



August 2025

Economic and market overview

- **Global:** Equity markets continued to create fresh highs in August as stronger-than-expected US earnings, resilient European data and growing confidence in Fed easing outweighed tariff headwinds and stagflation concerns. The S&P500 and MSCI World Index both created fresh highs throughout the month.
- July non-farm payrolls missed market expectations by 37k jobs, and the US Bureau of Labor Statistics revised down the May and June figures by a combined 258k jobs, raising concerns around labor market stability. However, despite an initial knee-jerk response, Treasury yields retracted much of their drop within a week and equities recovered soon after. Fed Chair Jerome Powell later spoke at the Jackson Hole Symposium and all but confirmed that the Fed was ready to resume cuts and move towards neutral policy rates. The remainder of the month was characterised by multiple geopolitical and macro developments, however overall rates volatility remained low.
- Gold advanced +4.8% during August, boosted by increased safe haven demand amid political uncertainty in France and ongoing geopolitical tensions in Ukraine and the Middle East. Spot gold closed the month at US\$3,448/oz.
- Global manufacturing PMI fell into contractionary territory in July, declining to 49.7. Conversely, global services PMI increased to 53.4. US imports declined in Q2, as frontloading from Q1 began to reverse.
- **US:** All three major US equity indices reset their record highs throughout August as ~80% of S&P500 companies beat earnings estimates in the 2Q period. Gains were led by the tech sector, with the Mag7 constituents posting ~27% earnings growth, while materials and financials also performed strongly.
- The S&P500 rose +1.9%, the Nasdaq added +1.6% and the Dow Jones rallied +3.2%.
- The US economy added +73k jobs in July, with the unemployment rate ticking up to 4.2%. June employment was revised downwards to +14k jobs, a material revision from the initial +147k estimate.
- In the week leading up to the Jackson Hole Economic Policy Symposium, markets positioned themselves for a more hawkish address from Fed Chair Jerome Powell. However, Powell's speech in fact skewed dovish, seeing the rates market price in a higher chance of a September cut and all three major Wall Street indices closing up at least +1.5% on the session.
- The 10yr US Treasury yield fell -14.6bps to 4.230% during August, while the 2yr US Treasury yield fell -34bps to 3.618%.
- Core PCE inflation rose +0.27% MoM in July to +2.9% YoY as widely expected, due to strength in financial services.
- The Case-Shiller home price index declined for the fourth consecutive month, declining -0.26% MoM in June. New home sales also declined, falling -0.6% MoM, softer than consensus expectations for a +0.5% MoM increase.
- In the final week of August, US President Trump imposed a further 25% tariff on India in retaliation for continuing to purchase Russian oil. This brought total tariffs imposed on the country to 50%, effective from 27 August.
- **Australia:** FY25 earnings were front and centre for equity markets, with several stocks seeing particularly pronounced share price reactions, reflecting both earnings surprises and positioning. Despite the volatility, the ASX200 continued to trend higher, reaching new record highs throughout the month and closing August up +2.6% at 8,973 points.
- The RBA delivered a unanimous 25bp rate cut in August, bringing the monetary policy rate to 3.60%. However, the Board indicated continued concerns regarding high unit labour costs.
- Monthly CPI increased +2.8% YoY during July, stronger than consensus expectations for a +2.3% rise due to rising holiday prices and a rebound in electricity prices.
- Q2 WPI printed in line with expectations at +0.8%, however yearly wages was +0.1% higher than expectations at +3.4%.
- The unemployment rate came in at 4.24%, with +24.5k jobs added during July, close to consensus expectations for +25k jobs.
- **New Zealand:** The MPC cut the OCR by 25bps to 3.0% as widely expected, however was more dovish than the market anticipated, lowering the OCR track to 2.55% in early 2026, from 2.85% previously.
- The unemployment rate in Q2 rose from 5.1% to 5.2%, below market expectations of 5.3% due to a decline in the participation rate (70.7% to 70.5%).
- Retail sales surprised to the upside in Q2, increasing by +0.5% vs consensus expectations for a -0.3% decline.
- **Europe:** French Prime Minister Bayrou called for a confidence vote in Parliament, to take place on 8 September. If the government motion were to fail, it would automatically trigger the resignation of the government. The major French equity index, the CAC40, fell -3.3% on the day of announcement, and ended the month -0.9% lower. The STOXX600 closed +0.7% higher, despite selling off in the last week of August following the heightened political uncertainty in France.
- The Bank of England cut rates by -25bps to 4% at the beginning of August in a surprisingly hawkish cut. Consensus expectations were for a 7-2 majority vote in MPC, vs the 5-4 majority that eventuated. This was reflected in the minutes, in which the MPC considered that upside inflation risk has increased since the previous forecast.
- The Euro appreciated +2.4% against the USD during August, closing at 1.1686 USD, primarily due to USD weakness.
- Eurozone manufacturing PMI rose in August above the 50 mark (to 50.5) for the first time since June 2022. This closed the gap with the services PMI, which eased slightly to 50.7.
- **China:** The PBoC published its Monetary Policy Report for 2Q25 mid-month, reiterating its accommodative monetary policies while underscoring policy implementation. The PBoC saw "more positive factors for mild reflation" during Q2.
- A-shares trading volume picked up notably during August, with the trading volume exceeding RMB3tn on 25 August, the second highest of all time.
- July trade activities beat expectations, with exports accelerating to +7.2% YoY, while imports rose to +4.2% YoY.
- August manufacturing PMI ticked up to 49.4, slightly below consensus expectations of 49.5. Non-manufacturing PMI expanded to 50.3 in August, slightly above consensus of 50.2. The strength was driven by stronger services, with the services PMI increasing by 0.5 to 50.5.

Australian dollar

- After posting a -2.4% decline against the USD in July, the AUD ended August up +1.85%, near its monthly highs at 0.6545.
- The AUD rallied in the days following the RBA's cash rate decision, where the central bank delivered a 25bp cut to 3.60%, as data since the July pause showed inflation moving closer to the target.
- The AUD reached a high of 0.6569 on 14 August. It then fell -1.30% on the monthly employment data print that pointed to a robust labour market and lowered the probability of a September cut. The unemployment rate fell to 4.2%, backing a cautious RBA stance. Hours worked improved, and underemployment fell; the only weak point was a 0.1% fall in the participation rate. Wage data also skewed hawkish, with increases in public sector wages and continued strength across pockets of the private sector.
- The AUD continued its decline, touching a low of 0.6415 on 21 August, as the USD saw broad gains on beats in US PPI and PMI.
- After the Fed sent dovish signals at Jackson Hole, the AUD was supported into month-end, closing August near the month's highs.

Australian equities

- The ASX200 gained +2.6% during August even despite some volatile market reactions to FY25 earning releases. The index traded at fresh highs multiple times throughout the month.
- Materials led the index higher, up +9.0% during August, led by PLS which gained +52.7%. The pure-play lithium stock benefitted from the closure of the CATL lithium mine in China.
- JHX declined -24.6% after its FY25 EBIT result missed consensus estimates by ~20%, driven by weaker North America sales, and as its FY26 EBITDA guidance implied material downgrades to the legacy JHX business vs the previous guide.
- CBA underperformed its major bank peers in August, declining -4.3% on the month while the other three majors tracked higher. This reflected a combination of CBA's stretched premium vs peers and an FY25 result that failed to surprise to the upside. WBC, NAB and ANZ, on the other hand, ended August up +14.2%, +10.0% and +9.6% respectively. The broader Financials complex gained +3.0% on the month.
- Health Care stocks underperformed the index, down -13.3%. CSL fell -21.4% in August after providing its FY25 results and announcing that it intends to demerge its Seqirus business by the end of FY26 and separately list it. The company also walked back its prior timeline on the Behring margin recovery.
- The major supermarkets saw divergent share price reactions following their FY25 result releases. COL rallied +15.1% on the month after reporting an in-line FY25 result with a ~2% 2H supermarket beat at the EBIT level, and a trading update which was better than consensus. Meanwhile, WOW fell -8.6% in August, taking a leg lower after providing a softer than expected trading update and earnings guidance for Australian Food.

Global equities

- Global equities broadly trended higher in August, with the MSCI World index gaining +2.5% over the month. The S&P500, NASDAQ and Dow Jones advanced +1.9%, +1.6% and +3.2% respectively as US earnings outpaced expectations. Elsewhere, the STOXX600 and MSCI Asia Pacific gained +0.7% and +3.1% each.
- Materials led the S&P500 higher, with the sector gauge up +5.6% in August. Newmont saw one of the largest percentage gains on the sector, up +19.8% following the receipt a US\$100m payment from Zijin Mining after the Ghanaian Parliament approved the renewal of the Akyem East mining lease.
- Over in the tech space, Intel saw one of the largest percentage gains on the S&P, up +23.0% after President Trump struck a deal to acquire 10% of the company. Intel later received US\$5.7bn cash as part of this deal.

- Apple advanced +11.8% over August, supported by both better-than-expected Q2 results at the beginning of the month, and the subsequent announcement that the company would be increasing its US investments by US\$100bn to US\$600bn and launching a new American Manufacturing Program.
- Meanwhile, Amazon fell -7% on the day of its 2Q result as concerns arose regarding potential AWS share losses, with AWS reporting consistent Y/Y growth, while Azure and Google Cloud had reported accelerating growth. The stock subsequently recovered and ended August -2.2% lower.
- NVDA, the final Mag7 company to report, announced \$46.7b in quarterly revenue, with one unnamed customer contributing \$10.8b. While the result was ahead of Street expectations, with the stock up ~85% YTD, investors seemingly turned their focus to the slight data centre miss and continued uncertainty around China sales. The stock ended August -2.1%.
- Elsewhere, European shares sold off in the final week of August, as French equities weighed on the index following Bayrou's call for a confidence vote. The CAC40 declined -3.3% on the day of this announcement and closed the month down -0.9%.
- European auto stocks saw the largest gains on the index, up +4.8%, led by Volkswagen which advanced +8.1%. Mercedes-Benz +6.5%, Ferrari +5.6% and Porsche +3.0%.

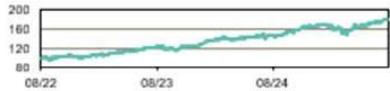
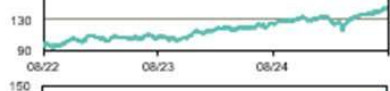
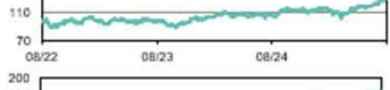
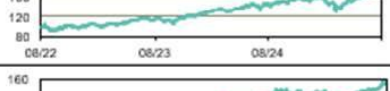
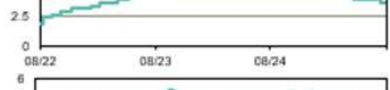
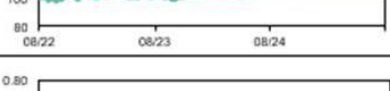
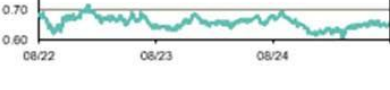
Property securities

- After a slow July, global property securities saw an exceptionally strong month in August with total returns up 4.5% in USD terms. The global property index's total return is now >10% YTD.
- Regional differences remain with the Americas region seeing a turnaround in performance (+4%) in August reversing 4 consecutive months of negative performance, with rate cut expectations and tariff news largely better than initially expected.
- Europe/UK had a flattish month with ~1% returns after a weak July (-6.0%) and after strong returns (~20%) over April-June.
- The Asia Pacific region had a strong August (+5.5%) as inflation cools across the region. Japan and Singapore saw stronger performance while China continues to be weak.
- Locally, AREIT positive returns continue with ~4% returns in August after a strong set of results and rate cut expectations resulted in buying. This marks 5 months of positive returns.

Fixed income and credit

- Non-farm payrolls in the first half of the month saw a repricing of the front-end Fed funds strip, as cuts were brought forward and the September FOMC meeting became more a debate between a 25 and 50bps cut (vs one between a cut and a hold).
- The 10yr US Treasury yield fell -14.6bps to 4.230% during August, while the 2yr US Treasury yield fell -34bps to 3.618%.
- In Europe, the 10yr French bond spread against the Bund widened significantly after French Prime Minister Bayrou called for a confidence vote. No significant change was seen in the front end in response to the increased political uncertainty. The French 10yr bond yield finished August, +16.4bps higher at 3.511%.
- The Bank of England cut rates by -25bps to 4.0% at the beginning of August, in a surprisingly hawkish cut. Consensus expectations were for a 7-2 majority vote in MPC, vs the 5-4 majority that eventuated.
- The RBA cut interest rates by -25bps to 3.60% as largely expected. The market has priced in the next interest rate cut for November.
- US investment grade credit ended August flat, despite seeing some volatility throughout the month. High yield credit followed a similar trend, closing the month near flat.

MARKET WATCH DATA SHEET

		1 Month Return / Change	3 Month Return / Change	1 Year Return / Change	3 Year p.a. Return / Change	3 Year chart
Equities	<i>Points</i>					
MSCI World (AUD)	7,149	0.97%	6.69%	20.43%	20.91%	
MSCI Emerging Markets (AUD)	1,388	-0.18%	8.03%	21.98%	13.13%	
ASX 200	8,973	2.63%	6.38%	10.89%	8.70%	
ASX Small Ordinaries	3,611	8.41%	12.42%	23.40%	9.81%	
S&P 500 (USD)	6,460	2.03%	9.62%	15.88%	19.54%	
REITs	<i>Points</i>					
ASX 200 A-REIT	1,325	4.47%	9.86%	14.49%	15.35%	
FTSE EPRA/NAREIT Developed (AUD)	2,956	3.63%	3.82%	1.19%	2.79%	
Cash & Fixed Income						
Official Cash Rate Australia	3.60%	-0.25%	-0.25%	-0.75%	-	
10-year Yield Australia	4.27%	0.01%	0.02%	0.31%	-	
10-year Yield US	4.23%	-0.15%	-0.17%	0.33%	-	
Bloomberg Global Aggregate Index, AUD Hedged	-	0.49%	1.25%	2.84%	2.50%	
Bloomberg AusBond Composite 0+ Year Index	-	0.33%	1.05%	4.31%	3.74%	
Foreign Exchange	<i>US\$</i>					
AUD/USD	0.6540	1.79%	1.69%	-3.33%	-1.49%	

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