

MARKET REVIEW

MONTH IN REVIEW AS AT MAY 2025

How different asset classes have fared:

(As of 31 May 2025)

Asset Class	10 Yr % p.a.	5 Yr % p.a.	3 Yr % p.a.	1 Yr % p.a.	YTD %	6 Mth %	3 Mth %	1 Mth %
Cash ¹	2.02	2.28	3.79	4.42	1.78	2.16	1.05	0.34
Australian Bonds ²	1.94	-0.37	2.94	6.74	3.11	3.63	2.00	0.15
International Bonds ³		-1.35	0.80	5.02	1.82	0.53	0.00	-0.37
Australian Shares ⁴	8.31	12.20	9.32	12.40	4.39	1.19	4.13	4.20
Int. Shares Unhedged ⁵	12.04	14.99	17.57	17.63	1.00	3.58	-1.39	5.35
Int. Shares Hedged ⁶	9.77	13.28	12.11	11.81	2.79	0.75	0.20	5.97
Emerging Markets Unhedged ⁷	5.22	7.02	8.35	16.44	4.42	9.74	2.22	3.58
Listed Infrastructure Unhedged ⁸	8.15	8.11	7.62	18.33	4.85	3.49	1.39	0.81
Australian Listed Property ⁹	7.91	11.82	10.08	12.13	4.22	-1.86	6.18	4.93
Int. Listed Property Unhedged ¹⁰	4.72	6.95	3.84	14.07	-0.04	-2.61	-3.63	1.99
Gold Bullion Unhedged ¹¹	10.71	13.80	21.10	40.58	26.15	23.62	15.10	0.28
Oil Unhedged ¹²	-6.25	21.50	-8.61	-8.87	-10.69	-5.01	-10.24	5.50

1 S&P/ASX Bank Bill TR AUD, 2 Vanguard Australian Fixed Interest Index, 3 Vanguard Global Aggregate Bd Hdg ETF, 4 S&P/ASX All Ordinaries TR, 5 Vanguard International Shares Index, 6 Vanguard Intl Shares Index Hdg AUD TR, 7 Vanguard Emerging Markets Shares Index, 8 FTSE Developed Core Infrastructure 50/50 NR AUD, 9 S&P/ASX 300 AREIT TR, 10 FTSE EPRA/NAREIT Global REITs NR AUD, 11 LBMA Gold Price AM USD, 12 S&P GSCI Crude Oil TR

Source: Centrepont Research Team, Morningstar Direct

KEY THEMES

- Equities performed well:** Following a de-escalation of Trump's initial tariff policies, investors rotated from defensive assets to risk assets. International equities outperformed, led by the US whilst Australian equities also rose however slightly less than the US as concerns remain surrounding the future of China's economy post tariffs.
- Bond prices were mixed:** International bond prices fell following Trump's reconsideration of the initial tariffs, easing inflation concerns. Australian fixed income rose over the month as the RBA cut interest rates in response to weak economic data.
- Australian dollar appreciated:** Despite considerable volatility stemming from expectations of shifting trade dynamics, the Australian dollar appreciated in May.

- **Oil and gold rose:** Oil prices increased over the month following a steep decline in April. Hopes of less severe tariffs boosted future demand expectations. Gold reached all-time highs before correcting as investors shifted from defensive assets to risk assets.

INTERNATIONAL EQUITIES

Global equity markets rose in May 2025, buoyed by the continued de-escalation of Donald Trump's aggressive tariff proposals. Over the month the MSCI World Index gained 5.35% led by the US where the S&P 500 experienced the best May performance in 30 years and the best month since November 2023. The S&P 500 returned 5.49% whilst the tech heavy NASDAQ returned a higher 7.92%. Notably Tesla performed well in May following the announcement of Elon Musk stepping down from his position within the US Government, subsequently the share price rose by over 23% over the month. The S&P 500 has climbed over 18% since the market lows on 8th April caused by Trump's announcements on 'Liberation Day'. Details regarding these tariff policies are likely to continue to affect global markets going forward, especially once the 90-day pause has been lifted. The complexity of global supply chains creates issues for analysts who are attempting to assess how individual companies will be impacted, and subsequently how this will affect company earnings.

Elsewhere, European equities increased by 1.55% led by Germany where the government continue to discuss increased fiscal stimulus. Emerging markets also performed well following Trump's revision of the tariffs placed on China and the hope of the final levy coming in much less than the market initially feared.

AUSTRALIAN EQUITIES

Australian equities also had a stellar month returning 4.20%. Performance was driven by the global relief at Trump's decision to reconsider the initial tariff proposals. Although the proposed US tariff on Australian goods was largely insignificant to the economy, aggressive tariff threats to Australia's largest trade partner (China) meant that Australia was vulnerable to the risk of a Chinese economic slowdown. Therefore, Australian investors welcomed the news of a reconsideration of tariff levies, allowing Australian equities to take part in the relief rally seen across global equity markets. In May the Reserve Bank of Australia (RBA) also cut rates to 3.85%. Although this was expected by the market, the certainty of the decision provided a further tailwind for equities.

All sectors posted positive returns over the quarter, highlighting the breadth of the rally. Despite the positive performance the Australian market fell short of the global index due to a relatively smaller exposure to technology stocks which led the rally in May globally.

DOMESTIC AND INTERNATIONAL FIXED INCOME

International fixed income fell 0.37% in May. Bond yields generally rose over the month, with the US 10-year Treasury bond rising to 4.41%. This reflected rising fiscal concerns, a downgrade from credit rating agency Moody's, and a shift to risk-on sentiment following the 90-day tariff pause creating a headwind for defensive assets. Donald Trump's latest bill outlined substantial unfunded tax cuts which created upward pressure on long dated US Treasury yields as investors grew concerned that this would eventually be funded through the bond market. Although the tariff pause was a relief to the market, it appears to have eased concerns of a recession rather than inflation concerns, which put further upward pressure on yields. European bonds followed suit, also underperforming, reflecting the broad market concerns.

Unlike much of the global fixed income market, Australian fixed income was able to finish in positive territory following a 25-basis point rate cut from the Reserve Bank of Australia (RBA). This was largely due to weak economic growth data which signalled to the RBA that rates need to come down to stimulate the economy. Whilst the cut was welcomed by the market, investors are keeping an eye on inflation, to ensure that the inflation issues post COVID are well and truly behind us. The ongoing tariff negotiations pose an additional threat to global

inflation but also the risk of an economic slowdown. Both of which continue to play on fixed income investors' minds.

AUSTRALIAN DOLLAR

In May, the Australian Dollar (AUD) experienced volatility, however ended the month appreciating against the US Dollar (USD) by 0.74%. Following President Trump's tariff announcements there have been concerns surrounding the future strength of the US economy. As a result, demand for US goods has fallen. Despite an RBA rate cut widening the gap between interest rates in the US and Australia, investors were unable to see past these tariff concerns. Volatility in the month was not only caused by ongoing tariff developments but also a number of data releases in the US including stronger than expected employment data and softer than expected inflation.

COMMODITIES – GOLD AND OIL

Following a significant decline in the price of oil in April, the market rose by 5.50% in May. This was largely due to the de-escalation of the initial tariffs which would have put a strain on global oil demand going forward. Despite the correction, oil prices remain lower than where they were before the tariff announcements began, suggesting investors are still cautious about the future strength of the global economy.

Gold surged to an all-time high in early May, reaching \$3,500 USD per ounce. However, gold prices did not remain there for long, declining 7.5% from this level by the end of the month. Once again this was a result of a de-escalation of tariff announcements, easing investor uncertainty which in turn created a shift from defensive assets to risk assets. It is also likely that there was an element of profit taking given the price had reached a new all-time high. Year to date gold prices are up 26.15%.

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