# Current Market View

**Investment Markets**

**Global Markets**

Volatility has overwhelmed the Global Markets **bringing uncertainty to a world that likes certainty**. US President Donald Trump has continued to place tariffs on most of the countries that trade with the US regardless of their trade imbalance. Suddenly, the extent and consequences of the imposition of tariffs hit home and the **US share markets responded by falling sharply** and more recently bond markets reflected 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.

Finally, President Trump got the message that perhaps this roll-out is **too much too soon** and on the 9th April, 2025 granted a 90 day pause in announced tariffs with **a flat rate instead of 10% for everyone that had not retaliated against US tariffs** except China who had several changes to their tariffs after reciprocal tariffs were imposed on the US. The **China tariff is currently 125%.**

 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. Early signs in the US are that most will **meet or exceed expectations** so that should add some support to the equity market. 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) awaits fresh inflation news to consider their next move.

The Fed left the target cash rate at **4.25%-4.50%** at its meeting held on the 19th/20th March 2025. The next meeting held on the **06th /07th** **May 2025**. A recent update given to the US Senate indicated hold may be on the cards for the near future. Regarding treasury securities and agency debt holdings:

*“The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage‑backed securities. Beginning in April, the Committee will slow the pace of decline of its securities holdings by reducing the monthly redemption cap on* ***Treasury securities from $25 billion to $5 billion.*** *The Committee will maintain the monthly redemption cap on agency debt and agency* ***mortgage-backed securities at $35 billion****”. Source: The Board of Governors of the Federal Reserve System, Chair, Jerome Powell, 20th March 2025.*

Inflation prints have revealed the **US Inflation YOY eased to 2.4%** in March 2025 from 2.8% in February 2025. US Retail Sales MOM increased by (+0.2**%)** in February 2025 up from revised (-1.2%) in January 2025.

The next **FOMC meeting on Monetary Policy is the 6/7th of May 2025.**

**Domestic Markets**

For Australia, the latest inflation prints for (year-on-year) fourth quarter of 2024 **was 2.4%** which was down from the 2.8% in the third 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 being held on the 3rd May 2025**.

With more supply coming onto the housing market over February and March 2025, the domestic house prices were softening in several suburbs however, the investment market volatility has led to recession talk and potentially an interest rate cut which 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 drifting higher to 4.1% in January 2025 up from 4.0% in December 2024.

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:

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 Source data: Lonsec as of 31st March 2025

From the chart above, you can gain an understanding of why investors over the past year have tilted their exposures towards shares over bonds 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 – President Donald Trump is top of mind with expectations for a big shake up for trade tariffs, immigration, and climate. We can now 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** and other resources, except Gold which remains well supported.
* Inflation numbers are indicating a **slight rising bias Y-O-Y which is making Central Banks nervous**, as the inflation numbers were 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 searching for the elusive **equilibrium level** post the initial round of Central Bank easing. 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 have taken **risk off** the table in the mostly growth companies although fear has seen more wider spread of selling. Medium and longer term have maintained their risk appetite at **“cautiously optimistic”** as they await the next round of inflation data and Central Bank activity. O**pportunistic buying** is preferred despite the threat of an economic slowdown at some future point but the severity is now seen as 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 has recently made several fiscal and monetary policy announcements to consolidate economic growth, **targeting 5% over the next year.** In response to an increase in US tariffs of 125%, China has introduced a 125% tariff on US imported goods.

**The following total returns across the asset classes are as of 31st March 2025:**



Source data: Lonsec as of 31st March 2025

The developed markets asset classes finished mixed for the month. The AUD/USD finished higher at 0.6280 (+1.06%) for the month which cost returns for unhedged holdings.

**Asset Class Performance**



Data Source: Lonsec as of 31st March2025 & Fox Asset Management

**Investment Climate**

The underlying investment climate in the short term has changed reflecting the volatility the US tariffs have created. **Risk-ff trades** have dominated recent activity. This downside risk is seen as real 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 Europe, 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 is a concern.

Consumption is firm and holding up well with **retail sales YOY in Australia rising by (+3.60%)** in February 2025 which will impact company profit expectations in the short-term and worry the RBA from an inflation perspective.

The **medium-term view remains positive** for returns despite the US Fed Chair, Jerome Powels comments regarding 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 December 2025.

**The following commentary is based on month-end closing prices as of 31st March 2025:**

Global share markets over March were mixed with returns impacted by the ongoing tariff situation and changing bouts of volatility. The AUD/USD had a minor change from February 2025 strengthening from 0.6214 to 0.6280 (+1.06%). The AUD/USD has since continued to rebound in recent trading to 0.6323 (+0.73%) as at close of business 14th April 2025 from the March 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 theme is uncertain for shares. The sharp Yo-Yo retracement moves in the bond market in early April 2025 has impacted share prices given the flow-on effect on valuations.

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



Data Source: Lonsec as of 31st March 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:

* The **Federal Election** to be held on the 3rd May 2025.
* **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) trending down at **2.4%** down from 2.8% in the third quarter of 2024 which is finally heading in the right direction.
* **Government spending** and the rising debt level.
* **China growth prospects** – The Peoples Bank of China maintained its **key lending rates unchanged** for the fifth consecutive month in March 2025, in line with market expectations. The one-year loan prime rate (LPR), a benchmark for most corporate and household loans, was held at 3.1%, while the five-year LPR, a reference for property mortgages, remained at 3.6%.

## Asset Class Returns

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



Source data: Lonsec as of 31st March 2025

## Global Share Returns

For share markets, the focus remains on **US tariffs**, **inflation, employment** and **interest rates** for Central Banks to look at over the longer time horizon. Unhedged global shares had returns were affected by a strengthening AUD/USD (0.6280 from 0.6214) which had a **negative impact of (-1.06%) 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 31st March 2025

In AUD terms, the global share markets posted one month return of (-4.61%). The US posted returns of (-5.83%), Asia ex Japan (-0.63%), Japan (+0.10%), the UK (+0.49%), Europe (-0.40%) and the Emerging Markets (+0.46%).

**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** post 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 RBA to hold the target cash rate at 4.10%.

Commodity markets ended mixed with Iron Ore closing at US$102.51 per tonne at the end of March 2025 with a monthly loss of (-4.11%) and falls of (-1.06%) for the previous three months. Oil (WTI) closed higher at US$71.48 a barrel at the end of March 2025 resulting in gains of (+2.47%) for the month and down (-0.33%) over the last three months. China remains our main export market followed by Japan.

**Australian Industry Returns**

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



Source data: Lonsec as of 31st March 2025

Telecommunication Services was the best performing sector posting gains of (+1.74%).

Information Technology were the worst performing sector finishing (-9.66%) for the month.

**Australian Shares - Sector Returns**



Source data: Lonsec as of 31st March 2025

## Debt Market Returns

Bonds and Fixed Interest markets finished mixed as global bond prices pushed lower (up in yield) following on the uncertainty in the share markets, geopolitical concerns and policy changes. Australian bonds have settled down from the initial US tariff sell-off with the short-dated 2-year Government bonds trading at **3.30%** on the 15th of April 2025 and longer dated 10-year bonds trading at **4.317%.**

Global Bonds ended lower (-0.54%) and Australian Bonds ended up (+0.71%) for the month of March 2025 and up (+0.86%) and (+1.84%) respectively for the previous three months.

The RBA maintained the target cash rate at 4.10% following the 19/20th March 2025 board meeting.

The US 10-year Government bonds closed at (**4.210%**) for the month up in yield (+0.008%) from the previous month close of (4.202%).



The Australian Government 10-year bonds finished higher in yield in March 2025 at (**4.380%**) up in yield (+0.072%) from (4.308%) in February 2025.



Source data: Lonsec as of 31st March 2025

## Currency

The $A closed stronger AUD/USD 0.6280 at the end of March 2025 which was a small negative on returns for investors who held offshore assets unhedged (-1.06%) over the month and (-1.01%) 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 moved higher to 4.1% in February 2025 unchanged from 4.1% in January 2025. The Y-O-Y **inflation rate fell to 2.4%** in the fourth quarter of 2024 down from 2.8% in the third quarter 2024, 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 futureeasing of Monetary Policy by the RBA.

All eyes are on the Australian Federal election to be held on the 3rd May 2025 and how the Government is going to tackle the growing debt burden and the impact on consumer spending. Needless to say: **Higher spending=higher demand=higher prices=higher inflation=higher for longer interest rates.** Both State and Federal debt levels are rising and it is unclear how or when they are going to reign in this spending. **Government debt is now 43.80% of GDP**. From the latest cash splurge from both parties, it is unclear how they will tackle this problem.

### Global View

Global share market returns had been supported by the strength of the US economy and the pace of Central Bank easing. 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**. Post the US election, short-term, we look for the company results to reflect a recovering economy with conservative company forward earnings guidance 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 seems to have oversold the whole tariff issue. Company reporting season was 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 eventually Europe down the track.

The latest sell-off 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 yest **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 17/04/2025. 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.