ARGUS Wealth Management

Macro & Market Outlook

as at December 31, 2024



- At the December 2024 Federal Open Market Committee (FOMC) meeting, the Federal Reserve (Fed) lowered interest rates by another 25 basis points, easing monetary policy for the third time in 2024. This lowered the interest rate target to a range of 4.25% to 4.5%.
- The Fed indicated a slower pace in 2025 than previously suggested, given strong US economic growth and stubborn inflation. The median FOMC participant anticipates only two 25 basis point cuts in 2025, down from the four cuts projected in September.
- Other major banks have implemented more substantial rate cuts. For example, the Bank of Canada cut its benchmark interest rate by another 50bps in December and reduced it five times in 2024 by a total of 175bps. Similarly, the European Central Bank made its fourth reduction in December, lowering the deposit rate from 3.25% to 3.00%.
- In 2025, there will still be notable differences in the monetary policies of central banks. The United States may slow down its rate cuts due to persistent concerns about inflation and uncertainties surrounding the policies of the Trump administration. Meanwhile, most major developed countries are expected to continue their monetary easing and further reduce interest rates.

Liquidity & Credit (unchanged*)

- S&P Global Ratings expects global credit and liquidity conditions to remain generally supportive in 2025, against the backdrop of declining interest rates and soft landings in many developed economies.
- Credit spreads for US investment-grade corporate bonds have fallen to their lowest level since 2005, indicating growing investor confidence.
- The delinquency rate on all loans and leases is currently at 1.5%, which is well below the 10-year average of 4.9%.
- It is important to recognise that potential risks are looming despite the current healthy credit and liquidity conditions. Geopolitical risks were already heightened as we entered 2024 and will remain a concern in 2025. Additionally, debt levels particularly among many governments have increased in recent years, which could lead to higher borrowing costs throughout the system. Furthermore, potential tariff and immigration policies implemented during the Trump administration could trigger a resurgence of inflation, prompting central banks to slow down or pause their easing measures.

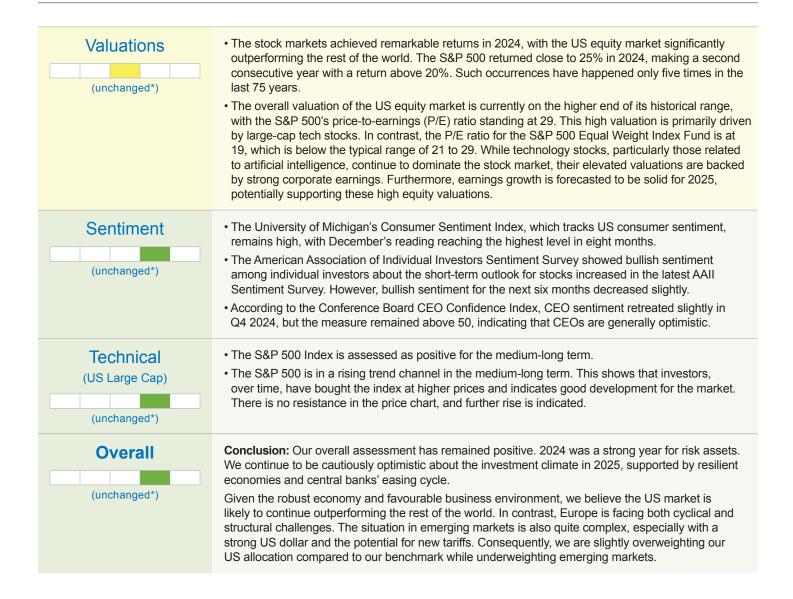
Economics (unchanged*)

- The global economy has shown resilience through 2024, with declining inflation, robust growth in trade, improvements in real incomes, and a more accommodative monetary policy in many countries. We expect growth will remain resilient, and interest rates will be higher for longer.
- The outlook continues to diverge across countries, with weaker outcomes in Europe and stronger growth in the United States.
 - According to the latest OECD's projections, the global economy's GDP growth rate is projected to be steady at 3.3% in 2025, with projected G20 headline inflation of 3.8%.
 - Annual GDP growth in the US is expected to moderate from its rapid pace, though it will continue to be supported by strong labour market conditions and consumer spending.
 Growth is projected at 2% in 2025.
 - Euro area GDP growth is projected to be 1.4% in 2025, with activity supported by the recovery in real incomes and improvements in credit availability.
 - China's growth is expected to slow to 4.8% in 2025 due to lower consumption and propertysector weaknesses that are failing to make up for public investment and export strength.
- Geopolitical risks, policy uncertainties and potential rising trade tensions pose risks of increasing inflation and may dampen global economic activity.



- * Change from the previous 12-month outlook.
- ** The weights to calculate the Overall rating are determined by Argus Wealth at its discretion.
- ¹ https://www.oecd.org/en/publications/oecd-economic-outlook-interim-report-september-2024_1517c196-en.html

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* Change from the previous 12-month outlook.

³ https://www.conference-board.org/topics/CEO-Confidence



^{**} The weights to calculate the Overall rating are determined by Argus Wealth at its discretion.

² https://www.aaii.com/sentiment-survey