A single-market rising tide fails to lift all stock boats.

Quarterly snapshot

- Global equity markets, as measured by the MSCI ACWI Index, recorded modest losses in U.S. dollar terms over the fourth quarter, but still finished in positive territory for the 2024 calendar year. Strength in the U.S. could not offset downturns in other developed countries and emerging markets, which declined significantly in U.S. dollar terms during the quarter.
- Global fixed-income assets lost ground during the quarter. U.S. Treasury yields declined for all maturities under one year, and moved higher across the remainder of the yield curve. (Prices move inversely to yields.)
- We maintain our strategic recommendations for investors to stay diversified globally and focus on profitable companies with strong earnings momentum trading at reasonable prices.

Global equity markets, as measured by the MSCI ACWI Index, recorded modest losses in U.S. dollar terms over the fourth quarter, but still finished in positive territory for the 2024 calendar year. Strength in the U.S. could not offset downturns in other developed countries and emerging markets, which declined significantly in U.S. dollar terms during the quarter. There was a brief, sharp rally in the U.S. in the first half of November in response to former President Donald Trump's victory in the presidential election, as investors expressed optimism that the new administration's proposed tax cuts and loosening of regulations will boost economic growth. All three major U.S. equity market indexes—the Dow Jones Industrial Average, the broad-market S&P 500 Index, and the tech-heavy Nasdaq Composite Index—established record highs during the quarter. Among developed markets, Europe was particularly hard-hit amid concerns about political stability in France and Germany, as well as economic weakness. Emerging-market stocks lost ground due to investors' concerns about the potential impact of Trump's proposed tariffs on goods imported to the U.S., as well as disappointment regarding the Chinese government's fiscal stimulus.

North America, the only region to end the quarter in positive territory in U.S. dollar terms, was the top performer among developed markets, lifted by the rally in the U.S. Conversely, the Nordic countries were the weakest-performing developed markets due mainly to downturns in Denmark, Sweden, and Finland. The significant underperformance of Europe was attributable mainly to weakness in Portugal and Ireland. The Gulf Cooperation Council (GCC) countries led the emerging markets for the month, due largely to strength in the United Arab Emirates and Kuwait, which garnered positive returns for the quarter. The weakest-performing emerging markets for the month included Latin America and the Association of Southeast Asian Nations (ASEAN), hampered mainly by market declines in Brazil and Indonesia, respectively.[1]

Global fixed-income assets, as measured by the Bloomberg Global Aggregate Bond Index, declined 5.1% for the quarter.

High-yield bonds posted modest gains and were the strongest performers within the U.S. fixed-income market, followed by investment-grade corporate bonds, mortgage-backed securities (MBS), and U.S. Treasurys. Treasury yields declined for all maturities under one year over the quarter, and moved higher across the remainder of the curve. Yields on 2-, 3-, 5- and 10-year Treasury notes rose by corresponding margins of 0.59%, 0.69%, 0.80%, and 0.77%, ending the quarter at 4.25%, 4.27%, 4.38%, and 4.58%, respectively.[2] The spread between 10- and 2-year notes widened from +0.15% to +0.33% over the quarter, as the yield curve remained positively sloped (longer-term yields exceeded shorter-term yields). A positively sloped yield curve generally indicates that the economy is expected to grow in the future.

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[1] All equity market performance statements are based on the MSCI ACWI Index.

[2] According to the U.S. Department of the Treasury. As of 31 December 2024.

Key measures: Q4 2024

Equity	
Dow Jones Industrial Average	0.93%
S&P 500 Index	2.41%
NASDAQ Composite Index	6.35%
MSCI ACWI Index (Net)	-0.99%
Bond	
Bloomberg Global Aggregate Index	-5.10%
Volatility	
Chicago Board Options Exchange Volatility Index **PRIOR QUARTERLY: 16.73**	17.35
Oil	
WTI Cushing crude oil prices **PRIOR QUARTERLY: $68.17**	$71.72
Currencies	
Sterling vs. U.S. dollar	$1.25
Euro vs. U.S. dollar	$1.04
U.S. dollar vs. yen	¥157.16

Sources: Bloomberg, FactSet, Lipper

Global commodity prices, as represented by the Bloomberg Commodity Index, dipped 0.4% in the fourth quarter. The West Texas Intermediate (WTI) and Brent crude oil prices rose 5.2% and 4.1%, respectively, over the quarter due initially to concerns about the escalation of the military conflict in the Middle East (possibly leading to supply constraints) and, later in the quarter, a decline in inventory in the U.S. The gold spot price was down 0.7%, pressured by Donald Trump's election victory, which sparked a rally in the U.S. dollar. (The gold price typically moves inversely to the greenback.) The 6.0% upturn in the New York Mercantile Exchange (NYMEX) natural gas price during the quarter was attributable to increased demand spurred by below-average temperatures in much of the U.S. in December, as well as forecasts for continued cold weather in January. Wheat prices were down 5.6% for the period, hampered by increased production in Argentina, as well as U.S. dollar strength. (The wheat price typically moves inversely to the U.S, dollar.)

Donald Trump, a Republican, defeated his Democratic Party opponent, Vice President Kamala Harris, winning majorities in both the Electoral College and the popular vote. Trump is the first U.S. president since Grover Cleveland—who served from 1885 to 1889, and 1893 to 1897—to be elected to two non-consecutive terms. The president-elect ran on a populist platform focused on illegal immigration, crime, tariffs, and tax cuts.

On the geopolitical front, Ukraine launched U.S.-made long-range missiles into Russia for the first time in November. This action prompted Russian President Vladimir Putin to approve amendments to the nation's nuclear doctrine, expanding the conditions under which Russia may use nuclear weapons. In Syria, Hayat Tahrir al-Sham (HTS), an Islamist militant group, led a rebellion against the government of President Bashar al-Assad in late November and early December. HTS initially occupied Aleppo, Syria's second-largest city, and then captured Damascus, the nation's capital. Assad fled to Moscow, and the Russian government granted his request for asylum. The HTS subsequently formed a new transitional government in Syria.

Economic data

U.S.

The Department of Labor reported that the consumer-price index (CPI) rose 0.3% in November, marginally higher than the 0.2% increase in October. The 2.7% year-over-year advance in the index was up slightly from than the 2.6% annual rise in October and was in line with expectations. Housing costs increased 0.3% and 4.7% in November and year-over-year, respectively. Transportation services costs were flat for the month but climbed 7.1% versus the same period in 2023. Prices for fuel oil and gasoline posted identical upturns of 0.6% in November, but tumbled 19.5% and 8.1%, respectively, year-over-year. The 3.3% rolling 12-month rise in core inflation in November, as measured by the CPI for all items less food and energy, matched the annual increase in October.

According to the third estimate from the Department of Commerce, U.S. gross domestic product (GDP) grew at an annualised rate of 3.1% in the third quarter of 2024—up from the 2.8% initial estimate and slightly higher than the 3.0% increase in the second quarter of the year. The largest contributors to GDP growth for the third quarter included consumer spending, exports (which are added to the calculation of GDP), and nonresidential fixed investment (purchases of both nonresidential structures and equipment and software). Imports (which are subtracted from the calculation of GDP) increased over the quarter. The government attributed the quarter-over-quarter uptick in the GDP growth rate to increases in exports, consumer spending, and federal government spending. These positive contributors offset a decline in private inventory investment and a larger decrease in residential fixed investment (a measure of the changes in values of inventories from one time period to the next).

U.K.

The Office for National Statistics (ONS) reported that inflation in the U.K., as measured by the CPI, ticked up 0.1% in November, down from a 0.6% rise in October. The CPI advanced at an annual rate of 2.6% in November, higher than the 2.3% upturn for the previous month. Costs for health care, alcohol and tobacco, and education posted corresponding increases of 6.9%, 5.5%, and 5.0%, year-over-year, while prices for transportation and furniture and household goods declined 0.9% and 0.4%, respectively, over the previous 12-month period. Core inflation, which excludes volatile food, energy, and alcohol and tobacco prices, rose by an annual rate of 3.5% in November, up modestly from the 3.3% year-over-year increase in October.[3]

The ONS also announced that U.K. GDP growth dipped 0.1% in October, but edged up 0.1% over previous three months (the most recent reporting periods). The marginal decline in GDP for October matched the downturn in September. Output in the services and construction sectors rose 0.1% and 0.4% for the three-month period ending October 31, while production and construction output fell 0.3%.[4]

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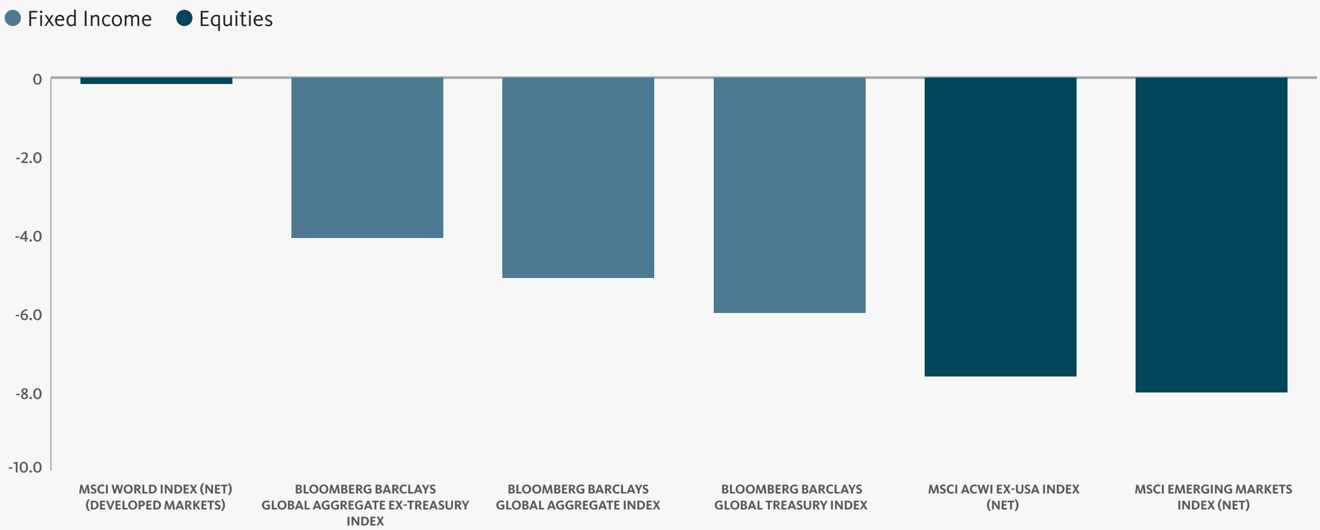
[3] According to the ONS. 18 December 2024.

[4] According to the ONS. 13 December 2024.

Major Index Performance in December 2024 (Percent Return)



Sources: FactSet, Lipper

Eurozone

Eurostat pegged the inflation rate for the eurozone at 2.2% for the 12-month period ending in November, a slight decrease from the 2.3% annual upturn in October. Costs in the services sector rose at an annual rate of 3.9%, down marginally from the 4.0% gain in October. Prices for food, alcohol and tobacco increased 2.7% year-over-year in November, modestly lower than the 2.9% annual rate for the previous month. Energy prices fell 2.0% over the previous 12-month period in November following a 4.6% year-over-year downturn in October. Core inflation, which excludes volatile energy and food prices, increased at an annual rate of 2.7% in November, matching the year-over-year upturn for the previous month.[5]

Eurostat also reported that eurozone GDP rose 0.4% in the third quarter of 2024, modestly higher than the 0.2% increase in the second quarter. The eurozone economy expanded by 0.9% year-over-year—an improvement from the 0.6% annual growth rate for the previous quarter. The economies of Lithuania and Cyprus were the strongest performers for the third quarter, expanding 1.1% and 1.0%, respectively. In contrast, GDP in Hungary and Latvia declined by corresponding margins of 0.7% and 0.4% during the quarter.[6]

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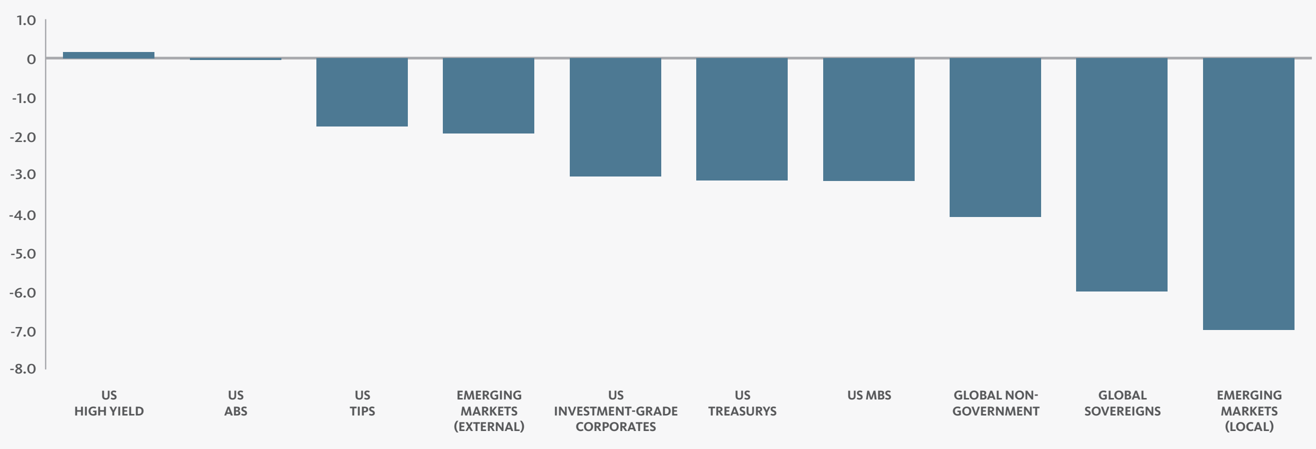
[5] According to Eurostat. 18 December 2024.

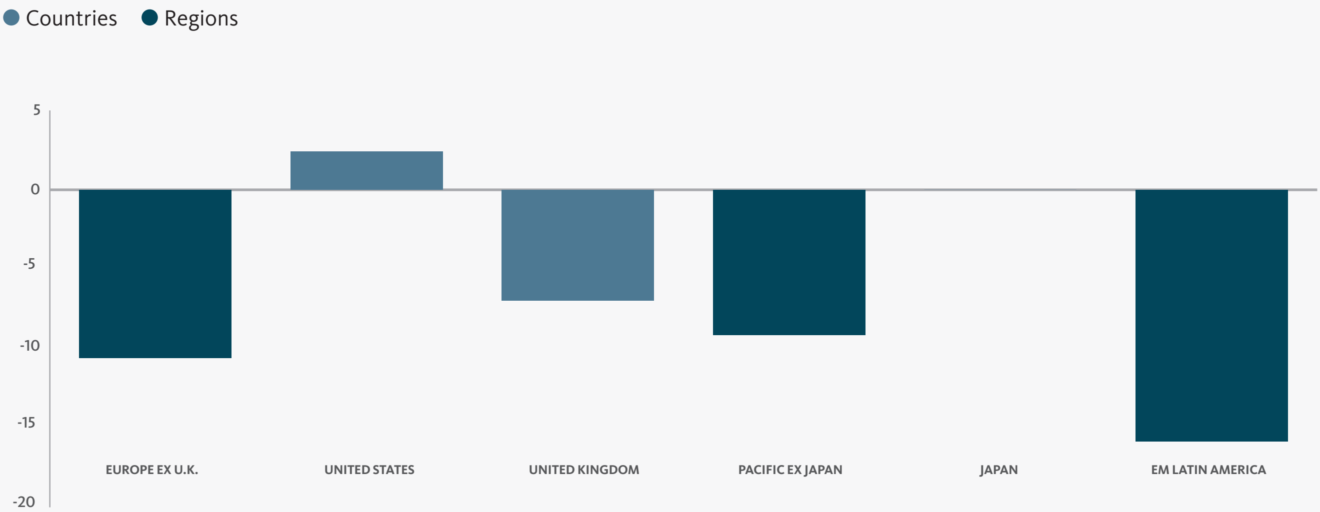
[6] According to Eurostat. 14 November 2024.

Fixed-Income Performance in December 2024 (Percent Return)



Sources: FactSet, Lipper. See “Corresponding Indexes for Fixed-Income Performance Exhibit” in the Index descriptions section for more information.

Regional Equity Performance in December 2024 (Percent Return)



Sources: FactSet, Lipper. See "Corresponding Indexes for Regional Equity Performance Exhibit" in the Index descriptions section for more information.

SEI's view

Global investors weathered quite a year in 2024, including global central bank pivots to easy monetary policy, voter pivots to opposition parties, rapidly rising national debt levels, and escalating geopolitical strife. Markets responded with solid returns for risk assets as monetary stimulus was added to the fiscal stimulus punch bowl. Fixed-income returns struggled, with rising longer-term yields fostered by stubborn inflation and swelling government debt. Precious metals and cryptocurrencies were notable performers on heightened demand from central banks and retail investors, respectively, while familiar themes repeated themselves—including another banner year for the "Magnificent 7" mega-cap tech stocks in the U.S. and another disappointing (if not slightly encouraging) year for Chinese stimulus expectations. Lastly, investors were treated to a lump of coal from U.S. policy-makers in December, as the Federal Reserve (Fed) took a hawkish turn, calling into question the future path of policy rates in the world's largest economy.

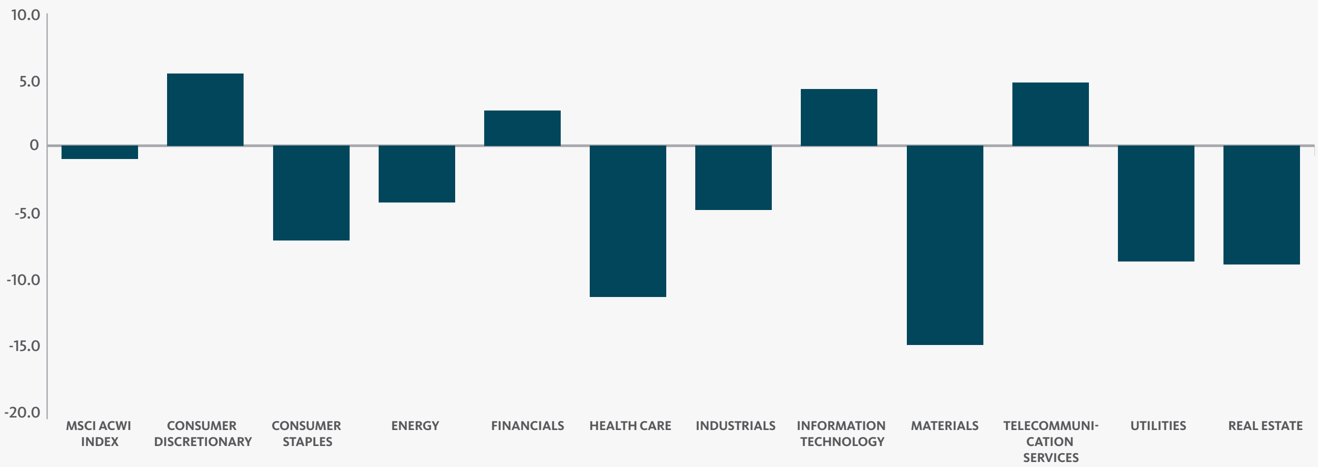
Within the equity markets, corporate earnings have surprised to the upside and have shown strength outside of big tech, while lower taxes and less regulation should be a bigger boost to mid- and small-sized companies. In addition, markets outside of the U.S. are far from priced to perfection as both earnings expectations and valuation multiples have more room to move higher. We expect additional stimulus from the European Central Bank given weakness in the core of Europe and further efforts from China to find the right mix of both fiscal and monetary stimulus measures.

Not surprisingly, we maintain our strategic recommendations for investors to stay diversified globally and focus on profitable companies with strong earnings momentum trading at reasonable prices. Given our views on the likelihood of higher interest rates and heightened volatility, we continue to lean into value and active management across our equity strategies. We favour sectors such as financials, industrials, and staples.

We maintain our strategic recommendations for investors to stay diversified globally and focus on profitable companies with strong earnings momentum trading at reasonable prices.

Within fixed-income markets, we remain cautious on interest rates and sanguine on credit. We believe the Fed is still biased toward lower rates (although we may see a pause in early 2025) despite core consumer price index and gross domestic product readings both above 3%. In addition, the reality of tariffs and immigration reforms may add additional fuel to the inflation fire early in the year. Therefore, given our outlook for higher long-term interest rates, we see headwinds for fixed-income returns. On a more positive note, while credit spreads have limited room to tighten, absolute yields remain attractive, defaults remain low, and maturities have been extended. Carry strategies in high-yield bonds and collateralised loan obligations (CLOs) should perform well.

Global Equity Sector Performance in December 2024 (Percent Return)



Sources: FactSet, Lipper. MSCI ACWI Index Components (as defined by SEI).

Standardised Performance

		1 year to 31-Dec-24	1 year to 31-Dec-23	1 year to 31-Dec-22	1 year to 31-Dec-20	1 year to 31-Dec-20
Key Measures						
Dow Jones Industrial Average		14.99%	16.18%	-6.86%	20.95%	9.72%
S&P 500 Index		25.02%	26.29%	-18.11%	28.71%	18.40%
NASDAQ Composite Index		29.57%	44.64%	-32.54%	22.18%	44.92%
MSCI ACWI Index (Net)		17.49%	22.20%	-18.36%	18.54%	16.25%
Bloomberg Barclays Global Aggregate Index		0.47%	7.44%	-14.87%	-2.52%	8.79%
Major Index Performance						
Bloomberg Barclays Global Aggregate ex-Treasury Index		0.47%	7.44%	-14.87%	-2.52%	8.79%
Bloomberg Barclays Global Aggregate Index		-1.69%	5.72%	-16.25%	-4.71%	9.20%
Bloomberg Barclays Global Treasury Index		-3.58%	4.18%	-17.47%	-6.60%	9.50%
MSCI ACWI ex-USA (Net)		5.53%	15.62%	-16.00%	7.82%	10.65%
MSCI Emerging Markets Index (Net)		7.50%	9.83%	-20.09%	-2.54%	18.31%
MSCI World Index (Net)		18.67%	23.79%	-18.14%	21.82%	15.90%
Fixed-Income Performance						
US Treasury Inflation-Protected Securities (TIPS)	Bloomberg Barclays 1-10 Year U.S. TIPS Index	3.09%	4.36%	-7.34%	5.69%	8.39%
Global Non-Government	Bloomberg Barclays Global Aggregate ex-Treasury Index	0.47%	7.44%	-14.87%	-2.52%	8.79%
Global Sovereigns	Bloomberg Barclays Global Treasury Index	-3.58%	4.18%	-17.47%	-6.60%	9.50%
US Investment-Grade Corporates	Bloomberg Barclays U.S. Corporate Investment Grade Index	2.13%	8.52%	-15.76%	-1.04%	9.89%
US Asset-Backed Securities (ABS)	Bloomberg Barclays U.S. Asset-Backed Securities Index	5.02%	5.54%	-4.30%	-0.34%	4.52%
US Mortgage-Backed Securities (MBS)	Bloomberg Barclays U.S. Mortgage-Backed Securities Index	1.20%	5.05%	-11.81%	-1.04%	3.87%
US Treasurys	Bloomberg Barclays U.S. Treasury Index	0.58%	4.05%	-12.46%	-2.32%	8.00%
US High Yield	ICE BofAML US High Yield Constrained Index	8.20%	13.47%	-11.21%	5.35%	6.07%
Emerging Markets (External)	JPMorgan EMBI Global Diversified Index	6.54%	11.09%	-17.78%	-1.80%	5.26%
Emerging Markets (Local)	JPMorgan GBI-EM Global Diversified Index	-2.38%	12.70%	-11.69%	-8.75%	2.69%
Regional Equity Performance						
United Kingdom	FTSE All-Share Index	7.54%	14.37%	-10.89%	17.24%	-6.94%
EM Latin America	MSCI Emerging Markets Latin America Index (Net)	-26.38%	32.71%	8.92%	-8.09%	-13.80%
Europe ex UK	MSCI Europe ex UK Index (Net)	#N/A	#N/A	#N/A	#N/A	#N/A
Pacific ex Japan	MSCI Pacific ex Japan Index (Net)	4.59%	6.44%	-5.94%	4.68%	6.55%
United States	S&P 500 Index	25.02%	26.29%	-18.11%	28.71%	18.40%
Japan	TOPIX, also known as the Tokyo Stock Price Index	#N/A	#N/A	#N/A	#N/A	#N/A
Global Equity Sector Performance						
MSCI ACWI Index		17.49%	22.20%	7.81%	30.25%	3.89%
MSCI ACWI Consumer Discretionary Index		20.34%	29.13%	-5.31%	50.38%	5.08%
MSCI ACWI Consumer Staples Index		4.08%	2.49%	14.30%	11.08%	3.43%
MSCI ACWI Energy Index		1.65%	4.96%	36.01%	4.88%	-21.56%
MSCI ACWI Financials Index		24.32%	15.54%	14.79%	17.15%	-2.38%
MSCI ACWI Healthcare Index		1.07%	3.58%	10.05%	22.61%	5.34%
MSCI ACWI Industrials Index		12.27%	21.89%	5.13%	26.08%	-0.67%
MSCI ACWI Information Technology Index		31.59%	51.02%	10.15%	54.52%	22.80%
MSCI ACWI Materials Index		-8.09%	12.13%	10.18%	46.03%	-7.08%
MSCI ACWI Telecommunication Services Index		31.56%	37.75%	-7.03%	39.54%	7.85%
MSCI ACWI Utilities Index		11.82%	0.45%	13.34%	0.76%	8.73%
MSCI ACWI Real Estate Index		2.26%	8.46%	-12.57%	16.48%	-6.82%

All references to performance are in US dollar terms unless otherwise noted. See Standardised Performance for more information.

Corresponding Indexes for Key Measures Exhibit

Dow Jones Industrial Average	The Dow Jones Industrial Average is a widely followed market indicator based on a price-weighted average of 30 blue-chip New York Stock Exchange stocks that are selected by editors of The Wall Street Journal.
NASDAQ Composite Index	The NASDAQ Composite Index is a market-value-weighted index of all common stocks listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) system, representing a subset of the US equity market.
MSCI ACWI Index	The MSCI ACWI Index is a market-capitalisation-weighted index composed of over 2,000 companies, and is representative of the market structure of 46 developed- and emerging-market countries in North and South America, Europe, Africa and the Pacific Rim. The Index is calculated with net dividends reinvested in US dollars.
Bloomberg Global Aggregate Index	The Bloomberg Global Aggregate Index is an unmanaged market-capitalisation-weighted benchmark that tracks the performance of investment-grade fixed-income securities denominated in 13 currencies. The Index reflects reinvestment of all distributions and changes in market prices.
Chicago Board Options Exchange Volatility Index (VIX)	The Chicago Board Options Exchange Volatility Index (VIX) tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

Corresponding Indexes for Major Index Performance Exhibit

MSCI ACWI ex-USA Index	The MSCI ACWI ex-USA Index includes both developed- and emerging-market countries, excluding the US.
MSCI Emerging Markets Index	The MSCI Emerging Markets Index is a free float-adjusted market-capitalisation-weighted index designed to measure the performance of global emerging-market equities.
MSCI World Index	The MSCI World Index is a free float-adjusted market-capitalisation-weighted index that is designed to measure the equity market performance of developed markets.
Bloomberg Global Aggregate Index	The Bloomberg Global Aggregate Index is an unmanaged market-capitalisation-weighted benchmark that tracks the performance of investment-grade fixed-income securities denominated in 13 currencies. The Index reflects reinvestment of all distributions and changes in market prices.
Bloomberg Global Aggregate ex-Treasury Index	The Bloomberg Global Aggregate ex-Treasury Index is an unmanaged market index representative of the total return performance of ex-Treasury major world bond markets.
Bloomberg Global Treasury Index	The Bloomberg Global Treasury Index is composed of those securities included in the Bloomberg Global Aggregate Index that are Treasury securities.

Corresponding Indexes for Fixed-Income Performance Exhibit	
US High Yield	ICE BofA U.S. High Yield Constrained Index
Global Sovereigns	Bloomberg Global Treasury Index
Global Non-Government	Bloomberg Global Aggregate ex-Treasury Index
Emerging Markets (Local)	JPMorgan GBI-EM Global Diversified Index
Emerging Markets (External)	JPMorgan EMBI Global Diversified Index
US Mortgage-Backed Securities (MBS)	Bloomberg U.S. Mortgage Backed Securities Index
US Asset-Backed Securities (ABS)	Bloomberg U.S. Asset-Backed Securities Index
US Treasurys	Bloomberg U.S. Treasury Index
US Treasury Inflation-Protected Securities (TIPS)	Bloomberg 1-10 Year U.S. TIPS Index
US Investment-Grade Corporates	Bloomberg U.S. Corporate Bond Index

Corresponding Indexes for Regional Equity Performance Exhibit	
United States	S&P 500 Index
United Kingdom	FTSE All-Share Index
Pacific ex Japan	MSCI Pacific ex Japan Index (Net)
Japan	TOPIX, also known as the Tokyo Stock Price Index
Europe ex UK	MSCI Europe ex UK Index (Net)
EM Latin America	MSCI Emerging Markets Latin America Index (Net)

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