



# MONTHLY MARKET REPORT SUMMARY: AUGUST 2025

Global share markets posted a solid month in August, supported by a strong US second-quarter earnings season and growing expectations of US Federal Reserve rate cuts as early as September. Australian shares outperformed, reaching record highs on the back of strength in materials, consumer discretionary and REITs. Emerging markets were mixed overall, with Brazil rallying strongly and China supported by targeted stimulus, while India lagged. Bond markets reflected a push-and-pull between prospective rate cuts and rising concerns over Fed independence and US fiscal credibility. Commodities were mixed, with oil easing, gold surging, and key bulk and base metals advancing. The Australian dollar gained against the US dollar but softened against many other currencies.



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# KEY SECTOR TAKEAWAYS

## GLOBAL DEVELOPED SHARES



Unhedged global shares rose 0.9% in AUD terms in August, bringing year-to-date gains to 7.6%. Markets were buoyed by stronger-than-expected US earnings and the prospect of Fed rate cuts following weak payrolls data and dovish commentary at Jackson Hole. Materials led sector performance, with banks, healthcare and communications also strong; higher dividend and Value exposures outperformed Growth despite strong AI-related earnings.

## AUSTRALIAN SHARES



Australian shares rose 3.1% in August, taking year-to-date returns to 12.3%. An improving domestic outlook and the prospect of further RBA easing supported smaller and mid-sized companies, while several large caps (including CSL, James Hardie and Woolworths) fell on disappointing results and guidance. Banks advanced as investors rotated out of CBA into other majors.



# KEY SECTOR TAKEAWAYS

## EMERGING MARKETS



Emerging markets declined 0.4% in AUD terms in August and have returned 12.6% YTD. Brazil rallied on expectations of rate cuts and an improved political outlook, while China advanced on tech strength and additional stimulus measures. Korea and Taiwan declined, and India continued to lag amid tariff/trade concerns, expensive valuations and foreign investor outflows.

## PROPERTY AND INFRASTRUCTURE



Australian listed property rose 4.5% in August, supported by a more positive domestic outlook, the prospect of rate cuts and signs of a bottom in property valuations. Global REITs also rose 3.6%, assisted by the outlook for interest rates. Global listed infrastructure increased by 0.9% and remains supported by signs of sticky inflation and a potential peak in real yields.

## GLOBAL FIXED INTEREST



US 10-year yields were steady at 4.25%, while 2-year yields fell to 3.63% as markets priced in cuts. Weaker July payrolls (and sizeable downward revisions) plus Powell's Jackson Hole comments strengthened expectations for a September cut.



# KEY SECTOR TAKEAWAYS

## AUSTRALIAN FIXED INTEREST



Australian 10-year yields traded in a tight range, ending at 4.3%, while the RBA reduced the cash rate by 25 bps to 3.6%. Markets continue to expect further cuts to around 3.0% by mid-2026.

## COMMODITIES



Brent crude eased, with higher OPEC output weighing on prices. Gold rose to US\$3,448/oz (+31.4% year to date), supported by lower rates, geopolitical uncertainty, a weaker USD and central bank buying, alongside rising concerns over Fed independence. Iron ore advanced 2.1% and copper rebounded 2.0% in August, up almost 13.0% year to date.

## CURRENCIES



The US dollar fell 2–3% in August against other currencies, as markets focused on Fed developments and the implications for US rates. The Australian dollar firmed against the US dollar but weakened against several other currencies on expectations of further RBA easing, with stronger commodity prices a partial offset.





# ECONOMIC HIGHLIGHTS

## FED INDEPENDENCE AND POLICY OUTLOOK



At Jackson Hole, Chair Powell noted that with monetary policy in restrictive territory and risks shifting, the Fed may adjust its stance; markets now place a high probability on a September cut and expect further moves towards ~3.0% by late 2026. Concerns over Fed independence escalated following senior personnel changes, raising questions about policy credibility. The long end of the US curve, the US dollar and gold all reflected these risks.

## AUSTRALIA: INFLATION, POLICY AND ACTIVITY



Australian Cash Rate expectations



Markets are still factoring at least two more RBA cuts over the next 12 months. The RBA lowered the cash rate by 25 bps to 3.6%, noting underlying inflation is settling towards the midpoint of the 2–3% target range, implying a restrictive stance was no longer appropriate. Markets project the cash rate at 2.9–3.1% within 12 months. The NAB survey for July showed confidence lifted, with business conditions and forward orders holding recent gains.

# ASSET CLASS RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Australian Cash	0.3	4.3	4.0	2.5
Australian Bonds	0.3	5.0	3.7	0.0
Global Bonds (Hedged)	0.5	2.8	2.5	-0.6
Australian Shares	3.1	14.7	13.0	12.3
Global Shares (Unhedged)	0.9	20.1	20.5	15.7
Global Shares (Hedged)	2.0	14.8	16.7	12.4
Emerging Markets	-0.4	21.1	12.6	7.8
Global Infrastructure (Hedged)	0.9	7.0	4.6	7.2
Australian Listed Property	4.5	14.5	15.4	12.3
Global Listed Property (Hedged)	3.6	1.2	2.8	4.5
AUD / USD	1.1	-3.9	-1.8	-2.3

# GLOBAL SECTOR RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Consumer Staples	2.7	3.3	6.8	5.7
Consumer Discretionary	4.1	19.6	15.1	8.6
Energy	4.1	4.8	8.3	21.3
Financials	3.7	28.1	24.0	19.2
Health Care	5.1	-11.6	5.5	5.2
Industrials	0.6	18.3	21.0	14.2
Information Tech	0.4	21.2	28.8	17.5
Materials	7.2	4.9	10.8	8.6
Telecom	4.2	33.9	27.6	13.1
Utilities	-0.6	14.3	9.5	8.8





# AUSTRALIAN SECTOR RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Consumer Staples	2.5	0.5	1.3	2.2
Consumer Discretionary	7.5	22.2	18.7	13.4
Energy	3.4	7.0	1.7	11.3
Financials	3.8	22.7	21.2	20.2
Health Care	-12.9	-12.7	-1.1	0.1
Industrials	2.9	22.9	14.5	12.2
Information Tech	-1.4	17.3	23.1	9.5
Materials	9.4	13.9	8.2	10.3
Telecom	3.0	24.3	14.0	14.6
Utilities	5.3	20.5	15.6	12.8



# CONCLUSION

- Shares advanced in August, led by Australia and supported globally by strong US earnings and the prospect of Fed rate cuts.
- Bond markets diverged: front-end yields fell on policy expectations while long-end yields firmed on fiscal and central bank independence concerns.
- AREITs outperformed on improving domestic fundamentals and rate-cut expectations; global infrastructure remained supported by sticky inflation and peaking real yields.
- Gold surged on policy credibility concerns, lower rates and central bank demand; oil eased amid higher OPEC supply.
- Macro signals are mixed: weakening US labour indicators contrast with firm Q2 output and a Q3 growth rebound estimate, while in Australia inflation ticked up but remains within the target band, with markets still pricing further RBA easing.

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