



MONTHLY MARKET REPORT SUMMARY: MAY 2025

Global share markets rallied in May, led by the US posting its strongest monthly gain since 2023. Sentiment improved on easing recession fears, strong earnings, and a major US-China tariff rollback. In Australia, the RBA cut rates again, with Governor Bullock surprising markets by signalling the potential for larger cuts as inflation continued to ease.



LINK WEALTH
ADVICE

KEY SECTOR TAKEAWAYS

GLOBAL DEVELOPED SHARES



Global developed share markets rose 5.3% in May (measured in Australian dollars), helped by easing tensions between the US and China on trade, strong company earnings results, and signs that inflation is slowing. US shares led the gains, with the S&P 500 recording its best monthly performance since 2023. European share markets also continued to recover, supported by talk of more government spending in Germany and the likelihood of interest rate cuts by the European Central Bank.

AUSTRALIAN SHARES



Australian shares rose 4.2% in May, keeping pace with global markets and moving close to record highs. The Reserve Bank of Australia (RBA) cut interest rates for the second time this cycle, and inflation continued to ease. This more positive economic backdrop has lifted expectations for company profits, helping to support Australia's relatively high share market valuation.



KEY SECTOR TAKEAWAYS

EMERGING MARKETS



Shares in emerging markets rose 3.7% during May (measured in Australian dollars), driven by improving trade relations and a weaker US dollar. Taiwan and South Korea performed strongly due to high demand for technology and excitement around developments in artificial intelligence.

PROPERTY AND INFRASTRUCTURE



Australian listed property trusts (AREITs) continued their strong recovery, rising 5.0% in May. Global listed property also delivered solid returns, up 2.5%, while global infrastructure gained 1.6% for the month and is now up 6.0% for the year to date (measured in Australian dollars) outperforming global shares (hedged).

GLOBAL FIXED INTEREST



Global bond markets edged lower in May as long-term yields rose. US 30-year bond yields reached 5.0%, a 17-year high, while Japan's climbed above 3.0%. Stable inflation data was overshadowed by concerns over US fiscal policy, tax cut extensions, and a Moody's downgrade. The US Federal Reserve held rates steady and signalled fewer cuts ahead.



KEY SECTOR TAKEAWAYS

AUSTRALIAN FIXED INTEREST



Australian bonds rose 0.2% in May, taking the 12-month return to 6.8%. The labour market remained solid with strong job gains and steady wages. While business conditions stayed soft, forward indicators improved, and markets are now pricing in up to three more RBA rate cuts over the next year.

COMMODITIES



Gold eased in May as sentiment improved, though it remains up 25.3% year-to-date. Oil prices were steady, iron ore stayed below US\$100/tonne amid weak Chinese demand, and copper rose on growing demand from energy transition trends.

CURRENCIES

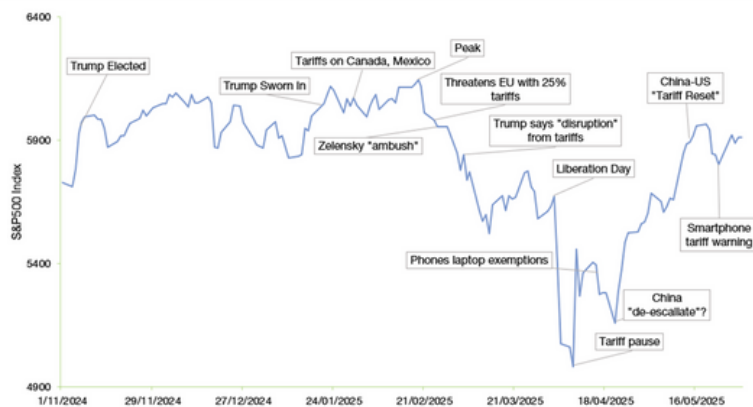


The Australian dollar rose 0.5% to 64.3 US cents, supported by flows out of US assets and attractive valuations. The US dollar steadied after earlier declines, while the euro, yen, and pound all gained over the month.



ECONOMIC HIGHLIGHTS

Significant Tariff Events

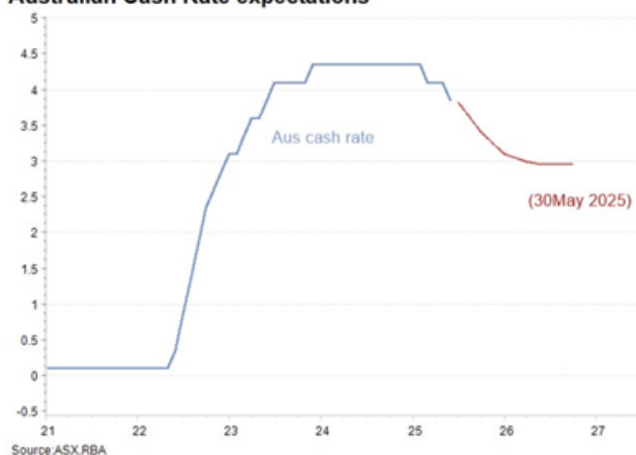


TARIFF TRUCE: US AND CHINA SLASH TARIFFS



One of the major developments for May was the agreement between the US and China to reduce tariffs, with the average US tariff rate falling from nearly 30.0% to around 12.0%. High-frequency shipping data showed a rebound in container orders, though some legal and policy uncertainty remains following recent US court rulings related to earlier tariffs.

Australian Cash Rate expectations



RBA OUTLOOK: BULLOCK FLOATS 'JUMBO' CUTS



The RBA cut the cash rate to 3.85% and signalled a more dovish outlook. RBA Governor Michele Bullock surprised markets by referencing the potential for larger rate cuts, citing the return of inflation to target and a labour market operating near full employment. Markets now expect the cash rate to reach 3.0% by early 2026.



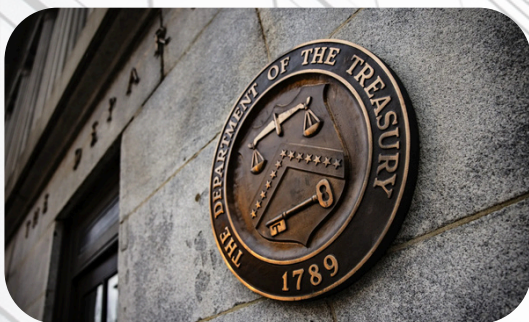
ECONOMIC HIGHLIGHTS



US ECONOMY AND INFLATION



US inflation data was encouraging, with PCE core inflation at 2.5% and headline PCE at 2.1%. Consumer confidence rebounded on the tariff rollback and easing inflation expectations. Labour market data remained solid, with unemployment holding at 4.2% and payrolls growing by 177,000 in April.



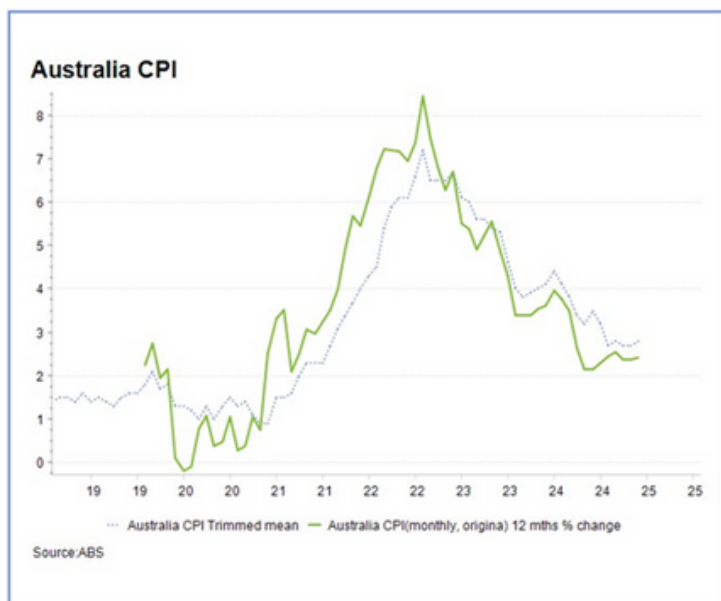
US BUDGET DEFICIT



Focusing on the US fiscal situation we see that the structural fiscal deficit (based on an economy operating at full employment) is over 7% of GDP. The primary fiscal deficit (which excludes interest payments) is around 3% of GDP. The debt dynamics at play have become concerning with real bond yields above the expected trend rate of growth in the economy while still running a primary fiscal deficit.



ECONOMIC HIGHLIGHTS



AUSTRALIAN INFLATION DATA



Australia's April CPI held steady at 2.4%, with trimmed mean inflation at 2.8%. Wages grew 3.4% year-on-year, while the labour market remains tight. Consumer sentiment recovered from earlier declines following "Liberation Day", and population growth is now slowing after peaking at 2.5% in 2023.



ASSET CLASS RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Australian Cash	0.3	4.4	3.8	2.3
Australian Bonds	0.2	6.8	3.1	-0.2
Global Bonds (Hedged)	-0.4	5.3	1.4	-0.7
Australian Shares	4.2	13.4	9.6	12.1
Global Shares (Unhedged)	5.3	17.6	17.5	14.9
Global Shares (Hedged)	6.0	11.8	12.1	13.3
Emerging Markets	3.7	16.8	9.0	7.7
Global Infrastructure (Hedged)	1.6	11.9	3.2	6.5
Australian Listed Property	5.0	12.4	10.6	11.7
Global Listed Property (Hedged)	2.5	8.7	-0.7	4.8
AUD / USD	0.3	-3.0	-3.6	-0.7

GLOBAL SECTOR RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Consumer Staples	1.6	12.3	6.6	8.1
Consumer Discretionary	7.8	16.7	12.2	12.3
Energy	1.9	-7.3	1.6	17.7
Financials	5.8	28.2	17.5	19.9
Health Care	-3.6	-5.2	2.1	5.5
Industrials	8.2	17.5	17.2	16.1
Information Tech	10.5	14.7	21.5	19.7
Materials	2.8	-1.3	2.4	10.4
Telecom	9.0	21.3	18.7	13.5
Utilities	2.9	17.5	7.0	8.9



AUSTRALIAN SECTOR RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Consumer Staples	1.2	8.8	2.0	3.6
Consumer Discretionary	2.1	21.6	14.8	14.6
Energy	8.7	-17.5	-1.0	6.4
Financials	5.1	30.2	16.7	19.7
Health Care	1.4	0.6	2.6	2.1
Industrials	4.4	24.7	12.0	10.4
Information Tech	18.8	23.2	22.2	13.6
Materials	2.0	-5.5	1.3	10.1
Telecom	5.4	29.5	12.6	12.9
Utilities	0.3	9.7	9.8	9.6



CONCLUSION

- Global share markets surged in May, led by the US and supported by a major US-China tariff rollback and strong earnings.
- Australian shares also rose, driven by easing inflation and renewed rate cuts from the RBA.
- Bond yields moved higher, particularly in the US, amid fiscal concerns, but central banks signalled a more cautious policy stance.
- A diversified approach across shares, property, fixed income and alternatives remains important as policy uncertainty and macro risks persist.

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