

# Monthly Market Review

## JANUARY 2025

Global equity markets ended January higher, despite the volatility following Trump's inauguration and the launch of China's AI model, DeepSeek. The S&P 500 Index closed the month 2.7% higher, outperforming the NASDAQ Index which climbed 1.6%. Australian equity markets also ended the month higher, with the S&P/ASX 200 Accumulation Index soaring 4.6%. This was driven by investor optimism around potential interest rate cuts by the Reserve Bank of Australia (RBA), following softer than expected inflation data.

U.S. tariffs dominated the headlines in January. The Trump administration announced the intention of new tariffs on Mexico and Canada (25%) and China (10%), however the detail and the timing of these tariffs remain in flux as negotiations continue. Meanwhile, investor enthusiasm around the U.S. AI growth narrative was impacted following the release of DeepSeek. This triggered a sell-off in AI-related equities and raised concerns around America's leadership in the global AI race.

Commodities were also volatile over the month. Gold surged 6.6%, reaching new record highs. Brent Crude climbed 2.8% and West Texas Intermediate Crude edged up 1.1%, amid concerns about supply disruptions from sanctions on Russian oil and potential tariffs on Canadian oil.

### Australia

- The Australian equity market, as measured by the S&P/ASX 200 Accumulation Index, climbed 4.6% in January. Consumer Discretionary (+7.1%), Financials (+6.1%) and Real Estate (+4.7%) outperformed, while Utilities (-2.4%) and Consumer Staples (0.7%) underperformed.
- Australian bonds were again broadly flat over the month, with the Bloomberg AusBond Composite Index (AUD) rising just 0.2%.
- The probability of a February rate cut by the RBA rose to 95% following lower than expected inflation data. Australian inflation was 2.4% for the 12 months to December (down from 2.8% in September). Annual trimmed mean inflation fell to 3.2% in December, below the 3.3% expected. This is the lowest level recorded since the June 2020 quarter, when inflation fell during the COVID-19 outbreak. The RBA Board will next meet on February 17/18.
- The Westpac-Melbourne Institute Consumer Sentiment Index fell 0.7% to 92.1 in January, declining for the second consecutive month. Forward-looking measures in the survey were a little more positive, indicating that households are optimistic about the future. Meanwhile, Australian retail sales were strong, increasing 4.6% in the 12 months to December 2024.
- The unemployment rate, seasonally adjusted, increased to 4.0% in December. Labour markets remain relatively tight, with unemployment and underemployment measures still low compared to pre-pandemic levels.
- Nationally, residential property price growth stalled, falling 0.2% as measured by the CoreLogic five capital city aggregate. Adelaide prices climbed 0.7%, followed by Perth (+0.4%) and Brisbane (+0.3%). Nationally, residential property prices increased 4.0% over the past 12 months.

## International

- U.S. equity markets delivered strong performance in January, with the S&P 500 Index closing the month up 2.7%, while the NASDAQ Composite Index underperformed, closing up 1.6%. Within the S&P 500, Communication Services (+9.0%), Health Care (+6.6%) and Financials (+6.4%) led the Index, while Information Technology (-2.9%) and Real Estate (1.7%) lagged.
- The U.S. fourth quarter earnings season began in mid-January, with earnings results so far mixed. According to FactSet, seven sectors are showing year-over-year earnings growth for Q4, with five of these experiencing double-digit growth (Financials, Communication Services, Information Technology, Consumer Discretionary and Utilities). Meanwhile, Energy and Industrials are reporting double-digit declines.
- Headline U.S. inflation picked-up in December and remains above target. Year-over-year inflation increased to 2.9% in December (up from 2.7% in November). Core CPI (excluding food and energy) appears to be softening, rising 3.2% in the 12 months to December (3.3% in November).
- The U.S. Federal Reserve Bank (the Fed) kept the target Fed Funds Rate steady at between 4.25% and 4.50% at its January meeting. The post meeting statement offered a slightly more optimistic view on labour markets, while becoming a little more cautious on the outlook for inflation. U.S. 10-year bonds closed the month three basis points lower at 4.54% (vs 4.57% end of December). The Bloomberg Global-Aggregate TR Index (AUD) was also muted, climbing 0.4%.
- The Euro Stoxx 600 Index outperformed global equity markets, gaining 6.4% in January. European markets were supported by the prospect of lower interest rates, reduced fears around the impact of tariffs and the rotation out of U.S. mega-tech.
- The USD Index (the value of the U.S. dollar against a basket of widely recognised, publicly traded currencies) stalled in January, down 0.1%. The Australian dollar rose versus the USD, closing the month at 62.18¢ (vs 61.88¢ in December).

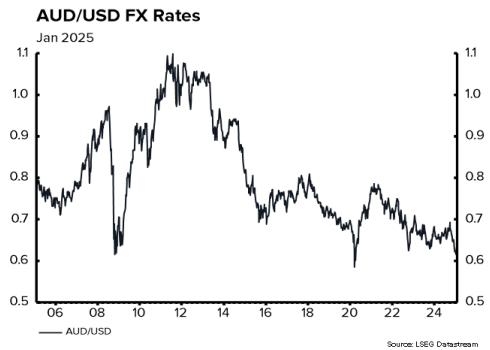
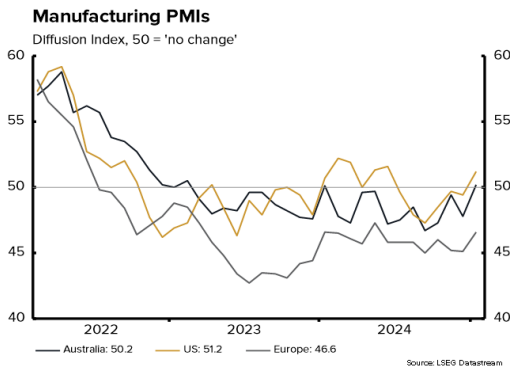
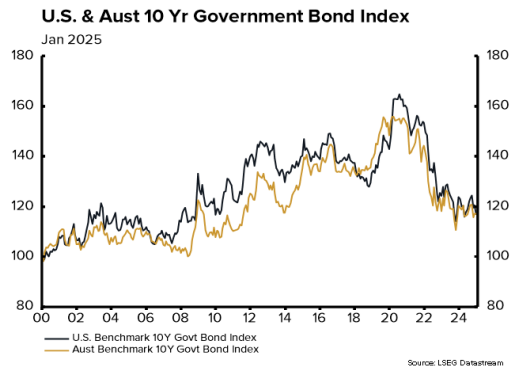
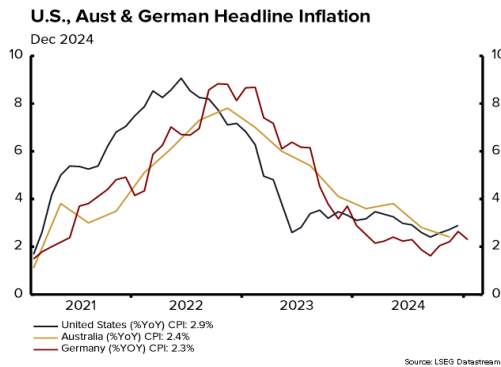
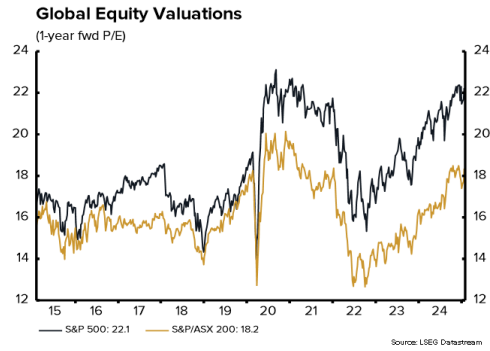
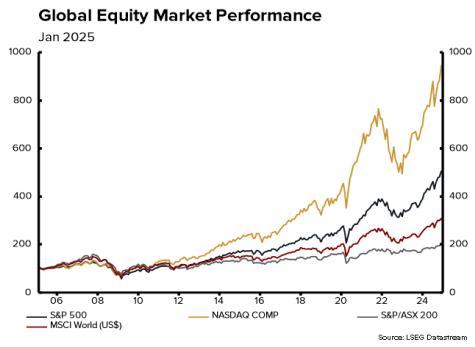
## Commodities

- Commodity markets remained volatile. Oil prices rose in January with West Texas Intermediate Crude rising 1.1% to close the month at US\$72.53/bbl. Brent Crude rose 2.8% to close at US\$76.76/bbl. The iron ore price started to recover, climbing 4.5% in January. Gold (USD) rose 6.6% over the month, reaching new record highs, and Copper rose 6.3%.

## Global Markets – 31 January 2025

Equities	YTD	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
S&P/ASX 200 Accumulation Index (AUD)	4.6%	4.6%	5.1%	15.2%	11.4%	8.0%
S&P/ASX Small Ordinaries Index (AUD)	4.6%	4.6%	2.4%	9.4%	0.2%	1.5%
S&P 500 Index (USD)	2.7%	2.7%	5.9%	24.7%	10.2%	13.4%
NASDAQ Composite Index (USD)	1.6%	1.6%	8.5%	29.4%	11.3%	16.5%
Russell 3000 Index (USD)	3.1%	3.1%	6.3%	24.6%	9.7%	12.9%
FTSE 100 Index (GBP)	6.1%	6.1%	7.0%	13.7%	5.1%	3.5%
Euro Stoxx 600 (EUR)	6.3%	6.3%	6.8%	11.1%	4.8%	5.6%
Nikkei 225 (JPY)	-0.8%	-0.8%	1.3%	9.1%	13.6%	11.3%
Hang Seng (HKD)	0.8%	0.8%	-0.5%	30.6%	-5.3%	-5.1%
MSCI Emerging Markets Index (USD)	1.7%	1.7%	-2.3%	12.0%	-3.3%	0.6%
MSCI World Ex Australia (AUD)	2.7%	2.7%	10.8%	28.9%	14.1%	13.8%
<b>Bonds</b>						
Bloomberg AusBond Composite Index (AUD)	0.2%	0.2%	1.8%	2.9%	-0.4%	-0.6%
Bloomberg Global Agg Bond TR Index (AUD)	0.4%	0.4%	0.7%	2.9%	-1.2%	-0.7%
<b>Currency</b>						
AUD/JPY	-0.9%	-0.9%	-3.7%	-0.1%	5.8%	5.9%
AUD/USD	0.5%	0.5%	-5.5%	-5.3%	-4.2%	-1.5%

Source: Bloomberg 31 January 2025 (All returns are in local currency terms.)



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