



2024 FOURTH QUARTER MARKET REVIEW

Change added up:  
the U.S. dollar  
dominated the quarter

IG Investment Strategy Team





## 2024 FOURTH QUARTER MARKET REVIEW

**Philip Petursson**  
Chief Investment Strategist



**Pierre-Benoît Gauthier**  
VP, Investment Strategy



**Ashish Utarid**  
AVP, Investment Strategy



## Equities posted their strongest two-year run in 25 years

Investor sentiment turned optimistic in the fourth quarter of 2024, as equities rallied to close the year on a high note. Three defining themes shaped the quarter: a historic U.S. presidential election, ongoing central bank rate cuts and a rise in political risks both domestically and abroad. Together, these factors drove market movements, creating an optimistic and rewarding environment for investors following the decisive U.S. election.

Former president Donald Trump decisively defeated Kamala Harris to reclaim the presidency, making him only the second president in U.S. history to serve non-consecutive terms. That led to a post-election rally, with North American equity markets gaining on expectations of pro-business policies, including tax cuts and deregulation. The S&P 500 Index posted a 2.1% return in U.S. dollars (8.7% in Canadian dollar terms) for the quarter, while the Canadian benchmark for stocks, the S&P/TSX Composite Index gained 3%. The rally was muted outside of North America, with major international indices underperforming for the quarter. In Canadian dollar terms, emerging markets (the MSCI Emerging Markets Index) fell by 2.1%, and Europe (the MSCI Europe Index) dropped 4.1% for the quarter, reflecting weaker growth prospects, headwinds from a stronger U.S. dollar and ongoing geopolitical tensions. However, both indices finished positively for the year, up by 14.5% and 7.8% (in Canadian dollars) respectively.

The second major theme was the continuation of global central bank easing, as the focus shifted from combating inflation to supporting growth and labour market stability. The Bank of Canada (BoC) cut its overnight rate twice by 50 basis points (half a percentage point) each time, for a total reduction of one percentage point during the quarter, bringing the overnight rate to its lowest levels in over two years. Similarly, the U.S. Federal Reserve followed its September cut with two consecutive reductions of one-quarter percentage point each.

### Rising political risks dented Canadian equity growth

While the U.S. election concluded decisively, political risks rose during the quarter. Renewed trade tensions emerged as president-elect Trump signalled a more aggressive stance on tariffs, particularly as regards Canada, Mexico and China. In Canada, uncertainty surrounding trade negotiations and domestic economic growth weighed on investor confidence, keeping the S&P/TSX Composite Index's quarterly gains more subdued compared to U.S. markets. Globally, geopolitical risks (including prolonged conflicts in Eastern Europe and concerns over slowing growth in China) further dragged on investor sentiment.

“Even with a decisive conclusion to the U.S. presidential election, political risks increased with tariff talk focused on Canada.”  
– Philip Petursson

# Index returns

## 2024 equity price returns and fixed income total returns

Table 1 - 2024 equity price returns

EQUITY BENCHMARK PRICE RETURNS	CURRENCY	Q4	YTD	1-YEAR
S&P/TSX Composite	CAD	3.0%	18.0%	18.0%
S&P 500	USD	2.1%	23.3%	23.3%
	CAD	8.7%	34.4%	34.4%
MSCI EAFE	USD	-8.4%	1.1%	1.1%
	CAD	-2.4%	10.2%	10.2%
MSCI Europe	EUR	-3.0%	5.8%	5.8%
	CAD	-4.1%	7.8%	7.8%
MSCI Emerging Markets	USD	-8.1%	5.1%	5.1%
	CAD	-2.1%	14.5%	14.5%

Table 2 - 2024 fixed income total returns

FIXED INCOME BENCHMARK PRICE RETURNS	CURRENCY	Q4	YTD	1-YEAR
FTSE Canadian All Government Bond	CAD	-0.4%	3.3%	3.3%
FTSE Canada Universe Bond	CAD	0.0%	4.2%	4.2%
ICE BofA US Corporate Bond	USD	-2.8%	2.8%	2.8%
	CAD	3.4%	12.1%	12.1%
ICE BofA US High Yield Composite	USD	0.2%	8.2%	8.2%
	CAD	6.6%	18.0%	18.0%
Bloomberg Global Aggregate Bond	USD	-5.1%	-1.7%	-1.7%

Source: IG Wealth Management, Bloomberg; 1 year, December 29, 2023 - December 31, 2024.  
Equity benchmark returns are quoted as price returns, excluding dividends. Canadian bond market to December 31, 2024.



# Drivers of market performance

## Canadian equities

The S&P/TSX Composite Index rose 3% during the quarter, driven largely by the strong performance within the information technology sector, which gained 22.1%.

Shopify exceeded earnings expectations, contributing to over half of the index's quarterly gain.

The financials sector rose 5.7% during the quarter, while the energy sector gained 5.4%, supported by better pricing on energy exports.

These gains helped offset weaker performances in other areas, such as telecommunications, which experienced a double-digit decline.

## U.S. equities

The S&P 500 Index delivered a quarterly return of 2.1% in U.S. dollars (8.7% in Canadian dollar terms), finishing 2024 with an impressive annual gain of 23.3% (34.4% in Canadian dollars). This remarkable performance was fuelled by a very strong U.S. dollar (as the difference between U.S. and Canadian dollar returns showed). In addition, there was optimism around pro-business policies following the U.S. presidential election and the ongoing impact of U.S. Federal Reserve rate cuts.

Growth-oriented sectors, such as technology, led the rally, while materials lagged due to declining prices. The strong U.S. equity performance highlighted the resilience of the market despite broader global uncertainties.

## International equities

International equities presented a mixed picture in the final quarter of 2024. The MSCI Emerging Markets Index declined by 2.1% in Canadian dollar terms for the quarter (-8.1% in U.S. dollars), due to weaker economic conditions and geopolitical challenges.

Similarly, the MSCI Europe Index recorded a quarterly decline of 4.1% in Canadian dollars, as economic recovery in the region slowed. Over the year, emerging markets managed a strong annual gain of 14.5, while Europe posted a modest 7.8% increase (both in Canadian dollars), emphasizing the uneven recovery across global markets.

## Fixed income

Fixed income markets displayed resilience in the fourth quarter, supported by central banks' accommodative policies. The Canada Universe Bond Index ended the quarter flat at 0% but recorded an annual return of 4.2% (both in Canadian dollars).

High-yield bonds outperformed, with the ICE BofA US High Yield Composite Index gaining 6.6% for Q4 and 18% for the year (both in Canadian dollars).

Meanwhile, global bonds (as measured by the Bloomberg Global Aggregate Index) faced headwinds, declining 5.1 during the quarter and finishing the year down 1.7% (both in U.S. dollar terms), reflecting ongoing challenges in international fixed income markets.

# Canadian equities

Chart 1 – S&P/TSX Composite Index performance

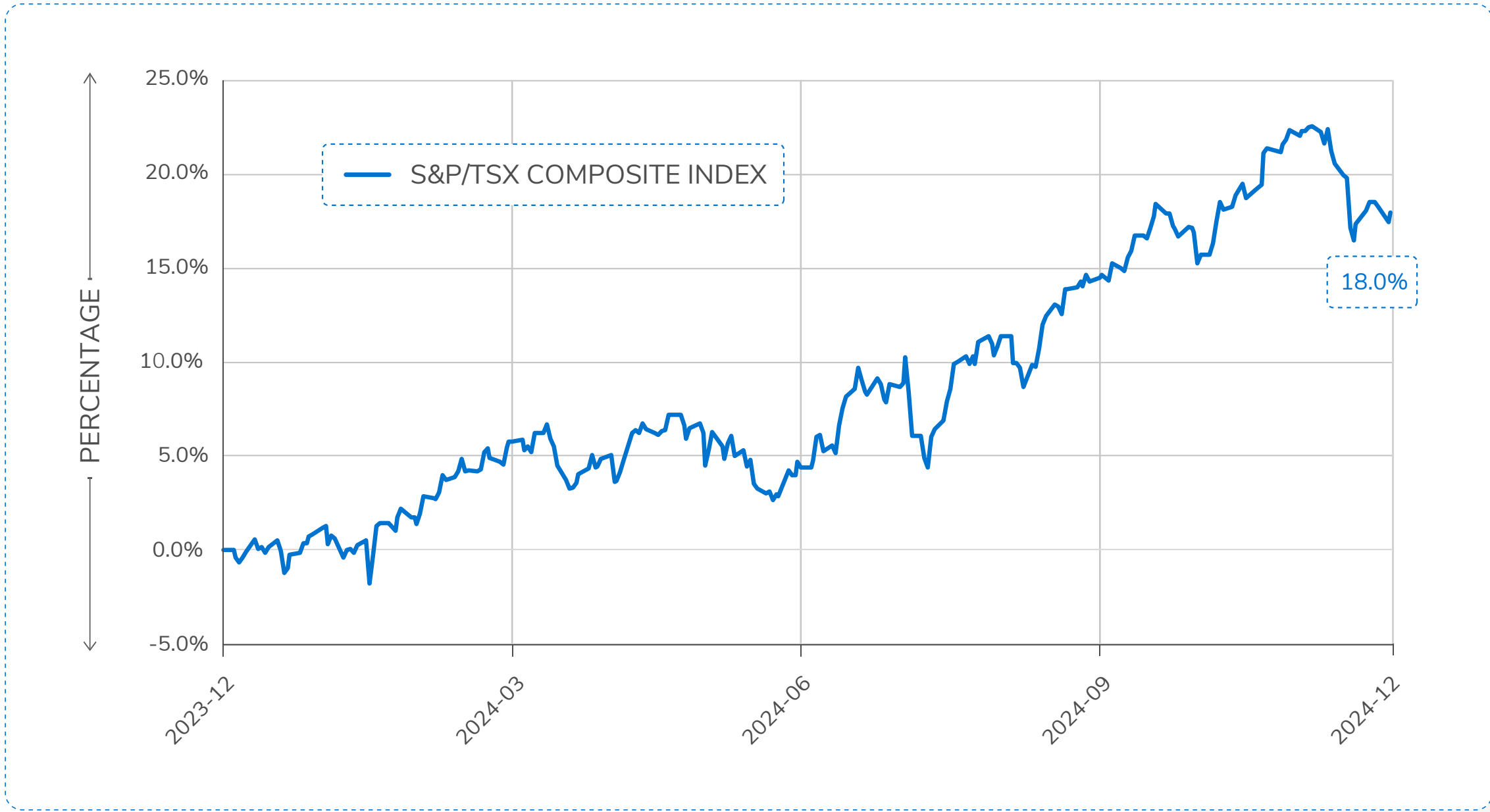
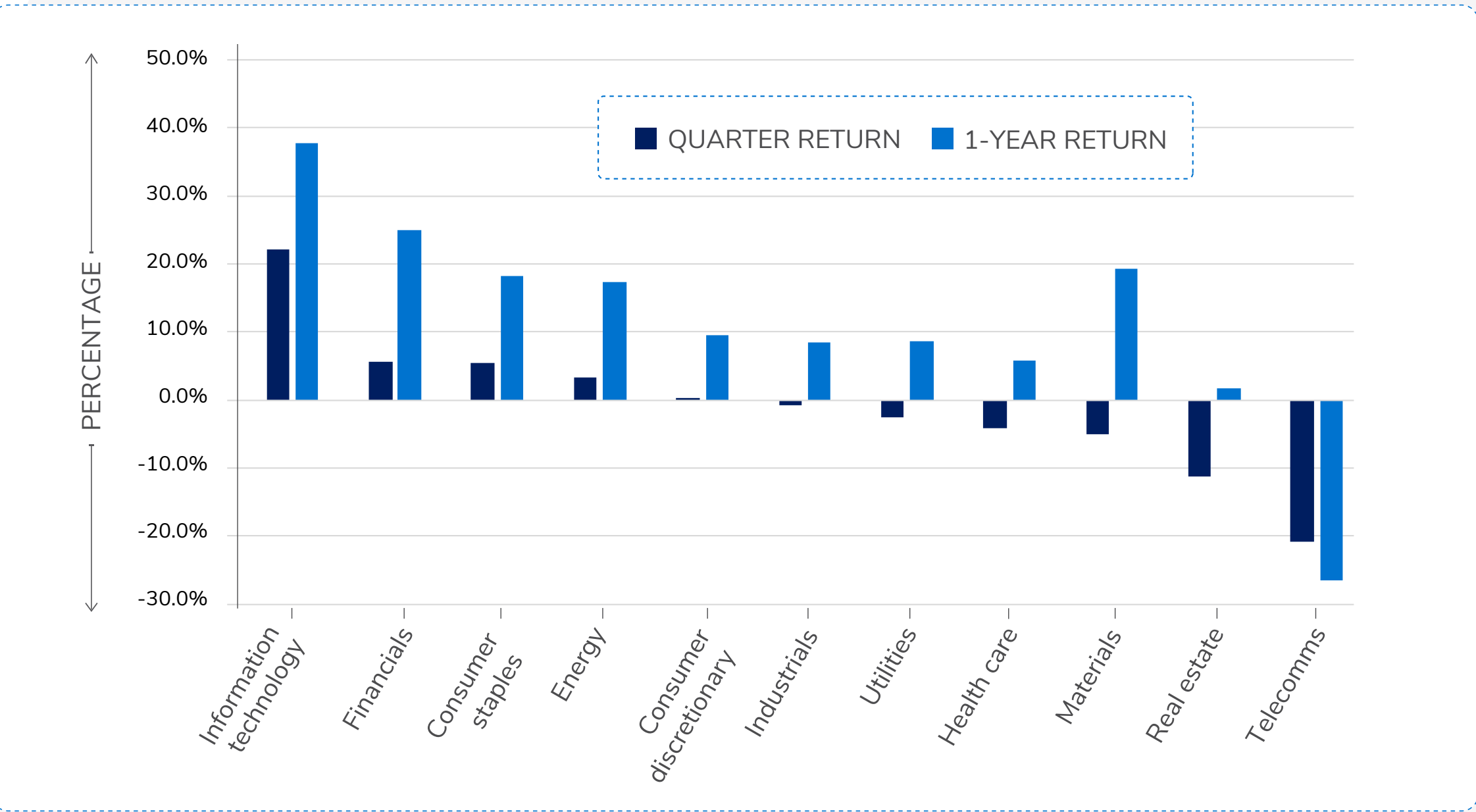


Chart 2 – S&P/TSX Composite sector level returns: quarter vs 1-year



Source: IG Wealth Management, Bloomberg, as of December 31, 2024.

# U.S. equities

Chart 3 – S&P 500 Index performance (USD)

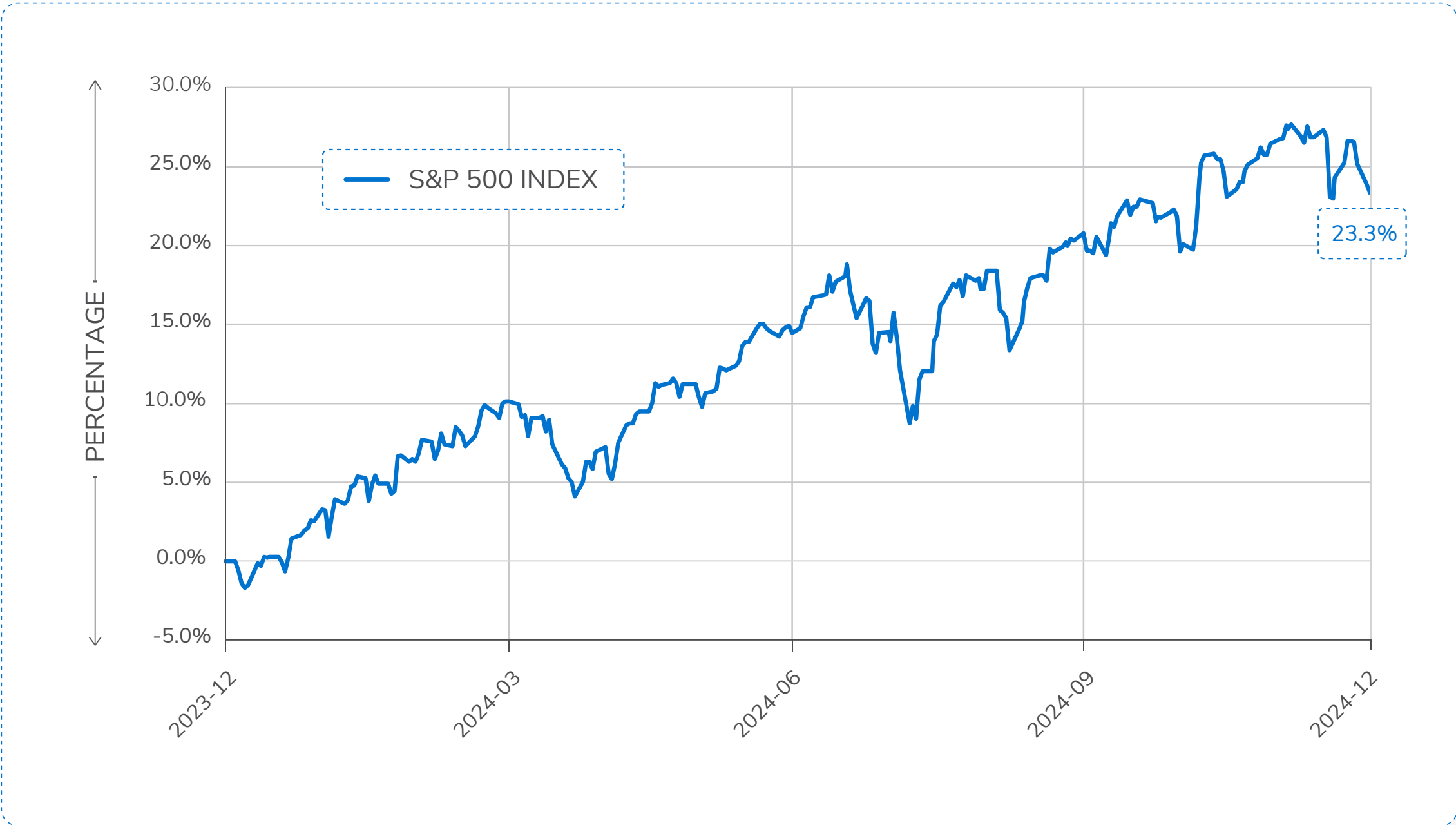
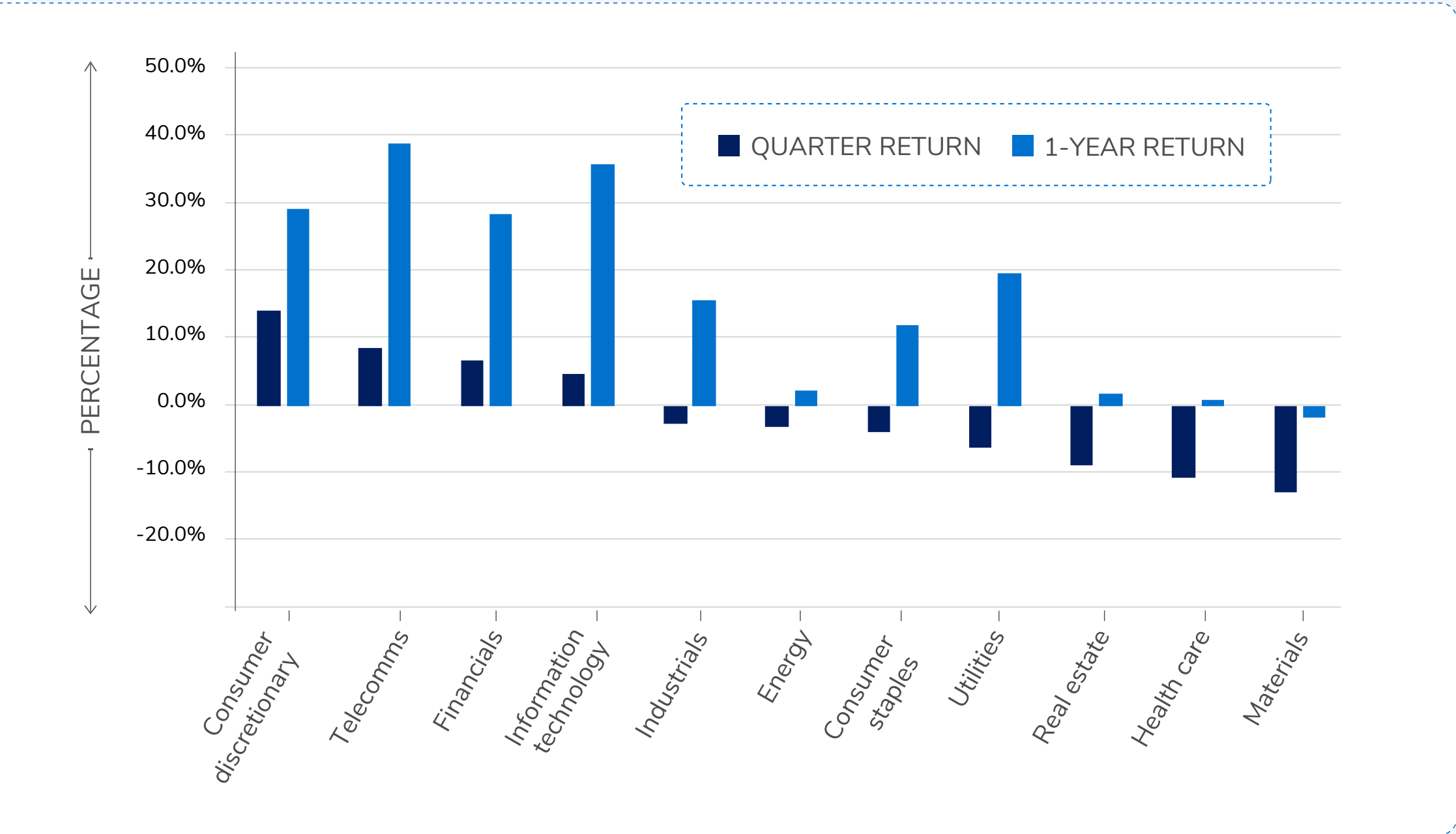


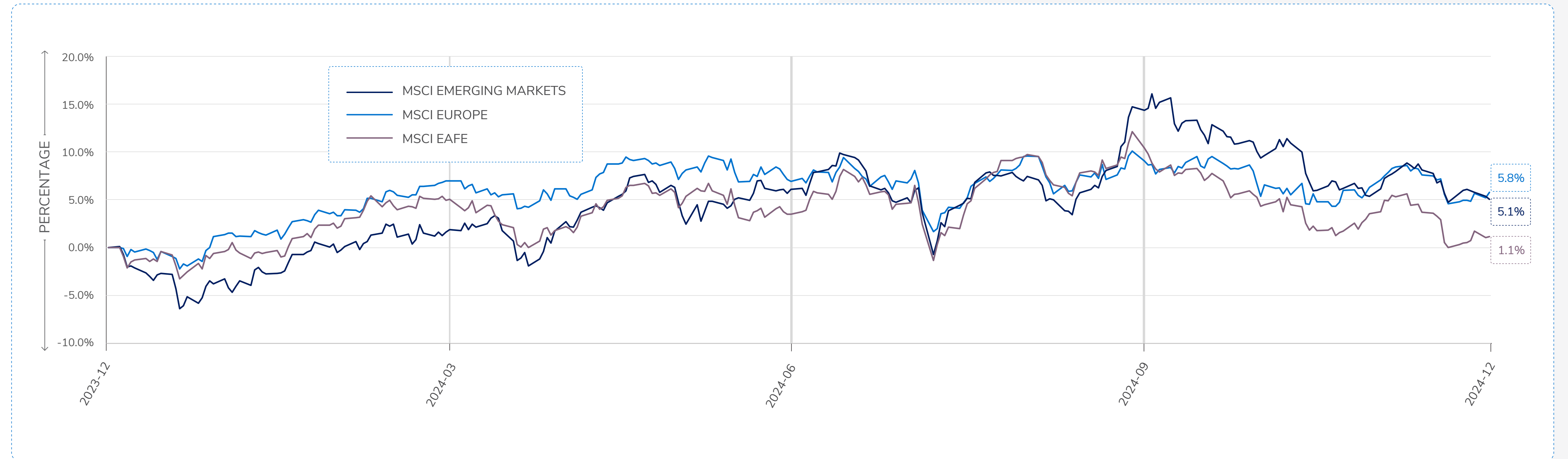
Chart 4 – S&P 500 Composite sector level returns: quarter vs. 1-year



Source: IG Wealth Management, Bloomberg, as of December 31, 2024.

# International equities

Chart 5 – MSCI Emerging Markets (USD), MSCI Europe (EUR) and MSCI EAFE (USD) indices performance



Source: IG Wealth Management, Bloomberg, as of December 31, 2024.

# Fixed income

Chart 6 - Global central bank policy rates

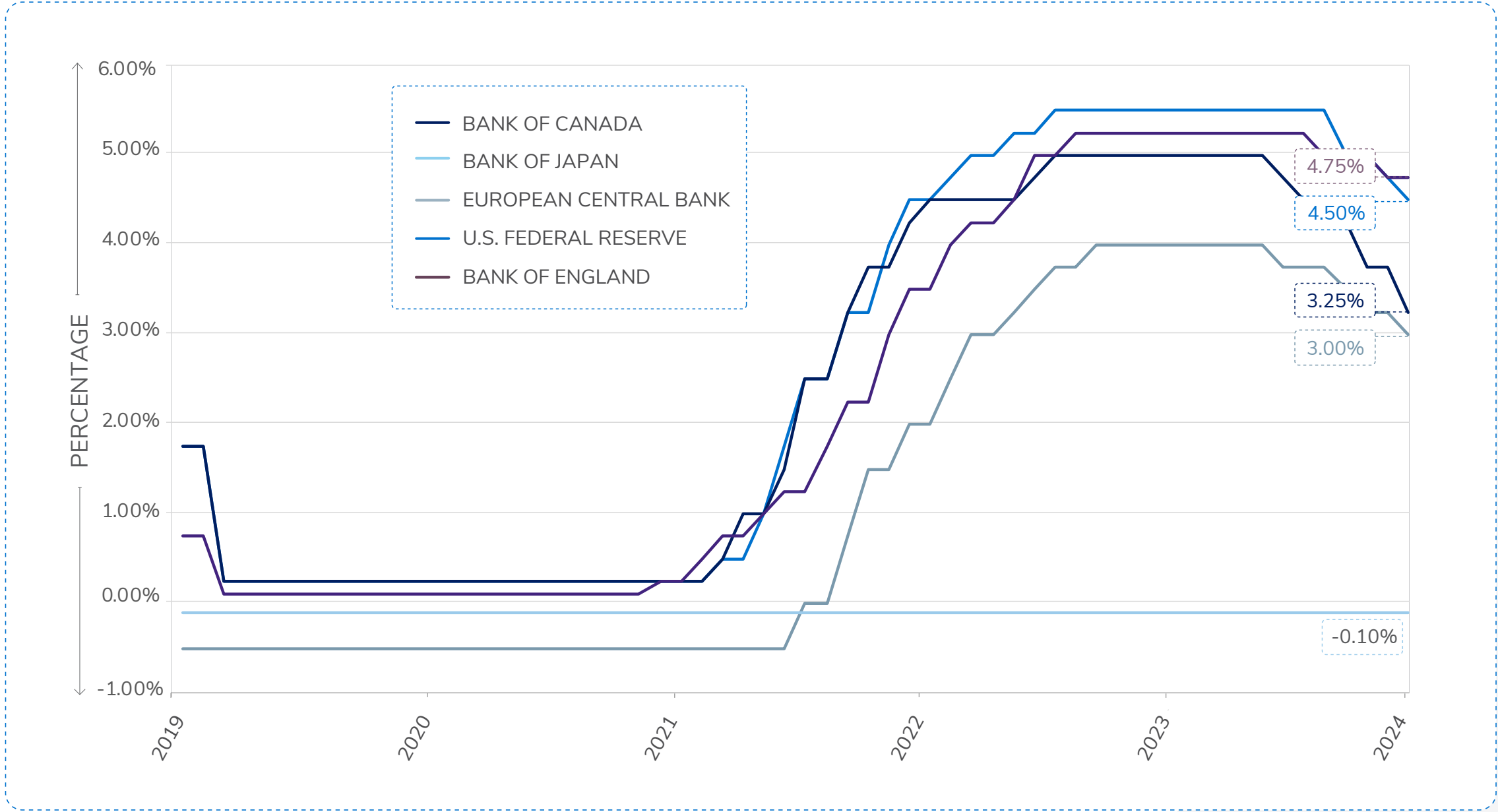
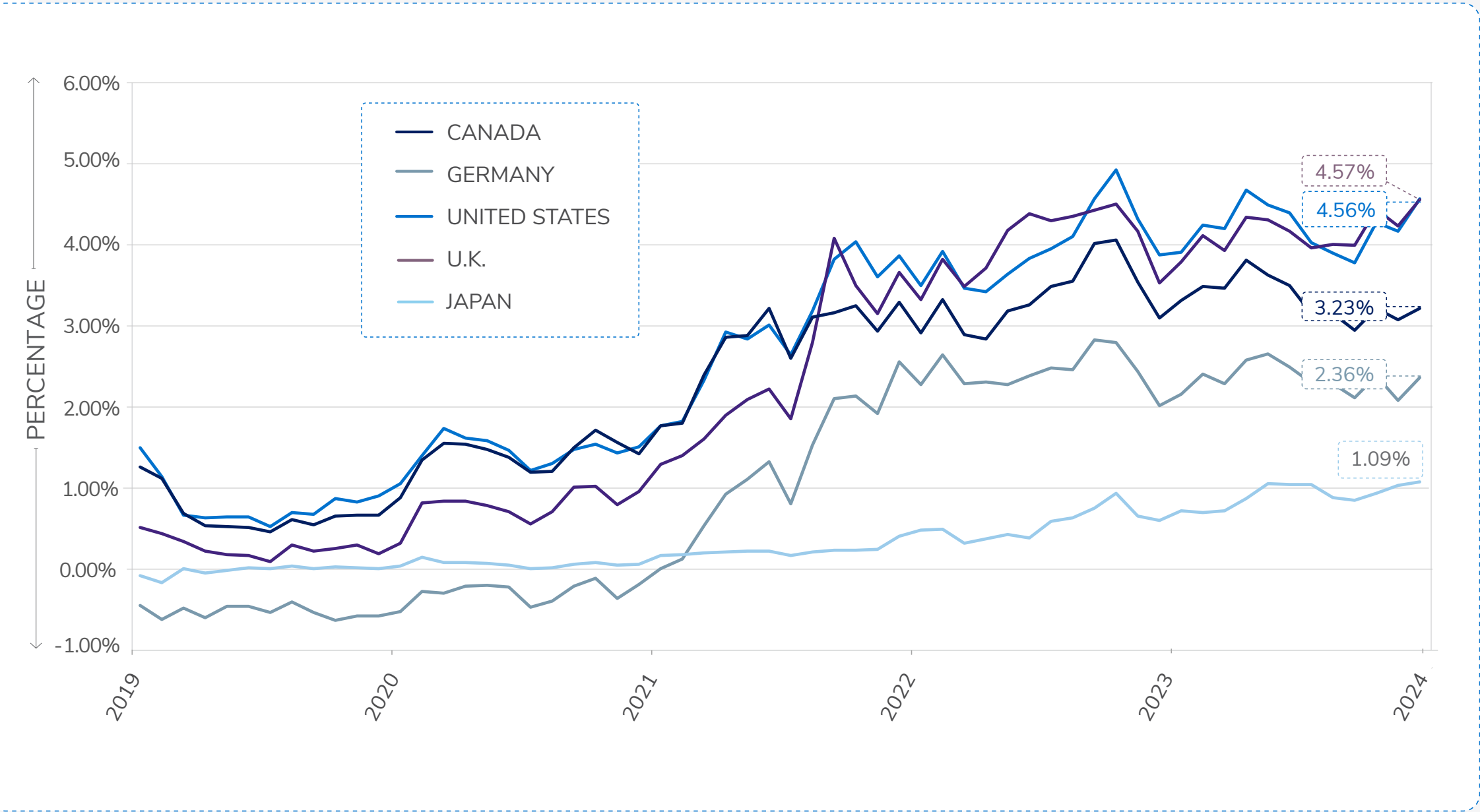


Chart 7 – Sovereign bond 10-year maturity yields



Source: IG Wealth Management, Bloomberg, as of December 31, 2024.



# Key benchmark performance

Chart 8 – Canadian dollar/U.S. dollar cross

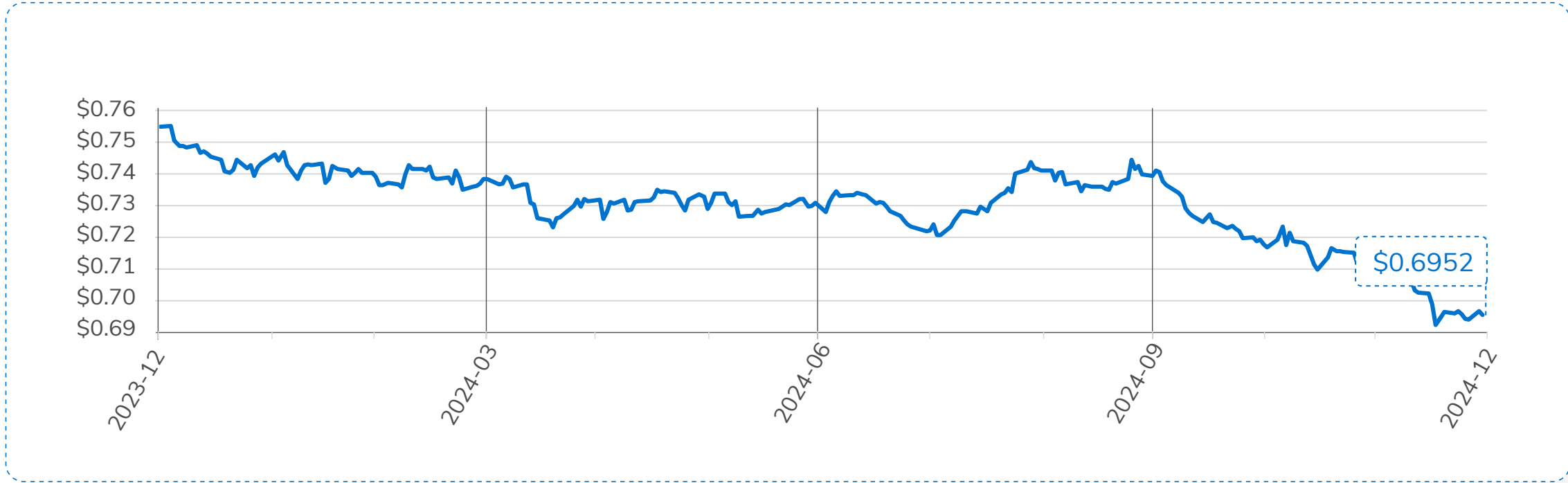


Chart 9 – Crude oil (WTI) US\$/bbl

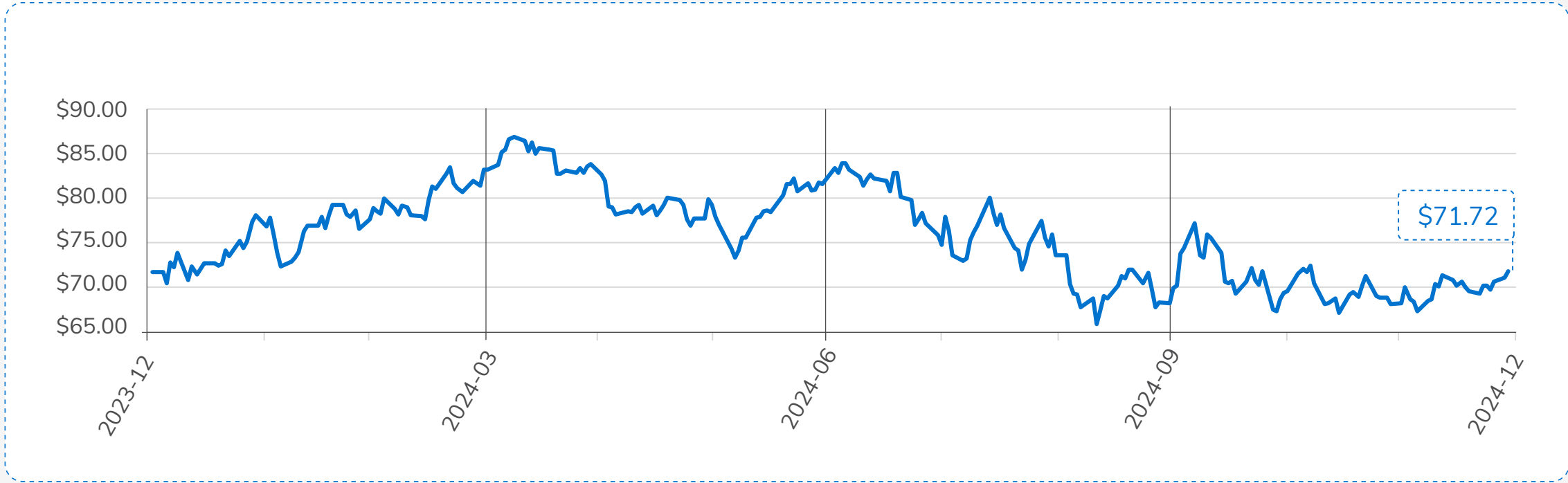


Chart 10 – Gold US\$/oz.

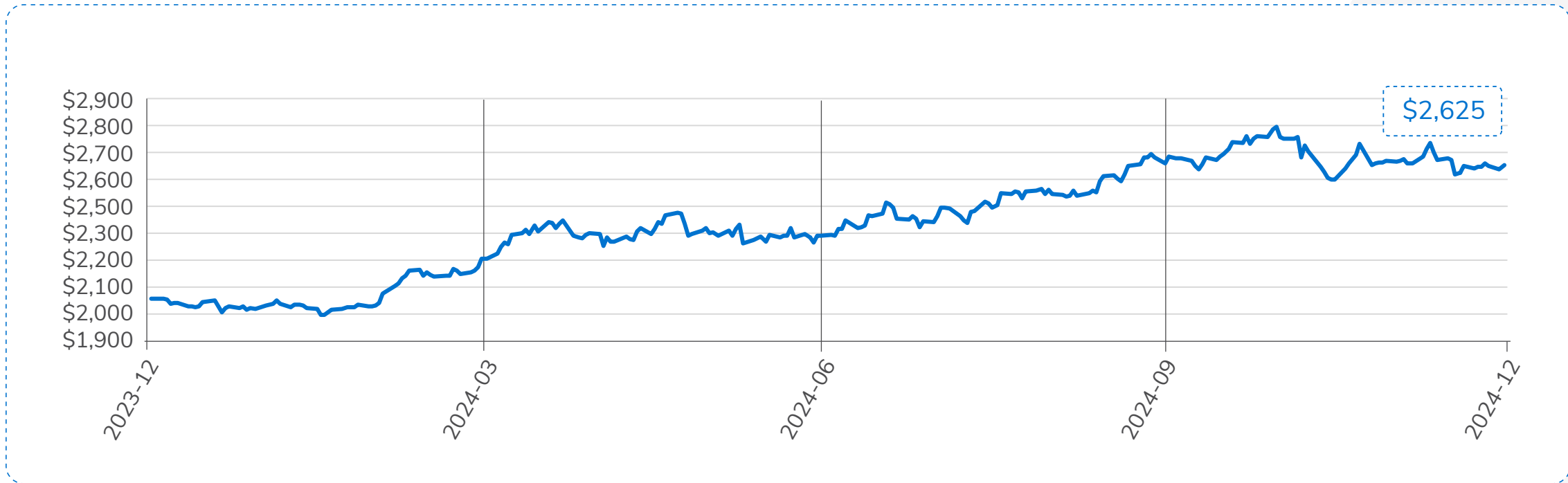
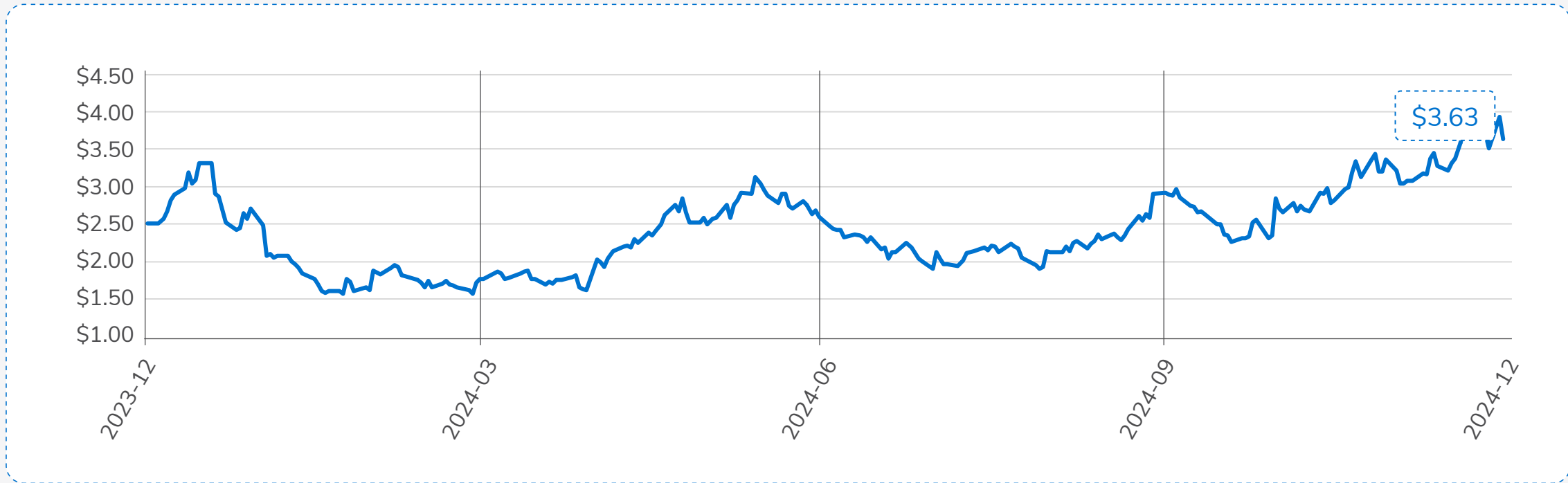


Chart 11 – Natural gas US\$/mmbtu



Source: IG Wealth Management, Bloomberg, as of December 31, 2024.





## Market outlook

The fourth quarter of 2024, as well as the whole year, concluded on a positive note for both equity and fixed income investors. Three main themes emerged during the quarter that shaped market movements:

- **The U.S. election:** Donald Trump's victory spurred a post-election rally that pushed North American markets to new highs. Investor optimism was fuelled by expectations of pro-business policies, including tax cuts and deregulation.
- **Central bank policy:** central banks continued to reduce policy rates, marking a shift away from combating inflation to supporting economic growth.
- **Rising political risks:** while the U.S. election provided clarity, political risks escalated during the quarter. Tariff discussions targeting Canada and renewed geopolitical tensions abroad weighed on global investor sentiment.

Looking ahead to 2025, we remain optimistic. There are definite political risks, but the global economic backdrop appears supportive, and the market could be bolstered by improving corporate earnings. With diversified portfolios, investors are well-positioned to benefit from potential equity and fixed income market gains in the coming year.

“While improving corporate earnings are expected to support markets in the coming year, we remain cautious of elevated valuations and advise a diversified approach.”

– Philip Petursson

IG Investment Strategy Team