



# MONTHLY MARKET REPORT SUMMARY: DECEMBER 2025



Global share markets ended the year on a positive note, with developed markets posting modest gains in December and strong calendar-year returns. European shares led global performance in 2025, while US shares recovered from tariff-related volatility earlier in the year. Australian shares outperformed in December but lagged global peers for the year, pressured by weak earnings growth and rising rate expectations. Emerging markets delivered their strongest annual return since 2017, supported by falling inflation, global rate cuts, and AI-driven optimism. Property and infrastructure posted solid annual gains despite December weakness. Bond markets reflected mixed signals, with US 10-year yields easing whilst Australian 10-year yields rose on inflation surprises. Commodities were mixed: gold surged on policy uncertainty, copper rallied on structural demand, while oil declined. The AUD strengthened modestly on widening rate differentials.



# KEY SECTOR TAKEAWAYS

## GLOBAL DEVELOPED SHARES



Unhedged global shares fell 0.9% in AUD terms in December, bringing 12-months returns to 12.5%, while hedged global shares returned 18.7% over the past 12 months. European shares outperformed for the year, supported by fiscal easing and infrastructure spending. Japan gained on pro-growth policies and a low Yen, while US shares rose despite tariff-related volatility. Banks and materials led in December, driven by strong European bank performance and commodity strength.

## AUSTRALIAN SHARES



Australian shares rose 1.3% in December, bringing 12-month returns to 10.3%. Banks rose and resources gained, with the latter supported by strong gold and copper prices and higher-than-expected iron ore prices. Large caps outperformed mid-caps, led by Rio Tinto (+11.0%) and BHP (+9.2%). In contrast, CSL fell 7.3% in December, extending its annual decline to 39.0%. Persistent inflation and a sharp reversal in interest rate expectations weighed on sentiment for Australian shares, as markets shifted from forecasting two cuts to two hikes to interest rates by early 2027.



# KEY SECTOR TAKEAWAYS

## EMERGING MARKETS



Emerging market equities rose 1.3% in AUD terms in December, bringing 12-month returns to 24.0%. South Korea surged 12.7% in December and nearly doubled for the year, driven by AI-related semiconductor demand and corporate governance reforms. Taiwan rose in December while China delivered strong annual gains despite weak fundamentals. Brazil rose almost 50.0% in 2025 on cheap valuations and a weaker USD. The outlook remains constructive, supported by AI tailwinds, stronger commodity prices, and resilient global growth.

## PROPERTY AND INFRASTRUCTURE



Hedged global listed property fell 1.4% in December, bringing 12-month returns to 7.5%. Hedged global listed infrastructure fell 2.1%, bringing 12-month returns to 11.4%. Australian listed property rose 2.0% in December, ending the year up 9.2%. Overall, underlying property valuations appear to have stabilised and rental growth is solid, but not enough to trigger a rotation from growth-oriented equity sectors.

## GLOBAL FIXED INTEREST



Global bonds returned 4.4% in 2025, supported by 32 rate cuts from major central banks and 51 cuts from emerging economies. The US Fed cut rates three times in the second half, ending the year at 3.5%–3.75%, but signalled a pause with only one cut expected in 2026.

# KEY SECTOR TAKEAWAYS

## AUSTRALIAN FIXED INTEREST



Australian 10-year yields rose to 4.8% from 4.4%, as inflation surprised to the upside and growth strengthened. The Bloomberg AusBond Composite Index returned 3.2% for the year. Markets shifted from expecting two cuts to projecting two hikes by early 2027, following a 3.8% CPI print in October.

## COMMODITIES



Gold rose 2.4% in December to US\$4,318.27/oz, up 64.0% in 2025 on central bank buying and policy uncertainty. Copper gained 13.6% in December, bringing annual returns to 43.0%, supported by structural demand and supply issues. Brent crude fell 3.6% in December and 18.6% for the year on excess supply and weak demand. Iron ore ended the year slightly higher at US\$107/t.

## CURRENCIES

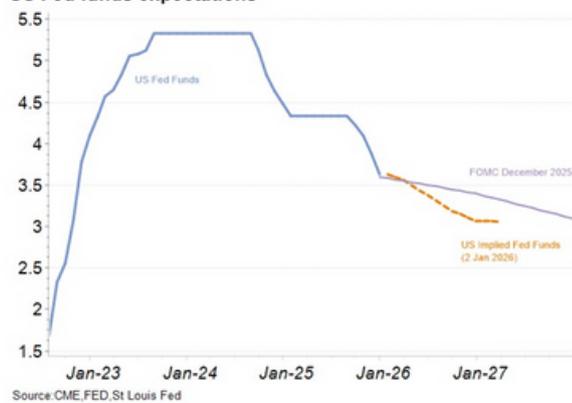


The USD fell 8.0% in 2025, its worst performance in a decade, on policy uncertainty and aggressive easing. The Euro gained 13.5% while Sterling rose almost 8.0%. The Yen ended flat at 156.7, despite two rate hikes. The AUD edged up toward 67 cents, supported by a 60-basis point spread between the Australian and US 2-year bond yield.



# ECONOMIC HIGHLIGHTS

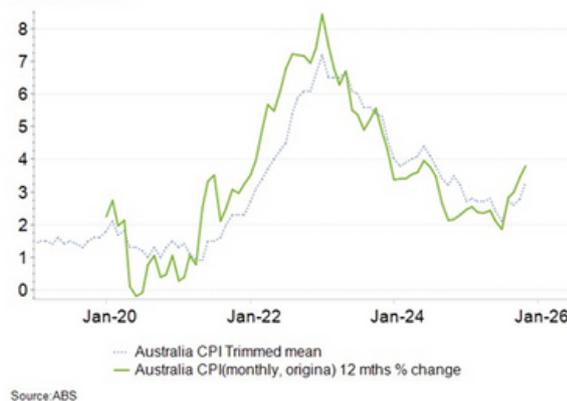
US Fed funds expectations



## UNITED STATES: FED FUNDS OUTLOOK

The US Federal Reserve reduced the official funds rate range by a quarter of a percentage point in early December, to 3.5% to 3.75%, the lowest it has been in nearly three years. The market expects a further 2 rate cuts to a 3% to 3.25% range by late 2026, which contrasts with the December Federal Open Market Committee (FOMC) dot plot, which suggests only one rate cut. Further. US GDP growth for the September quarter was revised to 4.3%, driven by consumer spending and strong net exports. Payrolls growth slowed, with unemployment rising to 4.6%.

Australia CPI



## AUSTRALIA: INFLATION, POLICY AND GROWTH

The CPI print was 3.8% in October, with core inflation at 3.3%, which is well above the RBA's target band. The RBA expects core inflation to return to target only in the second half of 2026. Due to this, along with signs of green shoots in the economy and GDP growth picking up to 2.1%, markets now factor in two cash rate hikes by early 2027, reversing earlier expectations of two cuts.

Implied RBA Cash Rate change



# ASSET CLASS RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Australian Cash	0.3	4.0	4.1	2.7
Australian Bonds	-0.6	3.2	3.7	-0.4
Global Bonds (Hedged)	-0.2	4.4	4.0	-0.6
Australian Shares	1.3	10.3	11.4	9.9
Global Shares (Unhedged)	-0.9	12.5	22.1	15.6
Global Shares (Hedged)	0.5	18.7	20.3	12.1
Emerging Markets	1.3	24.0	17.1	7.3
Global Infrastructure (Hedged)	-2.1	11.4	7.4	6.7
Australian Listed Property	2.0	9.2	15.0	8.8
Global Listed Property (Hedged)	-1.4	7.5	6.0	3.1
AUD / USD	2.5	7.7	-0.4	-2.8

# GLOBAL SECTOR RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Consumer Staples	-1.1	8.7	5.5	4.5
Consumer Discretionary	1.0	8.4	21.2	6.9
Energy	-0.2	13.3	6.1	19.5
Financials	4.6	28.7	23.7	16.9
Health Care	-0.8	14.8	6.4	6.4
Industrials	2.0	24.9	20.3	12.0
Information Tech	-0.2	23.5	36.0	17.7
Materials	4.0	25.8	10.9	7.2
Telecom	-1.1	32.0	37.0	13.2
Utilities	-2.9	24.8	12.2	8.2



# AUSTRALIAN SECTOR RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Consumer Staples	-2.1	2.6	1.0	1.4
Consumer Discretionary	-2.7	3.1	15.7	8.6
Energy	-1.7	3.3	-2.2	6.8
Financials	3.4	12.0	18.4	16.1
Health Care	-7.0	-23.9	-5.1	-2.8
Industrials	-0.8	17.2	15.5	10.9
Information Tech	-8.1	-19.1	15.4	0.6
Materials	6.8	37.5	10.9	11.8
Telecom	-3.2	11.2	11.3	10.3
Utilities	-1.1	13.2	11.1	14.4

# CONCLUSION

- Global shares ended the year higher, with Europe and Japan outperforming, while US shares recovered from tariff-related volatility.
- Australian shares rose in December but lagged global peers for the year, pressured by weak earnings and rising rate expectations.
- Emerging markets delivered their strongest annual return since 2017, supported by AI optimism and global easing.
- Property and infrastructure posted solid annual gains despite December weakness.
- Bonds reflected mixed signals: US 10-year yields eased, while Australian 10-year yields rose on inflation surprises.
- Gold surged on policy uncertainty, copper rallied on structural demand, and oil declined on excess supply.
- The AUD strengthened modestly, while the USD weakened sharply on policy uncertainty and aggressive easing.

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