# Current Market View

**Investment Markets**

**Global Markets**

Another month of crazy volatility and bouncing markets. Green shoots on the horizon as countries start to negotiate better outcomes to mitigate the impact of US tariffs. Not that US tariffs are going away anytime soon; however, **we have 90 days** to gain an understanding on what countries and companies are going to be impacted most by the changes.

The Global Markets finished the month on a better platform then when it started **bringing pockets of certainty to a world that is suffering from tariff mania**. US President Donald Trump has now started to take a step back and seek negotiations from impacted countries and more recently, China has at least gained a reprieve to look at its options.

The **US share markets responded to the recent developments by rallying sharply** however, the bond markets are still not convinced and are in retreat (yields up) reflecting the nervous **US interest rate market with yields rising** again towards the 4.5% level, believing that the **tariffs will be inflationary** and hurt their economy.

The 9th of April 2025 announcement of a 90 day pause in US tariffs with **a flat rate instead of 10% for everyone that had not retaliated against US tariffs** still stands (except China) who have recently negotiated terms of 30% for most goods. The China tarifffor small shipments of goods worth US$800 or less, coming in from China from 120% to 54% and slashed the rate from 145% to 30% for packages from commercial carriers. China has **rolled back its overall tariffs on US goods to 10%** for the 90-day period.

Global markets were confused to say the least with markets reflecting a **“yo-yo effect”** being whipsawed around after each announcement. The start of US company reporting season added to the volatility. First-quarter S&P 500 earnings were up 13.4% compared to market expectations of 7.2%, according to FactSet. They also stated that of the 90% of S&P 500 companies that have reported, **78% have beaten consensus earnings expectations**, above the 77% one-year and five-year averages of 77%. The Australian company reporting season was subdued with markets impacted by the US volatility.

Most investors are still of the opinion that interest rates and inflation are heading lower over the medium to long term, however these short-term adjustments driven by market data as the US Federal Reserve (the Fed) ponders the next move after inflation printed at 2.3% for April 2025.

The Fed left the target cash rate at **4.25%-4.50%** at its meeting held on the 6th/7th May 2025. The next meeting held on the **17th/18th** **June 2025**. It the market settles down a bit and bonds come back from their highs (down in yield) then perhaps the US Fed may just look to ease again but that is data dependant. Regarding treasury securities and agency debt holdings:

*“In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee’s goals. The Committee’s assessments will take (more) -2- into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.”. Source: The Board of Governors of the Federal Reserve System, Chair, Jerome Powell, 7th May 2025.*

Inflation prints have revealed the **US Inflation YOY eased to 2.3%** in April 2025 from 2.4% in March 2025. US Retail Sales MOM increased by (+1.4**%)** in April 2025 up from unchanged (+0.2%) in February 2025.

**Domestic Markets**

For Australia, the latest inflation prints for (year-on-year) first quarter of 2025 **was 2.4%** which was unchanged from the fourth quarter of 2024. The market awaits the next RBA board meeting, which is due on the **19/20th May 2025**. Pressure will be on for another interest rate move; however, the next round of economic data will determine what direction the RBA may take.

The Australian Federal election held on the 3rd May 2025 resulted in a win for the **Australian Labor Party in a landslide victory**. The market took this in its stride.

Despite more supply coming onto the housing market over March and April 2025, the domestic house prices held their ground however, the investment market volatility has led to recession talk and potentially an interest rate cut has buoyed house prices.

The first half of 2025 will be challenging; however, **the broader economy is weathering the storm well** given the mixed support from moderating immigration levels and the stable level of employment with unemployment unchanged at 4.1% in April 2025.

The RBA decided to leave the target cash rate at **4.10%** following the 1st of April 2025 board meeting noting that the outlook remains uncertain.

*“Uncertainty about the outlook abroad also remains significant. On the macroeconomic policy front, recent announcements from the United States* ***on tariffs are having an impact on confidence globally*** *and this would likely be amplified if the scope of tariffs widens, or other countries take retaliatory measures.* ***Geopolitical uncertainties are also pronounced.*** *These developments are expected to have an adverse effect on global activity, particularly if households and firms delay expenditures pending greater clarity on the outlook.* ***Inflation, however, could move in either direction.*** *Many central banks have eased monetary policy since the start of the year, but they have become increasingly attentive to the evolving risks from recent global policy developments “. Michelle Bullock, Governor, RBA Monetary Policy Board meeting, 1st April 2025.*

The next RBA Monetary Policy announcement is expected on the **19/20th May 2025.**

From a risk return perspective, markets are mixed:



 Source data: Lonsec as of 30th April 2025

From the chart above, you can gain an understanding of why investors over the past year have tilted their exposures towards shares over property given the higher risk score resulting in higher returns in most cases.

*The risk measure is simply the one-year annualised standard deviation of the monthly total return time series for each category. The total return is the share or bond price movement monthly including any cash dividends and coupons payable.*

The issues at the forefront of investors thoughts included:

* US Politics – Tariffs and the ever-changing mind of President Donald Trump is keeping both shares and bonds guessing. We are now beginning to see how this will impact Australia in terms of **trade tariffs** after the (+25%) steel and aluminium announcement and the flat (+10%) tariff on all exports to the US.
* Political conflict – the ongoing war in the middle east for Israel, Hamas and now Hezbollah, along with Ukraine and Russia, remains a concern for investors. While not panicking, the underlying impact of these events put doubt into expectations for any speedy economic recovery in Europe.
* Global growth and Commodity Prices – for our region, China is the focus with growth prospects the central theme. China’s annual GDP is resilient around the 5.4% level despite the property market concerns. The benefits of rekindling growth include productivity gains from which Australia will also benefit given, they are our biggest trading partner. The problem is the **falling global growth prospects for EV and alternative energy has impacted the demand prices of oil, iron ore, lithium,** and other resources, except Gold which remains well supported.
* Inflation numbers are indicating a slight **easing bias Y-O-Y** which is aiding Central Banks and their hopes for future easing of interest rates, as the inflation numbers are starting to hit within their target ranges. The impact of monetary policy changes typically takes 12 to 18 months to be felt, and so markets are watching the economic data closely for signals that will challenge growth expectations.
* Bond markets are **decoupling from the share markets** and have become distorted by expectations of potentially higher inflation on the back of higher tariff levels. Normally as interest rates rise, share valuations fall along with share prices. This is not the case now. The direction is still lower longer term but short term, volatility remains.
* Market valuations have come under the spotlight in recent weeks as the tariff question appears to have investors challenging recent high valuations on some of the tech companies, with economic indicators flagging downside risks; however, **investors are encouraged to maintain their cautious optimism**, navigate this period of uncertainty, and expect better conditions to prevail in the rest of 2025.

In the face of the recent volatility, short-term investors had taken risk off the table in the mostly growth companies however, after the **US** **fixed tariffs for 90 days**, the share markets have responded with **sharp rallies higher** which has eased market nervousness. Medium and longer term they have maintained their risk appetite at **“cautiously optimistic”** as they await the next round of inflation data and Central Bank activity. Opportunistic buying is recommended despite the possibility of an economic slowdown in the future, with the impact expected to be limited. We are looking for a **soft landing** for Australia.

Ukraine and Israel conflict is still a major concern for investors however, we are a long way from the conflict zone and the global economic data is improving slowly but the main influence on our market remains from offshore, especially China.

China continues to make fiscal and monetary policy announcements to support economic growth, **targeting 5% over the next year.** In response to a decrease in US tariffs to 30%, China has introduced a 10% tariff on US imported goods.

**The following total returns across the asset classes are as of 30th April 2025:**



Source data: Lonsec as of 30th April 2025

The developed markets asset classes finished mixed for the month. The AUD/USD finished higher at **0.6416 (+2.17%)** for the month which cost returns for unhedged holdings.

**Asset Class Performance**



Data Source: Lonsec as of 30th April2025 & Fox Asset Management

**Investment Climate**

The underlying investment climate in the short term has changed reflecting the volatility the US tariffs have created. **Risk-off trades** initially dominated activity, however, post the tariff freeze, **risk-on trades** have dominated. This downside risk remains a real threat given that all countries that trade (exporters) with the US are impacted by the tariffs. For Australia, the **impact is contained** to the **steel and aluminium (+25%) and everything else 10%** of exports to the US. At this stage, Australia has not retaliated with any US tariffs.

Medium-term investors are encouraged by the anticipated gradual easing of interest rates; however, the unsettled nature of the share and bond markets clouds the short-term direction. The soft-landing expectations and **economic recovery are still supported by the economic data**, despite the recent volatility.

The risk is that the conflict in the middle east may escalate and involve neighbours which could then inflame the situation. While this situation continues and further sanctions are introduced, investors will be cautious around exposure to energy (oil, and gas), however any fall in interest rates will spur buying in asset classes that have been oversold in recent months (property) however, the volatility of prices remain.

US consumption is holding up well with **retail sales YOY rising by (+5.2%)** in April 2025 which will impact company profit expectations in the short-term and worry the Fed from an inflation perspective.

The **medium-term view remains positive** for returns despite the US Fed Chair, Jerome Powels downplaying further easing of interest rates in the US for the rest of 2025.

**Longer term investors are optimistic** for a recovery period ahead. Global Central Banks continue to indicate a resolve to get inflation under control however, the economic data is showing signs of a stabilising despite inflation being elevated and every indication is for future easing in monetary policy to be possible over 2025. Remember **markets are forward looking** so the support now is reflecting the expectations for conditions in January 2025.

**The following commentary is based on month-end closing prices as of 30th April 2025:**

Global share markets over April were mixed with returns impacted by the ongoing tariff situation and changing bouts of volatility after every announcement. The AUD/USD strengthened from 0.6280 to 0.6416 (+2.17%). The AUD/USD has since consolidated in recent trading at 0.6408 (-0.12%) as at close of business 15th May 2025 from the April month end close.

The US has halted the easing bias in monetary policy by holding the target range for federal funds at **4.25%-4.50%** when it met on the 19/20th March 2025. Investors are gaining more confidence that the economy is headed for a soft landing despite the intermittent bouts of volatility.

The underlying short-term theme is **uncertain** for shares. The sharp Yo-Yo retracement moves in the markets in April 2025 continues to impact share and bond prices.

**Summary of global share returns in AUD terms:**



Data Source: Lonsec as of 30th April 2025

The situation in Russia/Ukraine conflict remains unchanged however the latest conflict between Israel, Gaza (Hamas) and now Lebanon is showing no signs of abating despite attempted peace talks.

Unfortunately, a resolution to the regional conflict may be a way off however, the underlying economies elsewhere are emerging with a growth orientated momentum after such an extended period of uncertainty.

**Investor Focus**

**For Australia**, investors focussed on the following issues:

* **Cost of living expenses** and the impact on **consumer spending**.
* **Commodity prices** (post China policy changes) **and the impact on company profits.**
* The level of **interest rates** and the delicate position of the RBA given the global volatility in markets.
* **US tariffs** and the impact on Australia’s exports.
* **Inflation** (Y-O-Y) was steady at **2.4%** unchanged in the first quarter of 2025.
* **Government spending** and the rising debt level.
* **China growth prospects** – The Peoples Bank of China cut the seven-day reverse repurchase rates by 10 basis points to 1.4% from 1.5%, the People’s Bank of China Governor Pan Gongsheng said at a press briefing on the 6th May 2025.

The central bank will also lower the reserve requirement ratio, which determines the amount of cash banks must hold in reserves, by 50 basis points, unleashing additional liquidity of 1 trillion yuan (US$138.5 billion) to the market, effective 15th May 2025.

## Asset Class Returns

Returns across the various asset classes ended mixed over the month:

Source data: Lonsec as of 30th April 2025

## Global Share Returns

For share markets, the focus remains on **US tariffs**, **inflation, employment,** and **interest rates.** Unhedged global shares had returns were affected by a strengthening AUD/USD (0.6416 from 0.6280) which had a **negative impact of (-2.17%) in AUD returns** over the month for unhedged investors.

Most investors are content to **stay invested and opportunistically add to their positions** which has proven the correct strategy over the recent medium-term trend.



Source data: Lonsec as of 30th April 2025

In AUD terms, the global share markets posted one month return of (-1.79%). The US posted returns of (-3.27%), Asia ex Japan (-1.05%), Japan (+2.49%), the UK (-0.02%), Europe (+1.81%) and the Emerging Markets (-1.30%).

**Australian Shares**

Australian shares posted negative returns reflecting the global markets trend and tariff impact. Shares finished (-3.39%) for the month and (-2.80%) over the last three months.

The focus for investors was:

* **Cost of living expenses** and the impact on consumer spending.
* **Commodity Prices** and their impact on company profits and forward earnings guidance.
* **Consumer confidence** posts the tariffs; offshore interest rate changes and inflation impacts.
* **Mortgage stress** and the impact on domestic house prices and banks.
* **Inflation** and the response by the Central Banks to hold back on further easing of interest rates given the market volatility and uncertainty around the US tariffs.

Commodity markets ended mixed with Iron Ore closing at US$99.76 per tonne at the end of April 2025 with a monthly loss of (-2.68%) and falls of (-1.80%) for the previous three months. Oil (WTI) closed sharply lower at US$58.21 a barrel at the end of April 2025 resulting in losses of (-18.46%) for the month and down (-19.74%) over the last three months. China remains our main export market followed by Japan.

**Australian Industry Returns**

Industry sectors posted mixed results for April 2025. The industry sector performance results for the last month were:



Source data: Lonsec as of 30th April 2025

Information Technology was the best performing sector posting gains of (+6.37%).

Energy was the worst performing sector finishing (-7.22%) for the month.

**Australian Shares - Sector Returns**



Source data: Lonsec as of 30th April 2025

## Debt Market Returns

Bonds and Fixed Interest markets finished firm as global bond prices pushed higher (down in yield) after a volatile month. Australian bonds remain nervous after the initial US tariff sell-off with the short-dated 2-year Government bonds trading at **3.59%** on the 15th of May 2025 and longer dated 10-year bonds trading at **4.56%.**

Global Bonds ended higher (+1.13%) and Australian Bonds ended up (+1.70%) for the month of April 2025 and up (+1.73%) and (+3.37%) respectively for the previous three months.

The RBA maintained the target cash rate at 4.10% following the 31 March / 1 April 2025 board meeting.

The US 10-year Government bonds closed at (**4.167%**) for the month down in yield (-0.043%) from the previous month close of (4.21%).



The Australian Government 10-year bonds finished lower in yield in April 2025 at (**4.167%**) down in yield (-0.268%) from (4.38%) in March 2025.



Source data: Lonsec as of 30th April 2025

## Currency

The $A closed stronger AUD/USD 0.6416 at the end of April 2025 which was negative on returns for investors who held offshore assets unhedged (-2.17%) over the month and (-3.07%) over the last three months.

 

Currency forecasters see the AUD/USD range between:

**0.5750 and 0.6750** cents in the medium term and most likely to trade within the:

**0.5500 to 0.7500** range in the longer term.

## Australian Economy

Australia’s latest GDP data for the fourth quarter of 2024 revealed an **annual growth rate of 1.3%** which was up from 0.80% in the third quarter of 2024. Unemployment was unchanged at 4.1% in April 2025. The Y-O-Y **inflation rate held steady at 2.4%** in the first quarter of 2025 unchanged from the fourth quarter of2024, which is within the Reserve Bank’s targeted 2% to 3% target range.

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## Current Market View

### Domestic View

The overall investment view for shares in the short-term is **“uncertain”** and “**cautiously optimistic”** **over the long run** as interest rates are expected to **continue to trend down** post the **tariff implementation** and futureanticipated easing of Monetary Policy by the RBA.

### The election win by the Australian Labor Party has passed without any unintended changes to the economic expectations and now it is simply wait and see. The opposition parties are undergoing changes to their ranks and thinking post the election defeat.

The latest policy regarding Superannuation balances above $3 million is causing concern amongst investors, especially the self-managed super funds. An additional tax of 15% on top of the existing 15% will mean that the **balance above the $3 million threshold will incur 30% tax on income**. The bigger concern relates to **a tax on unrealised capital gains** which if implemented will cause cash flow issues for funds to meet this tax.

The market is expecting a **0.25% cut to interest rates** at the coming RBA monetary policy meeting next week. This will help borrowers in the short-term and support share market valuations.

### Global View

Global share market is **on hold for the next 90 days** as investors assess the tariff changes going forward. The state of the US economy and the pace of Central Bank easing is very much in focus. The latest imposition of tariffs by the US Government has disrupted the ebb and flow of markets and will take some time to understand the impact on companies and consumption. This makes it difficult to gain an oversight of interest rates and share markets that have suffered bouts of volatility since the announcements started in January 2025.

Global markets have dealt with tariffs in the past and they will settle given the charges have only just begun. The implementation of the tariffs will take time to work through and in the interim, markets will remain on alert. **We remain optimistic about the future** despite the tariffs and the **interruption to global trade.**

Despite the uncertain geopolitical situation with the Russia-Ukraine, Israel-Hamas, Hezbollah and Houthi conflict, and economic slowdown concerns, we expect the **medium-term outlook to reflect reasonable opportunities for investors**. Company reporting season has resulted in mostly positive earnings and a better outlook reflecting a recovering economy and improving inflation data. Interest rates search for equilibrium somewhere between the current supply and demand for capital. We see the US equilibrium interest rates between 3.75% and 4.00%.

**Where to From Here?**

**For Australia**, a **soft landing is still on the cards**. Markets take the lead from what is happening in the global markets as this directly impacts our markets given there is alignment in trade terms, but the fallout remains mitigated given our immigration, agricultural and resource assets.

Tariffs have had a **muted impact** on our resource sector to date although the market did overreact on the downside initially most of which has been unwound of late.

Company reporting season has been subdued however, there are early signs that guidance is being met or exceeded in key industries which will support the positive momentum of the share market.

**The Middle East political unrest** is a background factor that is not easily solved.Let us hope the situation will be contained and a solution that ceases further aggression and violence is forthcoming.

**Global markets** have already weathered tough conditions over 2023/24 and now there is economic evidence pointing to a **soft landing** rather than a mild recession in the US and pockets of growth emerging for Europe.

The latest sell-off and associated rebound is **healthy for markets** as it lets investors **recalibrate** their portfolios and pick up bargains along the way. Disruption can be rewarding but care needs to be taken in the bouts of volatility not to overreact.

**Markets are forward looking**, so it is likely they have not yet **found a solid bottom and now seeking evidence of what lies ahead.** We suspect we have just seen the start of that recovery process and **the recent volatility is simply the ebb and flow of markets**.

Fingers crossed monetary policy direction remains accommodative and trending towards further easing in the months ahead which hopefully, will lead to a moderation in prices and the start of a more stable global growth platform.

**Footnote**

This market update written by Graham Fox for and on behalf of HNW Planning on 16/05/2025. Graham Fox is an external asset consultant and consults to the HNW Investment Committee. Graham has enjoyed a career in financial services covering several private, corporate and investment banking institutions including, Genesys Wealth Advisers (research), Standard & Poor’s Australia (fund ratings), Westpac Private Bank (research, strategy and product), Gold Link Capital (sales and marketing), Challenger Financial Services Group (COO asset management), Deutsche Funds Management (head of treasury), Canadian Imperial Bank of Commerce (regional head of FX), Banque Nationale de Paris, (F/X) and Commercial Bank of Australia (International and Treasury). Graham references material made available from HNW Planning’s' contracted research houses including Lonsec and Morningstar.