

# The LCP Monthly Brief – December 2024

## Investment Update

### Equities

Global equity markets fell by 1.5% (in local currency terms) in December, while Eurozone markets rose by 1.5% over the month.

Equities in the Eurozone relatively outperformed global markets in December, demonstrating some resilience despite challenges such as sluggish economic growth, political instability and lingering trade policy concerns. This is against the general trend of Eurozone equities underperforming other regions over 2024.

In contrast, U.S. equities faced a sell-off driven by profit-taking. Whilst the Federal Reserve's decision to reduce interest rates by 0.25% was widely anticipated, the Fed's forward guidance disappointed investors who had hoped for indications of further series of rate cuts in 2025. This dampened outlook on future liquidity and growth prospects and pushed stock prices lower. Despite this pullback, 2024 was marked one of the strongest years for US equities.

### Bonds

The Eurozone's fixed income market faced challenges due to political uncertainties in key economies like France and Germany, adding to the region's economic concerns. The ECB and the Federal Reserve continued monetary easing with both bodies cutting interest rates by 0.25% over the month.

Bond yields rose over December with long-dated core Eurozone bond prices falling by circa 4.5% over the month with the yield on the AAA Eurozone 15+ Year Index finishing the month at 2.6% p.a. Prices fell by 3.4% on the Euro Broad Sovereign 10+ Year Index, with its yield finishing higher at 3.3% by the end of December.

### Annuity Prices

Annuity prices experienced a fall in December as bond yields rose. All annuity rates are 5-year guarantee and single life.

### Sample DB Scheme

The funding level of our sample DB scheme fell from 109% to 108% in December, with assets falling more than its liabilities (calculated using a Funding Standard proxy) over December.

### Sample DC Schemes

Our High Risk, Medium Risk and Pension Purchase DC strategies posted negative returns over the month.

All returns are in € terms	Dec' 24 %	3 Months %	YTD %	1 Year %	3 Years % pa	5 Years % pa	10 Years % pa
<b>Equities</b>							
FTSE World	-0.5	7.1	25.8	25.8	9.9	13.0	11.9
FTSE World (€ Hedged)	-1.5	1.3	20.6	20.6	7.6	11.6	10.6
FTSE Eurozone	1.5	-1.7	10.5	10.5	5.2	7.5	7.7
FTSE World ex Eurozone	-0.7	7.9	27.2	27.2	10.3	13.5	12.3
FTSE North America	-0.7	10.6	32.9	32.9	12.0	16.1	14.5
FTSE Emerging Markets	2.6	0.8	20.3	20.3	3.9	5.1	6.3
<b>Bonds</b>							
Euro Sovereign AAA (15+ yr)	-4.5	-1.3	-2.9	-2.9	-12.5	-7.1	-1.3
Euro Broad Sovereign (10+ yr)	-3.4	-0.8	0.0	0.0	-9.2	-5.0	0.0
Euro Inflation Linked	-1.9	-0.9	-1.6	-1.6	-6.2	-2.5	-0.4
Euro Corporate (5+ yr)	-1.0	0.7	4.2	4.2	-2.8	-1.2	1.0
<b>Other</b>							
Commodities	3.3	3.8	9.2	9.2	9.6	7.1	1.2
Fund of Hedge Funds	1.7	2.6	10.6	10.6	6.2	6.6	4.4
€/ \$	-2.2	-7.2	-6.3	-6.3	-3.1	-1.6	-1.6
€/ £	-0.5	-0.6	-4.6	-4.6	-0.6	-0.5	0.6

Bond Index Yields	Nov' 24 %	Dec' 24 %	Change %
iBoxx Euro Sovereign AAA (15+ yr)	2.34	2.61	0.27
iBoxx Euro Broad Sovereign (10+ yr)	3.02	3.29	0.26
iBoxx Euro Corporates (5+ yr)	3.28	3.47	0.19

	Cost of a €10k Pension	Change in annuity prices						
		Dec-24 %	3 months %	YTD %	1 year %	3 year %	5 year %	10 Year %
Annuity cost - 65 year old; no increases	€184k	-2.8%	-2.6%	-1.9%	-1.9%	-26.9%	-25.6%	-17.7%
Annuity cost - 65 year old; 2% increases	€234k	-3.2%	-3.0%	-2.2%	-2.2%	-30.0%	-28.5%	-19.7%
Annuity cost - 65 year old; CPI max 4%	€260k	-3.4%	-3.1%	-2.3%	-2.3%	-28.9%	-27.4%	-20.3%

Sample Pension Schemes	Dec-24 %	3 Months %	Year to Date %	1 Year %	3 Years % pa	5 Years % pa
<b>DB Schemes</b>						
Assets	-2.1	2.6	10.6	10.6	-0.7	3.2
Liabilities	-0.9	0.9	4.1	4.1	0.0	1.9
Change in Funding Level	-1.3	1.7	6.3	6.3	-0.7	1.3
<b>DC Schemes</b>						
High Risk Strategy	-0.8	3.3	15.7	15.7	5.2	7.6
Medium Risk Strategy	-1.8	2.3	10.7	10.7	0.2	3.7
Pension Purchase Strategy	-3.3	-0.8	-1.2	-1.2	-8.9	-5.0

## Investment Update

### Background

In the fourth quarter of 2024, global equity markets maintained their positive momentum, increasing by 1.3% (in local currency terms). Non-hedged investors experienced gains of 7.1% over the quarter in Euro terms as the U.S. dollar strengthened over the period.

The final quarter of 2024 saw strong returns across major U.S. equity indexes, fuelled by robust gains in AI-related stocks and optimism surrounding the prospect of potential deregulation and tax reforms under the second Trump administration. In contrast, European equities underperformed relatively, hindered by weakening economic momentum. In particular, the manufacturing sector faced significant pressure from high energy costs, restrictive regulations, sluggish export demand, and competition from government-subsidised Chinese industries. Political instability in France and Germany further compounded the region's challenge.

### Equity Performance

**October:** Global equity markets fell by 1.1% (in local currency terms) in October, while Eurozone markets fell by 3.3% over the month.

The ECB cut interest rates by 0.25%, the first consecutive reduction in 13 years. President Lagarde cited confidence in the disinflation trend and hinted at further cuts in December. Meanwhile, U.S. equities remained resilient, driven by strong earnings, robust labour market confidence, and consumer spending, despite inflation concerns and bond market volatility.

**November:** Global equity markets rose by 4.0% (in local currency terms) in November, while Eurozone markets rose by 0.1% over the month.

Eurozone equities underperformed global markets due to concerns over potential U.S. trade policies, disappointing earnings in key sectors, and weakened consumer demand in domestic and Chinese markets. In contrast, U.S. equities outperformed, driven by optimism around potential deregulation and tax reforms under the second Trump administration.

**December:** Global equity markets fell by 1.5% (in local currency terms) in December, while Eurozone markets rose by 1.5% over the month.

Equities in the Eurozone relatively outperformed global markets, demonstrating some resilience despite challenges such as sluggish economic growth, political instability and lingering trade policy concerns. Overall, 2024 marked one of the strongest years for US equities, with returns in excess of 30%.

### Bond Performance

**October:** Eurozone annual rate of headline inflation was recorded at 2.0% in October, in line with the ECB's target. However, the slowing economic momentum in France and Germany could lead the ECB to consider a further interest rate cut at their next meeting.

Bond yields rose over October with long-dated core Eurozone bond prices falling by circa 2.4% over the month with the yield on the AAA Eurozone 15+ Year Index finishing the month at 2.7% p.a. Prices fell by 1.5% on the Euro Broad Sovereign 10+ Year Index, with its yield finishing at 3.3% by the end of October.

**November:** Eurozone annual rate of headline inflation rose to 2.3% in November 2024. Despite sticky inflation numbers, markets expected further ECB rate cuts due to weak demand in France and Germany.

Bond yields fell over November with long-dated core Eurozone bond prices rising by circa 5.9% over the month with the yield on the AAA Eurozone 15+ Year Index finishing the month at 2.3% p.a. Prices rose by 4.3% on the Euro Broad Sovereign 10+ Year Index, with its yield finishing lower at 3.0% by the end of November.

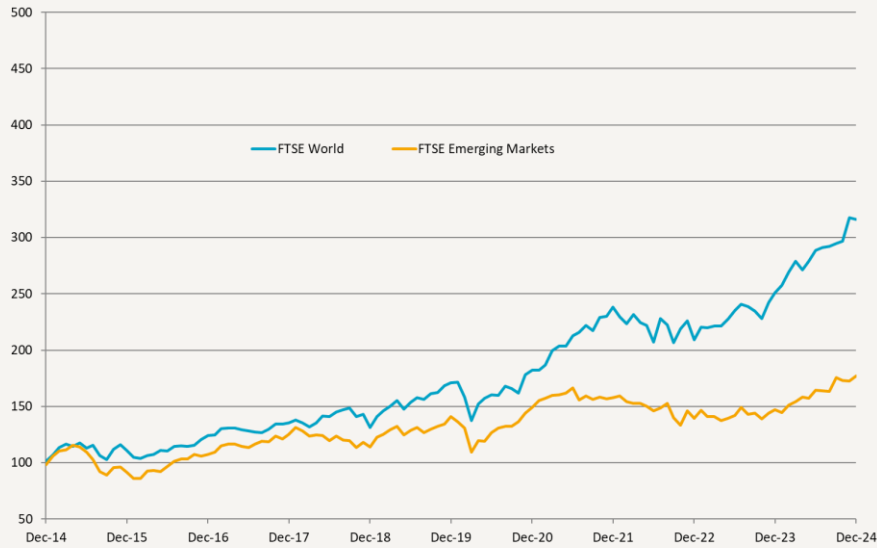
**December:** The Eurozone's fixed income market faced challenges due to political uncertainties in key economies like France and Germany, adding to the region's economic concerns. The ECB and the Federal Reserve continued monetary easing reducing interest rates by 0.25% each over the month.

Bond yields fell over December with long-dated core Eurozone bond prices falling by circa 4.5% over the month with the yield on the AAA Eurozone 15+ Year Index finishing the month at 2.6% p.a. Prices fell by 3.4% on the Euro Broad Sovereign 10+ Year Index, with its yield finishing higher at 3.3% by the end of December.

# The LCP Monthly Brief – December 2024

## Investment Update

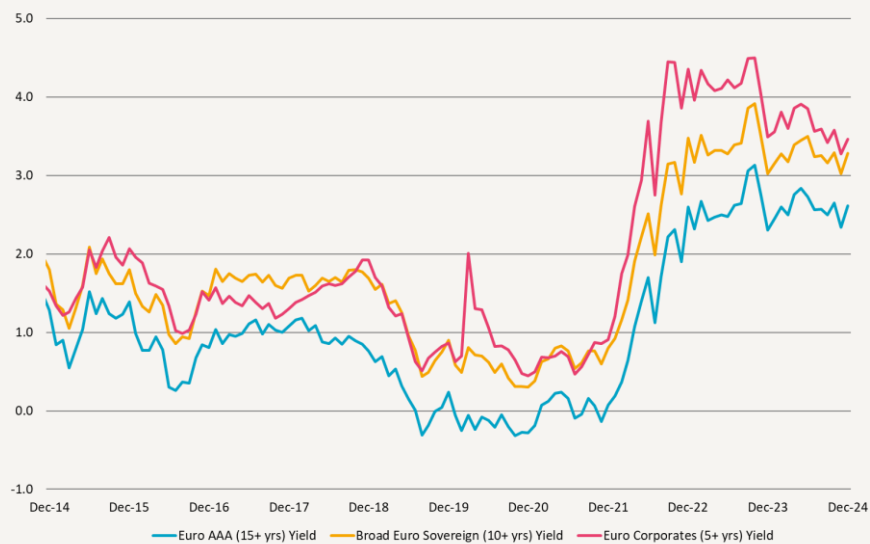
*Equity Market Performance*



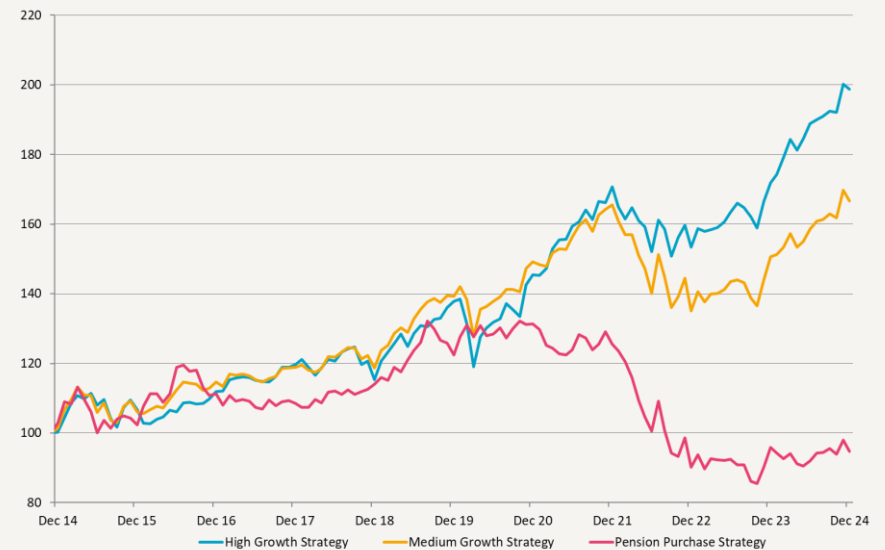
*Sample DB Funding Level Progression (MFS Proxy Basis)*



*Historical Bond Yields*



*Sample DC Scheme Performance*



# The LCP Monthly Brief – December 2024

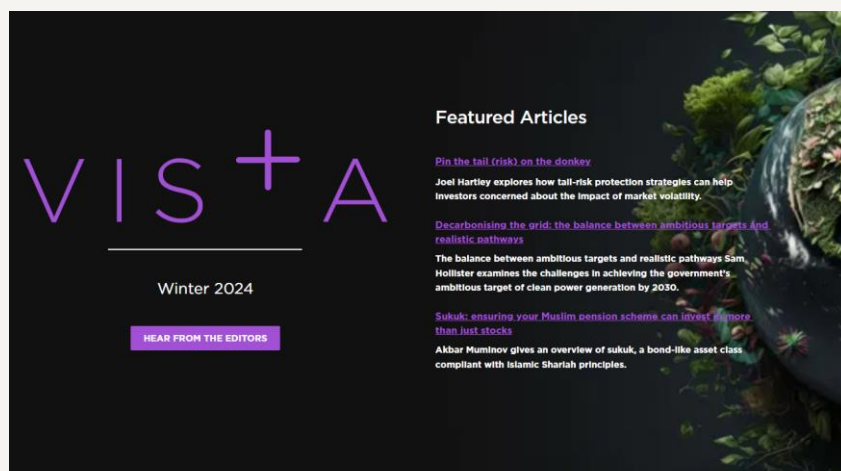
## Investment Update



[LCP Ireland Master Trust Survey 2024](#)



[Subscribe to LCP Podcasts | LCP Ireland](#)



[LCP Vista](#)



[LCP RI Survey 2024](#)

This generic note should not be relied upon for detailed advice or taken as an authoritative statement of the law. If you would like any assistance or further information on the contents of this generic note, please contact the partner who normally advises you.

All rights to this document are reserved to Lane Clark & Peacock Ireland Limited ("LCP"). This document may be reproduced in whole or in part, provided prominent acknowledgement of the source is given.

We accept no liability to anyone to whom this document has been provided (with or without our consent). Lane Clark & Peacock Ireland Limited is registered in Ireland with registered number 337796 at Office 2, Grand Canal Wharf, South Dock Road, Dublin 4.