MONTHLY ECONOMIC & MARKET OVERVIEW
APRIL 2025

Risk-Off Mood Emerges as Short-Term Outlook Remains Clouded

Markets Update – March 2025

March was a bumpy month for markets, with both Australian and international shares falling as investors reacted to growing concerns around US trade policies and the broader economic outlook. While markets pulled back, there were still some bright spots. Emerging markets held up well thanks to resilience in China, and global infrastructure investments even delivered gains – highlighting the value of diversification.

In Australia, share markets dipped, with most sectors down apart from Utilities, which tend to hold up better when uncertainty rises. Property and global bonds also softened, but Australian fixed income managed to achieve a small gain. Importantly, portfolios with a mix of assets are designed to handle periods like this. These short-term fluctuations are normal and expected – and can even present opportunities for long-term investors.

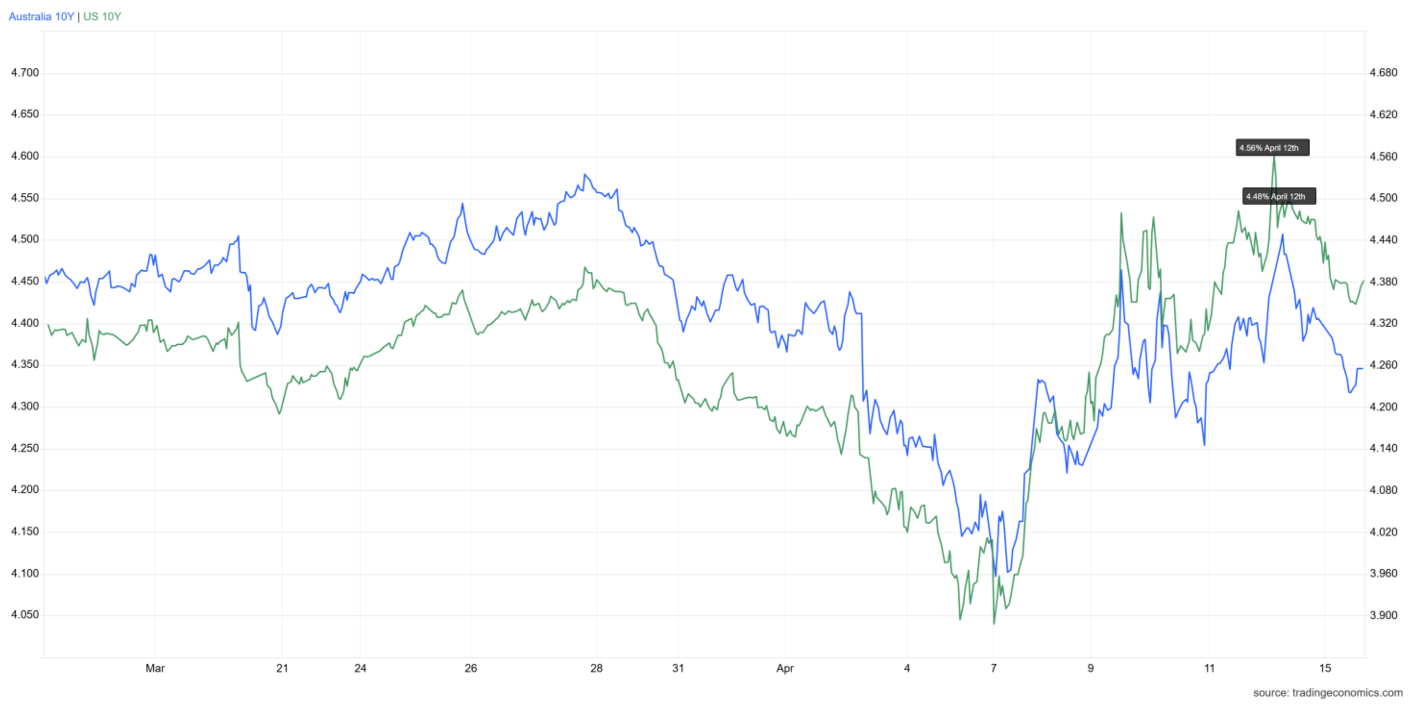
Staying the Course – The Importance of Long-Term Investing

It can be tempting to react when markets fall, or headlines turn negative. But history shows that investors who stay the course and remain invested are more likely to benefit over time. Superannuation is a long-term investment – and reacting to short-term market noise can often do more harm than good. Volatility is a natural part of investing, but time in the market, not timing the market, is what drives long-term success. Well-diversified portfolios are built to withstand different conditions and continue working toward your goals, even during rough patches.

Trade Tensions – What They Mean for Your Investments

In April, the US increased tariffs on a wide range of imports, particularly from China, sparking global trade tensions. While this has created short-term uncertainty, the US has paused some tariff hikes to allow room for negotiations and markets will be watching closely. For investors, some global companies may experience a bit more volatility, especially in sectors like technology and manufacturing, but diversified portfolios are designed to spread risk and limit exposure to any one issue

Chart Below depicts the US 10 Year Treasury and Australian 10 Year Government Bond Yields over the Month to 15th April 2025



Earnings Season – Mixed, but Encouraging

Earnings results from global companies are starting to come through, and so far, most are reporting better-than-expected profits. Large US banks have performed particularly well, which bodes well for economic momentum. While there are some signs of weaker sales in areas like luxury goods, overall, company earnings are showing resilience – a positive sign for long-term investors.

Bond Market Moves – A Reminder of the Bigger Picture

Recently, long-term borrowing costs in the US jumped as investors became more cautious about inflation and the impact of tariffs. These moves have real economic implications – affecting everything from mortgage rates to company financing – and even led the US government to delay some planned tariffs. But again, these kinds of shifts are part of the normal investment cycle, and over time, markets typically adjust and recover.

Interest Rates Likely to Fall – Support Ahead

With global growth showing signs of slowing, central banks in both the US and Australia are expected to consider cutting interest rates. If delivered, these rate cuts could provide support for households and markets alike by lowering borrowing costs, easing mortgage pressure, and helping boost investment returns in some areas. While this might affect returns on term deposits and some bonds, it can be a positive driver for shares and economic confidence more broadly.

Economic Snapshot – A Bit Softer, But Not Worrying

In the US, consumer confidence fell in April due to inflation and trade concerns, and unemployment edged slightly higher. Retail spending was cautious, but still positive. These are signs of a cooling economy, not a collapsing one. Central banks are monitoring conditions closely and stand ready to provide support if needed. Here in Australia, while conditions are a little more subdued, the fundamentals remain stable and further rate cuts could provide additional support in the months ahead.