# Current Market View

**Investment Markets**

**Global Markets**

After a month of relative calm on the US trade policy and tariff front, global share markets continued the **positive trend** and lifted higher for most developed regions over July 2025. Investors are reading the tariff situation better with signs that suggest that they may have seen the worst of the volatility associated with the introduction of the US trade tariffs. The market appreciated the break in constant tariff related announcements and resumed the **“buy the dip”** mentality of recent times.

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The Federal Reserve Bank (the Fed) remains wary of the inflation impact of the tariffs so are treading cautiously when it comes to changes to monetary policy and interest rates.

**Global Share Markets**

The US share markets led the rebound in shares over July 2025 as company reporting season started well and FY-end distributions and dividends re-invested opportunistically. The response was sharp and the US Markets leading the way.



**Data Source:** Lonsec as of 31st July 2025.

While geopolitical tensions simmered and the US tariff policy extension offered a temporary reprieve, economic observers kept a close eye on the performance of other global markets. Europe faced its own set of challenges as the EU Commission continued to negotiate lower levy rates with the US ahead of the August 1st deadline. Meanwhile, Asian markets exhibit resilience, continuing to be shaped by trade tensions, currency fluctuations, and evolving growth models. The main player, China is showing signs of stabilisation, still held back by the property sector, which is improving slowly however, consumption is showing signs of growth. Japan faces headwinds with inflation and interest rates rising however, domestic demand is holding up.

In the commodities sector, oil prices surged 6.37% in July 2025 to close at US$69.26 in response to instability in the Middle East, amplifying inflationary fears across the globe. Gold, as expected, became a haven for investors looking to hedge against volatility, with prices drifting sideways during the month to close at USD 3,3361.50 and AUD 5,196.32. Iron Ore recovered (+4.92%) to US$99.12 influenced by seasonal factors and trade dynamics with China.

Currency markets remained unpredictable. The US dollar gained ground against several major currencies, supported by the Federal Reserve’s current monetary policy stance. However, emerging market currencies showed vulnerability as rising bond yields and geopolitical risks weighed heavily on investor sentiment.

**Global Bond Markets**

Bond markets are still not convinced by the tariff reprieve believing that the outcome will eventually lead to further inflation. The long end of the interest rate curve is sensitive however managed to trade within a narrow band reflecting the moderating stance of US interest rate expectations.

Interest rate markets in the US month over July 2025 with the 10year Government bonds falling to 4.228% on June 30 and then rebounding to hit 4.435% mid-July 2025 and finished at 4.375%. US10year bonds were trading at 4.2302% on Thursday 14th August 2025.

The **decoupled relationship** with shares and bonds has continued. Usually when bonds sell-off (yields rise) then shares fall as valuations factor in the lower intrinsic value for the company based on the changed discount rate. Recently the **bonds have stabilised in price recently and shares rallied.** We expect both markets to drift slowly back to basics post the tariff deadline providing agreements can be negotiated.

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 2.7% for July 2025.

The Fed left the target cash rate at **4.25%-4.50%** at its meeting held on the 29th/30th July 2025. The next meeting held on the **16th/17th** **September 2025**. The **US Fed is expected to shift the** **target cash range by 0.25% at this meeting**. Regarding treasury securities and agency debt holdings:

*“In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage‑backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective. 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 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, 30th July 2025.*

Inflation prints have revealed the US Inflation YOY rose to 2.7% in July 2025 unchanged from June 2025. US Retail Sales YOY increased by (+3.9%) in June 2025 up from (+3.3%) in May 2025.

**Domestic Bond Markets**

For Australia, the latest inflation prints for (year-on-year) first quarter of 2025 dropped to 2.1% which was down from the 2.4% in the first quarter of 2025. The RBA board meeting held on 11th/12th August 2025 saw a **reduction in the target cash rate by 0.25% to 3.60%** from 3.85%. The next RBA Monetary Policy meeting is due on the **29th/30th September 2025**.

Domestic house prices held their ground boosted by the prospect of lower interest rates down the track. Since the RBA held the target cash rate steady, house prices have continued to be firm.

The first half of 2025 has proven to 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 edging higher to 4.3% in June 2025.

*“There are uncertainties about the outlook for domestic economic activity and inflation stemming from both domestic and international developments. The forecasts released today are for the recovery in household consumption growth to be sustained as real incomes rise. Businesses in some sectors, however, continue to report that weakness in demand is making it difficult to pass on cost increases to final prices. There is a risk that consumption growth is a little slower than expected, which could weigh on growth in aggregate demand and lead to weaker labour market conditions. Alternatively, as real incomes and wealth continue to rise, households might choose to consume more and save less than expected. Labour market outcomes may also prove stronger than expected, given the signal from a range of leading indicators.*

*There are also uncertainties regarding the lags in the effect of recent monetary policy easing and how firms’ pricing decisions and wages will respond to the balance between aggregate demand and potential supply for goods and services, conditions in the labour market and continued weak productivity outcomes“. Source: Michelle Bullock, Governor, RBA Monetary Policy Board meeting, 12th August 2025.*

**Asset Class Performance**

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Data Source: Lonsec as of 30th July2025 & Fox Asset Management

**Risk and Return**

From a risk return perspective, markets are mixed:



 Source data: Lonsec as of 31st July 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 lower 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.*

**Investor Sentiment**

The issues at the forefront of investors thoughts included:

* **US Politics** – President Donald Trump continues to adjust trade tariffs, pushing ahead with immigration promises, and now the Middle East conflict. We will have to wait and see how this will impact Australia in terms of trade given this new conflict.
* **Central banks** – the US is effectively “On Hold” for the moment, while the rest of the world remains in easing mode (apart from Japan).
* **Inflation** – remained unchanged in the US at 2.7% in July 2025 with retail spending rising. US retail sales MOM increased by (+0.06%) in June 2025 up from (-0.9%) previously.
* **Growth** – China is the focus with growth prospects the central theme. China GDP is resilient around the 5.0% 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.
* **Company Profits** – company reporting season appears to be supportive of markets as earnings are tending towards guidance. Earnings guidance has shifted down from 7% to 5.6% which may mean a pull back for markets ahead.
* **Commodities** – the latest conflict has been supportive of commodity prices for oil and lithium has rebounded from the lows which is supportive again for the energy and EV related materials. Trade tariffs remain the wildcard.
* **Downside Risks** - 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.

Short-term investors have switched **to “risk-on”** as financial year-end dividends and distributions needed to be put to work. 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, Russia, Gaza, Iran, 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 domestic 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. They are still negotiating.

**Investment Climate**

With the US tariff negotiations ongoing, and investors getting more comfortable with the expected outcomes, r**isk-on trades** dominated activity. 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 for the moment. At this stage, Australia has not retaliated with any US tariffs however, the AUKUS submarine agreement is now under review which may impact our defence needs.

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 remains elevated.

The **medium-term view remains positive** for returns as the US Fed Chair; Jerome Powels appears to have shifted his stance on further easing of interest rates in the US for the rest of 2025. It is **highly likely that the Fed will ease by 0.25%** at the September 16th/17th Meeting.

**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 March 2026.

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

Global share markets over July were strong with returns recovering despite the ongoing tariff situation and changing bouts of volatility after every tariff announcement. The AUD/USD weakened from 0.6550 to 0.6469 (-1.24%). The AUD/USD has since rebounded higher in recent trading at 0.6534 (+1.00%) as of 14th July 2025.

The US Fed left the **monetary policy unchanged** with the target range for federal funds at **4.25%-4.50%** when it met on the 29th/30th July 2025. Investors are gaining more confidence that the economy is headed for a soft landing despite the intermittent bouts of volatility. The next Fed meeting is on the **16th/17th September 2025**.

The underlying short-term theme is **“risk-on”** for shares.

The situation in Russia/Ukraine conflict remains unchanged however the latest conflict between Israel, Gaza (Hamas) and now Lebanon and Iran are 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 ten 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 of May 2025.

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

## Global Share Returns

For share markets, the focus remains on **US tariffs**, **inflation, employment,** and **interest rates.** Unhedged global shares had returns benefitted by a weakening AUD/USD (0.6469 from 0.6550) which had a **positive impact of (+1.24%) 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 31st July 2025

In AUD terms, the global share markets posted one month return of (+3.14%). The US posted returns of (+4.00%), Asia ex Japan (+4.00%), Japan (+0.30%), the UK (+2.66%), Europe flat (+0.00%) and the Emerging Markets (+3.84%).

**Australian Shares**

Australian shares posted positive returns reflecting the global markets trend post the tariff impact. Shares finished (+2.36%) for the month and (+8.16%) over the last three months.

Commodity markets ended higher with Iron Ore closing at US$99.12 per tonne at the end of July 2025 with a monthly gain of (+4.92%) and falls of (-0.64%) for the previous three months. Oil (WTI) closed higher at US$69.26 a barrel at the end of July 2025 resulting in gains of (+6.57%) for the month and up (+18.98%) over the last three months. China remains our main export market followed by Japan.

**Australian Industry Returns**

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



Source data: Lonsec as of 31st July 2025

Healthcare was the best performing sector posting gains of (+9.05%).

Financials – ex- AREITS were the worst performing sector finishing (-1.02%) for the month.

**Australian Shares - Sector Returns**



Source data: Lonsec as of 31st July 2025

## Debt Market Returns

Australian Bonds and Fixed Interest markets finished marginally lower as global bond prices pushed lower (up in yield) after a volatile period which saw highs of 4.40% 16th July 2025 and lows of 4.12% as of 1st July 2025. Australian bonds remain nervous after the initial US tariff sell-off with the short-dated 2-year Government bonds now trading at **3.30%** on the 14th of August 2025 and longer dated 10-year bonds trading at **4.21%.** 

Source data: Lonsec as of 31st July 2025

For July 2025, Global Bonds returns ended in negative territory (-0.35%) and Australian Bonds ended down (-0.04%) for the month and down (-0.20%) and (+0.87%) respectively for the previous three months.

The US 10-year Government bonds closed at **4.36%** for the month up in yield (+0.129%) from the previous month close of 4.231%. Currently trading at 4.237% on the 14th of August 2025.

 

## Currency

The $A closed weaker AUD/USD 0.6469 at the end of July 2025 which was positive for returns for investors who held offshore assets unhedged (+1.24%) over the month and (-0.83%) 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 unchanged in the first quarter of 2025. Unemployment was down to 4.2% in July 2025 from 4.3% in June 2025. The Y-O-Y **inflation rate held steady at 2.1%** in the second quarter of 2025 down from the first quarter of 2025, 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 **“risk-on”** **over the short term, “cautiously optimistic” over the medium, and 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 market is expecting a good chance of a **0.25% cut to interest rates** at the coming RBA monetary policy meeting on the **29th/30th September 2025 however, we think it will be towards November 2025**. This will help borrowers in the short-term and support share market valuations.

### Global View

Global share market remains **positive** despite the Middle East conflict which we expect will result in Central Banks looking to ease interest rates to prevent further fallout from the events where they can however, the countries impacted by trade tariffs directly are likely to **hold rates** while they assess what will be the inflationary impacts of the new tariffs.

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, Israel and Iran, Hezbollah and Houthi conflict, and economic slowdown concerns, we expect the **medium-term outlook to reflect reasonable opportunities for investors**.

**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 2024/25 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 and Asia.

**Markets are forward looking**, so it is likely they have taken a positive view of what lies ahead and started adding to positions ahead of the rest of the company reporting season.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 14/08/2025. 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.