

Economic and market update

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Key events in November 2025

- Global shares ended a turbulent November with only a flat return. Concerns over expensive share valuations were countered by hopes for lower US interest rates in December.
- US share prices had a rollercoaster ride in November. Notably technology companies including Amazon, Facebook-Meta and Microsoft recorded sharp price falls in early November as concerns over high valuations cautioned investors. However, slower retail spending helped US share prices recover by boosting hopes for the US central bank lowering interest rates in December.
- Chinese shares fell as China's slow retail sales and weak property market remain key concerns.
- Australian shares disappointed as higher consumer inflation effectively crushed hopes for another interest rate cut in December. The Information Technology sector delivered the weakest performance of -10.8% given turbulence from Wall Street. Financial shares which include banks also suffered with a -6.5% return. The Consumer Discretionary and Real Estate Investment Trust sectors retreated with diminished hopes for lower interest rates. Yet the more defensive sectors of Health Care and Consumer Staples recorded solid gains given more cautious sentiment. Another resilient performance was the Resources sector given the benefit of strong rises in gold and base metal prices.
- Australia's inflation data revealed persistent price pressures that are maintaining the 'cost of living' crisis. For the year to October, headline annual inflation came in at 3.8%. This is well above the Reserve Bank of Australia's (RBA) 2% to 3% inflation target band, so there are diminished prospects for further interest rate cuts. Stronger jobs growth with the unemployment rate falling from 4.5% to 4.3% in October also weighs against the RBA lowering interest rates.

Asset class summary

Asset class returns in Australian dollars – periods to 30 November 2025

	CYTD %	1 month %	3 months %	1 year %	3 years pa %	5 years pa %	10 years pa %
Australian shares	9.2	-2.6	-2.9	5.8	9.7	9.8	9.5
Global shares (hedged)	18.8	0.1	6.6	16.8	17.5	11.8	10.9
Global shares (unhedged)	14.3	-0.2	5.7	17.4	19.5	14.6	12.5
Emerging markets (unhedged)	22.4	-2.6	8.7	28.6	15.5	7.5	8.9
Australian property securities	7.6	-3.7	-6.0	1.3	12.4	8.6	8.4
Global property securities (hedged)	9.0	2.1	2.1	2.1	5.2	3.9	3.2
Global listed infrastructure (hedged)	13.8	3.2	5.0	7.9	7.1	7.2	7.4
Australian bonds	3.8	-0.9	-0.4	4.4	3.2	-0.4	2.1
Global bonds (hedged)	4.7	0.2	1.6	3.8	3.6	-0.5	2.0
Global high yield bonds (hedged)	7.6	0.6	1.6	6.9	7.5	3.2	5.1
Australian inflation-linked bonds	4.5	-0.4	0.6	4.7	4.4	2.5	2.8
Cash	3.6	0.3	0.9	4.0	4.1	2.6	2.1
AUD/USD	5.9	0.2	0.2	0.7	-0.7	-2.3	-1.0

Past performance is not a reliable indicator of future performance.

Sources: Australian shares – S&P/ASX 300 Total Return Index; Global shares (hedged) – MSCI All Countries World (A\$ hedged, Net); Global shares (unhedged) – MSCI All Countries World in A\$ (Net); Emerging markets – MSCI Emerging Markets in A\$ (Net); Australian property securities – S&P/ASX 300 A-REIT Accumulation Index; Global property securities – FTSE EPRA/NAREIT Developed (A\$ hedged, Net); Global listed infrastructure – FTSE Global Core Infrastructure 50/50 (Hedged \$A); Australian bonds – Bloomberg AusBond Composite 0+ Yr Index; Global bonds (A\$ hedged) – Barclays Global Aggregate (A\$ hedged, Gross); Global high yield bonds (A\$ hedged) – Barclays US High Yield Ba/B Cash Pay x Financials (\$A Hedged); Australian inflation-linked bonds – Bloomberg AusBond Inflation Government 0+ Yr Index; Cash – Bloomberg AusBond Bank Bill Index; AUD/USD – WM/Reuters Daily (4 pm GMT).

Key events in global markets over the last three months to November 2025

Global shares (hedged) delivered a very strong 6.6% return for the quarter. A solid rise in the Australian dollar versus the US dollar, euro and Japanese yen reduced global shares (unhedged) to a strong 5.7% gain.

Optimism on Artificial Intelligence (AI) prospects and lower US interest rates have been key drivers of rising share prices. Notably Wall Street's benchmark S&P 500 Index made historic highs during the quarter with a quarterly gain of 6.2% in local currency terms. Investors have also taken the view that President Trump's tariffs are just a temporary threat in terms of higher US inflation and penalising US economic growth.

Asian share markets have also delivered some impressive performances. Korea (24.6%) and Taiwan (13.9%) have posted exceptionally strong returns over the past three months. Japan's share market delivered a 5% return with the central bank taking a more cautious stance on raising interest rates despite persistent inflation. China delivered a solid 2.7% return in local currency terms. The Chinese government's efforts in providing more financial support to counteract tariffs and a weak residential property market has seen Chinese shares make a strong recovery.

Global bonds (hedged) delivered a solid 1.6% quarterly return given optimism that the US central bank would continue to lower interest rates given milder consumer spending and slower jobs growth. However, Australian bonds delivered a weak -0.4% quarterly return. Higher Australian inflation results have diminished hopes for the RBA lowering interest rates again this year.

Key events in Australia over the last three months to November 2025

Australian shares produced a disappointing setback with a negative -2.9% return for the quarter. The weakest return came in the Information Technology sector (-18.2%) which was led by Wisetech's poor performance. There were also sharp falls in the Health Care (-7.2%) and Energy (-6.7%) sectors. Fading prospects for lower interest rates saw negative returns also for Financials (-6.5%) and property securities (-6%) for the quarter. The only bright positive spot was the strong 12.7% return for the Materials sector on the back of rising gold and metal prices.

Australia's economy is experiencing modest consumer spending and jobs growth. However, inflation is proving persistent at 3.8% in the year to October. The prospect of further interest rate cuts after August's 0.25% reduction by the RBA has diminished given inflation pressures.

Global prospects

Enthusiasm for AI and technology have been the key factors supporting rising global share prices in recent years. Lower global inflation has also allowed central banks to selectively cut interest rates which has also been favourable. Typically, a lower interest rate environment can boost corporate profits and thereby share prices.

President Trump's tariff agenda is still a threat. As tariffs are a tax that increase consumer prices, the risk of higher US inflation to both global share prices as well as bond yields is still on the radar. President Trump's recent meeting with China's President Xi Jinping is a constructive development but until a formal agreement is signed, investors need to be cautious.

Global share markets are also challenged by considerable global political risks. The Russian-Ukraine war is still casting a shadow over Europe which has generated insecurity and motivated large increases in defence spending. The precarious Middle East political climate is also a major threat to global oil supplies.

Australia's economic prospects are also vulnerable to political tensions between China and the US. Given China is the key export destination for circa 30% of Australian exports, the relationship between Beijing and Washington is critical to Australia's national income and security. Tensions over tariffs or Taiwan would be a major challenge to Australia's economy and share market prospects.

Given these complex and significant risks, investors should maintain a disciplined and diversified strategy.

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