

Market Watch

May: Equity Markets Rally

Equity markets gained over the month as concerns over tariffs eased, with the US and China agreeing to pause reciprocal tariffs for 90-days.

Australian large Cap equities posted strong gains over May, with the S&P/ASX 200 Index returning +4.20% as large-cap sector performed strongly after positive returns during April. Australian Smaller companies posted strong gains outperforming large cap equities by over 1.5% with the S&P/ASX Small Ordinaries Index returning +5.76% for the month.

International equities posted strong gains across markets in May, rebounding from the volatility seen in markets due to the interest rate uncertainty over April. The MSCI World ex Australia Index returned +5.34% over the month. Emerging market equities performed strongly outperforming the MSCI Emerging Markets Index +3.67% and the MSCI World ex Australia Small Cap Index returned +5.20%.

Listed real assets commonly known as Property & Infrastructure performed well over the month, albeit not as strong as international equity markets. The FTSE EPRA/NAREIT Developed Hedged Index returned +2.54% with the FTSE Developed Core Infrastructure 50/50 Index returned +1.62% for the month.

Bond markets were mixed over May. Australian fixed income has outperformed global fixed income year to date in 2025, easing global growth concerns lead to a reduction in the number of US interest rate cut expectations. The Bloomberg AusBond Composite 0+ Year Index returned +0.16% while the Bloomberg Global Aggregate Index (AUD Hedged) -0.36% for the month.

The Australian dollar (AUD) was up slightly against the US dollar (USD) moving to 0.64 ending May. The Reserve Bank of Australia (RBA) cutting its official cash rate by 25 basis points to 3.85% on the 20th May, with the Federal Reserve (Fed) at its May meeting opting to keep rates unchanged.

Job Market:

U.S.

- The annual unemployment rate remained at 4.2% in May 2025 having remained in a narrow range of 4.0 percent to 4.2 percent over the previous 12 months. Employment continued to trend up in health care, leisure and hospitality, and social assistance. The number of unemployed individuals remained increased at 7.20 million.
- U.S. Non-farm payrolls rose by +139,000 in May, and the unemployment rate was unchanged at 4.2 percent. The Labor force participation ticked down slightly to 62.4%.

Locally

- The Consumer Price Index (CPI) in Australia rose 2.4% in the 12 months to April 2025. The top contributors to the annual change were Recreation and culture (+3.6%), Food and non-alcoholic beverages (+3.1%) and Housing (+2.2%).
- Australia's seasonally adjusted unemployment rate remained at 4.1 percent in April 2025. Employment grew by 26,000 people (0.2%) in April with the number of unemployed increasing by 3,000 people, with the participation rate remaining at 67.0% over the month.

Major Asset Class Performance

Asset classes	1 month %	1 year %	3 years (p.a.) %	5 years (p.a.) %
Australian Shares	4.2	13.4	9.6	12.1
Australian Small Companies	5.8	9.8	4.7	6.8
Global Shares (unhedged)	5.3	17.6	17.5	14.9
Global Shares (hedged)	6.0	11.8	12.1	13.2
Global Small Companies (unhedged)	5.2	10.8	10.6	11.2
Global Emerging Markets (unhedged)	3.7	16.8	9.0	7.7
Global Listed Property (hedged)	2.5	8.7	-0.7	4.8
Listed Infrastructure (hedged)	1.6	11.9	3.2	6.5
Australian Fixed Income	0.2	6.8	3.1	-0.2
International Fixed Income	-0.4	5.3	1.4	-0.7
Cash	0.3	4.4	3.8	2.3

Source: Lonsec iRate, Rhombus Advisory, 31 May 2025.

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Listed Infrastructure (hedged): FTSE Global Core Infrastructure 50/50 NR Index (AUD Hedged) Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD

Please note: Past performance is not indicative of future performance.

Currency markets

Exchange rates	At close on 31/05	1 month change %	1 year change %	3 year change %
AUD/USD	0.64	0.5	-3.3	-3.6
AUD/GBP	0.48	-0.5	-8.5	-5.7
AUD/Euro	0.57	0.3	-7.6	-5.4
AUD/Yen	92.65	1.2	-11.5	0.1

Source: Lonsec iRate, Rhombus Advisory, 31 May 2025.

All foreign exchange rates are rounded to two decimal places where appropriate.

Please note: Past performance is not indicative of future performance.