

Monthly Market Review

FEBRUARY 2025

February was a volatile month for investment markets as geopolitical and economic uncertainty weighed on investor sentiment. The announcement of policies and executive orders by President Trump – particularly around tariffs and immigration – dominated headlines and challenged global relations. The U.S. earnings season wrapped up during the month, delivering generally positive quarterly results. Although company earnings remained resilient and fundamental economic indicators strong, some weaker-than-expected economic data sparked concern that the U.S. economy may be at risk of slowing.

The S&P 500 closed the month down 1.4% and the NASDAQ fell 4.0%. European markets outperformed, with the Euro Stoxx 600 Index up 3.3% in February, taking its gains for 2025 to almost 10%. Meanwhile the S&P/ASX 200 Accumulation Index fell 3.8%.

Following weaker than expected economic data, and downside surprises on wage growth and inflation, the Reserve Bank of Australia (RBA) was able to deliver the first interest rate cut since November 2020, reducing the official rate by 0.25% to 4.1%. However, the RBA tempered rate cut expectations in their post meeting communication, with Governor Bullock reiterating that February's cut does not guarantee there will be further cuts in the next meeting.

Commodities markets were also volatile over the month. Copper (USD) soared, up 4.6%, followed by Gold (USD) which climbed 2.1%. Oil prices fell, with Brent Crude falling 4.7% and West Texas Intermediate Crude down 3.8%

Australia

- The Australian equity market, as measured by the S&P/ASX 200 Accumulation Index, fell 3.8% in February. Information Technology (-12.3%), Healthcare (-7.7%) and Real Estate (-6.8%) underperformed, while Utilities (+2.7%) and Consumer Staples (+1.4%) outperformed.
- Australian bonds returned minor gains over the month, with the Bloomberg AusBond Composite Index (AUD) rising 0.9%.
- Following lower than expected inflation data, the RBA cut interest rates by 0.25% to 4.1% in February. The Board reiterated that *“sustainably returning inflation to target within a reasonable timeframe remains the Board's highest priority”* and future rate cuts will be data driven. The RBA Board will next meet on March 31 – April 1, 2025.
- The Westpac-Melbourne Institute Consumer Sentiment Index was unchanged in February, increasing just 0.1% to 92.2. While consumer mood improved materially over the second half of 2024, the recovery has stalled in the last three months.
- The unemployment rate, seasonally adjusted, increased slightly to 4.1% in January. Labour markets remain relatively tight, with unemployment and underemployment measures still low compared to pre-pandemic levels.
- Nationally, residential property price growth recovered, rising 0.3% as measured by the CoreLogic five capital city aggregate. Melbourne prices climbed 0.4%, followed by Hobart (+0.4%). Over the past 12 months, national residential property prices have increased 3.4%.

International

- U.S. equity markets fell in February, with the S&P 500 Index closing the month down 1.4%, while the NASDAQ Composite Index underperformed, down 4.0%. Within the S&P 500, Consumer Discretionary (-9.4%) led the declines, followed by Communication Services (-6.3%) and Industrials (-1.6%). Consumer Staples (5.6%) Real Estate (4.1%) and Energy (+3.3%) outperformed.
- The U.S. fourth quarter earnings season wrapped up in February with earnings results broadly positive. According to FactSet, blended (year-over-year) earnings growth was 18.2% (97% of S&P 500 companies have reported actual results). This was the sixth consecutive quarter of year-over-year earnings growth for the Index.
- Headline U.S. inflation exceeded expectation, increasing 0.5% in January - the largest gain since August 2023. Year-over-year inflation increased to 3.0% (up from 2.9% in December). Core CPI (excluding food and energy) rose 0.4%, climbing 3.3% in the 12 months to January.
- The U.S. economy grew at a weaker than expected rate of 2.3% annualised (2.6% expected). Retail sales were also weaker than expected, declining 0.9%. Meanwhile, the unemployment rate continued to trend lower to 4.0% (after reaching 4.2% in November).
- The U.S. 10-year bond fell 33bps over the month, closing February at 4.21% (versus 4.54% at the end of January). The Bloomberg Global-Aggregate TR Index (AUD) gained 1.2%.
- The Euro Stoxx 600 Index delivered solid performance in February, gaining 3.3% and rallying 9.8% year-to-date. European markets were supported by the prospect of lower interest rates, cheaper relative valuations, and the rotation out of U.S. equity markets.
- The USD Index (the value of the U.S. dollar against a basket of widely recognised, publicly traded currencies) fell in February, down 0.7%. The Australian dollar fell slightly versus the USD, closing the month at 62.09¢ (vs 62.18¢ in January).

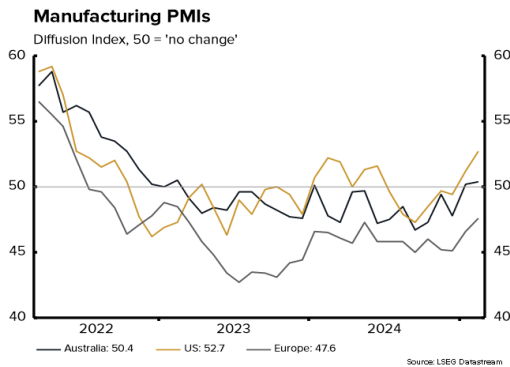
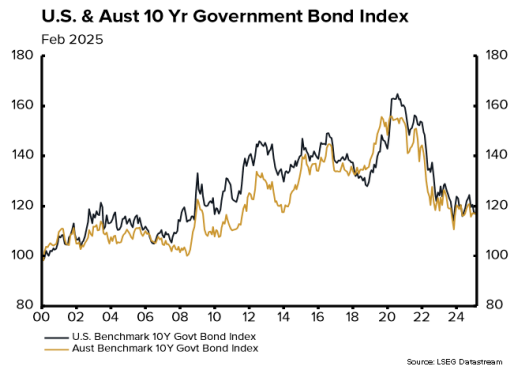
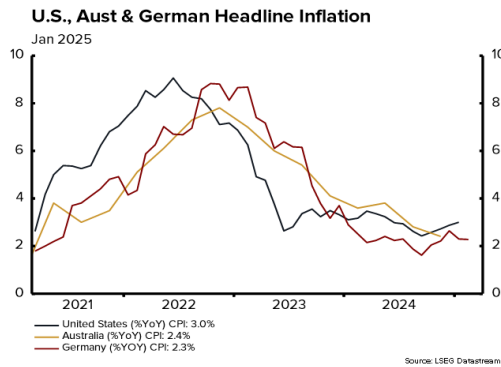
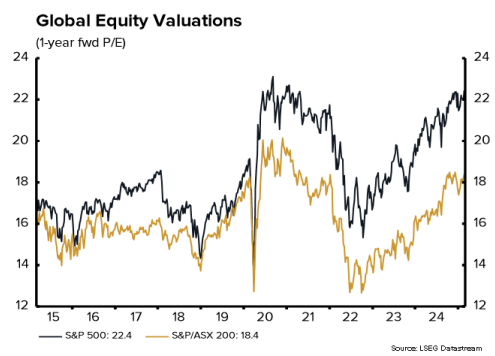
Commodities

- Commodity markets remained volatile. Oil prices fell in February, with West Texas Intermediate Crude falling -3.8% to close the month at US\$69.76/bbl. Brent Crude fell 4.7% to close at US\$73.18/bbl. The iron ore price resumed falling, down 1.4% in February. Gold (USD) continued to climb, up 2.1% and Copper rose 4.6%.

Global Markets – 28 February 2025

Equities	YTD	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
S&P /ASX 200 Accumulation Index (AUD)	0.6%	-3.8%	-2.6%	9.9%	9.2%	8.9%
S&P/ASX Small Ordinaries Index (AUD)	1.4%	-3.0%	-1.9%	4.6%	-0.7%	2.8%
S&P 500 Index (USD)	1.2%	-1.4%	-1.3%	16.8%	10.8%	15.0%
NASDAQ Composite Index (USD)	-2.4%	-4.0%	-1.9%	17.1%	11.1%	17.1%
Russell 3000 Index (USD)	1.0%	-2.0%	-2.2%	16.0%	9.9%	14.4%
FTSE 100 Index (GBP)	7.8%	1.6%	6.3%	15.5%	5.7%	6.0%
Euro Stoxx 600 (EUR)	9.8%	3.3%	9.2%	12.7%	7.1%	8.2%
Nikkei 225 (JPY)	-6.9%	-6.1%	-2.8%	-5.1%	11.9%	11.9%
Hang Seng (HKD)	14.4%	13.4%	18.1%	38.9%	0.3%	-2.6%
MSCI Emerging Markets Index (USD)	2.0%	0.4%	1.7%	7.5%	-2.2%	1.8%
MSCI World Ex Australia (AUD)	2.4%	-0.4%	5.0%	21.3%	16.1%	14.9%
Bonds						
Bloomberg AusBond Composite Index (AUD)	1.1%	0.9%	1.6%	4.2%	0.3%	-0.6%
Bloomberg Global Agg Bond TR Index (AUD)	1.6%	1.2%	0.7%	5.0%	-0.4%	-0.7%
Currency						
AUD/JPY	-3.9%	-3.0%	-4.1%	-4.0%	3.8%	5.9%
AUD/USD	0.3%	-0.1%	-4.7%	-4.4%	-5.1%	-1.0%

Source: Bloomberg 28 February 2025 (All returns are in local currency terms.)



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