

# View from the Investment Team

May 2025 Market Update

Early in May India and Pakistan engaged in a brief but intense military conflict driven by a terrorist attack in Kashmir. The conflict lasted a few days, but tensions remain high despite a negotiated ceasefire between the two nuclear-armed nations. There was a de-escalation of trade tensions between the US and major trading partners China and the European Union which buoyed investor confidence. The combination of easing trade tensions combined with robust corporate earnings from US companies which resulted in 78% of S&P 500 companies beating earnings per share estimates helped propel investment markets higher during May.

In May the Reserve Bank of Australia (RBA) cut its cash rate target by 0.25% to 3.85% p.a. On May 7th the Bank of England's Monetary Policy Committee voted 5-4 to reduce the official cash rate by 0.25% to 4.25% p.a. with two members of the committee preferring to cut by 0.50% whilst two other members preferred to maintain the rate at 4.5% p.a. The US Federal Reserve met in May and left the Fed Funds rate unchanged with a target range of 4.25% p.a. to 4.5% p.a.

Australian large cap equities gained 4.01% in May led by the Information Technology (+19.83%), Energy (+8.62%) and Communication Services sector (+5.60%). On the other hand, Utilities (+0.31%), Consumer Staples (+1.20%) and Health Care (+1.59%) were laggards as fears of a full-blown trade war dissipated.

Currency hedged global equities gained 5.95% for the month as the Australian dollar gained 0.45% versus the US dollar. At month's end the Australian dollar closed at US\$0.6431, up from US\$0.6402 a month earlier. Unhedged global equities gained 5.34% for the month. US equities gained 5.68% for the month in Australian dollars.

Bond yields in both Australia and the US moved higher during the month with the US 10 year bond yield gaining 24bps to 4.40% and the US 2 year bond yield gaining 30bps to 3.90%. In Australia, the Australian 2 year bond yield gained 1 bp to 3.28% whilst the Australian 10 year bond yield gained 10bps to 4.26%. The price of gold moved up less than US\$1 per ounce to close May at US\$3,289.25 per ounce.

## BENCHMARK RETURNS

Period Ended: 31 May 2025	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
	%	%	%	%	% (pa)	% (pa)	% (pa)
<b>Australian Shares</b>							
Large Caps	4.01	4.41	1.57	13.58	9.91	12.68	8.31
Broad Caps	4.20	4.34	1.64	13.17	9.34	11.99	8.10
Small Caps	5.76	3.83	2.31	9.76	4.68	6.77	6.68
<b>International Shares</b>							
World ex-Australia in AUD Hedged (Net)	5.95	0.17	0.72	11.84	12.09	13.23	9.70
World ex-Australia in AUD unhedged (Net)	5.34	-1.43	3.51	17.60	17.51	14.93	11.94
<b>Australian Cash and Bonds</b>							
Bank Bill Index	0.34	1.05	2.16	4.42	3.79	2.28	2.02
Australian Bond Index	0.16	2.04	3.71	6.84	3.11	-0.19	2.13
<b>Australian Property</b>							
A-REIT – Accumulation	5.02	6.22	-2.12	12.36	10.59	11.69	7.67

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