



# Equity market update and IPO compass

Capital Markets team



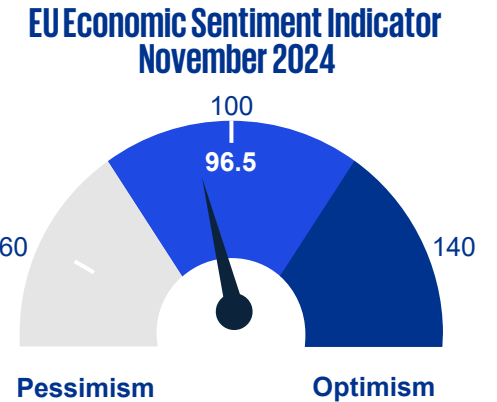
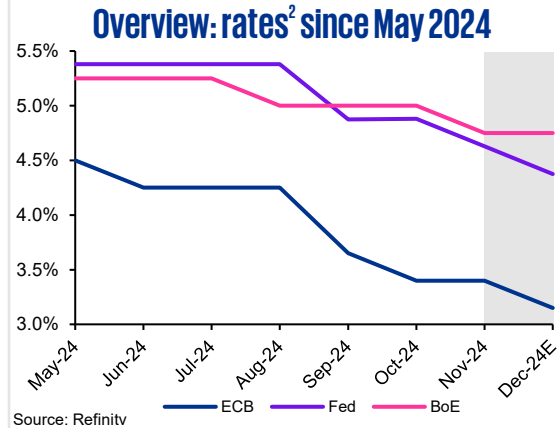
December 2024



# Executive summary

**25 bps** ↓

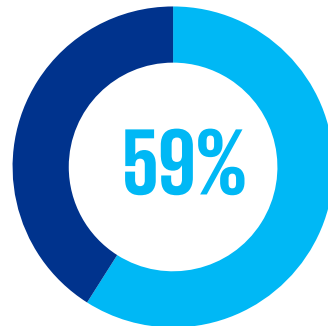
In November, both the Federal Reserve (Fed) and the Bank of England (BoE) reduced interest rates by 25 basis points, marking a continuation of the ongoing trend of rate cuts.



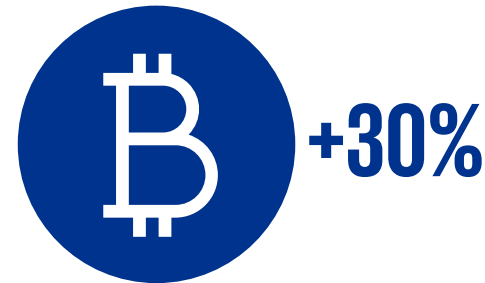
“The equity and IPO markets remain dynamic, with investor sentiment balancing between cautious optimism and strategic opportunities in a rapidly evolving political and economic landscape.”



**Ralf Pfennig**  
Partner  
Head of Deal & Capital Markets Services



Most (59%) of the IPO pipeline consists of information technology, consumer cyclicals and financials companies (GICS<sup>1</sup> sectors).



Bitcoin has surged +30% since Trump's re-election on 6 November, driven by potential US regulatory easing and his deregulatory stance.



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**Initial Public Offering (IPO) | KPMG Atlas**

Note: 1) See slide 7 for sector definitions; 2) ECB: Refinancing rate, Fed: Funds rate (middle of the target range depicted), BoE: Bank rate.

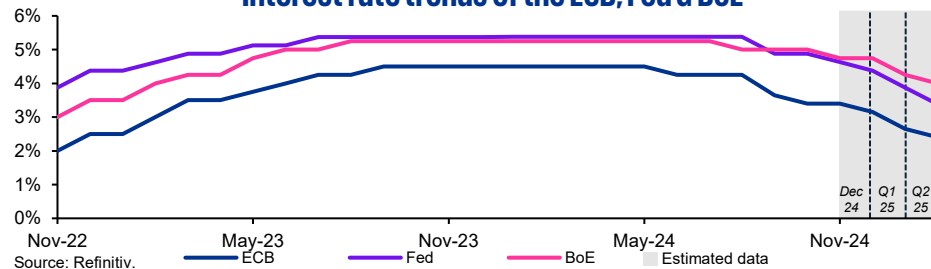
# Macro environment and outlook

In November, the Federal Reserve (Fed) reduced its funds target rate by 25 basis points to 4.50%-4.75%, following September's larger cut, to support employment while controlling inflation. Donald Trump's election victory raises potential inflation challenges due to his proposed tariffs, though inflation remained low during his previous term. While Fed Chair Powell avoided political commentary, noting that the election will not directly impact monetary policy, faster economic growth under Trump could encourage the Fed to slow rate cuts, depending on inflation trends.

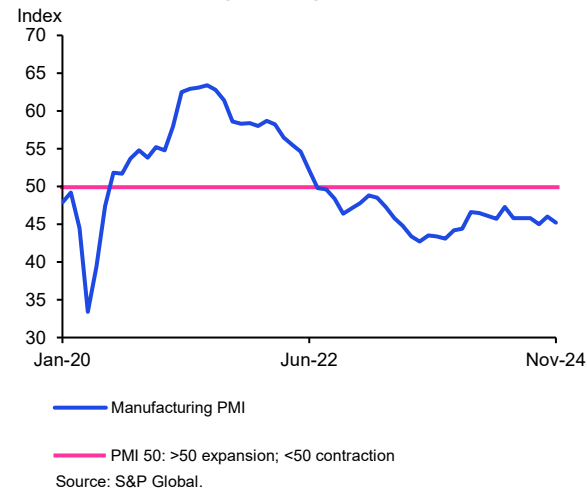
Meanwhile, the Bank of England (BoE) also cut interest rates by 25 basis points to 4.75% from 5%. The BoE cited rising inflation and modest economic growth driven by the government's policies, which are expected to temporarily boost the economy but delay the return to the 2% inflation target. The BoE maintained its cautious tone on future rate cuts, consistent with previous months and aligned with investor expectations of a slower pace compared to the European Central Bank (ECB), which markets expect to cut rates again in December.

In other macro news, the Economic Sentiment Indicator (ESI) in the Eurozone showed a slight but unexpected improvement in November (96.5 from a revised 96.3 in October), even though economists had anticipated a decline.

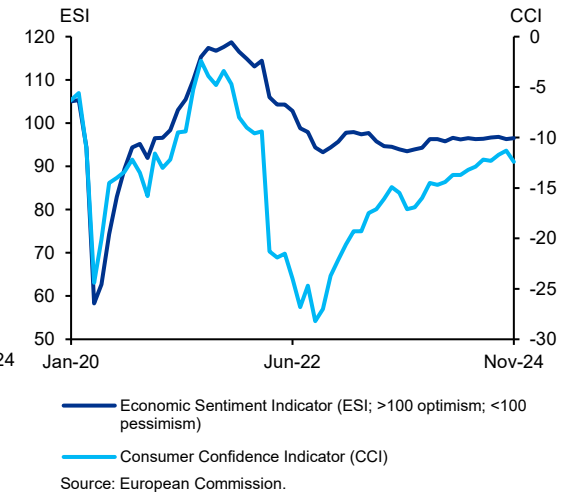
**Interest rate trends of the ECB, Fed & BoE<sup>1</sup>**



**HCOB Eurozone Manufacturing Purchasing Managers' Index (PMI)<sup>4</sup>**



**EU Economic Sentiment & Consumer Confidence<sup>4</sup>**



**Real GDP growth<sup>2</sup>**

	2023	2024E	2025E
United States	2.9%	2.7%	2.0%
Germany	-0.3%	-0.1%	0.8%
United Kingdom	0.3%	1.0%	1.4%
Eurozone	0.5%	0.7%	1.2%
China	5.2%	4.8%	4.5%
Japan	1.7%	-0.1%	1.2%

Source: FactSet. Closing prices as at 29 November 2024.

**CPI inflation<sup>3</sup>**

	2023	2024E	2025E
United States	4.1%	2.9%	2.3%
Germany	6.0%	2.4%	2.1%
United Kingdom	7.3%	2.6%	2.3%
Eurozone	5.4%	2.4%	2.0%
China	0.4%	1.3%	1.6%
Japan	2.5%	2.0%	1.8%

Source: FactSet. Closing prices as at 29 November 2024.

Notes: 1) ECB: Refinancing rate, Fed: Funds rate, BoE: Bank rate; 2) GDP growth: Annual percentage growth rate of gross domestic products (GDP) at market prices based on constant local currency; 3) The CPI inflation measures the year-over-year change in prices paid by consumers and is calculated as a weighted average of prices for a basket of goods and services representative of aggregate consumer spending; 4) See slide 7 for index definitions.

# Equity market overview

In November, the market navigated major political events, most prominently, the immediate effects of Donald Trump's re-election. For example, optimism about US regulatory easing fuelled Bitcoin's growth by +c30% since 6 November. This was driven by factors such as Trump's deregulatory stance on digital assets and the resignation of SEC Chair Gary Gensler, who was known for his critical opinion of cryptocurrencies.

Simultaneously, following Scott Bessent's nomination as Treasury Secretary in the upcoming administration, US stocks hit new record highs in November, with the S&P 500 and NASDAQ rising. The nomination ended weeks of speculation, with many analysts believing Bessent could take steps to reduce national debt, boosting market confidence.

Amid widespread European investor concerns over possible trade tariffs, the reduction of some green energy policies, and the impact of the Russia-Ukraine conflict on European defence budgets, the European Commission President Ursula von der Leyen is set to begin her second term on 1 December, following a long-awaited agreement among the EU's political groups to finalise her leadership team.

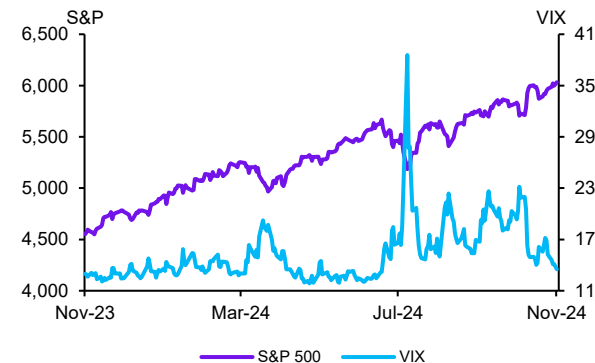
Meanwhile, in Germany, the governing coalition collapsed, primarily due to a deepening rift over economic policies. Tensions within the coalition culminated in Chancellor Olaf Scholz dismissing Christian Lindner as Finance Minister on 6 November, sparking a government crisis and a February 2025 snap election.

As mentioned, US equities surged in November, with the S&P closing higher for the ninth time in eleven months. The index recorded a year-to-date gain of approximately 26.5% by the end of November.

Europe's major equity markets showed mixed performance during the month, as politics took centre stage with the Trump's election victory and concerns over potential trade tariffs impacting sentiment.

Source: FactSet. KPMG, Germany.2024.

## S&P & VIX: market trends and volatility LTM



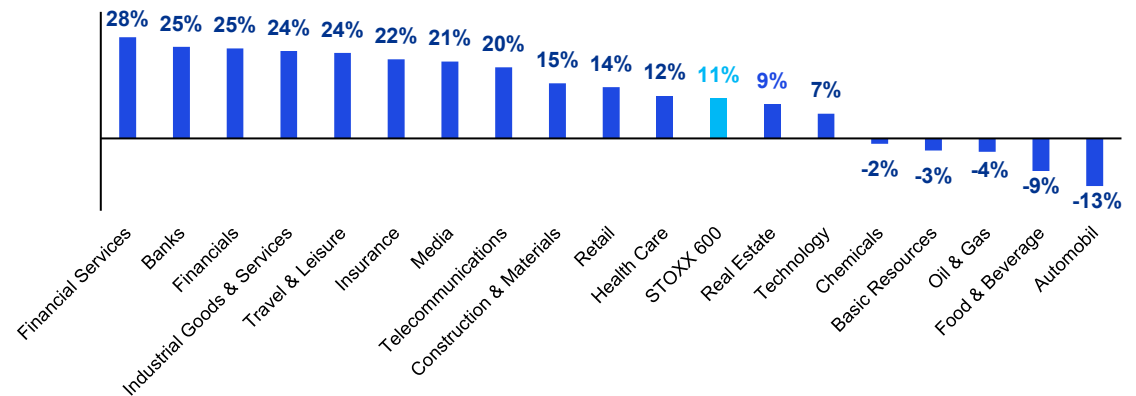
Source: FactSet. Closing prices as at 29 November 2024.

## Performance of selected equity indices

	Value	L3M	L6M	LTM
DAX	19,626	3.8%	6.2%	21.4%
MDAX	26,320	3.2%	(1.0%)	0.0%
ATX	3,539	(4.5%)	(3.1%)	7.9%
SMI	11,764	(5.3%)	(0.3%)	8.9%
STOXX 600	510	(2.0%)	(1.7%)	11.1%
FTSE 100	8,287	(1.1%)	1.3%	11.6%
NASDAQ	19,218	9.7%	13.6%	34.8%
S&P 500	6,032	7.9%	14.5%	32.6%

Source: FactSet. Closing prices as at 29 November 2024.

## STOXX Europe sector performance LTM



Source: FactSet. Closing prices as at 29 November 2024.

# Issuance activity

The IPO market continues to navigate a complex situation, caught between geopolitical tensions, economic uncertainty and the implications of the pending second Trump presidency, while also facing expectations of monetary policy easing, heading into 2025. These conflicting factors create a delicate balance of risks and opportunities, shaping investor sentiment and market conditions.

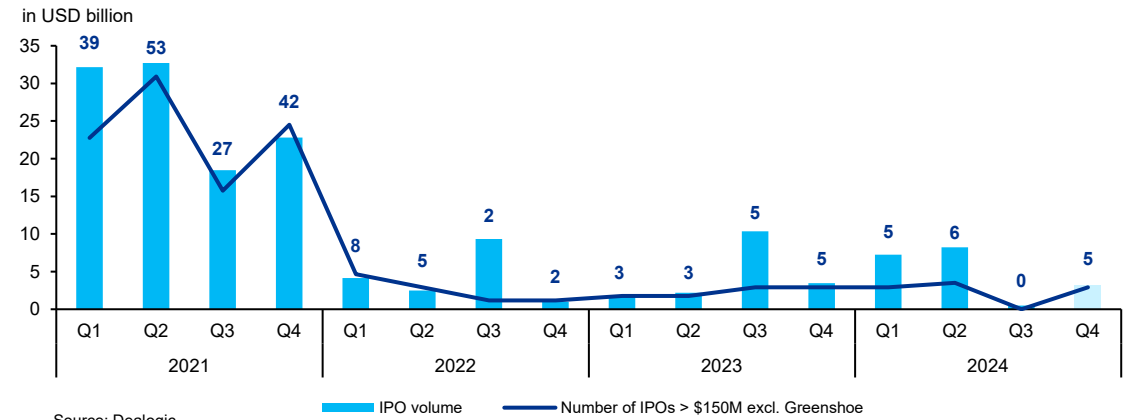
Following the conclusion of the US election, the IPO market is anticipated to regain momentum. While geopolitical uncertainties remain, the election's resolution could ease some of this uncertainty and help foster a market recovery. For instance, on 12 November, Klarna, headquartered in Sweden, confidentially filed for an IPO with the SEC, potentially making it the first European fintech startup to go public in three years, with a possible listing in the first half of 2025 in the US.

The move of European unicorns, such as Klarna, to the US reflects the challenges in Europe's capital markets with startups seeking better access to customers, faster profitability, and more venture capital. This highlights the need for European policymakers to strengthen the startup ecosystem and fully integrate the EU single market to retain high-growth companies.

In 2024, Germany saw a moderate number of IPOs by early November, showing an increase compared to the previous year but still far below the record levels of 2021. A similar trend can be observed across Europe and the US, with a subdued IPO activity. However, it is worth noting that while the number of IPOs is lower, overall volumes are on the rise, indicating that the market is seeing larger, well-capitalized IPOs. This could be a positive indicator for future market growth as bigger companies feel more confident about going public.

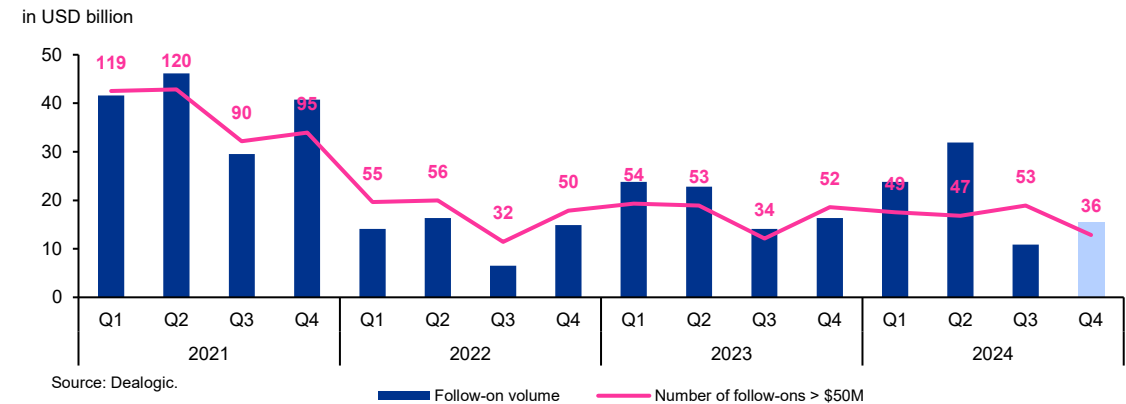
Source: Dealogic, KPMG, Germany, 2024

## European IPO emission volume (in USD billion) and no. of offerings per quarter



Source: Dealogic.

## European follow-on emission volume (in USD billion) and no. of offerings per quarter



Source: Dealogic.

# Estimated IPO outlook by GICS sectors

As we move towards the end of 2024, the IPO calendar enters what will likely be a tentative phase, influenced by the immediate impacts of the election and ongoing geopolitical tensions.

The US and European IPO pipeline includes sizable, potential IPO candidates headquartered in continental Europe and the US. Of the 66 companies considered, the majority (59%) fall under the GICS<sup>1</sup> sectors of information technology, consumer cyclicals and financials, giving an insight into the emerging market landscape and investment opportunities in the respective regions.

The outlook for the IPO market in 2025 is cautiously optimistic, with a well-filled pipeline poised to drive a significant increase in activity compared to 2024, provided the macroeconomic environment remains supportive. Central banks' continued rate cuts following years of high interest rates are expected to fuel this recovery by lowering borrowing costs, improving valuations and alleviating financial pressures—especially for smaller companies affected by floating-rate debt. In addition, many private equity firms have exceeded the average holding period for their assets, suggesting that a rise in strategic exits could be expected.

Should these conditions align, the stage will be set for a strong resurgence in IPO activity.

Assess whether your business is ready to go public at:

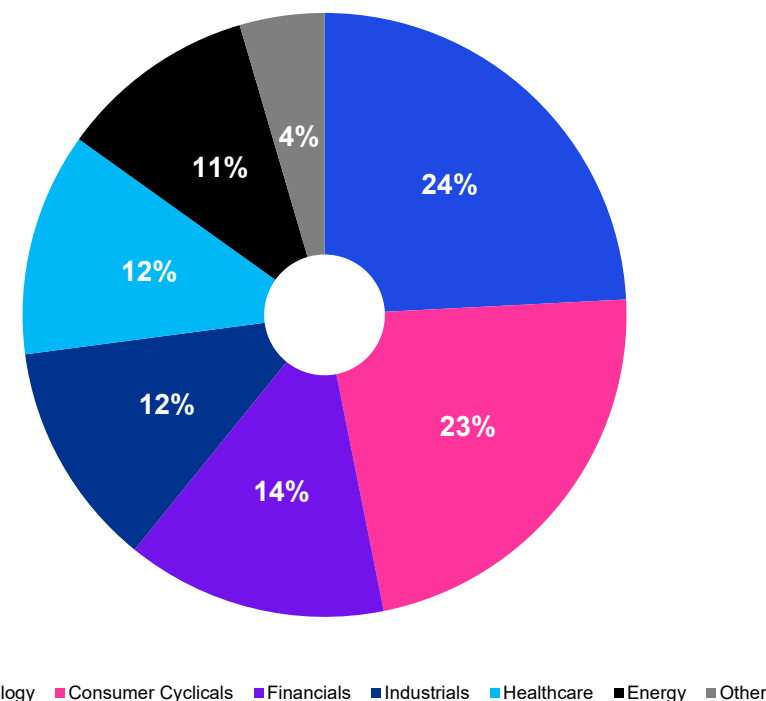
[Initial Public Offering \(IPO\) | KPMG Atlas](#)



Source: KPMG, Germany 2024.

Note: 1) See slide 7 for sector definitions.

US & European IPO pipeline by sector based on public information



Source: KPMG, Germany 2024.

# Appendix - definitions

## Definitions and methodologies of referenced survey data indices

### Purchasing Managers' Index (PMI)

The PMI is an economic indicator that measures the health of the manufacturing and services sectors through surveys of purchasing managers, focusing on factors like new orders, production and employment. The PMI ranges from 0 to 100, with a value above 50 indicating expansion and below 50 indicating contraction. Hamburg Commercial Bank (HCOB) and S&P Global collaborated to calculate the PMI in the Eurozone (Germany, France, Italy, Spain, the Netherlands, Austria, Ireland and Greece). The PMI is based on a representative sample of around 5,000 industrial and service companies.

### Economic Sentiment Indicator (ESI)

The ESI reflects overall economic confidence, particularly in the European Union, based on surveys of various sectors such as industry, services and households. Expressed as an index with a long-term average of 100, an ESI above 100 indicates optimism and stronger confidence, while a value below 100 suggests pessimism and weaker confidence. The ESI helps gauge economic trends and outlooks.

### Consumer Confidence Index (CCI)

The CCI measures how optimistic or pessimistic consumers are about the overall economy, based on their perceptions of current and future economic conditions. A higher index value indicates greater consumer confidence, while a lower value signals decreased confidence. It is used as an economic indicator to gauge consumer spending behaviour. Values above zero percent indicate positive views of the economy, whereas values below zero percent indicate negative views, and a value of zero reflects an equal balance of positive and negative views.

Source: European Commission, S&P Global, MSCI.

## Sector definition

### The Global Industry Classification Standard (GICS)

The GICS categorises companies into distinct sectors and industries based on their primary business activities. It includes 11 sectors, which are further divided into industry groups, industries and sub-industries.

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