

MONTHLY MARKET UPDATE

September 2025

How different asset classes have fared:

(As of 30 September 2025)

Asset Class	10 Yr % p.a.	5 Yr % p.a.	3 Yr % p.a.	1 Yr % p.a.	YTD %	6 Mth %	3 Mth %	1 Mth %
Cash ¹	2.07	2.53	4.05	4.19	3.04	1.94	0.92	0.29
Australian Bonds ²	1.93	-0.38	4.11	3.93	4.25	3.05	0.36	0.10
International Bonds ³		-1.24	3.65	2.11	3.94	2.60	1.15	0.76
Australian Shares ⁴	10.29	12.90	15.14	10.50	11.46	15.25	5.25	-0.54
Int. Shares Unhedged ⁵	13.22	16.34	22.66	23.01	9.80	12.47	6.15	1.97
Int. Shares Hedged ⁶	12.14	13.85	21.72	16.78	14.67	17.68	7.57	3.23
Emerging Markets Unhedged ⁷	8.06	8.11	16.41	23.48	19.07	15.63	9.59	5.83
Listed Infrastructure Unhedged ⁸	8.17	10.08	10.63	13.56	6.85	1.66	2.98	0.29
Australian Listed Property ⁹	8.91	11.92	19.42	4.27	11.03	18.81	4.77	-2.92
Int. Listed Property Unhedged ¹⁰	4.39	8.04	7.68	3.01	1.26	0.45	2.92	-0.51
Gold Bullion Unhedged ¹¹	12.99	15.11	31.53	43.64	45.80	22.00	16.15	11.71
Oil Unhedged ¹²	-2.14	21.50	4.07	6.23	-1.83	-4.50	0.48	-1.71

1 S&P/ASX Bank Bill TR AUD, 2 Vanguard Australian Fixed Interest Index, 3 Vanguard Global Aggregate Bd Hdg ETF, 4 S&P/ASX All Ordinaries TR, 5 Vanguard International Shares Index, 6 Vanguard Intl Shares Index Hdg AUD TR, 7 Vanguard Emerging Markets Shares Index, 8 FTSE Developed Core Infrastructure 50/50 NR AUD, 9 S&P/ASX 300 AREIT TR, 10 FTSE EPRA/NAREIT Global REITs NR AUD, 11 LBMA Gold Price AM USD, 12 S&P GSCI Crude Oil TR

Source: Centrepont Research Team, Morningstar Direct

Key Themes:

- **Equities were mixed:** Australian equities were an outlier in global markets, falling while most other major stock markets rose. This was largely due to broader inflation concerns, as well as a major buyout deal for Santos Ltd falling through.
- **Bond prices ended slightly higher:** US bond yields fell following the Federal Reserve's first rate cut of 2025, while Australian short-term bond yields rose after two consecutive upside surprises in monthly CPI inflation reports.
- **Australian dollar appreciated:** The Australian dollar strengthened against the USD following the Federal Reserve's rate cut and diminishing expectations for rate cuts in 2025 from the Reserve Bank of Australia.
- **Oil fell, gold reached all-time highs:** Oil prices declined on expectations of higher supply and weaker demand, while gold rose to fresh record highs amid ongoing uncertainty and the US government shutdown.

International Equities:

International equities rose in September, with unhedged equities gaining 1.97% and hedged equities up 3.23%, as the US dollar continued to weaken against the Australian dollar.

In the United States, equity markets were supported by the Federal Reserve's first rate cut of the year. The S&P 500 rose 3.53%, while the more rate-sensitive NASDAQ gained 5.4%. The standout sectors for the month were Technology and Communication Services, advancing 7.47% and 4.69% respectively.

Technology benefitted not only from the US rate cut but also from ongoing enthusiasm and investment in artificial intelligence, including NVIDIA's US\$100 million investment in ChatGPT developer OpenAI. Communication Services similarly continued to benefit from the AI theme, while Alphabet's victory in its antitrust case against the US Department of Justice provided additional support, as the company was not required to divest its Chrome or Android businesses.

Outside the US, Japan's Nikkei 225 index climbed 6.50% in September, supported by a weaker yen that encouraged foreign investment. Market sentiment also improved amid expectations of more expansionary fiscal policy under Japan's next Prime Minister, following the resignation of the previous leader earlier in the month. In contrast, China's SSE Composite Index was relatively flat, edging up just 0.19% after a multi-month rally driven by government stimulus and continued focus on AI development. Meanwhile, both UK and European equity markets advanced, with the UK in particular buoyed by a rate cut from the Bank of England during the month.

Australian Equities

Australian equities were an outlier in global markets in September, declining by 0.54%. While the ASX 200 struggled, the ASX Small Ordinaries Index rose 2.20%, extending August's trend of small-cap companies outperforming large caps in Australia.

The three weakest sectors within the ASX 200 were Energy (-10.41%), Consumer Staples (-5.93%), and Healthcare (-4.43%). The Energy sector was hit particularly hard after Abu Dhabi National Oil Co withdrew its A\$36 billion offer for Santos Ltd just two days before the deadline. The Consumer Staples sector declined amid ongoing cost-of-living pressures, which weakened consumers' ability to absorb price increases, alongside a rotation out of more defensive sectors in anticipation of future interest rate cuts. The standout performer for the month was the Materials sector, which gained 4.48%, supported by surging commodity prices.

Domestic and International Fixed Income

International bonds rose by 0.76% in September. US fixed income benefited from the Federal Reserve delivering its first interest rate cut of 2025, lowering the central bank rate from 4.50% to 4.25%. While the cut was largely anticipated by investors, it still had an immediate impact on government bond yields following the announcement. However, this effect faded later in the month as the August CPI inflation report came in at 0.40%, marking the fastest monthly increase since January.

Australian bonds posted a modest gain of 0.10% in September. Short-term bond yields moved higher after the July and August monthly CPI reports revealed inflation readings above market expectations. These upside surprises prompted investors to reassess their outlook for rate cuts over the remainder of 2025. As a result, three of the big four banks now expect no further rate cuts this year, with only Westpac still forecasting a single cut in November.

Australian Dollar

The Australian dollar strengthened against the US dollar by 0.82% in September. This appreciation was largely driven by upside surprises in Australia's July and August inflation data, which reduced market expectations for near-term rate cuts. With investors now anticipating interest rates to remain higher for longer, demand for the Australian dollar increased. Additional support came from rising commodity prices during the month, which further boosted sentiment toward the currency.

Commodities – Gold and Oil

Oil prices declined by 1.71% in September, extending the downward trend from previous months. The fall was driven by rising production plans from OPEC+ members and weaker demand expectations as the Northern Hemisphere entered autumn.

Gold prices continued to surge to new all-time highs, rising 11.71% in September. The precious metal was supported by the Federal Reserve's first rate cut of 2025, persistent global political and economic uncertainty, and concerns surrounding the looming US government shutdown at the start of October.

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