

MONTHLY MARKET REPORT SUMMARY: JANUARY 2025

January 2025 kicked off with a strong performance in global share markets, especially in Europe, despite some ongoing geopolitical and sector-specific challenges. Economic data continued to play a pivotal role in shaping market movements, while investor sentiment was also influenced by key stories such as Trump's inauguration, tariff policies, and a notable sell-off in mega-cap technology companies deemed to be overspending on their Artificial Intelligence (AI) programs.

KEY SECTOR TAKEAWAYS

GLOBAL DEVELOPED SHARES



Global shares rose by 2.7% in January, with European share markets leading at 6.1%, while the US gained 2.3%. The United States (US) share market lagged behind as technology shares, particularly AI-focused companies like NVIDIA, declined due to intensifying competition from Chinese start-up DeepSeek.

AUSTRALIAN SHARES



The Australian share market gained 4.6%, driven by strong financials and consumer discretionary sectors. Lower-than-expected inflation data raised expectations of Reserve Bank of Australia (RBA) interest rate cuts in 2025.

EMERGING MARKETS



Emerging markets rose 1.0% over the month, underperforming developed markets. Emerging markets faced challenges due to pressures from potential tariffs and a stronger US Dollar (USD), with only limited gains in regions such as Latin America. While some countries showed resilience, broader emerging market indices struggled to gain ground.

KEY SECTOR TAKEAWAYS

PROPERTY AND INFRASTRUCTURE



Australian listed property gained 4.7%, while global listed property rose 1.6%. Global listed infrastructure increased by 0.7%, supported by stable economic conditions.

GLOBAL FIXED INTEREST



Global bonds returned 0.4% in January. US bond yields peaked at 4.8% before retreating to 4.6%, influenced by inflation data and Fed policy guidance.

AUSTRALIAN FIXED INTEREST



Australian bond yields remained steady at 4.5%. Markets priced in multiple RBA interest rate cuts in 2025 following a lower-than-expected inflation result, with the first interest rate cut coming in February.

KEY SECTOR TAKEAWAYS

COMMODITIES

Gold surged 6.8% to Australian Dollar (AUD) \$2,798 per ounce, while Brent crude oil rose 2.6% to US \$77 a barrel. Iron ore remained above US \$100 per tonne but lost more than a quarter of its value in 2024 as the China downturn continued.

CURRENCIES

The AUD fell to 61.6 cents against the USD, pressured by interest rate differentials and weaker commodity prices.

ECONOMIC HIGHLIGHTS

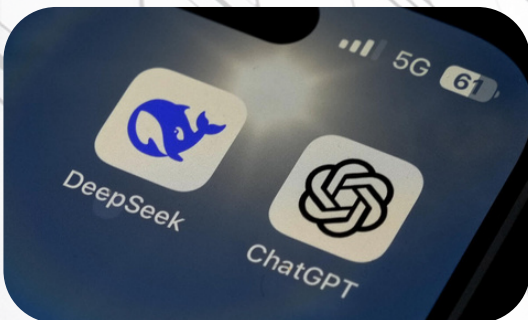


TRUMP AND TARIFFS



Trump's Inauguration and Tariff Policy:

Trump's inauguration was accompanied by ongoing discussions about tariffs, particularly in relation to China, which continued to impact investor sentiment. The US "America First" policy, with its focus on tariffs and executive orders, created uncertainty for global trade, especially for sectors exposed to international markets.

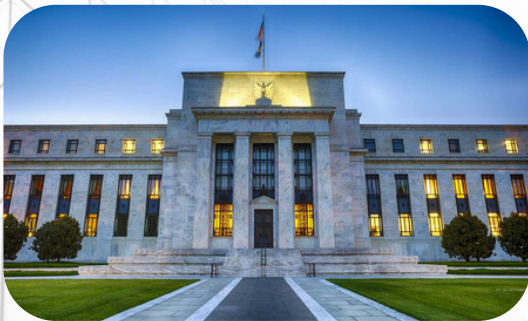


AI SHAKE UP



AI Sell-Off and DeepSeek's Rise: A key story was the significant sell-off in AI-related shares, particularly in companies like NVIDIA, which faced pressure due to growing competition from Chinese start-up DeepSeek. NVIDIA shares dropped 20% as investors digested claims that DeepSeek had trained its generative AI capability to produce results comparable to NVIDIA's but at a fraction of the cost. This potentially called into question the need for elevated investment in advanced AI chips and data centre capacity.

ECONOMIC HIGHLIGHTS



US FED FUNDS PROJECTIONS



Interest rate Cut Expectations Shift: The Federal Reserve kept interest rates on hold in January and signaled that further interest rate cuts might be paused. The strong payrolls data for December and the economy's 2.8% growth rate are contributing to a more cautious approach, with the Fed indicating they are in no rush to adjust policy.



RBA EXPECTATIONS



Interest rate Cuts Likely in 2025: With Australian inflation continuing to moderate, markets now fully expect at least three interest rate cuts by the end of 2025, beginning as early as February.

ECONOMIC HIGHLIGHTS



EMPLOYMENT DATA



US Labour Market Holds Firm: The US labor market remains robust with payrolls rising by 256,000 in December, against the backdrop of a pro-growth, pro-tariff Trump policy agenda.

Australian Labour Market Softening: Australia's labour market remains healthy, with unemployment remaining below 4% and jobs growth lifting

AUSTRALIAN INFLATION



Disinflationary Trends Continue: Australian inflation showed signs of easing, with core inflation at 3.2% for the year, down from 3.6% previously, but the key was the quarterly rise of just 0.5 per cent, the lowest result since June 2021, prompting markets to expect a February cut.

AU Core Inflation Rate - percent



Source: tradingeconomics.com | Australian Bureau of Statistics

ASSET CLASS RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Australian Cash	0.4	4.5	3.3	2.1
Australian Bonds	0.2	2.9	-0.4	-0.6
Global Bonds (Hedged)	0.4	3.0	-1.2	-0.7
Australian Shares	4.6	15.2	11.4	8.0
Global Shares (Unhedged)	2.7	28.9	14.1	13.8
Global Shares (Hedged)	3.5	22.7	9.4	11.4
Emerging Markets	1.0	21.6	3.4	4.5
Global Infrastructure (Hedged)	0.7	14.9	3.3	2.4
Australian Listed Property	4.7	22.4	8.6	5.6
Global Listed Property (Hedged)	1.6	8.1	-3.3	-1.3
AUD / USD	0.1	-5.3	-3.9	-1.5

GLOBAL SECTOR RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Consumer Staples	1.9	7.0	2.2	4.7
Consumer Discretionary	4.6	29.1	7.7	13.2
Energy	2.6	6.5	11.0	10.8
Financials	6.6	33.0	11.9	12.4
Health Care	6.4	4.8	4.5	7.8
Industrials	4.7	18.6	10.7	10.7
Information Tech	-1.5	25.8	14.9	20.2
Materials	5.1	4.2	2.2	8.5
Telecom	8.8	39.7	12.5	13.4
Utilities	2.5	19.6	4.5	3.8

AUSTRALIAN SECTOR RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Consumer Staples	0.8	-0.3	2.0	0.5
Consumer Discretionary	6.8	28.4	11.5	11.0
Energy	3.1	-15.3	8.6	0.0
Financials	6.1	35.0	19.5	12.4
Health Care	3.4	7.3	7.0	1.8
Industrials	3.4	19.3	12.5	5.0
Information Tech	2.6	51.1	16.1	12.5
Materials	3.9	-5.8	4.7	9.1
Telecom	2.5	7.2	7.0	7.7
Utilities	-2.4	16.4	14.5	7.1

CONCLUSION

- Markets displayed resilience in January, with shares performing well despite lingering economic uncertainties.
- Central bank policies and inflation trends remain key drivers of market direction.
- Investors should remain adaptable, as shifting interest rate expectations and global economic conditions may impact asset performance.
- A diversified investment approach remains essential to navigating evolving financial markets

DISCLAIMER & DISCLOSURE

Zenith Investment Partners (“Zenith”) (ABN 27 103 132 672, AFS Licence 226872) is the provider of General Advice (s766B Corporations Act 2001). General Advice provided by Zenith is limited to Wholesale clients only. This document has been prepared without taking into account the objectives, financial situation or needs of any specific person who may read it, including target markets of financial products, where applicable. It is not a specific recommendation to purchase, sell or hold any relevant product(s) and is subject to change at any time without prior notice. Investors should seek their own independent financial advice before making any investment decision and should consider the appropriateness of any advice in this document in light of their own objectives, financial situation or needs. Investors should obtain a copy of, and consider, any relevant product PDS or offer document before making any decision. This document is subject to copyright and may not be reproduced, modified or distributed without the consent of the copyright owner. The information contained in this document has been prepared in good faith and is believed to be reliable at the time it was prepared, however, no representation, warranty or undertaking is given or made in relation to the accuracy or completeness of the information presented in this document. Except for any liability which cannot be excluded, Zenith does not accept any liability, whether direct or indirect arising from the use of information contained in this document. Past performance is not an indication of future performance. Full details regarding Zenith’s contact details and research processes are available at <http://www.zenithpartners.com.au/RegulatoryGuidelines>