

Economic and market update

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Key events in October 2025

- Global shares made solid gains in October. Lower US interest rates, expectations for strong corporate profit results and a truce in China-US trade tensions were the key positive factors.
- US share prices have made new historic highs with strong growth in corporate profits for the September quarter. Technology companies including Apple, Meta and Microsoft have led the charge with a +26% increase in profits over the past year according to FactSet. Given the US government shutdown, economic data releases have been minimal. There was a special release of US consumer prices data which showed annual inflation at 3% in the year to September. The US central bank cut interest rates by 0.25% in response to the perceived 'downside risk' to employment.
- Chinese shares fell in October despite more hopeful signs on US trade tensions after US President Trump's meeting with China's President Xi Jinping. China has agreed to continue rare earth mineral exports and buy soybeans in exchange for the US reducing tariffs by 10%. China's slow retail sales and weak property market remain key concerns.
- Australian shares made new historic highs in October but ended the month with only modest gains. The strongest performance came from the Resources sector (+4.0%) with rising gold and base metal prices. The Energy sector (+3.6%) rebounded in October after September's sharp fall with the termination of the Santos takeover. However, the Information Technology sector delivered a weak performance (-7.0%) given a sharp price fall in Wisetech. The Consumer Discretionary sector also retreated (-6.8%) with diminished hopes for lower interest rates.
- Australia's economic data has proven to be disappointing in October. Consumer spending only rose slightly in August while the unemployment rate increased by 0.2% to 4.5%. Australia's annual inflation climbed to 3.2% in September compared to only 2.1% in June. This has seen expectations evaporate for another Reserve Bank of Australia (RBA) interest rate cut in November.

Asset class summary

Asset class returns in Australian dollars – periods to 31 October 2025

	CYTD %	1 month %	3 months %	1 year %	3 years pa %	5 years pa %	10 years pa %
Australian shares	12.1	0.4	2.9	12.7	13.0	12.5	9.7
Global shares (hedged)	18.7	2.8	8.6	21.6	19.8	14.2	11.0
Global shares (unhedged)	14.5	3.5	6.8	22.7	20.7	16.2	12.3
Emerging markets (unhedged)	25.7	5.5	11.2	28.0	20.2	9.0	8.6
Australian property securities	11.7	0.6	1.9	7.6	16.0	12.1	8.5
Global property securities (hedged)	6.9	-0.8	3.7	2.7	6.1	5.8	2.8
Global listed infrastructure (hedged)	10.2	-0.2	2.6	7.9	8.1	7.8	6.8
Australian bonds	4.7	0.4	0.8	6.5	4.1	-0.2	2.1
Global bonds (hedged)	4.5	0.7	1.9	4.8	4.4	-0.4	2.0
Global high yield bonds (hedged)	6.9	0.2	2.1	7.3	8.0	3.7	4.9
Australian inflation-linked bonds	4.9	0.4	1.7	5.9	5.0	2.7	2.8
Cash	3.3	0.3	0.9	4.1	4.1	2.6	2.1
AUD/USD	5.7	-1.2	1.7	-0.1	0.8	-1.4	-0.9

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 October 2025

Global shares (hedged) delivered a very strong 8.6% 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 6.8% 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 ended the quarter near historic highs with a quarterly gain of 8.1% in local currency terms. Investors have 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 impressive performances. China delivered a very strong 9.7% return in local currency terms. The Chinese government's efforts to providing more financial support to counteract tariffs and a weak residential property market has seen Chinese shares make a strong recovery. Korea (36.6%) and Taiwan (22.7%) have also posted exceptionally strong returns over the past three months. Japan's share market delivered a 16% return with the central bank taking a more cautious stance on raising interest rates despite persistent inflation.

Global bonds (hedged) delivered a solid 1.9% quarterly return given optimism that the US central bank would continue to lower interest rates over coming months given slower jobs growth. Australian bonds only delivered a modest 0.8% 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 October 2025

Australian shares delivered a strong 2.9% return for the quarter. The Resources sector was a key positive driver with a 19.3% quarterly return given very strong gains in gold and base metal prices. There were strong performances from the Utilities (6.6%) and Financial (3.8%) sectors after the RBA interest rate cut in August. Property securities also delivered a solid 1.9% quarterly return with the benefit of lower interest rate settings by the central bank.

Australia's economy is experiencing modest consumer spending but slower job creation. However, inflation is proving stubborn at 3.2% in the year to September. The prospect of further interest rate cuts after August's 0.25% reduction by the RBA has diminished given this persistence in 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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