Market Review

Review of markets over 2024

Author

Max McKechnie
Global Market Strategist

2024 was another impressive year for risk assets. Continued US strength helped developed market equities deliver total returns of 19.2%, and a late rally in Chinese equities coupled with strong results out of India and Taiwan helped emerging market equities deliver 8.1%. While the performance of US mega cap tech ensured that global growth stocks dominated for the second year in a row, prospects for deregulation following the US election boosted financials helping global value stocks to rise 12.3% over 2024. Commodities were held back by weak demand in China and the broad commodity index delivered 5.4%. However, concern over the US fiscal direction led to a strong performance from gold which ended the year with returns of 27.1%. Developed market central banks started normalising policy in 2024, but resilient growth and sticky inflation meant markets pared back expectations for how quickly rate cuts would be delivered, particularly in the US. The combination of a strengthening dollar and rising yields meant global investment grade bonds delivered negative returns of -1.7% over the year.

Exhibit 1: Asset class and style returns

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Q4 '24
Small cap 32.9%	Global REITS 22.9%	Growth 3.5%	Small cap 13.3%	MSCI EM 37.8%	Global Agg -1.2%	Growth 34.1%	Growth 34.2%	Global REITs 32.6%	Cmdty 16.1%	Growth 37.3%	Growth 26.2%	Growth 3.9%
Value 27.5%	Growth 6.5%	Global REITS 0.6%	Value 13.2%	Growth 28.5%	Global REITS -4.9%	DM Equities 28.4%	MSCI EM 18.7%	Cmdty 27.1%	Value -5.8%	DM Equities 24.4%	DM Equities 19.2%	DM Equities -0.1%
DM Equities 27.4%	DM Equities 5.5%	Small cap 0.1%	Cmdty 11.8%	Small cap 23.2%	Growth -6.4%	Small cap 26.8%	DM Equities 16.5%	Value 22.8%	Global Agg -16.2%	Small cap 16.3%	Value 12.3%	Cmdty -0.5%
Growth 27.2%	Value 4.4%	DM Equities -0.3%	MSCI EM 11.6%	DM Equities 23.1%	DM Equities -8.2%	Global REITs 24.4%	Small cap 16.5%	DM Equities 22.3%	DM Equities -17.7%	Value 12.4%	Small cap 8.6%	Small cap -2.5%
Global REITS 2.3%	Small cap 2.3%	Global Agg -3.2%	DM Equities 8.2%	Value 18.0%	Value -10.1%	Value 22.7%	Global Agg 9.2%	Growth 21.4%	Small cap -18.4%	Global REITs 10.9%	MSCI EM 8.1%	Value -4.1%
MSCI EM -2.3%	Global Agg 0.6%	Value -4.1%	Global REITS 6.5%	Global REITS 8.0%	Cmdty -11.2%	MSCI EM 18.9%	Value -0.4%	Small cap 16.2%	MSCI EM -19.7%	MSCI EM 10.3%	Cmdty 5.4%	Global Agg -5.1%
Global Agg -2.6%	MSCI EM -1.8%	MSCI EM -14.6%	Growth 3.2%	Global Agg 7.4%	Small cap -13.5%	Cmdty 7.7%	Cmdty -3.1%	MSCI EM -2.2%	Global REITs -23.7%	Global Agg 5.7%	Global REITs 2.8%	MSCI EM -7.8%
Cmdty -9.5%	Cmdty -17.0%	Cmdty -24.7%	Global Agg 2.1%	Cmdty 1.7%	MSCI EM -14.2%	Global Agg 6.8%	Global REITs -10.4%	Global Agg -4.7%	Growth -29.1%	Cmdty -7.9%	Global Agg -1.7%	Global REITs -8.9%

Source: Bloomberg, FTSE, LSEG Datastream, MSCI, J.P. Morgan Asset Management. DM Equities: MSCI World; REITs: FTSE NAREIT Global Real Estate Investment Trusts; Cmdty: Bloomberg Commodity Index; Global Agg: Bloomberg Global Aggregate; Growth: MSCI World Growth; Value: MSCI World Value; Small cap: MSCI World Small Cap. All indices are total return in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 December 2024.

2024 saw US economic performance decouple from the other major regions. Despite concerns over the summer, US economic exceptionalism remained largely intact. GDP growth averaged 2.6% quarter on quarter annualised over the first three quarters of 2024 and the Federal Reserve Bank of Atlanta GDP nowcast is projecting a similarly strong end to the year. The S&P 500 was the top performing equity market with returns of 25.0%, and while the "Magnificent Seven" artificial intelligence (AI) stocks still delivered outsized returns, economic momentum did feed through into a broadening of earnings expectations which is set to continue in 2025.

Conversely, European economic momentum weakened significantly over the year. The manufacturing sector was particularly hard hit due to a combination of high energy costs, damaging regulation, and a lack of export demand, coupled with government subsidised competition from China. This divergence was compounded by political turmoil in both France and Germany where fiscal pressures and the rise of populist parties fractured the political consensus. Economic weakness and limited exposure to AI hindered European equities and in a year of strong equity returns the region underperformed with returns of 8.1%.

Exhibit 2: World stock market returns

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Q4 '24
Japan TOPIX 54.4%	US S&P 500 13.7%	Japan TOPIX 12.1%	UK FTSE All-Share 16.8%	MSCI Asia ex-Japan 42.1%	US S&P 500 -4.4%	US S&P 500 31.5%	MSCI Asia ex-Japan 25.4%	US S&P 500 28.7%	UK FTSE All-Share 0.3%	Japan TOPIX 28.3%	US S&P 500 25.0%	Japan TOPIX 5.4%
US S&P 500 32.4%	Japan TOPIX 10.3%	MSCI Europe ex-UK 9.1%	US S&P 500 12.0%	MSCI EM 37.8%	UK FTSE All-Share -9.5%	MSCI Europe ex-UK 27.5%	MSCI EM 18.7%	MSCI Europe ex-UK 24.4%	Japan TOPIX -2.5%	US S&P 500 26.3%	Japan TOPIX 20.5%	US S&P 500 2.4%
MSCI Europe ex-UK 24.2%	MSCI Europe ex-UK 7.4%	US S&P 500 1.4%	MSCI EM 11.6%	Japan TOPIX 22.2%	MSCI Europe ex-UK -10.6%	UK FTSE All-Share 19.2%	US S&P 500 18.4%	UK FTSE All-Share 18.3%	MSCI Europe ex-UK -12.2%	MSCI Europe ex-UK 17.3%	MSCI Asia ex-Japan 12.5%	UK FTSE All-Share -0.4%
UK FTSE All-Share 20.8%	MSCI Asia ex-Japan 5.1%	UK FTSE All-Share 1.0%	MSCI Asia ex-Japan 5.8%	US S&P 500 21.8%	MSCI Asia ex-Japan -14.1%	MSCI EM 18.9%	Japan TOPIX 7.4%	Japan TOPIX 12.7%	US S&P 500 -18.1%	MSCI EM 10.3%	UK FTSE All-Share 9.5%	MSCI Europe ex-UK -3.6%
MSCI Asia ex-Japan 3.3%	UK FTSE All-Share 1.2%	MSCI Asia ex-Japan -8.9%	MSCI Europe ex-UK 3.2%	MSCI Europe ex-UK 14.5%	MSCI EM -14.2%	MSCI Asia ex-Japan 18.5%	MSCI Europe ex-UK 2.1%	MSCI EM -2.2%	MSCI Asia ex-Japan -19.4%	UK FTSE All-Share 7.9%	MSCI Europe ex-UK 8.1%	MSCI Asia ex-Japan -7.4%
MSCI EM -2.3%	MSCI EM -1.8%	MSCI EM -14.6%	Japan TOPIX 0.3%	UK FTSE All-Share 13.1%	Japan TOPIX -16.0%	Japan TOPIX 18.1%	UK FTSE All-Share -9.8%	MSCI Asia ex-Japan -4.5%	MSCI EM -19.7%	MSCI Asia ex-Japan 6.3%	MSCI EM 8.1%	MSCI EM -7.8%

Source: FTSE, LSEG Datastream, MSCI, S&P Global, TOPIX, J.P. Morgan Asset Management. All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 December 2024.

UK equities marginally outperformed their continental counterparts with returns of 9.5% as the economy recovered from the 2023 lows. This cyclical rebound was boosted by initial optimism following the election, however the autumn budget, which delivered larger tax rises than anticipated, poured cold water on some of the positivity. The increase in the national insurance tax on employment proved particularly corrosive to business sentiment with surveys in the final months of the year pointing to falling hiring and rising price intentions and leaving the Bank of England in a difficult position.

In Asia, Chinese activity remained weak as the country grappled with falling property prices and weak consumer confidence. Investors were initially unimpressed with the policy response. However, September's more cohesive policy announcements appeared to convince markets that 2025 would finally see the significant stimulus required to restart the economy and Chinese equities rallied in the second half of the year to deliver 19.8% over 2024. Continued optimism about the end of deflation, coupled with a weak yen and ongoing corporate reforms, helped Japanese equities deliver returns of 20.5% to end 2024 as the second best performing major equity market.

Exhibit 3: Fixed income sector returns

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Q4 '24
Euro Gov. 1.6%	US HY 17.5%	EM Debt 9.3%	Euro Gov. 1.0%	EM Debt 14.4%	Global IL 12.7%	US HY 5.3%	US HY -11.2%	US HY 13.5%	Euro HY 8.6%	Euro HY 1.7%
EM Debt 1.2%	EM Debt 10.2%	Global IG 9.1%	US Treas. 0.9%	US HY 14.4%	Global IG 10.4%	Euro HY 3.4%	Euro HY -11.7%	Euro HY 11.9%	US HY 8.2%	US HY 0.2%
US Treas. 0.8%	Euro HY 10.1%	Global IL 8.7%	US HY -2.3%	Global IG 11.5%	US Treas. 8.0%	Global IL 2.7%	US Treas. -12.5%	EM Debt 10.5%	EM Debt 5.7%	Euro Gov. -0.1%
Euro HY 0.5%	Global IG 4.3%	US HY 7.5%	Global IG -3.6%	Euro HY 10.7%	US HY 6.1%	EM Debt -1.5%	EM Debt -16.5%	Global IG 9.6%	Euro Gov. 1.9%	EM Debt -2.1%
Global IG -3.6%	Global IL 3.9%	Euro HY 6.1%	Euro HY -3.6%	Global IL 8.0%	EM Debt 5.9%	US Treas. -2.3%	Global IG -16.7%	Euro Gov. 7.1%	Global IG 1.1%	US Treas. -3.1%
US HY -4.6%	Euro Gov. 3.2%	US Treas. 2.3%	Global IL -4.1%	US Treas. 6.9%	Euro Gov. 5.0%	Global IG -2.9%	Euro Gov. -18.5%	Global IL 5.8%	US Treas. 0.6%	Global IG -4.0%
Global IL -5.0%	US Treas. 1.0%	Euro Gov. 0.2%	EM Debt -4.6%	Euro Gov. 6.8%	Euro HY 2.7%	Euro Gov. -3.5%	Global IL -22.9%	US Treas. 4.1%	Global IL -3.7%	Global IL -6.7%

Source: Bloomberg, BofA/Merrill Lynch, J.P. Morgan Economic Research, LSEG Datastream, J.P. Morgan Asset Management. Global IL: Bloomberg Global Inflation-Linked; Euro Gov.: Bloomberg Euro Aggregate - Government; US Treas.: Bloomberg US Aggregate Government - Treasury; Global IG: Bloomberg Global Aggregate - Corporate; US HY: BofA/Merrill Lynch US HY Constrained; Euro HY: BofA/Merrill Lynch Euro Non-Financial HY Constrained; EM Debt: J.P. Morgan EMBIG. All indices are total return in local currency, except for EM and global indices, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 December 2024.

Strong risk asset performance carried over into fixed income markets. High yield bonds were the top performing sector for the fourth year in the row as a combination of high all-in yields and tightening spreads boosted returns to over 8%. Longer duration investment grade credit underperformed against backdrop of rising government bond yields. European government bonds outperformed US Treasuries as the weaker economic outlook translated into greater confidence in the downward direction for interest rates, though the high starting yield did partially cushion US Treasuries which still delivered positive returns of 0.6% over the year.

The first half of 2024 saw broad based disinflation and over the summer central banks felt confident they could start normalising policy. However, the last mile proved harder than markets anticipated and, outside of Europe, investors pared back their hopes for rate cuts. Against this backdrop, global government bonds returned -3.1% over 2024.

Exhibit 4: Fixed income government bond returns

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Q4 '24
Italy 4.8%	UK 10.7%	Global 7.5%	Spain 2.5%	Italy 10.6%	Global 9.7%	Japan -0.2%	Japan -5.4%	Italy 9.3%	Italy 5.3%	Italy 0.5%
Spain 1.7%	Spain 4.1%	US 2.3%	Germany 1.9%	Spain 8.3%	UK 8.9%	US -2.3%	US -12.5%	Spain 6.9%	Spain 3.4%	Spain 0.3%
Japan 1.2%	Germany 3.4%	UK 2.0%	Japan 1.0%	UK 7.1%	US 8.0%	Germany -2.9%	Global -16.8%	Germany 5.7%	Germany 1.2%	Germany -0.4%
US 0.8%	Japan 3.2%	Spain 1.1%	US 0.9%	US 6.9%	Italy 7.9%	Italy -3.0%	Italy -17.2%	Global 4.3%	US 0.6%	Japan -1.4%
UK 0.5%	Global 1.7%	Italy 0.8%	UK 0.5%	Global 5.6%	Spain 4.3%	Spain -3.0%	Germany -17.4%	US 4.1%	Global -3.1%	US -3.1%
Germany 0.4%	US 1.0%	Japan 0.2%	Global -0.7%	Germany 3.1%	Germany 3.0%	UK -5.3%	Spain -17.5%	UK 3.6%	Japan -3.2%	UK -3.5%
Global -3.7%	Italy 0.8%	Germany -1.0%	Italy -1.3%	Japan 1.7%	Japan -0.8%	Global -5.8%	UK -25.1%	Japan 0.5%	UK -4.0%	Global -5.8%

Source: Bloomberg, LSEG Datastream, J.P. Morgan Asset Management. All indices are Bloomberg benchmark government indices. Total returns are shown in local currency, except for global, which is in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 December 2024.

UK Gilts were the worst performing sector as the long duration of UK debt made it particularly sensitive to rising yields. Japanese bonds also underperformed as the Bank of Japan became the final major central bank to end negative interest rates, as well as ending yield curve control, at its March meeting. On the opposite end of the spectrum, economic weakness meant European bonds outperformed. The problem was concentrated in Germany while activity remained relatively strong in the European periphery. This allowed peripheral spreads to tighten and Italian bonds were the best performing sector with returns of 5.3% over 2024. The collapse of two French governments sparked investor concerns about the trajectory for French debt. French spreads widened by 30bps relative to Germany and are now wider than Spanish spreads for the first time since the global financial crisis.

Exhibit 5: Index returns for December 2024

Index	GBP	USD	JPY	EUR	LOC
Equities (MSCI)					
MSCI World Index	-1.1	-2.6	2.0	-0.6	-1.9
MSCI USA	-1.1	-2.5	2.0	-0.6	-2.5
MSCI Europe ex-UK	-0.9	-2.3	2.2	-0.4	-0.3
MSCI United Kingdom	-1.3	-2.8	1.8	-0.8	-1.3
MSCI Japan	1.2	-0.3	4.3	1.7	4.3
MSCI AC Asia ex-JP	1.7	0.2	4.8	2.2	1.3
MSCI EM Latin America	-4.6	-6.0	-1.6	-4.1	-3.5
MSCI EM (Emerging Markets)	1.4	-0.1	4.5	1.9	1.2
Bonds					
Bloomberg Barclays Global Aggregate	-0.7	-2.1	2.4	-0.2	
Bloomberg Barclays US Aggregate	-0.2	-1.6	2.9	0.3	-1.6
Bloomberg Barclays Japan Aggregate	-2.9	-4.4	0.1	-2.4	0.1
Bloomberg Barclays UK Aggregate	-1.8	-3.3	1.2	-1.3	-1.8
Bloomberg Barclays Euro Aggregate	-1.5	-3.0	1.5	-1.0	-1.0
Currencies					
Sterling		-1.5	3.1	0.3	
US dollar	1.5		4.6	2.0	
Yen	-3.0	-4.4		-2.5	
Euro	-0.3	-2.0	2.6		

Source: Bloomberg, LSEG Datastream, MSCI, J.P. Morgan Asset Management. Past performance is not a reliable indicator of current and future results. Data as of 31 December 2024.

Investors can reflect on a good year. Continued AI excitement drove equities to deliver strong returns, and high starting yields helped cushion bonds from some of the impact of rising yields. This meant a global 60/40 portfolio of developed market equities and investment grade bonds delivered a 10.8% total return. Looking ahead to 2025, investors should question whether the same drivers of performance will remain in play. Our view is that US will likely continue to outperform, but that the AI story will start to broaden, and opportunities extend beyond mega cap tech. However, US equity markets are at lofty valuations and credit spreads are near record tights. Given this, investors may wish to consider how comfortable they are having all their eggs in one basket.

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