

# Monthly Market Review

## MAY 2025

Equity markets rallied in May, buoyed by easing trade tensions and resilient corporate earnings. A temporary 90-day tariff truce between the U.S. and China helped to improve investor confidence. The S&P 500 Index rose 6.3%, while the Nasdaq Composite Index surged 9.6%, the strongest monthly gains since November 2023. By the end of May, the S&P 500 had completely erased losses for the year, (+0.5% year-to-date (YTD)). Domestically, the S&P/ASX 200 Accumulation Index rose 4.2%, with YTD returns of 5.0%.

Bond markets were volatile, driven by competing risks – rising inflation expectations, slowing economic growth and fiscal debt concerns. U.S. 10-year Treasury yields rose mid-month following Moody's downgrade of U.S. sovereign debt, which raised concerns about long-term fiscal sustainability. The Bloomberg Global Aggregate Index fell 0.4% (bond prices fall as yields rise).

The U.S. Federal Reserve (the Fed) held rates steady at 4.25%-4.50%, citing “dual threats” of persistent inflation and rising unemployment. Meanwhile, the Reserve Bank of Australia (RBA) cut rates by 25 basis points to 3.85%, as expected. The Board's more dovish than expected commentary left the door open for further easing.

Commodities were mixed. Oil prices hovered near four-year lows, down roughly 15% YTD on concerns of softening demand outlook driven by tariff uncertainty and higher OPEC+ supply. West Texas Intermediate Crude ended May up slightly to US\$60.79/bbl and Brent Crude at \$63.90/bbl. Gold was flat, while silver and copper rose. The U.S. dollar Index was flat in May but has declined 8.4% year-to-date.

### Australia

- The Australian equity market, as measured by the S&P/ASX 200 Accumulation Index, rose 4.2% in May. Information Technology (+19.8%), Energy (8.6%) and the Communications (+5.5%) outperformed, while Utilities (+0.3%) lagged. Australian bonds also delivered marginal gains over the month, with the Bloomberg AusBond Composite Index (AUD) rising 0.2%.
- Monthly CPI was 2.4% in the 12 months to April, and the monthly CPI indicator excluding volatile items and holiday travel rose by 2.8% (following a 2.6% rise in the 12 months to March).
- As expected, the RBA delivered its second rate cut of this cycle – lowering rates by 25 basis points to 3.85% at the 19 to 20 May meeting. While the rate cut was expected, the Board's dovish sentiment was surprising *“The Board judged that the risks to inflation have become more balanced...The Board considered a severe downside scenario and noted that monetary policy is well placed to respond decisively to international developments.”*
- The Westpac-Melbourne Institute Consumer Sentiment Index rose 2.2% to 92.1 in May, up from 90.1 in April. Consumer sentiment recovered some of last month's tariff-related fall, buoyed by a rebound in financial markets and a decisive Australian Federal election result.
- The unemployment rate, seasonally adjusted, remained at 4.1% in April. Labour markets are relatively tight, with unemployment and underemployment measures still low compared to pre-pandemic levels.
- Nationally, residential property price growth recovered in May, rising 0.5% as measured by the CoreLogic five capital city aggregate. Darwin prices climbed 1.6%, followed by Perth (+0.7%). Over the past 12 months, national residential property prices have increased 2.7%.

## International

- The S&P 500 Index closed the month up 6.2%, while the Nasdaq Composite Index outperformed, rising 9.6%. From the April lows, the S&P 500 is up circa 18% and is now +0.5% YTD. Information Technology (10.8%) led the gains, followed by Consumer Discretionary (9.6%). Healthcare (-5.7%) was the only sector to close lower in May
- The first quarter earnings season was robust. With 97% of S&P 500 companies having reported by the end of May, the blended year-over-year earnings growth rate was 12.4%. This marks the second consecutive quarter of double-digit earnings growth for the index. Notably, 77% of companies reported positive earnings surprises, and 63% exceeded revenue expectations.
- Headline U.S. annual inflation reduced to 2.3% in April, lower than expected and the lowest since February 2021. Core CPI (excluding food and energy) remained at 2.8% in the 12 months to April. The softer than expected reading is not yet reflective of the potential impact of tariffs on consumer prices. The U.S. labour market remained resilient, despite worries over the impact of President Trump's tariff announcements and DOGE initiatives. The unemployment rate was 4.2% in May.
- The Fed held interest rates steady at 4.5% for a third consecutive meeting in May, while acknowledging that since the last meeting in March, the risks of higher inflation and higher unemployment have increased, in part due to trade policy.
- The Euro Stoxx 600 Index underperformed U.S. counterparts in May, rising 4.0%. YTD the Index has outperformed, rising 8.1%. Over the month, Healthcare lagged (+0.02), while Travel & Leisure (+10.8%) and Industrial Goods & Services (8.6%) outperformed.
- The USD Index (the value of the U.S. dollar against a basket of widely recognised, publicly traded currencies) fell 0.1% in May and is down 8.4% YTD. The Australian dollar rose slightly versus the USD, closing the month at 64.31¢ (versus 64.02¢ in April).

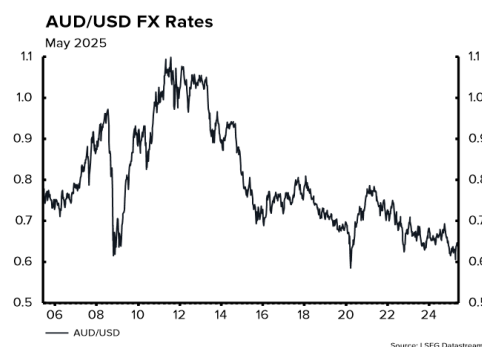
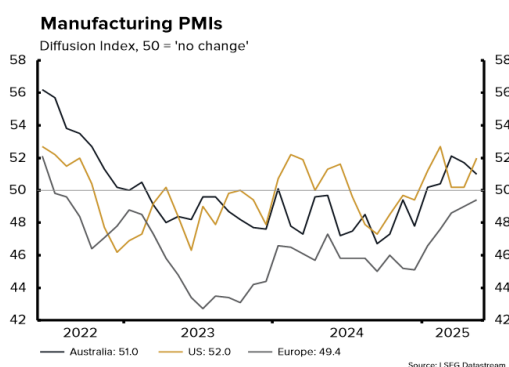
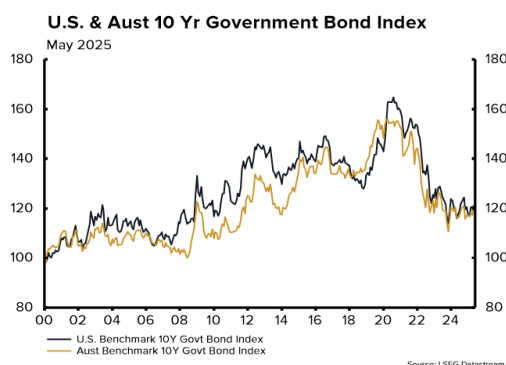
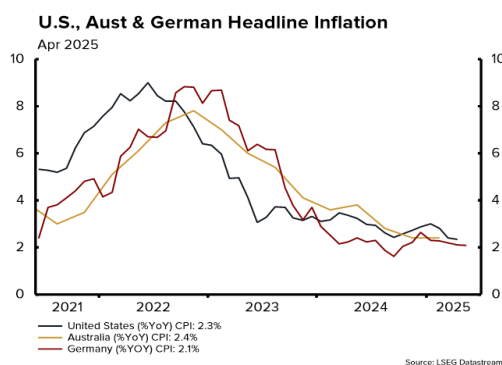
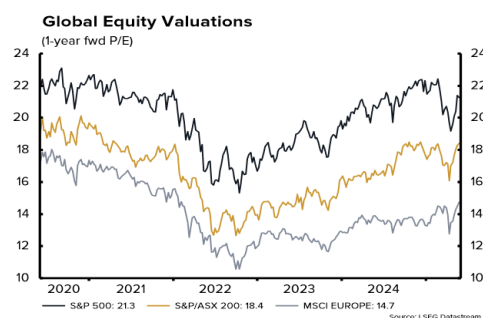
## Commodities

- Commodity markets were mixed in May. Gold (USD) was flat over the month, although 25.3% higher YTD. Silver rose 1.1% and Copper (\$/t) rose 4.7%. Iron Ore (\$/t) fell 1.6%.
- Oil prices stabilised at a four-year low, impacted by the softening demand outlook driven by tariff concerns and higher OPEC+ supply. West Texas Intermediate Crude rose 4.4% in May to US\$60.79/bbl. and Brent Crude rose 1.2% to \$63.90/bbl.

## Global Markets – 31 May 2025

Equities	YTD	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
S&P /ASX 200 Accumulation Index (AUD)	5.0%	4.2%	4.3%	13.4%	9.6%	12.1%
S&P/ASX Small Ordinaries Index (AUD)	4.4%	5.7%	2.9%	6.8%	1.8%	4.0%
S&P 500 Index (USD)	0.5%	6.2%	-0.7%	12.0%	12.7%	14.2%
Nasdaq Composite Index (USD)	-1.0%	9.6%	1.4%	14.2%	16.5%	15.0%
Russell 3000 Index (USD)	0.1%	6.2%	-0.9%	11.6%	12.1%	13.7%
FTSE 100 Index (GBP)	7.3%	3.3%	-0.4%	6.0%	4.9%	7.6%
Euro Stoxx 600 (EUR)	8.1%	4.0%	-1.5%	5.9%	7.4%	9.4%
Nikkei 225 (JPY)	-4.8%	5.3%	2.2%	-1.4%	11.6%	11.7%
Hang Seng (HKD)	16.1%	5.3%	1.5%	28.8%	2.8%	0.3%
MSCI Emerging Markets Index (USD)	7.6%	4.0%	5.5%	10.3%	2.4%	4.5%
MSCI World Ex Australia (AUD)	0.9%	5.3%	-1.4%	17.6%	17.5%	14.9%
Bonds						
Bloomberg AusBond Composite Index (AUD)	3.2%	0.2%	2.0%	6.8%	3.1%	-0.2%
Bloomberg Global Agg Bond TR Index (AUD)	1.7%	-0.4%	0.1%	5.3%	1.4%	-0.7%
Currency						
AUD/JPY	-4.8%	1.2%	-0.9%	-11.5%	0.1%	5.2%
AUD/USD	3.9%	0.5%	3.6%	-3.3%	-3.6%	-0.7%

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



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