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Introduction

2024 was a standout year for equity investors, driven by various economic factors and regional developments. The artificial intelligence boom further fueled a second consecutive year of significant gains for Big Tech stocks, helping lift the broader market. In this analysis, I'll first cover the performance of U.S. equities, focusing on the gains in the Nasdaq Composite Index and other major indices. Next, I'll highlight the strong performance of European equities, particularly Germany's DAX index, and the challenges faced by France's CAC 40. I'll also examine the exceptional growth in Asia-Pacific markets, with a focus on Taiwan's Taicheng index and Japan's Nikkei 225, as well as the performance of Hong Kong's Hang Seng Index, China's Shanghai Composite Index and Korea's Kospi. Finally, I'll explore the gains in Arab markets, especially in Dubai, Saudi Arabia, and the surge in Lebanese stocks that is driven by hopes for reforms.

U.S. Stocks

U.S. equities outperformed their global peers and recorded strong gains in 2024, fueled by a strong economy and a robust AI-related stock performance. The tech-heavy Nasdaq Composite Index rose by approximately 29%, followed by a 23% surge in S&P 500, and a 13% gain in the Dow Jones Industrial Average. The so-called "Magnificent Seven" stocks saw even greater increases, fueled by optimism around AI and solid earnings growth, making up one-third of the S&P 500.

U.S. Stocks	2024 Performance
Nasdaq Comp	28.64%
S&P 500	23.31%
Dow Jones	12.88%

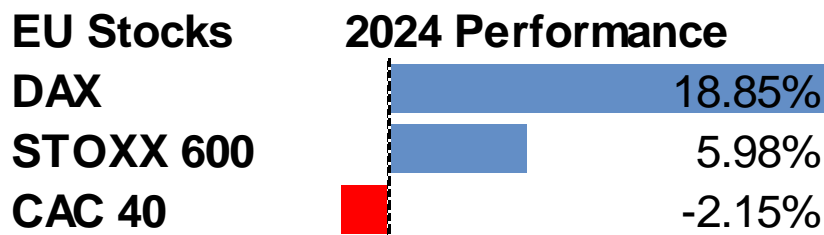
Source: Bloomberg, BLOMINVEST Bank Calculations

The Federal Reserve cut interest rates three times in 2024, reducing them by 1% to a range of 4.25% to 4.5%. Lowering interest rates typically boost stock prices. This is because it becomes cheaper for businesses and consumers to borrow money, which helps boost the economy. It also makes fixed-income investments like bonds less attractive compared to stocks. Additionally, lower rates can improve corporate profits by reducing the cost of debt, which further drives stock prices up.

Some analysts bet that Trump's policies are going to drive inflation up in 2025. Higher inflation may discourage the Fed from continuing to cut rates or even lead to rate increases.

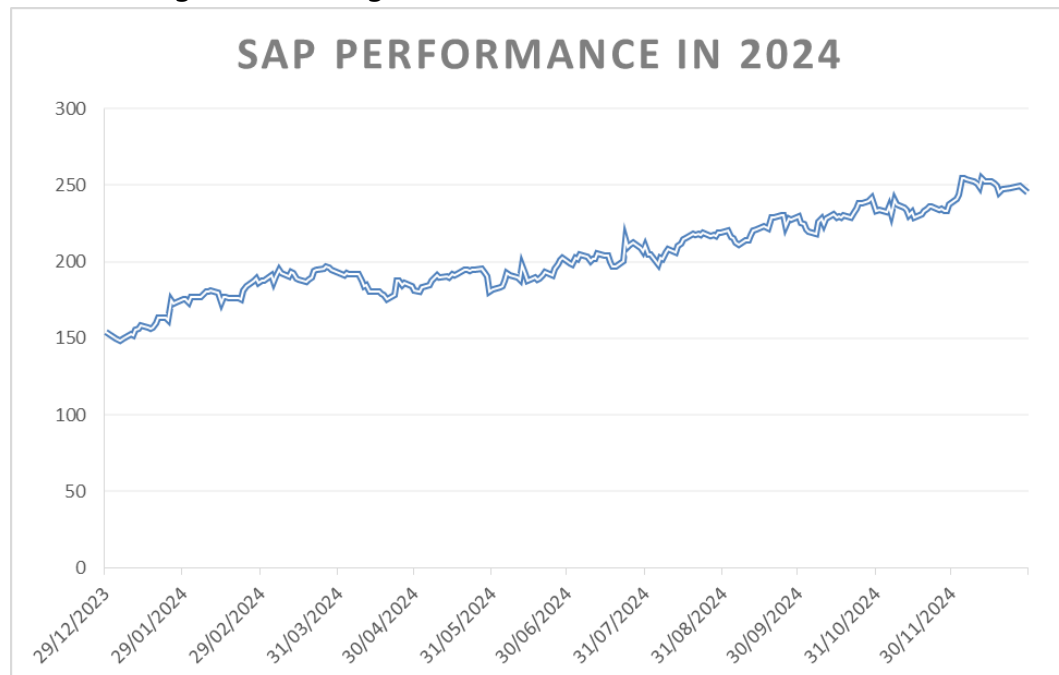
EU Stocks

EU equities had a mixed performance in 2024, with the DAX showing a strong gain of 18.85%, the STOXX 600 posting moderate gains of 5.98%, while the CAC 40 experienced a decline of -2.15%.



Source: Bloomberg, Eikon, BLOMINVEST Bank Calculations

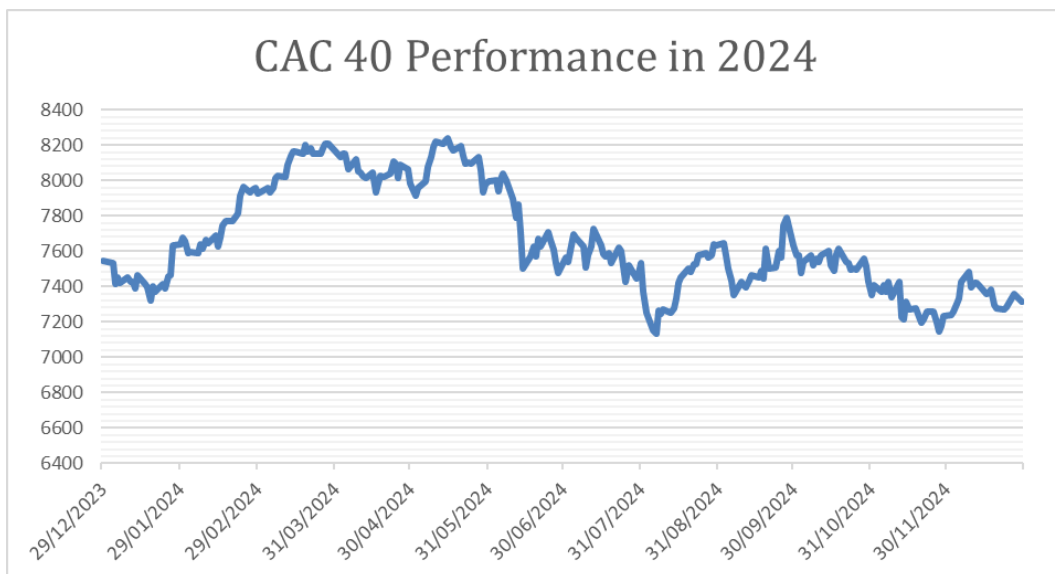
Germany's DAX index led the way, as many DAX companies generate a larger portion of their revenue in the U.S. than in Germany. Additionally, investors had relatively low expectations for these companies at the start of the year, which allowed room for growth. SAP, the tech giant and the leading provider of enterprise resource planning (ERP) software, also played a key role in DAX' s performance, with its impressive 69% surge in 2024, driving the index higher.



Source: Bloomberg, BLOMINVEST Bank

STOXX 600, which tracks a broad range of European stocks, rose by 6% due to low starting valuations, steady earnings growth across most sectors, and attractive dividend payouts averaging 3.5% for MSCI Europe.

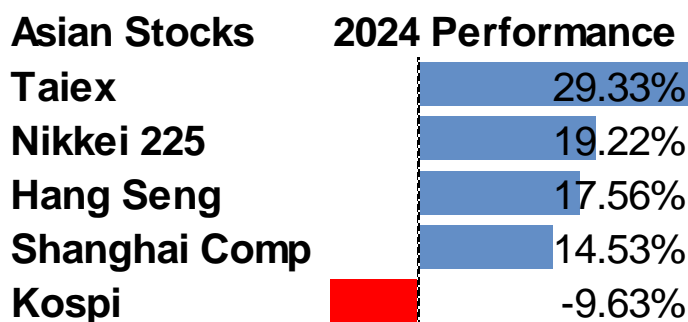
In France, the CAC 40 fell due to political instability. This included the dissolution of the National Assembly, a no-confidence vote against Michel Barnier's government, and the subsequent resignation of Barnier and his government, who continued as a caretaker government until the newly appointed Prime Minister François Bayrou formed a new government. France's credit rating was also downgraded by Moody's. The fall of luxury giants such as Kering (-40.3%) and the cosmetics sector, including L'Oréal (-24.1%), due to a disappointing Chinese economy in 2024, further dragged down the CAC 40.



Source: Bloomberg, BLOMINVEST Bank

Asian Stocks

Asia-Pacific stocks performed well in 2024, with most indices ending the year in the green zone. This strong performance was driven by the region's central banks easing monetary policy and a significant boom in artificial intelligence, which boosted tech stocks.

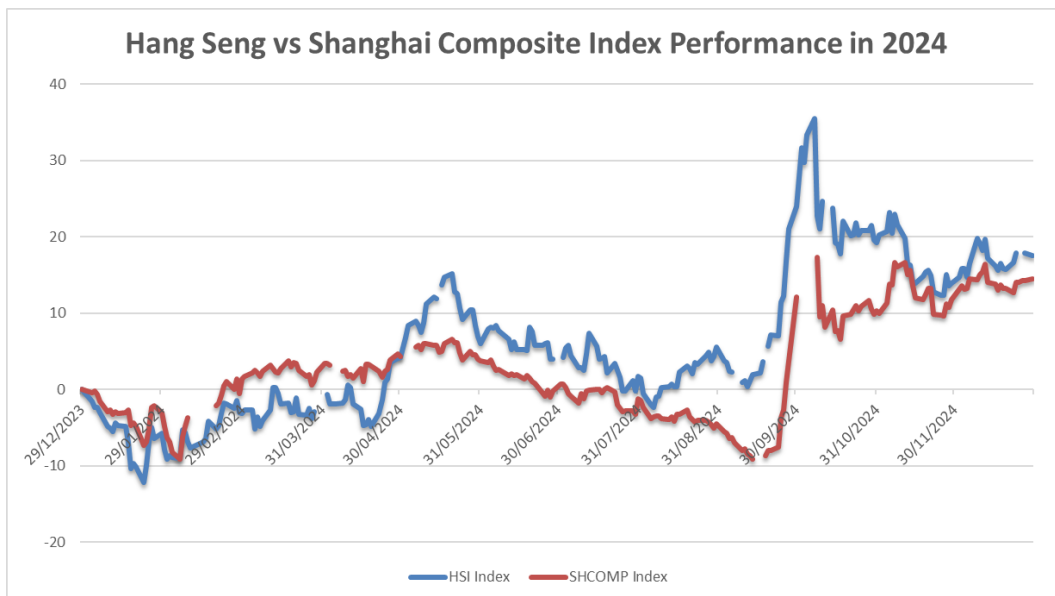


Source: Bloomberg, BLOMINVEST Bank Calculations

Leading the region's gains was Taiwan's Taiex index, which increased by 28.5% annually. Taiex's impressive gains were largely attributed to an 81% annual surge in the stock price of Taiwan Semiconductor Manufacturing Co. (TSMC), the most heavily weighted stock in the local market. This surge was fueled by growing optimism over AI applications and TSMC's robust financial performance. The Taiex index received significant support from Hon Hai Precision Industry Co., the assembler of iPhones, which saw its stock price rise by an impressive 76% in 2024.

In Japan, Nikkei 225 reached an all-time high in 2024 for the first time since 1989. This was due to several reasons. Firstly, the Japanese yen fell to a 34-year low against the US dollar, making Japanese companies more attractive to holders of other currencies. Secondly, accelerated corporate governance reforms boosted investor confidence in Japanese stocks. Lastly, economic volatility and geopolitical uncertainties in China led investors to favor Japanese stocks, further supporting the Nikkei 225.

In Hong Kong, the Hang Seng Index broke a four-year losing streak, rising by 17.6% in 2024, while in China, the Shanghai Composite Index ended a two-year decline with a 14.5% gain during the same period. This strong performance was primarily driven by stimulus measures from mainland China, which aimed to boost economic recovery and investor confidence. However, most of these gains were realized starting in September. Persistent weakness in the property market continued to weigh on both indices. Additionally, weaker consumer demand impacted the economy. Traders also priced in geopolitical tensions, particularly economic and financial measures impacting the Chinese and Hong Kong markets, including those resulting from Trump's policies, such as tariffs on Chinese goods and other measures affecting trade and economic relations. These factors pose significant threats to both markets in 2025. Given the deep economic interconnection between China and Hong Kong, any policy or event affecting one market tends to have a ripple effect on the other.



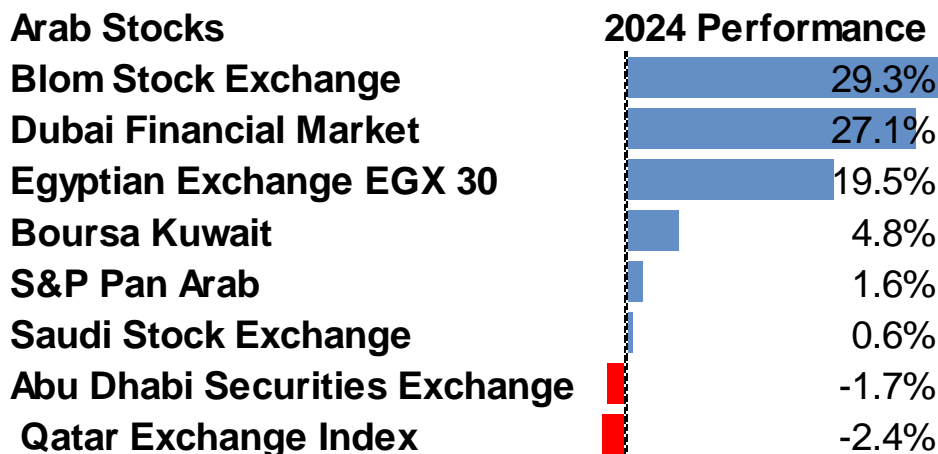
Note: Data has been normalized to percentage change for comparative analysis

Source: Bloomberg, BLOMINVEST Bank

In contrast, the Korean KOSPI index was the worst performer among its Asia-Pacific peers, ending 2024 with a 9.63% annual loss. Despite an initial upward trend driven by the Corporate Value-up Program and AI semiconductors optimism, the index fell in the second half of 2024 due to political uncertainties. On December 3, 2024, South Korean President Yoon Suk Yeol declared martial law to protect the country from "North Korean communist forces" and "anti-state forces". Although the decree was quickly reversed within hours, the chaos it caused and Yoon's subsequent impeachment significantly impacted the country's financial markets.

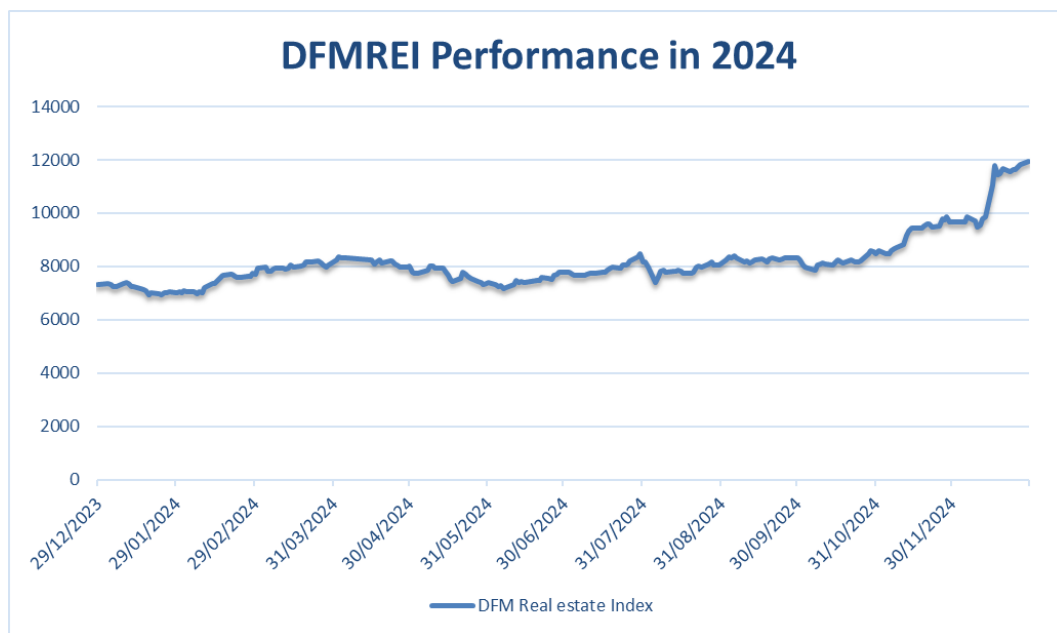
Arab Markets

Most Arab stock markets experienced gains in 2024. The BLOM Stock Index (BSI) led these gains.



Source: Bloomberg, S&P Global, BLOMINVEST Bank Calculations

Next, came the Dubai Financial Market (DFM) Index with a 27% increase. The DFM boom is primarily due to growth in the real estate sector. The DFM real estate index rose by 63% in 2024 to AED 11,948.1 (equivalent to USD 3,253.4).



Source: Bloomberg, BLOMINVEST Bank

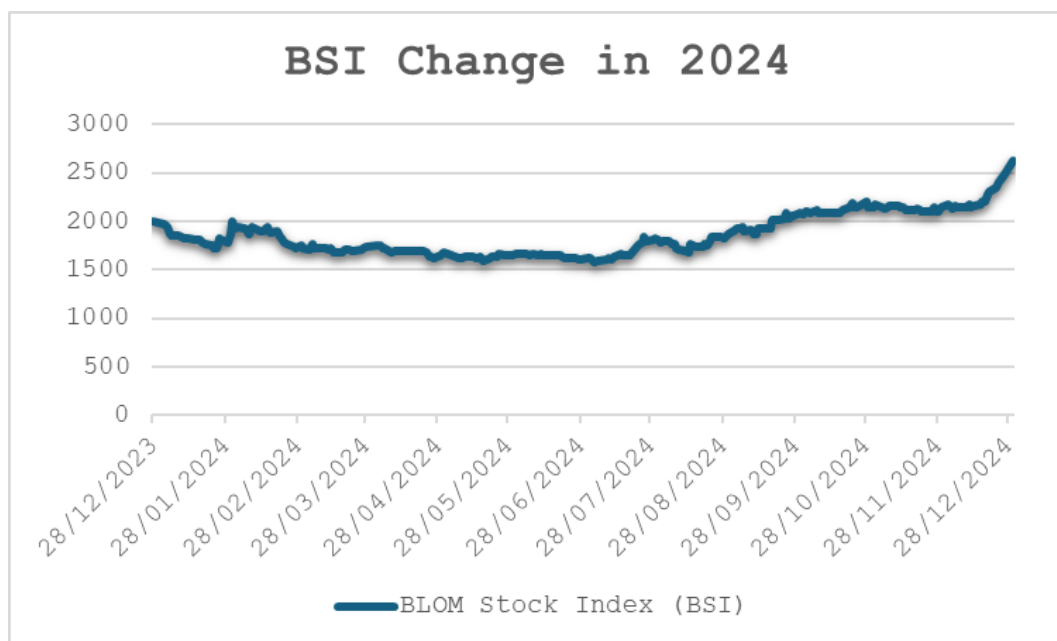
The rising population in Dubai has not only boosted the real estate sector, but also positively impacted other parts of the economy. Notably, the financial services sector saw significant growth, with the DFM Financials Index (DFMFI) increasing by 21.13% in 2024, as per Mubasher data. Government policies, such as updated legal frameworks, have played a significant role in fostering a supportive investment environment.

Saudi Arabia's Tadawul All Share Index (TASI) rose by 0.6% in 2024. The increase was supported by the Saudi Central Bank's 3 interest rate cuts in 2024, which followed the Federal Reserve's actions. Other GCC central banks did the same because GCC currencies are pegged to the US dollar, except for Kuwait, which uses a basket of currencies where the dollar has a significant share. This alignment with US monetary policy helped boost investor sentiment and contributed to the overall rise in GCC stock markets. This growth occurred despite a 3% decrease in oil prices (ICE Europe Brent Crude Electronic Energy Future) to \$75 per barrel, which is below the kingdom's break-even point for revenue. This decline pulled down TASI for most of the year. However, in December, TASI rebounded from a four-month low in the previous month due to expectations of OPEC+ production cuts that led to rising oil prices, in addition to easing local geopolitical tensions, notably the Israel-Hezbollah ceasefire deal taking effect.

Lebanese Stocks

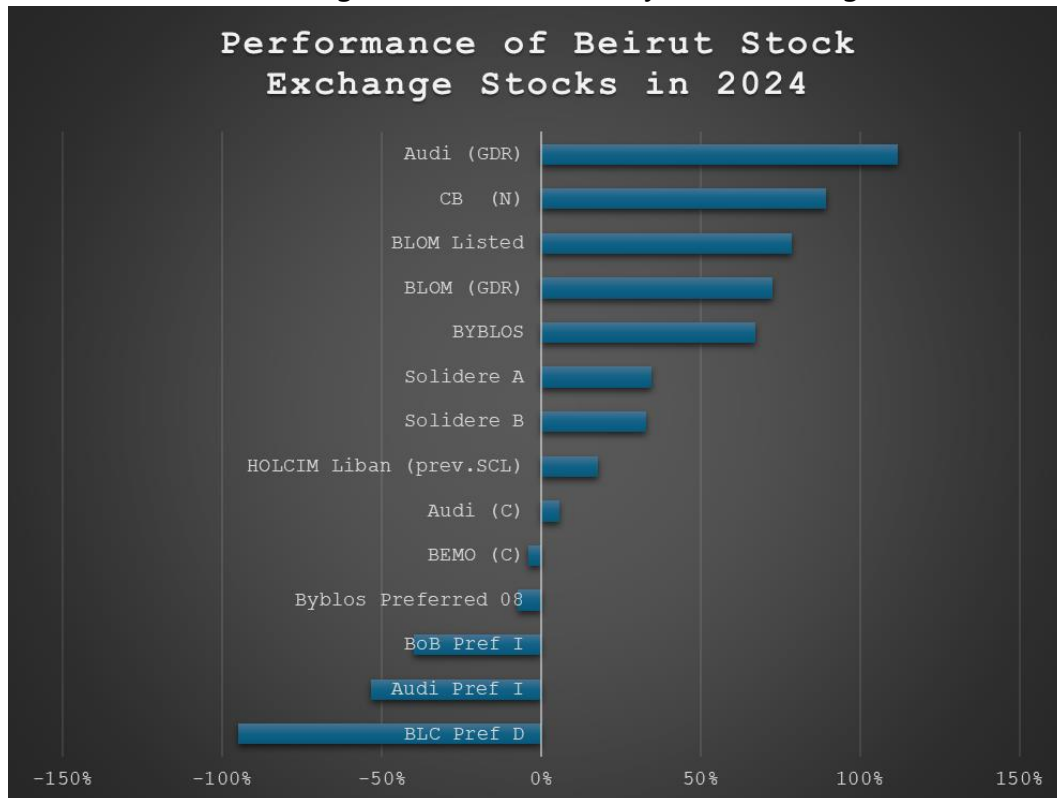
In Lebanon, the **BLOM Stock Index (BSI)** rose in 2024 by 31.7% to 2,627.545 points, marking the highest increase among the indices evaluated in this analysis.

This surge is mainly due to hopes that Hezbollah's weakening after its war with Israel, and the fall of its ally, previous Syrian president Bashar Al-Assad, would lead to political, financial, and economic reforms in Lebanon. The increase is also attributed to bank depositors purchasing stocks on the Beirut Stock Exchange (BSE) as a hedge against the devaluation of their local dollars (Lollar) deposits, effectively using stocks as a way to withdraw funds from their bank accounts. It is important to note that this rise is speculative rather than based strictly on fundamentals.



Source: BLOMINVEST Bank

Below is a chart showing the most noteworthy trades throughout 2024.



Source: Beirut Stock Exchange, BLOMINVEST Bank

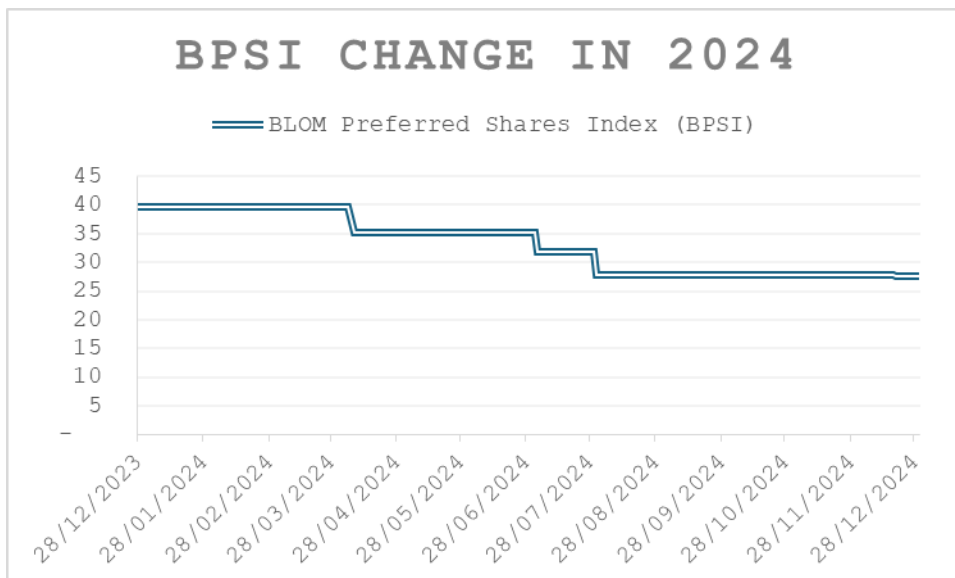
Some banking sector stocks, such as Audi (GDR) stocks, Blom Listed stocks, Blom (GDR) stocks, and BYBLOS were among the best performers in the Beirut Stock Exchange (BSE) in 2024. This is due to investors betting that in case of banking sector restructuring, these banks will successfully navigate it and capture a larger market share, as many Lebanese banks may not continue to operate and as confidence in the sector begins to recover.

Real estate stocks dominated trading, accounting for 92.4% of the exchange's total trading value in 2024. Solidere stocks A and B, the only real estate stocks listed on the exchange, rose by 35% and 33%, respectively, reaching 120 and 119.5 local dollars. This surge was to some extent driven by the war in Lebanon, which led to displacement and damage, causing a housing crisis and rising real estate prices.

The industrial sector experienced significant growth in 2024. It accounted for 5.24% of the exchange's total trading value. Notably, Ciments Blancs (CB) and Holcim saw their stock prices rise by 89.23% and 17.82%, respectively, reaching 41.63 and 70.1 local dollars. This surge was fueled by optimism surrounding the overall improvement of the Lebanese economy. Additionally, the reconstruction of Lebanon and Syria post-war is expected to further boost the stocks of these construction materials companies.

The real estate and industrial sectors benefited from traders avoiding investing in the banking sector. Instead, they shifted their investments to other stocks due to uncertainty surrounding potential future banking restructuring plans and their impact on bank stock prices.

Banks preferred stocks were the worst performers on the BSE because these stocks typically guarantee a fixed dividend, which takes priority over ordinary share dividends. However, due to the financial crisis, banks were not issuing dividends which reduced the premium investors were willing to pay for these stocks. As a result, the **BLOM Preferred Shares Index (BPSI)** fell by 30.54% in 2024 to 27.52 points.



Source: BLOMINVEST Bank

Conclusion

The end of 2024 has left the stock market in a state of uncertainty. Trump's policies, such as trade tariffs, are expected to create a ripple effect across markets, especially given potential retaliatory measures. Global geopolitical changes will also impact the economy, for better or worse. AI is still developing exponentially, impacting industries in unexpected ways. One thing is certain: diversification in 2025 is essential. This means spreading investments across different asset classes, regions, industries, and stocks. For Lebanon, stocks in 2025 could be sunny, but 'always bring an umbrella' !

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