may go down as well as up.
Warning: Benefits may be affected by changes in currency exchange rates.
Warning: If you invest in this product, you may lose some or all of the money you invest.

Equities

- Global stocks were down last week finishing at -1.6% in euro terms and -2.4% in local terms.
- Year-to-date global markets are up by 26.6% in euro terms and by 19.1% in local terms.
- The U.S. market, the largest in the world, finished at -1.2% in euro terms and -2.1% local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 4.5% last week. The German equivalent finished at 2.3%. The Irish 10-year bond yield finished at 2.6%.
- The Euro/U.S. Dollar exchange rate finished at 1.04, whilst Euro/GBP finished at 0.83.

Commodities

- Oil finished the week at \$70 per barrel and is up 2.6% year-to-date in euro terms.
- Gold finished the week at \$2,623 per troy ounce and is up 34.6% year-to-date in euro terms.
- Copper finished the week at \$8,833 per tonne.

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