

## World markets review — Third quarter 2024

### Equities

**Global equities moved higher** as central banks around the world slashed interest rates. Market returns broadened out to include value-oriented stocks and previously lagging sectors. Information technology stocks came under pressure as investors started to question high levels of spending on artificial intelligence (AI) applications.

**Utilities and real estate stocks rallied** as the U.S. Federal Reserve (Fed) and other central banks cut rates during the quarter and signaled further monetary easing in the months ahead. After posting strong returns in the first half of the year, tech stocks lagged the overall market. Elsewhere, Chinese stocks soared amid new government stimulus measures.

Equity index returns (%)	September 2024		3Q 2024		YTD 2024	
	U.S. dollar	Local currency	U.S. dollar	Local currency	U.S. dollar	Local currency
S&P 500	2.1	2.1	5.9	5.9	22.1	22.1
MSCI ACWI	2.3	1.9	6.6	4.9	18.7	18.7
MSCI ACWI ex USA	2.7	1.6	8.1	3.2	14.2	14.2
MSCI World	1.8	1.5	6.4	4.7	18.9	18.7
MSCI Emerging Markets	6.7	5.6	8.7	6.6	16.9	18.3
MSCI EAFE	0.9	-0.4	7.3	0.8	13.0	12.0
MSCI Europe	0.4	-0.7	6.6	1.6	12.8	10.9
MSCI Pacific	2.0	0.2	8.5	-0.9	13.2	13.8

Source: RIMES

### Fixed income

**Bonds rose across the board** as many central banks ushered in a new era of loose monetary policy. The Fed, the European Central Bank and the Bank of England, among others, lowered rates amid signs of cooling inflation. The Bank of Japan was an outlier, raising rates and sparking a rally in the yen.

**In foreign exchange markets**, U.S. dollar weakness accelerated for much of the quarter. The dollar declined against the euro, the yen and most other currencies. The U.S. Dollar Index fell 4.8% for the quarter and 0.5% on a year-to-date basis.

Fixed income index returns (%)	Sep 2024	3Q 2024	YTD 2024	Exchange rates (% change vs. USD)	Sep 2024	3Q 2024	YTD 2024
Bloomberg U.S. Aggregate	1.3	5.2	4.4	Euro	0.8	4.1	1.0
Bloomberg Global Aggregate	1.7	7.0	3.6	Japanese yen	1.8	12.5	-1.4
Bloomberg U.S. Corp IG	1.8	5.8	5.3	British pound	2.1	6.1	5.2
Bloomberg U.S. Corp HY	1.6	5.3	8.0	Canadian dollar	-0.2	1.3	-2.4
JPM EMBI Global Diversified	1.8	6.2	8.6	Australian dollar	2.2	3.9	1.7
JPM GBI-EM Global Diversified	3.4	9.0	4.9	Swiss franc	0.6	6.5	-0.2

Source: RIMES. Returns are in USD.

**Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.**

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## North America

**U.S. equities rose, boosted by the Federal Reserve’s decision to cut interest rates** for the first time in four years. The market rally briefly stalled in late July amid concerns over soft economic data and valuations of companies investing heavily in artificial intelligence. Utilities, real estate and industrials topped sector returns as value stocks outpaced growth. Overall, the S&P 500 Index advanced 6%, extending year-to-date gains to 22%.

**The Fed cut its policy rate by 50 basis points at its September meeting**, marking its first reduction since 2020. With inflation seemingly under control, the central bank lowered its policy range to 4.75% to 5%. The Consumer Price Index declined to 2.5% in August, its lowest level since February 2021. The job market remained resilient, even as the unemployment rate ticked up to 4.2%.

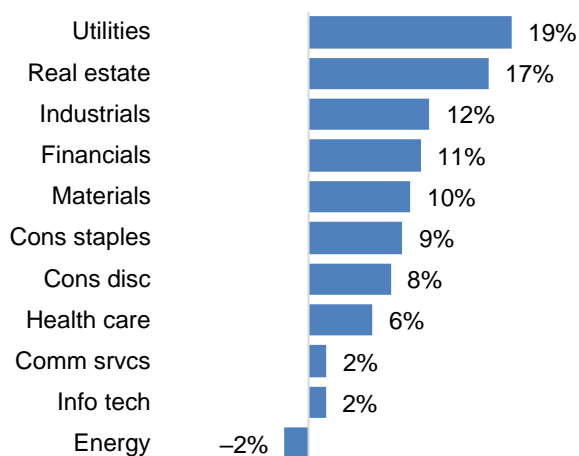
**The U.S. economy grew at an annualized 3% rate in the second quarter**, supported by strong consumer spending and an 8.3% increase in business investment. However, consumers’ views on the economy became more pessimistic by quarter end. In September, the Conference Board’s consumer confidence index suffered its largest one-month decline since August 2021.

**Returns within the Magnificent Seven large technology stocks diverged** as valuations and spending by AI-related companies came under scrutiny. Shares of Tesla climbed 32%, boosted by expectations for record automobile deliveries in China in the third quarter. Apple and Meta Platforms shares both rose. Alphabet declined 10% while Nvidia, Microsoft and Amazon had narrow losses. Semiconductors stocks were among the biggest laggards.

**Utilities and real estate were the top returning sectors**, as the declining rate environment makes dividend-paying companies more attractive. Energy was the only sector to decline, hurt by slumping oil prices. West Texas Intermediate crude oil plunged 16% amid expectations for higher global oil production in the months ahead.

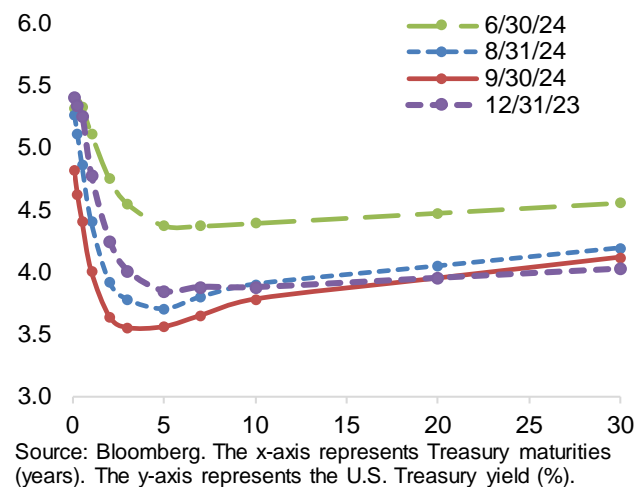
**U.S. bonds produced strong gains** in the third quarter. The Bloomberg U.S. Aggregate Index grew by 5.20%, as the Federal Reserve cut rates for the first time since 2020. The U.S. 10-year Treasury yield rallied throughout the quarter in anticipation of the rate cut, falling 62 basis points (bps) to 3.78%, while the two-year yield dropped by 111 bps from last quarter to reach 3.64%. Within U.S. credit markets, investment-grade bonds (BBB/Baa and above), as measured by the Bloomberg U.S. Corporate Investment Grade Index, grew by 5.84% and high-yield bonds, as measured by the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index, rose by 5.28%.

**S&P 500 total returns (3Q 2024)**



Source: RIMES

**U.S. Treasury yield curve**



## Europe

**European stocks advanced** amid investor expectations that the European Central Bank (ECB) will continue its interest rate-cutting campaign in the months ahead. Economic growth weakened and inflation cooled in the 20-member eurozone, increasing the likelihood that the ECB will reduce rates again in October, following two previous cuts in June and September. Overall, the MSCI Europe Index rose nearly 7% for the quarter.

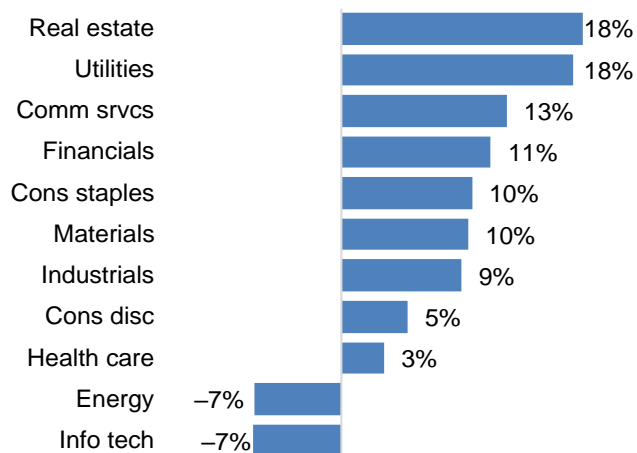
**Eurozone inflation fell to a three-year low of 2.2% in August**, down from 2.6% in July. Business activity also declined, as measured by the Eurozone Purchasing Managers' Index, which slipped below 50 for the first time in seven months. A majority of economists polled by the Financial Times in late September predicted the ECB would cut rates by 25 basis points at its October 18 policy meeting. The ECB's key deposit rate currently stands at 3.5%.

**Utilities and real estate stocks rallied** as investors favored rate-sensitive, dividend-paying stocks. Shares of Spain's Iberdrola and the U.K.'s National Grid gained more than 20%. Communication services stocks also moved sharply higher. Shares of Germany's Deutsche Telekom rose 17% as the company reported strong subscriber growth and a 32% year-over-year increase in net income at its U.S.-based T-Mobile unit. The financials sector gained about 11% as many European insurers boosted profitability by raising premiums.

**Information technology stocks declined** in tandem with a selloff in the U.S. tech sector. After a strong first half of the year, shares of Dutch semiconductor equipment maker ASML lost more than 19% as investors began to question the vast sums of money being deployed on AI-related applications. Shares of France's STMicroelectronics, a computer chip contract manufacturing company, tumbled nearly 25%. Stocks in the energy sector lost more than 6% amid falling oil prices.

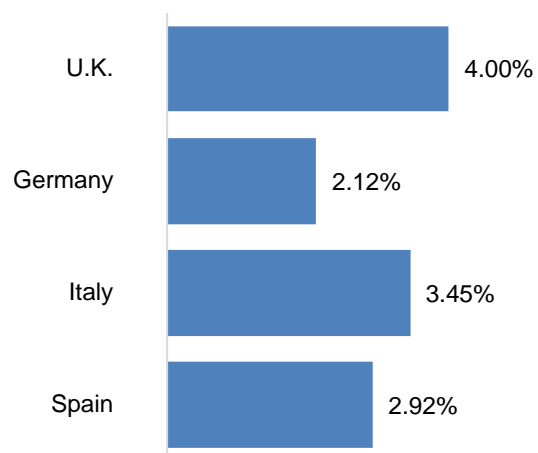
**In fixed income markets**, European bonds rallied on rising hopes that the ECB and other central banks around the world will continue lowering interest rates. The yield on Germany's benchmark 10-year note fell 38 basis points to 2.12%. The same maturity in Spain declined 50 basis points to 2.92%. In currency markets, the euro rose about 4% against the U.S. dollar.

**MSCI Europe total returns (3Q 2024)**



Source: RIMES. Returns are in USD.

**10-year government bond yields**



Source: Bloomberg. As of 9/30/24.

## Asia-Pacific

**Japanese stocks rose** against a mixed economic and political backdrop. Most sectors advanced with consumer staples and health care leading returns. Utilities and financials dragged results. The yen appreciated 12.5% against the U.S. dollar, recovering from its fall to historically low levels in the second quarter.

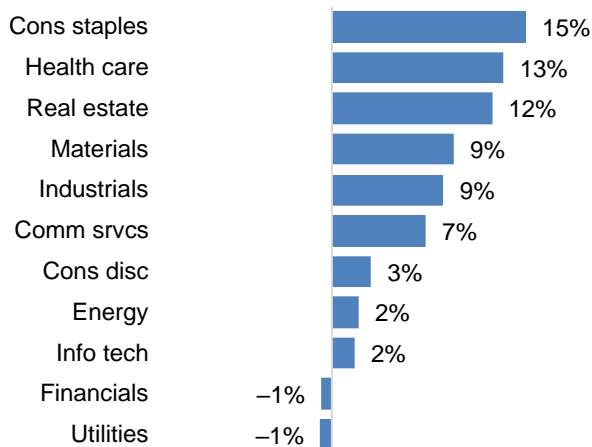
**Shigeru Ishiba became Japan's new prime minister.** Former Defense Minister Ishiba replaced Prime Minister Fumio Kishida as leader of Japan's ruling Liberal Democratic Party. Kishida announced his resignation in August. The yen rallied after Ishiba, who is largely seen as a monetary hawk, won the race against conservative opponent Sanae Takaichi. Takaichi is a vocal opponent of further interest rate hikes. The currency was also lifted as the interest rate differential between the U.S. and Japan narrowed after the Fed's interest rate cut in September.

**The Bank of Japan (BOJ) raised interest rates** to the highest levels since 2008. In July, the BOJ lifted its benchmark overnight rate to around 0.25%, above the previous range of zero to 0.1%. It also pledged to reduce its bond buying program by spring 2026. The central bank has faced pressure to tighten monetary policy on the back of a weak yen and sticky inflation. Core inflation, which excludes fresh food, rose 2.8% in August, up from 2.7% in July. Inflation continues to constrain household spending, which has contributed to sluggish economic growth. The Au Jibun Bank Flash Japan manufacturing purchasing managers' index (PMI) fell to 49.6 in September from 49.8 in August. Elsewhere, multinational retailer Fast Retailing's stock rose as it reported strong year-over-year revenue. Conversely, Toyota's shares fell as the company continued to feel the impact of a safety scandal earlier this year.

**Australian equities surged** even as economic growth slowed. Most sectors were positive. Information technology and real estate led gains, while energy and utilities lagged. The economy grew annually at 1% in the second quarter, down from 1.3% in the previous quarter, on the back of weak consumer spending, higher borrowing costs and persistent inflation. Elsewhere, rising property prices lifted bank stocks like the Commonwealth Bank of Australia, Westpac and National Australia Bank. On the other hand, falling oil prices pushed down stocks for oil and gas companies like Santos and Woodside Energy Group. The Australian dollar rose 3.9% against the greenback.

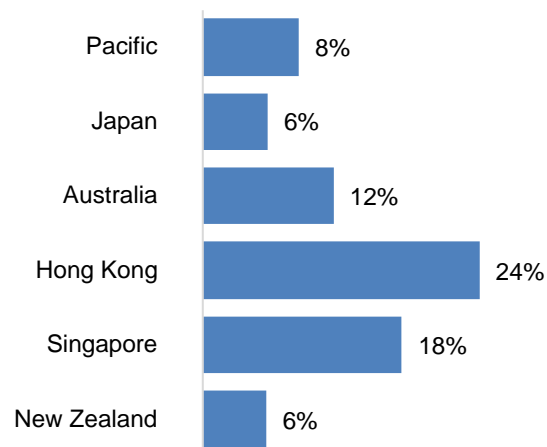
**Hong Kong equities delivered the highest returns** in the region. Stocks rose by double-digits as the Chinese government rolled out stimulus measures to help the economy. All sectors rose.

**MSCI Japan total returns (3Q 2024)**



Source: RIMES. Returns are in USD.

**MSCI Pacific total returns (3Q 2024)**



Source: RIMES. Returns are in USD.

## Emerging markets

**Emerging markets (EM) equities rose during the quarter**, outperforming many of their developed counterparts. Stocks in Brazil rose on strong economic indicators. Chinese equities climbed as investors welcomed new government measures to boost the economy. Overall, the MSCI Emerging Markets Index rose nearly 9%.

**Consumer discretionary stocks in China and India** helped power the MSCI Emerging Markets Index higher. Shares of Chinese food delivery firm Meituan surged 56% as the firm posted strong sales growth despite a struggling economy. E-commerce giant Alibaba unveiled more than 100 open-source artificial intelligence models; its shares climbed 57%. Zomato, another food delivery company based in India, rose 37%.

**Chinese stocks rose** during the quarter as the government continued its efforts to boost the economy. In September, policymakers announced sweeping measures including interest rate cuts, stimulus for banks and new pledges to stabilize the real estate market. The Shanghai Stock Exchange Composite Index rose 17% in September, its biggest monthly gain since 2015. Chinese exports grew despite the country facing higher tariffs.

**Indian equities advanced** even as analysts dimmed their outlook for earnings at some of the country's largest companies. While India's economy grew by 6.7% during the second quarter, growth was slower than expected and prompted calls for the central bank to begin easing rates. Shares of technology giant Infosys rose by 19% due to a strong outlook fueled by the promise of the artificial intelligence wave. Shares of telecom operator Bharti Airtel also surged 19%.

**Latin American equity markets were mixed** as central banks took divergent paths on interest rates. Stocks in Mexico fell 3% as the central bank lowered gross domestic product growth expectations for 2024 and 2025. In contrast, Brazilian shares jumped 7%. Its central bank raised rates by a quarter of a percentage point and signaled more to come as it tries to dampen inflation fueled by strong economic growth.

**Currencies of developing countries were mixed against the U.S. dollar** as some investors anticipated further rate cuts following the Federal Reserve's move in September. Currencies in Indonesia and Malaysia rallied against the dollar as more global investors showed enthusiasm for the two nations' growth opportunities and new government leadership in Indonesia.

**In debt markets, South African local currency bonds continued their tear**, leading most EM markets with a 17% gain in U.S. dollar terms. Investors continue to see progress in the country's economy and infrastructure under its new leadership. EM debt overall performed well. Local-currency government debt, as measured by the J.P. Morgan GBI-EM Global Diversified Index, rose 9% in dollar terms after the Fed rate cut fueled enthusiasm for emerging markets. U.S. dollar-denominated debt advanced 6% in dollar terms, as measured by the J.P. Morgan EMBI Global Diversified Index. ■

### 3Q 2024 total returns (%)

Equity indexes (USD)	Equity (USD)	Fixed income / currency	USD debt (USD)	Local debt (USD)	Local debt (Local)	Exchange rate (vs. USD)
MSCI Emerging Markets	8.7	JPM EMBI Global Div	6.2	---	---	---
MSCI Brazil	7.1	JPM GBI-EM Global Div	---	9.0	4.1	---
MSCI China	23.5	Brazil	6.7	4.4	2.4	2.0
MSCI India	7.3	China	4.0	4.6	1.0	3.6
MSCI Mexico	-3.4	Indonesia	6.1	12.9	4.4	8.2
MSCI South Africa	16.1	Malaysia	6.3	16.3	1.6	14.4
MSCI Korea	-5.6	Mexico	6.6	-1.6	5.5	-6.7
MSCI Saudi Arabia	5.9	Poland	5.0	8.2	3.3	4.8
MSCI Taiwan	0.5	South Africa	8.1	17.2	10.6	6.0
MSCI Thailand	28.9	Turkey	5.8	1.3	5.6	-4.1

Source: RIMES

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Unless otherwise noted, all returns are in U.S. dollars and assume the reinvestment of dividends. Country stock returns are based on MSCI indexes.

Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies such as Standard & Poor's, Moody's and/or Fitch, as an indication of an issuer's creditworthiness.

Bloomberg indexes are unmanaged, and results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **Bloomberg U.S. Aggregate Index** represents the U.S. investment-grade fixed-rate bond market. **Bloomberg Global Aggregate Index** represents the global investment-grade fixed income markets. **Bloomberg U.S. Corporate Investment Grade Index** represents the universe of investment grade, publically issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. The **Bloomberg U.S. Corporate High Yield Bond Index** measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market.

S&P Global purchasing manager indexes (PMIs) track business trends across both manufacturing and service sectors for various countries. The indexes are based on data collected from companies and follow variables such as sales, new orders, employment, inventories and prices. The **Hamburg Commercial Bank (HCOB) Eurozone Purchasing Managers' Index** measures private sector economic activity in the euro area, based on a survey of companies in the euro area manufacturing and service sectors. The **au Jibun Bank Japan Composite PMI**, also compiled by S&P Global, provides similar information about Japan.

**J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified** and related country-specific indexes track total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, eurobonds. **J.P. Morgan Government Bond Index – Emerging Markets (GBI-EM) Global Diversified** and related country-specific indexes cover the universe of regularly traded, liquid fixed-rate, domestic currency emerging market government bonds to which international investors can gain exposure.

MSCI indexes are free-float-adjusted, market-capitalization weighted indexes. Developed market index results reflect dividends net of withholding taxes. Emerging market index results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter. Each index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **MSCI All Country World Index (ACWI)** is designed to measure results of more than 40 developed and emerging equity markets. **MSCI All Country World (ACWI) ex USA Index** is designed to measure equity market results in the global developed and emerging markets, excluding the United States. **MSCI EAFE® (Europe, Australasia, Far East) Index** is designed to measure developed equity market results, excluding the United States and Canada. **MSCI Emerging Markets Index** is a free-float-adjusted market-capitalization-weighted index designed to measure equity market results in more than 20 global emerging markets. Individual emerging markets listed herein represent a subset of the MSCI Emerging Markets Index. **MSCI Europe Index** is designed to measure developed equity market results across 15 developed countries in Europe. **MSCI Pacific Index** is designed to measure the equity market performance of the developed markets in the Pacific region. It consists of Japan, Australia, Hong Kong, New Zealand and Singapore. **MSCI World Index** is designed to measure equity market results of developed markets. The index consists of more than 20 developed-market country indexes, including the United States.

**S&P 500 Index** is a market-capitalization-weighted index based on the results of 500 widely held common stocks. This index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes.

The **Shanghai Stock Exchange Composite Index** is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

The **Consumer Price Index (CPI)**, reported by the U.S. Bureau of Labor Statistics, measures the change in prices paid by consumers for goods and services. The **Conference Board Consumer Confidence Index®** is based on a survey of consumer attitudes, buying intentions, vacation plans, and expectations for inflation, stock prices, and interest rates.

The **Magnificent Seven** refers to seven large-capitalization U.S. technology stocks: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia and Tesla.

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