

April 2025

Economic and market overview

- **Global:** Global markets whipsawed following the “Liberation Day” tariff announcements on April 2, and subsequent developments throughout the month. Volatility was rife and trading volumes were robust. The VIX index spiked to a 5-year high of 57.8 on April 9, though ended the month sub-25. This move came as markets responded to several significant rollbacks of Trump’s initially absolutist tariff agenda.
- Investors sold out of US assets at the beginning of the month on concerns around deglobalisation and fears that “US exceptionalism” had come to an end. This saw demand for US Treasuries and the US dollar weaken, breaching the conventional wisdom that Treasuries and the USD should behave as safe havens during risk events. While the DXY ended April -4.5% lower, US 10y Treasuries recovered, closing the month near unchanged.
- Global equity indices fell substantially after the initial tariff announcements, and recovered almost entirely on the 90-day pause and other concessions. Despite entering correction territory early in April, the MSCI World index closed near flat.
- Perhaps now the pre-eminent safe haven asset: gold, rallied nearly 10% in the first three weeks of April as investors sought alternative to the USTs. The bullion continued to create new all-time highs and briefly surpassed \$3,500/oz, before paring gains into month-end.
- While hard data held up on order front-loading in the US, soft data showed a deterioration in economic conditions. In March, the Manufacturing PMI retreated to 50.3, and the Services PMI increasing to 52.7.
- **US:** The S&P 500 fell just shy of entering a bear market, down nearly 19% before the tariff pause resulted in a rebound. March quarter earnings releases were overshadowed by cautions from management regarding the dampened growth outlook for 2025. The S&P 500 closed the month down -0.76%.
- US Treasury prices began to trade in line with its equity counterparts, contrary to expectations. As equity markets rebounded in the back half of the month, so did Treasury prices.
- US Manufacturing PMI came in at 50.7, while the Services PMI dropped from 54.4 to 51.4 in March.
- The US labour market added +228k jobs during March ahead of the +140k expectation, with the unemployment rate ticking up slightly to 4.2%, from 4.1% in February. Notably, federal government employment declined. JOLTS data showed a largely stable labour market, but a subdued hiring rate of 3.4%. The layoff rate remained consistent at 1.0%.
- Core PCE increased +2.8% YoY during March, slightly ahead of expectations and unchanged from February.
- Retail sales in March rose +1.4%, primary due to strong auto sales. This was likely a result of frontloaded car purchases ahead of expected price increases due to tariffs.
- Soft data from April showed that consumer and business sentiment continued to weaken.
- Existing homes sales fell -5.9% in March to 4.02m, likely due to a combination of higher mortgage rates and elevated uncertainty.
- **Australia:** The AUD dropped below 0.60 USD post April 2 in a combination of risk-off sentiment and superannuation funds rebalancing currency hedges as their equity positions fell. The AUD recovered during the month, mostly due to weakness from the USD
- The ASX 200 followed a similar pattern to broader global equity markets during April in response to tariff headlines, however closed the month up +3.61%.
- Q1 CPI came in at +0.9%, stronger than expectations of +0.8% off the back of higher motor vehicle prices and a greater rebound in electricity prices. YoY CPI held steady at +2.4%. Trimmed-mean inflation increased 0.7% QoQ, up from 0.5%, bringing annual inflation to +2.9%, down from 3.3% in the last quarter.
- The RBA opted to leave the cash rate unchanged at 4.10%, citing concerns that inflation may not fall sustainably within the target band. The RBA opted to take a “wait and see” approach given the substantial uncertainty regarding tariffs and global trade. The market is currently pricing in a 25bps cut in May.
- The unemployment rate was unchanged during March at 4.1%, with the labour force participation lower than expectations at 66.8%. The lower participation was mostly due to Cyclone Alfred impact. All measures of the labour market remain tight.
- Retail trade was weaker than expected in Feb, up +0.2% (vs +0.3% exp.) due to a surprise decline in household goods.
- **New Zealand:** The RBNZ cut rates by 25bps to 3.50% in early April and advised that “the Committee has scope to lower the OCR further as appropriate”.
- Q1 CPI was up by +0.9%, slightly stronger than the +0.8% consensus expectations, bolstered unexpectedly by higher education fees (+8.9%). This was due to a +23% increase in tertiary and other post-school related education costs. Services inflation increased by +0.7% in Q1.
- **Europe:** The ECB cut interest rates by 25bps for the second meeting in a row in April, bringing the cash rate to 2.25%. The Governing Council advised that the current climate is one of “exceptional uncertainty” and that it will assess further rate cuts on a meeting-by-meeting basis.
- The STOXX 600 declined -1.21% throughout the month, selling off in line with other global equities, before a shallow recovery.
- The Sterling gained over +3.5% during April, close to its highest level in over three years against the USD, following the sharp selloff in the greenback. However, the Sterling continued to underperform the Euro. The Euro saw its largest monthly gain against the Dollar in nearly 15 years, ending the month at 1.1328.
- European Union annual inflation slowed to +2.2% in March, in line with expectations.
- **China:** China announced a slew of retaliatory tariffs against the US, landing at 125% before both companies implemented a 90-day pause.
- The April Politburo meeting saw the Politburo pledge to step up the implementation of more proactive macro policies, vowing to offset external uncertainty with the certainty of high-quality development.
- GDP growth exceeded expectations at +5.4% YoY in Q1, vs +5.2% estimates ahead of US tariffs.
- Manufacturing PMI slipped into contraction for the first time in three months, coming in at 49.0, below expectations of 49.7 and at its lowest level in 16 months. This was mainly due to a pullback in export orders. Non-manufacturing PMI dropped to 50.4, below expectations of 50.6.

Australian dollar

- After advancing +2.5% against the USD in April, the AUD ended the month at 0.6402, posting its second consecutive month of gains against the greenback.
- Post April 2, the AUD declined against the USD due to a decline in risk sentiment and superannuation funds trimming hedging positions as global equities declined. This saw the AUD depreciate -5.8% on the week.
- The AUD saw gains for the rest of the month following the announcement of the 90-day tariff pause and as US assets were sold off across the board, mechanically supporting the AUD.
- While the AUD experienced a similar selloff against the EUR as superannuation funds rebalanced portfolios, it experienced a far shallower recovery. The AUD ended the month down -2.15% against the EUR.

Australian equities

- The ASX200 ended April +3.6% higher than it begun, with all GICS sector groups firmly in positive territory, with the only exception being Energy.
- Trading volumes were robust following President Trump's "Liberation Day" as the market sought to identify the relative winners and losers of the shifting trade and geopolitical set-up.
- The energy sector declined -7.7% over the course of April as oil saw its largely monthly decline in nearly 3.5 years. The oil price decline came as Saudi Arabia indicated that it would expand its production and as the global trade war dampened the outlook for fuel demand. Index heavyweights WDS and STO fell -10.3% and -9.8% respectively.
- Meanwhile, uranium miners BOE, PDN and DYL advanced +27.8%, +14.7% and +7.1% respectively. The gains followed an extended period of underperformance off the back of a lower U308 spot price, as well as abating tariff concerns and positive production updates from both BOE and PDN.
- Gold stocks rallied as the spot price of gold continued to reach record highs, peaking just above US \$3500/oz. While EVN and NEM provided positive quarterly updates to the market in April, NST observed a weaker MarQ and downgraded its FY25 guidance at its earnings update. Despite this, EVN (+10.1%), NEM (+6.4%) and NST (+4.5%) all ended April higher.
- The financials sector saw a 5.6% gain on aggregate, with banks seemingly considered relative safe havens given their strong domestic focus and robust balance sheets. CBA, the largest company of the index, rallied +10.4% over the month. The stock is now trading +45% higher than this time last year. Other major banks also observed gains in April; NAB +6.2%, WBC +4.0%, ANZ +2.7%.
- MQG, on the other hand, ended the month -1.6% lower. The stock fell as much as -16.4% following Liberation Day, though pared losses over the remainder of the month. On April 22, the company announced that it would be selling its North American and European public investments business to Nomura for A\$2.8bn; a deal which would see A\$285bn of AUM across equities, fixed income and multi-asset go over to the Japanese bank. In the days following this announcement, the stock advanced ~8%.
- JHX extended last month's sell off, down -3.9%. 21 investors wrote an open letter to the ASX requesting that investors be allowed to vote on whether the company could move its primary listing to the US. In response, JHX released a letter to shareholders advising that it would not move its primary listing without a shareholder vote.

Global equities

- The S&P500 ended April down -0.8%, its third consecutive monthly decline. The Dow Jones declined -3.2%, while the tech-heavy NASDAQ rallied +1.5%. Though the S&P sold off more

than -10% in the days following Liberation Day, it progressively recovered as various exclusions were announced and a 90-day pause was implemented. The market also began to digest various Q1 earning releases and guidance updates from corporate America. C-suites were given their first proper opportunity to provide the market with some tariff context.

- The tech sector and consumer staples sectors outperformed the broader market, with the GICS sector groups advancing +1.6% and +1.1% respectively. Meanwhile, amid an -18% decline in WTI and a -15% fall in Brent, the energy sector lagged (-13.7%).
- Similar to other global markets, European equities fell post April 2, then stabilized as the Trump administration showed signs of moderating its stance on tariffs, however EPS downgrades continue to accelerate. The FTSE100 and Stoxx600 ended the month down just over -1% apiece.
- Asian equity markets were mixed during April, with Singapore, Hong Kong, China and Taiwan indices posting losses greater than 2%, while Korea and Japan saw gains of 3.0% and 1.2% respectively. The MSCI Asia Pacific Index moved similarly to the Australian market and other global peers, whipsawing around tariff announcements from the White House, before steadily increasing for the remainder of the month to finish up +2.6%.

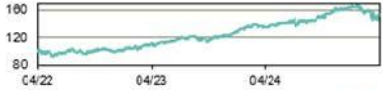
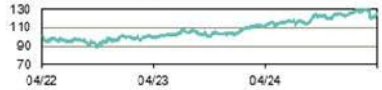
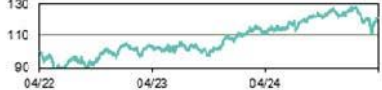
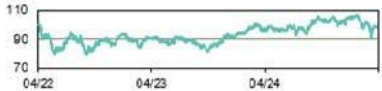
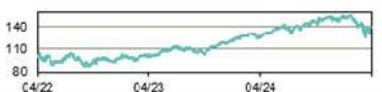



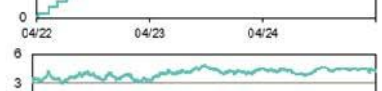

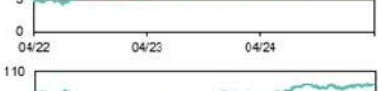
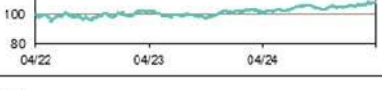
Property securities

- While tariff news continued to be the key talking point, Global property securities saw a decent April performance up 0.9% in the month, after a weaker March (-2.0%).
- The Americas region was the worst performer in April down -2.2%, erasing YTD gains, primarily on stagflation concerns in the US.
- Europe/UK on the other hand had an extremely strong April +10.3%, potentially reflecting investors looking for alternatives and the UK/European REITs being too cheap to begin with despite a resilient rental backdrop.
- The Asia Pacific region also had a strong month of performance, up 4.5% potentially given benefit from lower rates and limited growth downside expectations from tariffs.
- Locally, AREITs had a strong month too up ~6% on lower rate expectations following tariffs.

Fixed income and credit

- The US bond market was in the spotlight throughout April. US fixed income began to sell off despite risk-off sentiment during the early stage of the month, demonstrating a positive correlation to equities. This was quite surprising and opposed to traditional 60:40 portfolio playbooks. However, this was due to uncertainty-induced deleveraging across the investor spectrum. Of course, there is substantial leverage underpinning the US treasury market.
- Demand for US 10y Treasuries weakened, calling its status as a safe haven asset into question, with yields rising to over 4.5%. Despite this volatility, the yield recovered to end the month only -4bps lower than it begun.
- US 2y Treasuries yield ended the month -28bps lower, as the market priced in additional rate cuts from the Fed due to increased economic uncertainty and a softer growth outlook.
- The AU bond market is pricing in a 2025 terminal cash rate of between 2.85% - 2.90%, representing 4-5 rate cuts by year-end.
- The AU 10y Government bond yield trended lower throughout the month, after a U-shaped selloff and recovery around tariff news at the beginning of April.
- US investment grade credit spreads widened significantly after "Liberation Day" before tightening slightly after the 90-day pause was announced. Spreads remained wider for the rest of the month, closing 5.7bps wider. HY spreads followed the same pattern, finishing April 31.2bps wider.

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	Points					
MSCI World (AUD)	6,398	-1.70%	-6.58%	14.32%	15.57%	
MSCI Emerging Markets (AUD)	1,256	-1.30%	-0.04%	11.22%	8.04%	
ASX 200	8,126	3.61%	-4.76%	6.03%	3.01%	
ASX Small Ordinaries	3,054	1.84%	-4.58%	3.73%	0.29%	
S&P 500 (USD)	5,569	-0.68%	-7.50%	12.10%	12.18%	
REITs	Points					
ASX 200 A-REIT	1,694	6.35%	-5.31%	9.07%	5.54%	
FTSE EPRA/NAREIT Developed (AUD)	2,777	-0.37%	-1.30%	9.01%	-3.05%	
Cash & Fixed Income						
Official Cash Rate Australia	4.10%	0.00%	-0.25%	-0.25%	-	
10-year Yield Australia	4.16%	-0.22%	-0.26%	-0.26%	-	
10-year Yield US	4.16%	-0.04%	-0.38%	-0.52%	-	
Bloomberg Global Aggregate Index, AUD Hedged	-	0.95%	1.71%	6.52%	1.47%	
Bloomberg AusBond Composite 0+ Year Index	-	1.70%	2.82%	7.08%	2.75%	
Foreign Exchange	US\$					
AUD/USD	0.6402	2.48%	2.96%	-1.10%	-3.21%	

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