



LONDON  
STOCK  
EXCHANGE

# MACROECONOMIC AND EQUITY CAPITAL MARKETS UPDATE

December 2024





# Executive Summary

2024 was an extraordinary year, perhaps even the start of a new status quo in markets. Despite ongoing conflicts and with 2024 being a record year for elections, major indices reached record highs and markets experienced fewer shocks than for example were seen in the wake of the collapse of Silicon Valley Bank and Credit Suisse in 2023. Despite some spikes following market chaos in August and unexpected events during the US election, the VIX generally spent 2024 at lower levels compared to heights seen since the onset of the Covid-19 pandemic.

In these monthly reports we aim to bring you the major macroeconomic events affecting markets, as well as a look at how markets themselves have performed. This year we have covered impacts from both the UK and US elections, the response of central banks to falling inflation, and the continuing impacts of capital market regulatory reform.

In this end of year update, we recap the key moments from 2024 affecting markets globally and look ahead to what markets can likely expect in 2025. Analysts currently expect that 2025 will see a rebound in IPO markets, and for central banks to continue to cut interest rates but with global uncertainty over geopolitical tensions it is possible that 2025 may be another year of surprises in markets.

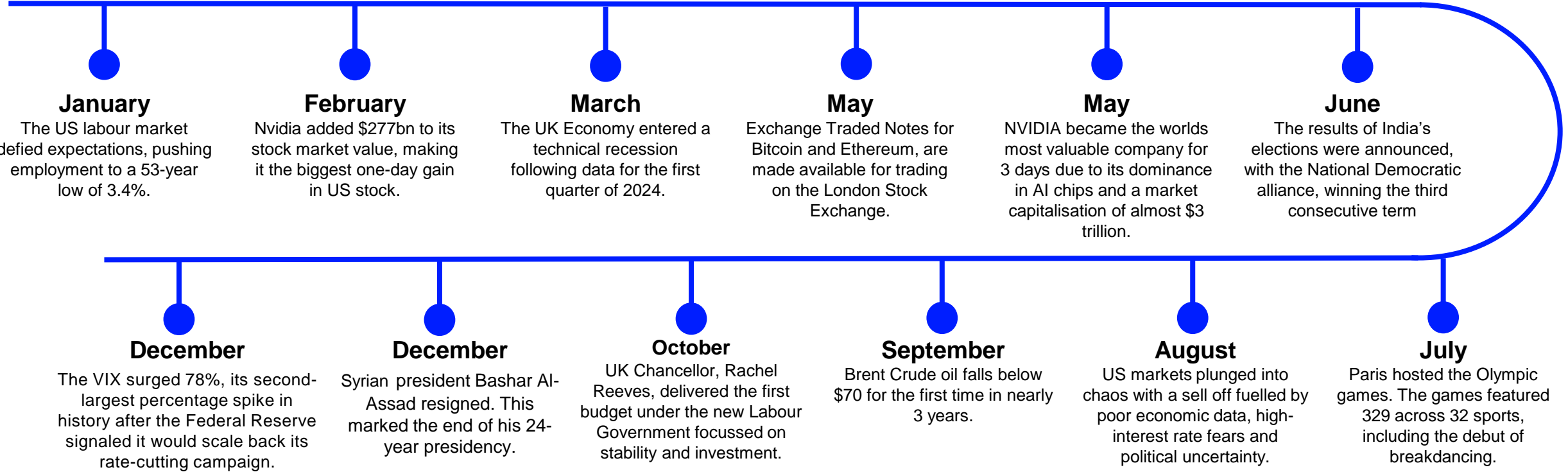


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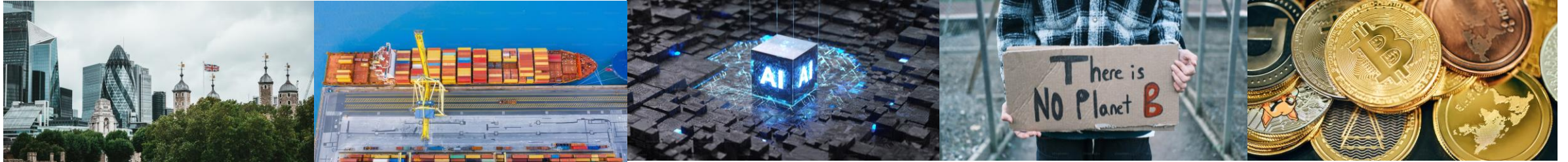




# 2024: The Year in Review



# What to Expect in 2025



## 23<sup>rd</sup> February

The 2025 German federal election scheduled, after being expedited due to the 2024 government crisis.

## 30<sup>th</sup> January

Nvidia's new Blackwell chip, set to launch which promises significant advancements in AI performance.

## 20<sup>th</sup> January

Donald Trump sworn in as the 47th President of the United States.

## 6<sup>th</sup> January

Prime Minister of Canada announces his resignation as leader of the Liberal Party of Canada after nine years in office.

## 26<sup>th</sup> March

UK Chancellor of the Exchequer, Rachel Reeves, has confirmed the Spring budget.

## 1<sup>st</sup> July

Bulgaria is expected to adopt the euro and be the 21st member state of the eurozone.

## 10-21<sup>st</sup> November

The UN has confirmed Belém (Brazil) to host the COP 30 climate conference.

## 22-23<sup>rd</sup> November

The G20 Johannesburg Summit will take place, the first time a G20 summit has been held in Africa.

# Ins and Outs: Macro Trends in 2025

## + The “Musk Effect”

While Musk-associated assets saw volatile performances in 2024, the announcement of Musk’s new role in the Department of Government Efficiency saw both Tesla and Dogecoin rise, partially driven by their association with Elon Musk.

## + Trade Tensions

Trade tensions are expected to resurface under President Trump, with proposed tariffs of 25% on Mexican and Canadian goods, 60% on Chinese imports, and even the possibility of 100% tariffs on BRIC nations. However, there remains significant uncertainty about the timing and scale of these measures.

## + Extreme Volatility Swings

While analysts are forecasting volatility levels to sit only moderately higher than the 2024 average, they are warning of the potential for extreme movements due to rising uncertainty around US tariff policies, geopolitical tensions, and a weakening job market.

## - High Index Concentrations

While the past few years have seen a continuing trend of only a few stocks comprising increasing percentages of index value, analysts expect this to change in 2025. The reduction in concentration is thought to be driven by this concentration driving volatility, and slower earnings growth of the big companies causing valuations to align.

## - High Oil Prices

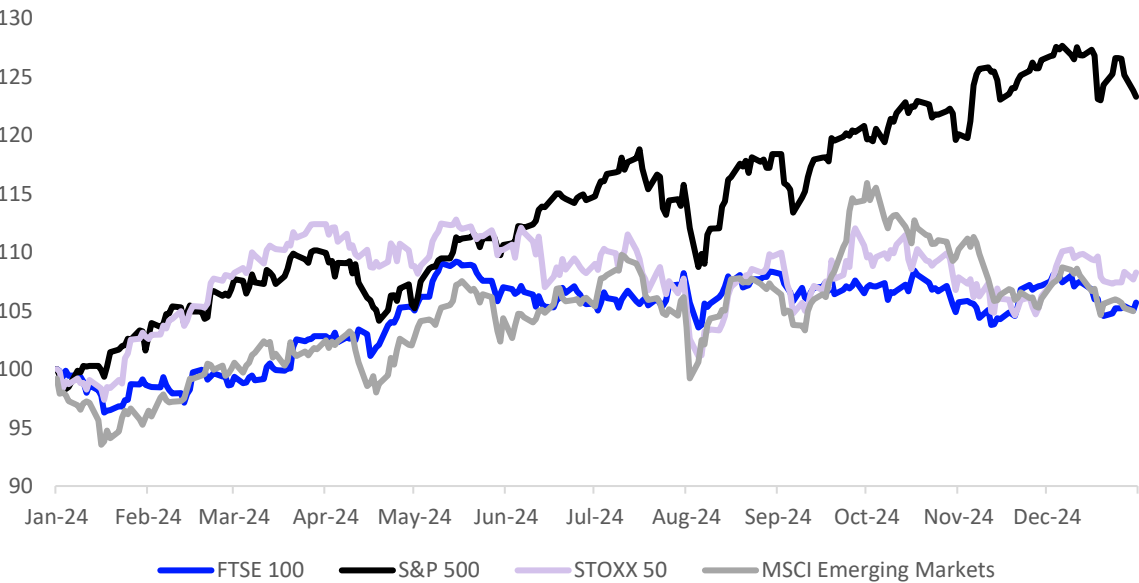
2024 saw oil prices volatile but declining in the later part of the year, while global oil production is expected to re-enter a surplus in 2025. The US Energy Information Administration has forecasted that the average price of Brent Crude oil in 2025 will be \$74 a barrel.

## - High Growth

The International Monetary Fund (IMF) predicted that growth in 2025 would be “stable yet underwhelming”. It notes in particular that five-year growth forecasts are below that seen pre-pandemic despite global disinflation continuing.

# Mixed Performance in Global Equities in December

Index Returns\*



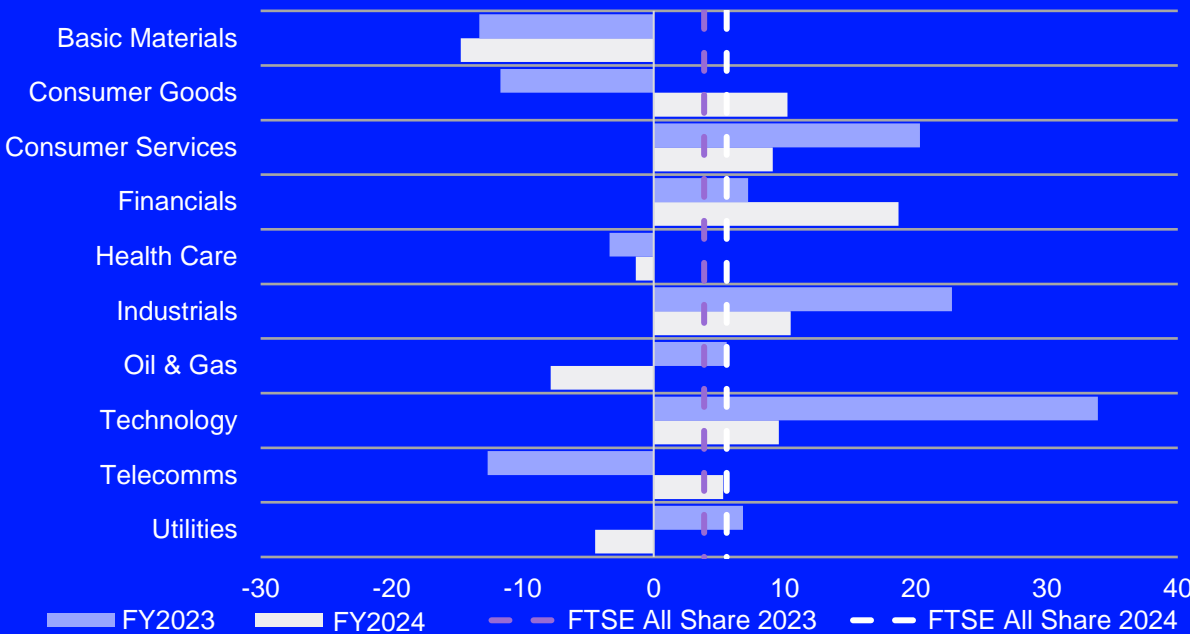
	Index Returns (%)				Index Characteristics		
	Level	Q4 24	FY24	5 year	P/E	P/B	Div Yld.
FTSE 100	8173.0	-0.3	5.7	9.4	15.8	1.7	3.7
STOXX 50	4896.0	0.7	8.3	33.1	16.1	2.0	3.2
S&P 500	5881.6	4.7	23.3	85.0	28.2	5.0	1.5
MSCI EM	1075.5	-8.0	5.0	-3.2	-	-	-



Source: LSEG Workspace, Morningstar, 31st December 2024. \*Prices rebased to 100 on 01/01/24

- On the final trading day of 2024, the FTSE 100 surged by 0.6%, marking its best performance in over a month. This move solidified gains for the fourth consecutive year, with the index achieving its strongest finish since 2021.
- Despite a 2.5% decline in December, the S&P 500 closed out 2024 with a 23.3% annual gain, following a 24% return in 2023—its best two-year performance since 1998.
- The MSCI Emerging Markets Index rose by 5.0% in 2024, though it dipped 0.3% in December. The performance of emerging markets indexes in 2024 were meaningfully impacted by policy shifts in China and Latin America.
- The top performing sectors in the FTSE All-Share in 2024 were Financials, Industrials, and Consumer Goods, with respective returns of 19%, 10%, and 10%.

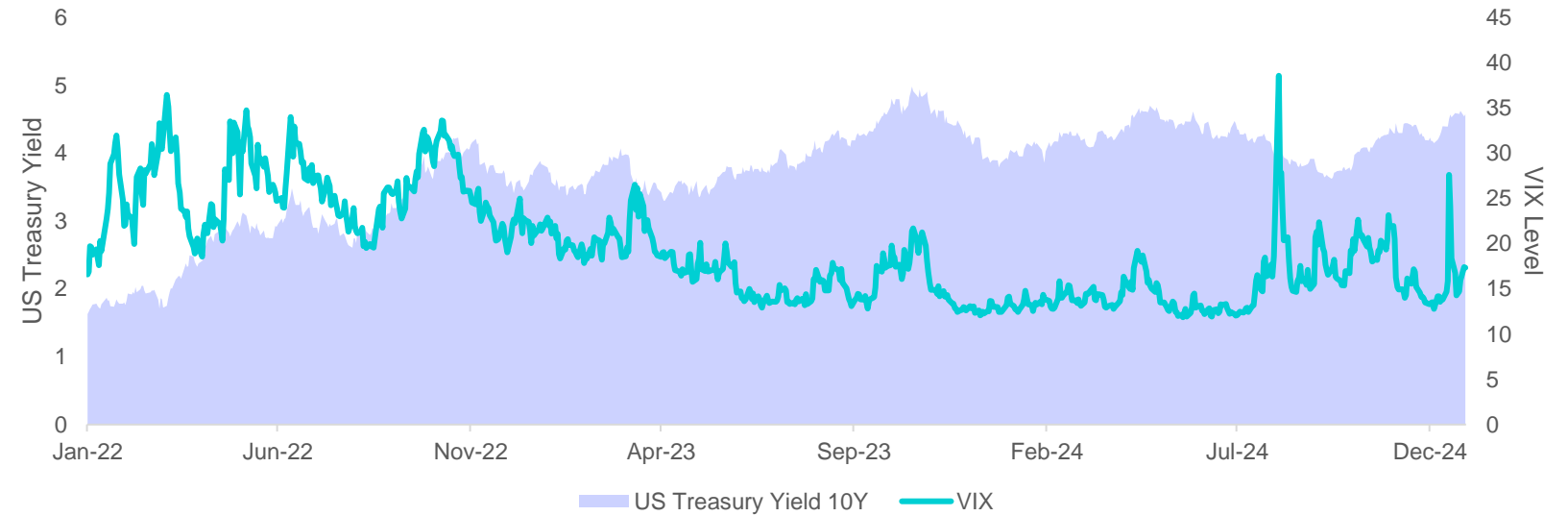
FTSE All-Share Sector Returns



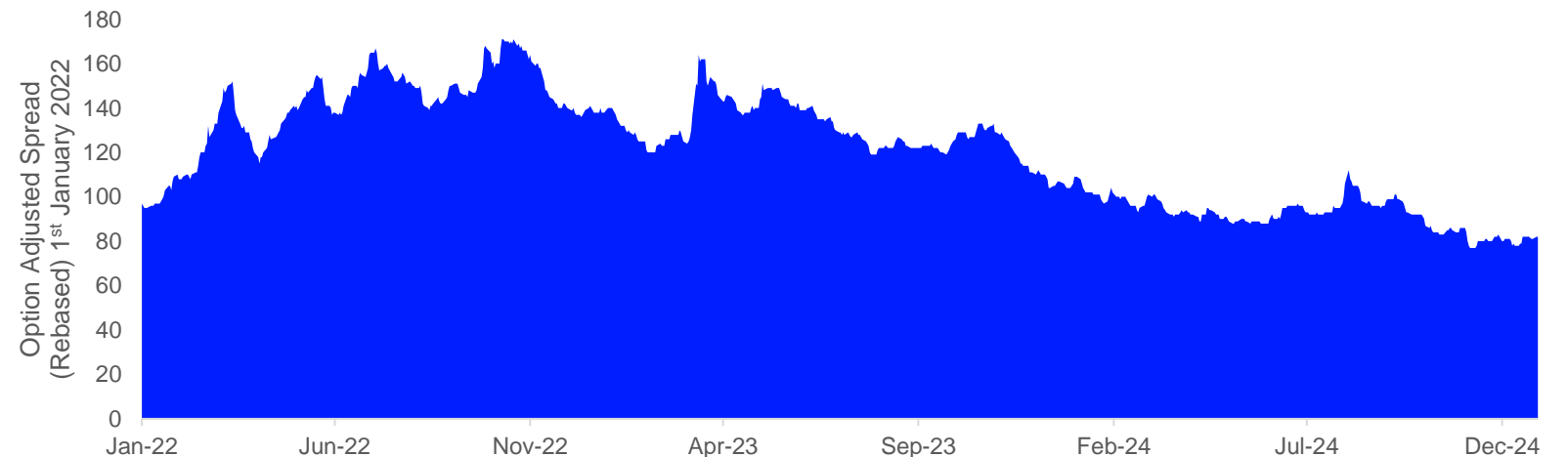
# Global Fixed Income Dynamics

- In December, the VIX experienced its second-largest intra-day percentage spike in history after the Federal Reserve signaled it would scale back its rate-cutting campaign. The volatility index surged by 74%, closing at 27.62, a sharp rise from around 15 earlier in the day.
- The yield on 10-year US Treasuries edged higher in December following the Fed's announcement on its rate plans.
- Credit spreads in December remained steady at 80–81 basis points, mirroring November levels. Despite this consistency, spreads remain historically tight, with levels throughout 2024 marking their lowest in approximately two decades.

Volatility vs US 10Y Treasury Bond Yield<sup>1</sup>



10Y US Corporate Bond Spreads<sup>2</sup>





# London Stock Exchange 2024 Transactions

## 17

Number of **IPOs** on LSE in 2024

## 360

Number of **FOs** on LSE in 2024

## £25.3bn

Total capital raised on LSE in 2024

### Canal+ Introduction

Company	Canal + S.A
Listing Date	16 <sup>th</sup> December 2024
LSE Market	Main Market
Market Cap on admission	£2.9bn
Welcome Story Link	<a href="#">Canal + Welcome Story</a>

#### Company Story

Canal+ , a former subsidiary of the French media conglomerate Vivendi, is a media and entertainment company that started as a French subscription TV channel 40 years ago, and now operates in 52 countries across Europe, Africa, Asia, United States. It provides subscription TV, handles distribution for other channels, and invests in film production through its subsidiary, StudioCanal and reported £5.4bn/€6.2bn revenues in 2023.



### Top 10 Offerings on the London Stock Exchange 2024

Issuer Name	Offer Type	Issue Date	Capital Raised (£m)	Market Cap (£m) at Deal
National Grid plc	Follow-On	13-Jun-24	7,187	48,960
Haleon plc	Follow-On	19-Mar-24	2,435	28,767
Haleon plc	Follow-On	01-Oct-24	2,432	35,809
London Stock Exchange Group plc	Follow-On	15-May-24	1,583	48,070
London Stock Exchange Group plc	Follow-On	06-Mar-24	1,428	47,071
Haleon plc	Follow-On	17-May-24	1,248	30,356
Haleon plc	Follow-On	17-Jan-24	978	30,806
SEGRO plc	Follow-On	28-Feb-24	900	11,357
Unite Students	Follow-On	24-Jul-24	447	4,554
Great Portland Estates plc	Follow-On	13-Jun-24	361	1,423



# Global DCM Volumes Higher than 2021 Peak

\$979.3bn

Raised on the London Stock  
Exchange in 2024

14,062

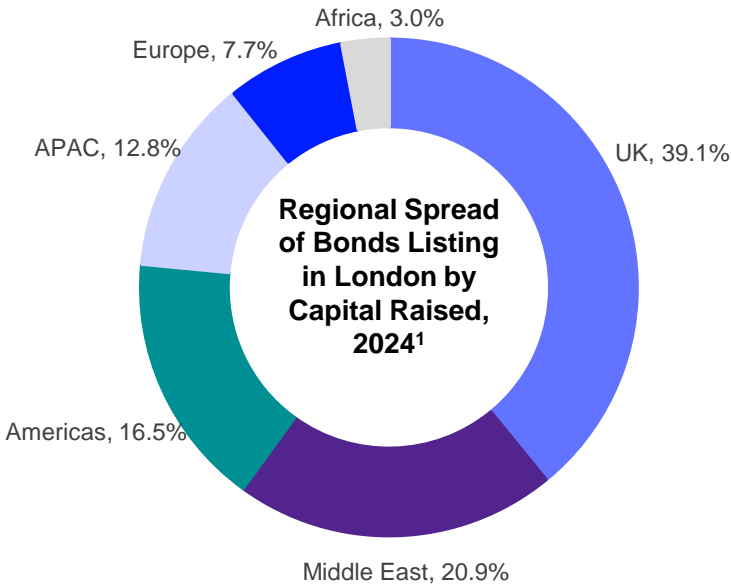
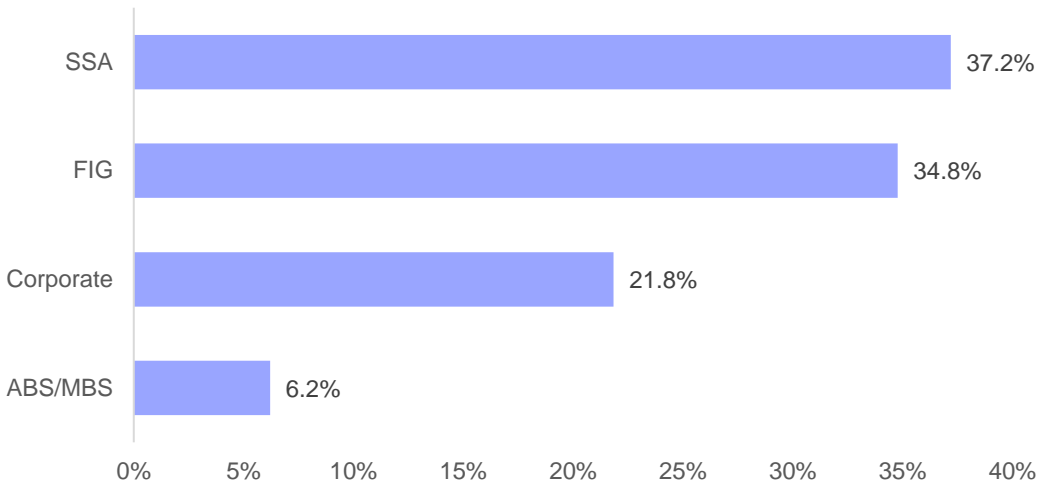
Bond transactions on the London  
Stock Exchange in 2024

61%

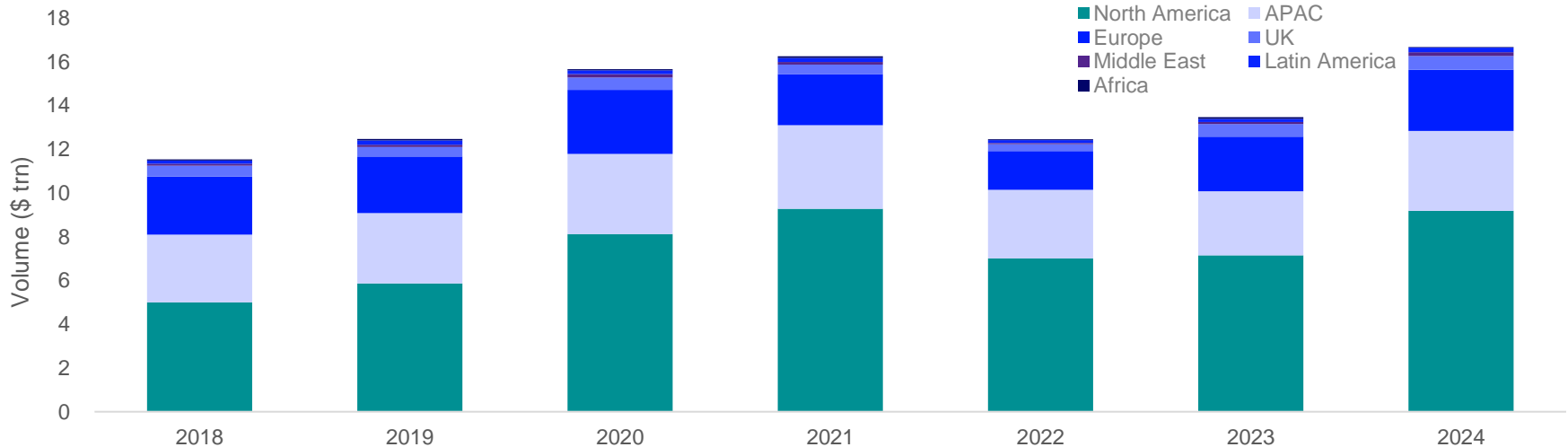
61% of capital raised by bonds on the  
London Stock Exchange was for  
international issuances.



SSA’s account for the majority of capital raised in London in 2024<sup>1</sup>

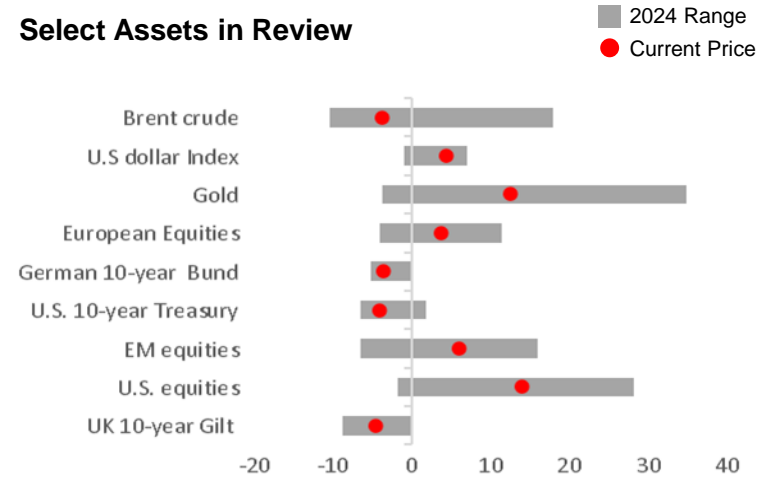
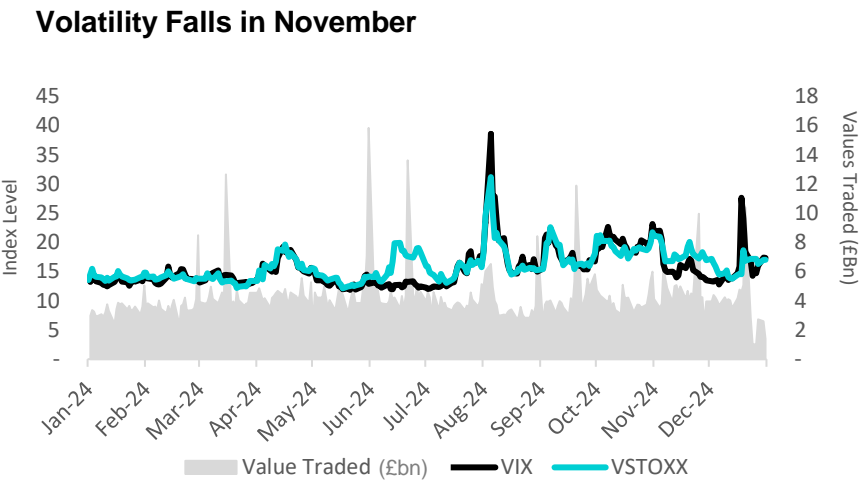


Global DCM Volumes by Issuer Region



Source: London Stock Exchange, Dealogic, January 2025. All charts include active and matured bonds. Does not exclude 144A/Reg S lines. SSA refers to Supranational, Sovereigns and Agencies. FIG refers to Financial institution groups. ABS/MBS refers to asset-backed and mortgage-backed Securities. Regional spread of London listed bonds is based on total capital raised by bonds from each region. [1] Excludes United Kingdom bond issuances.

# Impacts Seen Across Volatility and Asset Class Performance Following Fed Rate Cuts



## Inflation Moderating with Positive Growth Outlook

	Real GDP (%)			CPI Inflation (%)			Policy Rates		
	23	24	25E	23	24	25E	23	24	25E
UK	0.4	0.9	1.4	7.4	2.5	2.5	5.25	4.75	3.7
Eurozone	0.4	0.8	1.0	5.5	2.4	2.0	4.5	3.15	2.15
US	2.9	2.7	2.1	4.1	2.9	2.5	5.5	4.5	3.75
China	5.2	4.8	4.5	0.2	0.2	0.9	3.45	3.1	-
Japan	1.5	-0.2	1.2	3.3	2.6	2.1	-0.1	0.25	0.8









- The Federal Reserve (Fed) cut interest rates by 0.25 in December contributing to heightened volatility, reflected in the VIX. This was further compounded by declines in major stock indices the S&P 500 and NASDAQ, signalling cautious investor sentiment and adding to market turbulence.
- Gold had its best year since 2010 mainly driven by central bank purchases and interest rate cuts. When it came to U.S. equities, companies investing in AI-related technologies continued to push the S&P 500 to multiple record highs.
- Inflation remained largely stable, with inflation staring to moderate across key regions, particularly in the Eurozone and the US

# Five of the Major Central Banks Expected to Cut Before End of Year

## Interest Rate Decision Predictions

Central Bank	Next Meeting Date	Current Rate	Predicted Action <sup>1</sup>	Change By <sup>1</sup>
Federal Reserve	29 January 2025	4.375	NO CHANGE	-
European Central Bank	30 January 2025	3.00	CUT	-0.25
Bank of England	6 February 2025	4.75	CUT	-0.25
Bank of Japan	24 January 2025	0.25	NO CHANGE	-
Swiss National Bank	20 March 2025	0.50	CUT	-0.25
Bank of Canada	29 January 2025	3.25	CUT	-0.25
Reserve Bank of Australia	18 February 2025	4.35	CUT	-0.25

## Recent Economic Events

	Event	
02 Dec		Monetary Base
02 Dec		Job Data
09 Dec		Consumer Price Index
12 Dec		ECB Rates
13 Dec		Imports
17 Dec		Imports
20 Dec		Retail Sales
23 Dec		GDP



# Interest Rates in 2024

## What was expected?

One year ago, it was highlighted that a central theme for 2024 would likely be the role of Central Banks as we began to see interest rate cuts take place.

At the beginning of the year market consensus suggested the Federal Reserve (Fed) would begin to cut rates in H1, with markets pricing in five to six quarter point rate cuts.

The European Central Bank (ECB) was expected to follow, with the Bank of England (BOE) expected to move last of the three major central banks in the second half of the year.

All three major central banks had cautioned against cutting rates too quickly amid uncertain macroeconomic conditions.

## What actually happened?

**06<sup>th</sup> June 2024**

*The ECB is the first of the three major central banks to cut interest rates by 25 basis points.*

**31<sup>st</sup> July 2024**

*Bank of England cut rates for the first time in 2024, voting 5-4 to cut rates by 25 basis points.*

**12<sup>th</sup> September 2024**

*The ECB cut rates for the second time by 25 basis points.*

**18<sup>th</sup> September 2024**

*The Fed cut rates by 50 basis points, making it the third of the three major banks to move.*

**17<sup>th</sup> October 2024**

*The ECB cut rates for a third time by 25 basis points.*

**06<sup>th</sup> November 2024**

*BOE cut rates by 25 basis points for the second time.*

**07<sup>th</sup> November 2024**

*The Fed cut rates by a further 25 basis points.*

**12<sup>th</sup> December 2024**

*The ECB cuts rates for the fourth and final time in 2024 by 25 basis points.*

**18<sup>th</sup> December 2024**

*The Fed cuts rates by 25 basis points, the final rate cut of 2024.*

	Start of Year Rates	End of Year Rates	Number of Rate Cuts
Fed	5.375%	4.375%	3
ECB	4.00%	3.00%	4
BOE	5.25%	4.75%	2

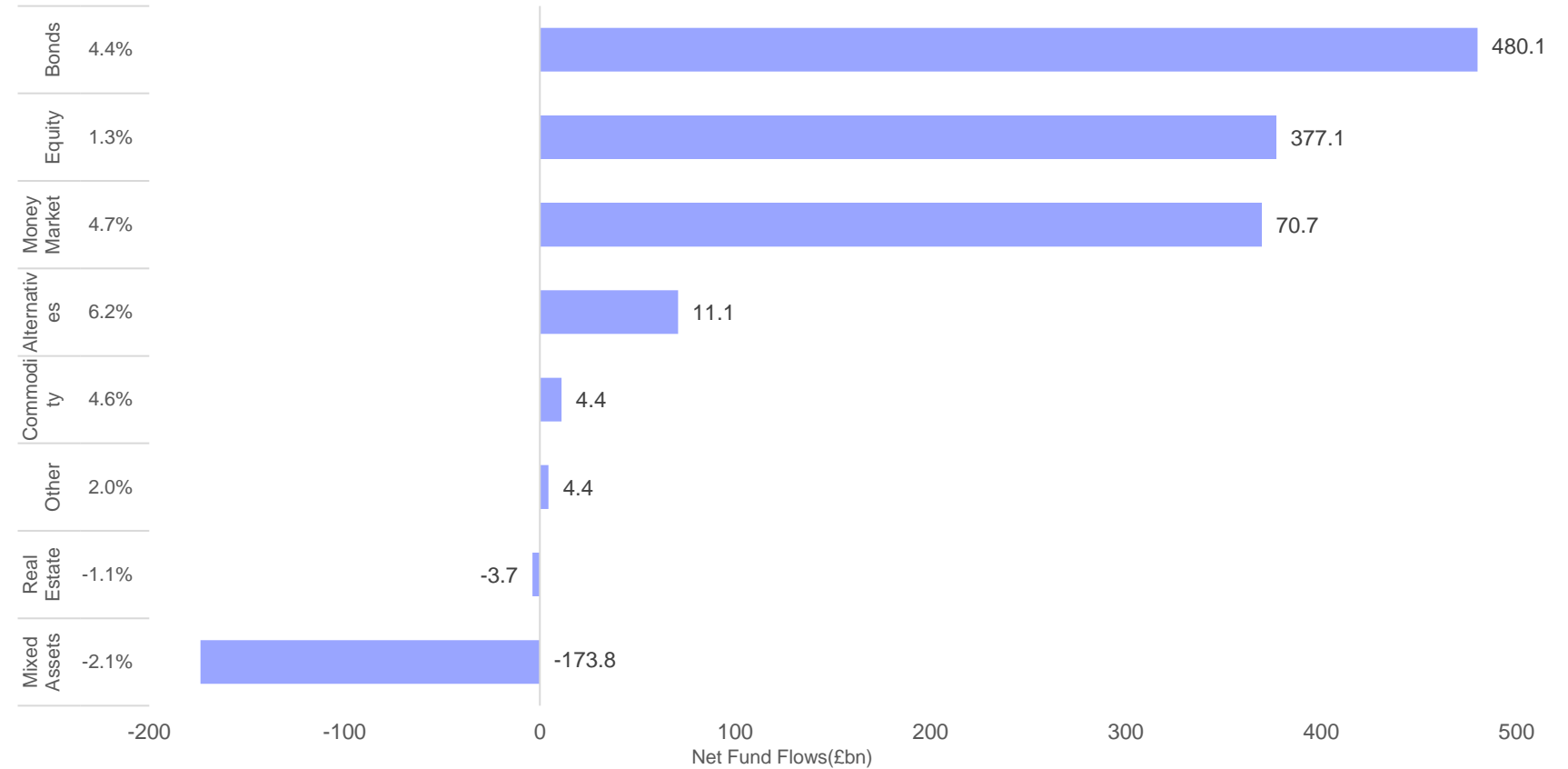
Despite expectations, the Fed was the final of the three major central banks to cut rates in 2024, but it made the largest single cut, a half percentage point cut, compared to the quarter percent cuts by the ECB and BOE.

The ECB and Fed both cut rates by 1% overall in 2024, whereas the BOE cut rates by 0.5%.

# Several Asset Classes Saw Inflows in 2024

- Bonds closed 2024 with £480.1bn in inflows, making it the largest annual inflow since 2021, as investors are thought to have sought to lock in high yields ahead of anticipated rate cuts in 2025.
- Meanwhile Real Estate continued to face consecutive outflows, mainly being driven by high interest rates, valuation adjustments and economic uncertainty. This made 2024 the sixth consecutive year of outflows, shedding £173.8 bn in December. Mixed Assets also faced the sixth consecutive year of outflows in 2024.

**Net Flows from Global Funds 2024\***



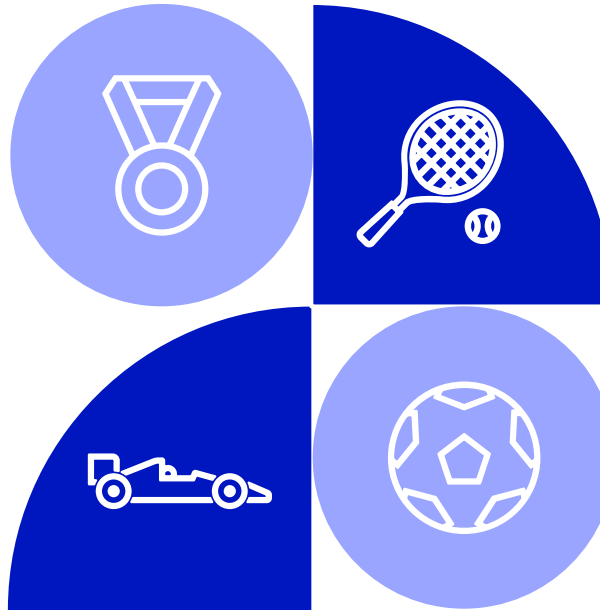
# The Sporting Year: How These Events have Shaped Economies

## Paris – 2024 Olympic Games

Paris 2024 is projected to have cost approximately **\$8.7bn**, with **\$1.5bn** dedicated to cleaning up the river Seine. However, the Bank of France estimates a **0.45%** GDP boost from the Games, and the economic gains for Paris and the Île-de-France region range from **€7.3bn** to **€12.1bn**, driven by tourism, construction, and events. The Games are expected to have injected **€2.6bn** into the local economy through tourist spending alone. While concerns exist, including potential crowding out of regular tourists in luxury retail, the Olympics leave a legacy of economic growth, infrastructure improvements, and global unity.

## Formula One

Formula One has a massive global appeal, but hosting a Grand Prix can be a financial burden for local governments and track owners. Building an F1 track can cost over **\$270m**, with ongoing maintenance of **\$18.5m** annually. Hosts also pay substantial fees to Liberty Media and track owners rely mainly on ticket sales. While F1 events boost tourism in cities like Las Vegas and Singapore, there are concerns about “revenue leakage,” where profits don’t stay in the local economy.



## Tennis – Grand Slams

Grand Slam events like the Australian Open, French Open, Wimbledon, and U.S. Open attract millions of viewers and significant tourism, benefiting sponsors like Rolex and Emirates. In 2024, the Australian Open contributed **\$533m** to the state economy, with record-breaking crowds and international visitors, particularly from the U.S. Similarly, the Roland-Garros tournament benefited Paris, generating over **€270m**. The impact of these tournaments extends beyond sponsorships, contributing significantly to host nations' economies.

## Germany – UEFA EURO 2024

UEFA EURO 2024 generated a **€7.44bn** economic impact in Germany, with **2.7m** spectators spending on travel, accommodation, and food. The event boosted Germany's global visibility, creating **€571m** in advertising value. While the government made significant tax concessions to secure the bid, many local businesses reported losses, with **88%** of surveyed companies seeing no positive effect. Despite this, the tournament lifted national pride and highlighted the importance of infrastructure investments, offering a long-term positive social impact.



# Regional Trends and Headlines

## Europe



The UK economy did not grow in the 3<sup>rd</sup> quarter of 2024, down from initial estimates of 0.1% growth. This comes as the new Labour government has said its focus is on boosting the UK economy.



Switzerland have agreed a new deal with the EU following decades of discussions. The deal will increase Switzerland's access to the single market, but will require it take on new commitments around immigration and finances. EU Commission president referred to the deal as "historic". The deal still needs to be ratified by the Swiss parliament and a potential referendum.



Volkswagen have agreed a deal with it's works council which will prevent the closure of several German factories but will see a reduction in production of 734,000 units per year. The works council control half of the seats on Volkswagen's supervisory board.

## North America



Trump has stated he would demand the "return" of the Panama Canal to the US if it is not operated with changes that Trump has suggested, the incoming President has been critical of the fees charged by the canal. Three quarters of the Panama Canal's traffic is either travelling to or from the US.



The Head of the Bank of Canada has warned that Trump's tariff plans may have a "dramatic" impact on the country's weakening economy. They were referred to as a "major source of uncertainty" though it was made clear that it was not certain that the tariffs would be implemented.



Pimco, the world's biggest active bond fund manager, has said it is cutting its exposure to long dated US debt due to the prospect of rising inflation under the Trump presidency, and questions around the sustainability of rising US debt levels which are already at historical highs.

## Central and South America



Argentina has emerged from its recession, with 3.9% GDP growth in Q3 2024. This is the first quarter of growth since the country entered recession in late 2023. This comes one year after Milei became President, during his time in the role he has cut spending and championed deregulation.



El Salvador is set to receive \$1.3bn in funding from the IMF; as part of the deal, El Salvador will drop a legal requirement for businesses to accept bitcoin as payment, with this instead becoming voluntary. The country became the first to adopt bitcoin as legal tender in June 2021.



Analysts have warned that the Brazilian real will continue to fall unless the central banks continues, and expands, its emergency measures, as well as the government delivering fiscal reforms. The real hit a record low against the dollar in December.

# Regional Trends and Headlines

## Middle East



Syrian President Bashar Al-Assad has resigned and fled the country. The Assad dynasty ruled Syria for 50 years but had struggled for power following the Civil War in 2011. The Assad regime has regained control of the country in recent years, but a rebel offensive took 12 days to seize the capital city Damascus.



Saudia Arabia has been confirmed as host of the 2034 World Cup by Fifa. Football has become a top priority for sporting investment by Saudi Arabia. The sovereign wealth fund, PIF, acquired English Premier League side Newcastle United in 2021.



Qatar's \$500bn sovereign wealth fund is aiming to do larger scale deals and invest with more frequency moving forward as per their 2024 strategic review. The Qatar Investment Authority is expecting an inflow which may cause its size to double, largely as a result of the country's expansion of its LNG production.

## Africa



Opposition leader and former President John Mahama has won the Presidential election in Ghana. Ghana has undergone years of economic difficulties including defaulting on its debt obligations in 2022 amidst high inflation and its currency collapsing.



The Nigerian government is facing opposition to a tax reform bill which Northern leaders say favours more productive Southern states. The reforms propose allowing states that generate more VAT to receive a large share of total revenue, while reducing the amount allocated based on population.



Ethiopia and Somalia are set to enter negotiations aimed at resolving their dispute over the breakaway Somaliland region and Ethiopia's push for sea access. The negotiations were announced by Turkey's President Erdogan following bilateral meetings with the leaders of both countries.



## Asia-Pacific



China's short term bond yields have fallen below 1% for the first time since 2009. Concerns have arisen around weak demand, increasing predictions that the Chinese central bank will continue to further ease monetary policy.

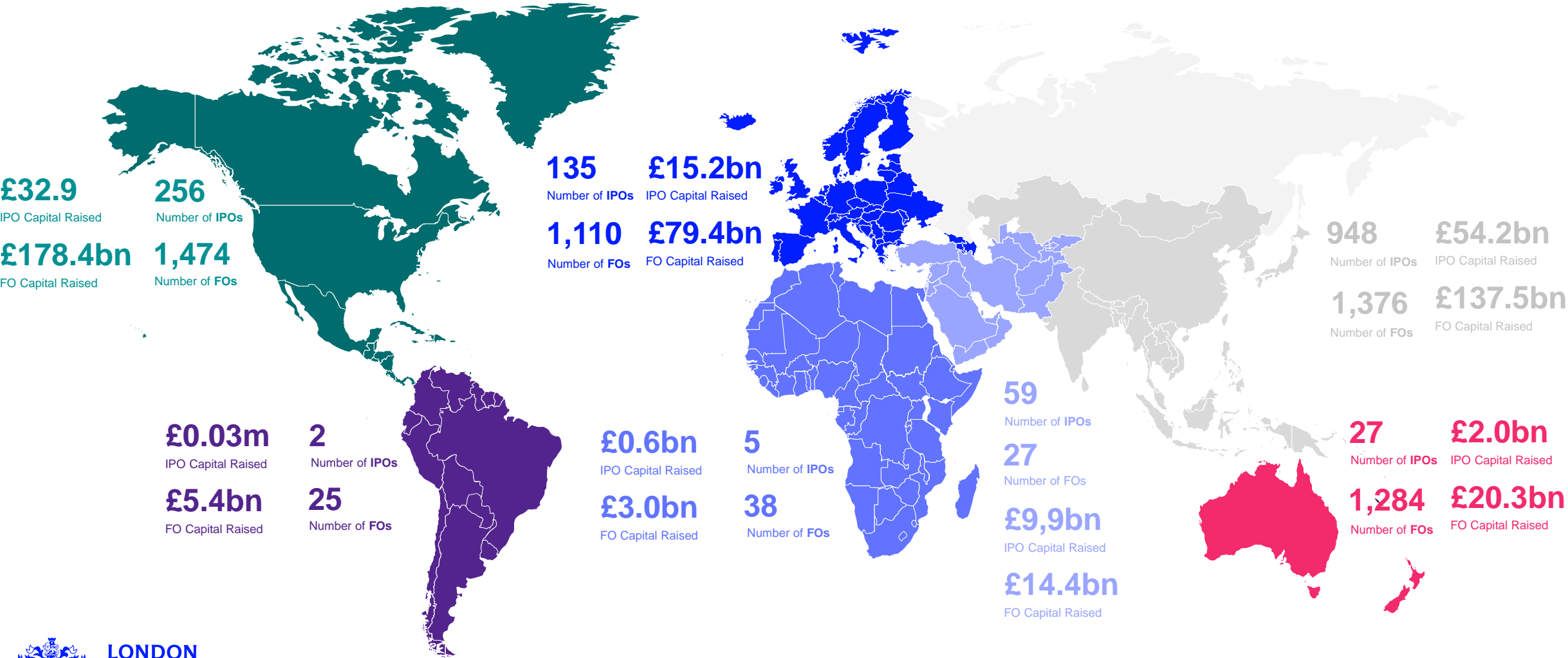


The Yen fell following the Bank of Japan's decision to hold rates. Analysts had been expecting this amidst uncertainty around Japanese wage growth and Trump's incoming presidency. However analysts had expected a firm indication of a rate rise announcement at the next meeting, no such signal sent the Yen to its lowest level against the dollar since July.



Australia passed world-first legislation preventing anyone under the age of sixteen from registering to join social media services. The new law comes into effect from November 2025.

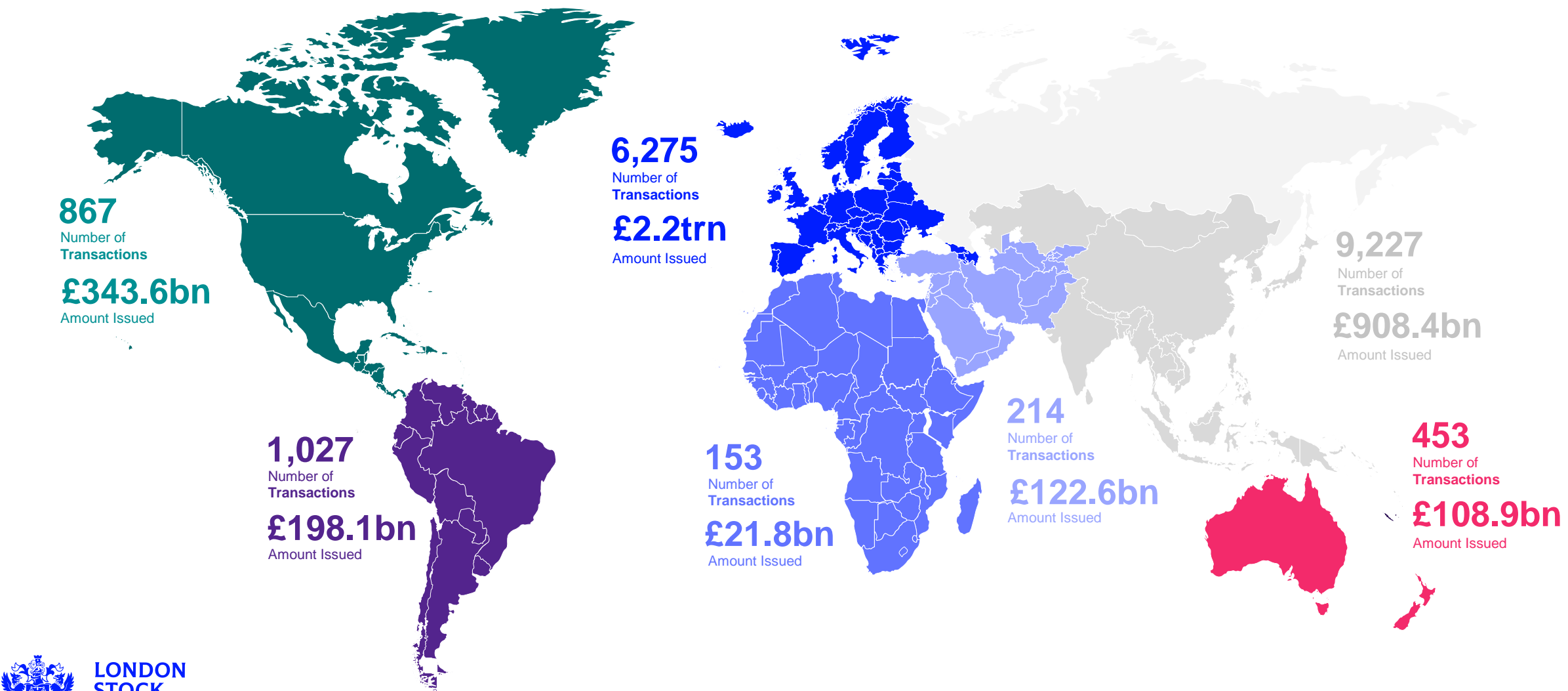
# Global Equity Capital Markets, 2024



Source: Dealogic, 31<sup>st</sup> December 2024. Deals data covers 1<sup>st</sup> January 2024 – 31<sup>st</sup> December 2024.



# Global Debt Capital Markets, 2024



Source: Dealogic, 2<sup>nd</sup> January 2025. Notes: Deals data covers 1<sup>st</sup> January 2024 – 31<sup>st</sup> December 2024. Region based on Deal Region. Excludes unlisted and unassigned bonds.



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