MONTHLY MARKET UPDATE

July 2025

How different asset classes have fared:

(As of 31 July 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]	2.05	2.40	3.94	4.31	2.41	2.02	0.96	0.30
Australian Bonds[2]	1.98	-0.34	2.58	5.06	3.83	3.66	0.85	-0.05
International Bonds[3]		-1.57	0.77	2.96	2.60	2.18	0.39	-0.15
Australian Shares[4]	8.90	12.36	12.14	11.87	8.64	4.07	8.44	2.59
Int. Shares Unhedged[5]	12.22	16.37	19.14	17.51	6.66	3.77	11.26	3.12
Int. Shares Hedged[6]	10.42	13.33	14.58	14.39	8.86	5.18	12.22	2.12
Emerging Markets Unhedged[7]	6.62	7.06	12.75	18.51	12.79	13.40	11.88	3.81
Listed Infrastructure Unhedged[8]	8.00	9.99	7.78	13.80	6.24	5.60	2.14	2.39
Australian Listed Property[9]	8.29	13.08	11.87	10.15	9.56	4.78	10.30	3.38
Int. Listed Property Unhedged[10]	4.22	7.25	2.98	4.12	-0.60	-1.44	1.42	1.03
Gold Bullion Unhedged[11]	11.84	10.86	23.42	36.67	26.66	18.46	0.69	0.90
Oil Unhedged[12]	-2.06	23.04	0.10	4.49	6.35	3.46	25.64	8.86

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 LMBA Gold Price AM USD, 12 S&P GSCI Crude Oil TR

Source: Centrepoint Research Team, Morningstar Direct

Key Themes:

- **Equities rose:** Both international and Australian equities continued to climb, gaining 3.12% and 2.59%, respectively. International equities were supported by a strong reporting season, while Australian equities rebounded in the healthcare sector.
- **Bond prices ended slightly down:** International bond yields increased after June inflation in the US was reported to have risen again, and the US Federal Reserve maintained its policy rate. Australian bond yields were largely flat but rose modestly after the Reserve Bank of Australia surprised investors by not cutting the cash rate at its July meeting.
- **Australian dollar depreciated:** The Australian dollar weakened against the US dollar following the report of rising inflation in the US.
- **Both oil and gold prices rose:** Oil gained on the back of the US–EU trade deal and US threats of further sanctions on Russia, while gold prices increased amid rising US inflation.

International Equities:

International equities continued to grow in July, with unhedged equities rising by 3.12% and hedged equities increasing by 2.12%. Unhedged equities outperformed hedged equities as the Australian dollar (AUD) depreciated against the US dollar (USD). During the month, both the S&P 500 and the NASDAQ reached new all-time highs. The overall market was supported by strong second-quarter earnings reports, with over 80% of S&P 500 companies that reported in July beating analyst expectations. Information Technology remained the standout sector, rising by 5.26%, followed by Communication Services (+2.61%) and Industrials (+1.86%). Tech has outpaced other sectors since its early April lows, aided by robust earnings from Alphabet and Meta. The sector also benefited from “Crypto Week,” during which three digital-asset bills were introduced to the US House of Representatives with the aim of making the United States the world leader in digital assets.

The three worst-performing sectors in July were Health Care (-4.20%), Consumer Staples (-3.59%) and Materials (-2.23%). Health Care stocks fell sharply near month-end after White House letters urged multiple pharmaceutical companies to reduce their prices.

Emerging markets equities grew by 3.81% in July, supported by easing US tariff concerns following trade deal progress and a slight US dollar appreciation.

Australian Equities

Overall, Australian equities performed in line with international equities, rising by 2.59% in July. In contrast though, the Health Care sector on the ASX outperformed the broader market, growing by 9.17%. Health Care has been a persistent underperformer in 2025, having fallen 7.31% year-to-date to 30 June, and despite the strong July rebound it remains the worst-performing sector, with growth of only 1.08% YTD. Investors rotated back into the sector after underperformance rendered many major players undervalued.

The next best performers were Energy (+5.82%) and Technology (+4.80%), both of which also benefited from being overlooked during the first half of the year.

The weakest sector in July was Financials, which fell 0.92%. After being one of the strongest performers in 2025, driven by the big four banks, investors took profits and rotated into undervalued areas such as Health Care, Energy and Technology. The only other sector to close the month in negative territory was Consumer Staples, down 0.07%.

Domestic and International Fixed Income

International bond prices fell marginally in July, ending down 0.15%. US government bond yields rose gradually throughout the month as the US Consumer Price Index (CPI) for June increased 2.7% year-on-year, in line with expectations. This rise cemented projections of fewer rate cuts in 2025, a view echoed by Jerome Powell at the July meeting of the Federal Open Market Committee (FOMC). However, at the start of August, the Bureau of Labor Statistics released jobs data revising May and June employment gains down by a combined 258,000. With the US labour market weaker than previously thought, investors sharply increased their rate-cut expectations, almost fully pricing in a 25-basis-point cut in September.

Australian bond prices declined by just 0.05% in July. Australian government bond yields rose slightly after the Reserve Bank of Australia (RBA) unexpectedly maintained the cash rate. The June-quarter CPI, released near month-end, showed inflation slowing to 2.1% from 2.4%, in line with forecasts. With inflation well within the RBA’s 2–3% target range and unemployment rising in June, investors now anticipate further rate cuts from the RBA in the second half of the year.

Australian Dollar

In July, the Australian dollar depreciated by 2.30% against the US dollar, driven primarily by US dollar strength rather than AUD weakness. This reflected continued US inflationary pressure and waning expectations of rate cuts, a view reinforced at month-end when Jerome Powell signalled that the FOMC would remain cautious about cutting rates.

Commodities – Gold and Oil

Oil rose 8.86% in July, driven primarily by gains in the final days of the month. The rally followed the finalisation of a US–EU trade deal that locked in a 15% tariff and averted a broader trade war. Further upward pressure came when President Trump increased sanctions pressure on Russia over the war in Ukraine, declaring a 10-day deadline before the US would impose additional tariffs and sanctions on Russian oil exports.

Gold rose 0.90% in July, extending the slower pace seen in recent months compared to the start of the year. Prices held around US$3,300–3,400 per ounce, supported by rising US inflation and lingering US-tariff uncertainty.