

MONTHLY MARKET UPDATE

April 2025

How the different asset classes have fared:

(As of 30 April 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	2.01	2.21	3.68	4.46	1.43	2.18	1.04	0.35
Australian Bonds ²	1.93	-0.35	2.61	6.91	2.96	4.63	2.78	1.77
International Bonds ³		-1.21	0.80	6.28	2.20	2.18	1.79	0.89
Australian Shares ⁴	7.93	12.38	6.69	8.81	0.19	0.66	-4.02	3.60
Int. Shares Unhedged ⁵	11.83	14.56	15.26	13.92	-4.13	3.43	-6.73	-1.80
Int. Shares Hedged ⁶	9.30	13.03	9.94	9.79	-2.99	-0.18	-6.28	-0.45
Emerging Markets Unhedged ⁷	4.73	6.27	6.93	10.30	0.81	2.68	1.36	-2.11
Listed Infrastructure Unhedged ⁸	8.26	8.56	7.90	21.24	4.01	6.81	3.39	-1.04
Australian Listed Property ⁹	7.68	12.27	5.15	8.90	-0.67	-4.26	-5.00	6.29
Int. Listed Property Unhedged ¹⁰	4.68	6.28	1.15	13.53	-1.99	-1.33	-2.82	-2.78
Gold Bullion Unhedged ¹¹	10.55	13.85	19.69	41.88	25.79	18.17	17.65	5.26
Oil Unhedged ¹²	-6.80	31.22	-6.99	-18.01	-15.35	-11.00	-17.65	-17.65

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:** Following a significant downturn at the beginning of the month due to tariff announcements, the Australian equity market rebounded strongly, achieving a solid return. In contrast, international shares did not fully recover their earlier losses.
- **Bond Prices Rose:** Both Australian and international bond prices increased as tariff concerns and fears of an economic slowdown led investors to anticipate lower interest rates in the near future.
- **Australian Dollar Appreciated:** Despite considerable volatility stemming from expectations of shifting trade dynamics, the Australian dollar appreciated in April.
- **Oil Plummeted while Gold Rose:** Oil prices dropped significantly due to expectations of an economic slowdown and reduced global trade, while gold prices increased amid the prevailing uncertainty.

International Equities:

In April 2025, international equities experienced another decline, with unhedged equities falling by 1.8% and hedged equities by 0.5%. These modest declines mask the significant volatility during the month. The MSCI World Index reached \$3,655.52 on April 30—the highest level since President Trump's announcement of extensive tariffs on April 2. Following this announcement, the index dropped by 11.3% over six days, reflecting market concerns about the potential impact on the U.S. and global economies. The downturn began to reverse on April 9 when Trump announced a 90-day pause on the tariffs, excluding those on China, and expressed willingness to negotiate lower tariffs with other nations. The market continued a gradual recovery, further buoyed by Trump's statement that the U.S. was open to negotiations with China and that tariffs could "come down substantially" from their current level of 145%.

The tariff announcements significantly affected all stock market sectors, with the Energy sector being the most impacted. It fell by 17.0% in the first eight days of April and, despite a slight recovery, ended the month down 11.6%. This decline occurred even though oil and some other fossil fuel products were exempt from the tariffs. The drop is likely attributed to anticipated macroeconomic effects of the tariffs, such as reduced global trade and a potential recession in the U.S. or globally, which would decrease demand for oil and other energy sources. Additionally, expectations that OPEC+ would continue to increase oil output in the coming months contributed to the sector's poor performance.

Australian Equities

In April, Australian equities rose by 3.6%, outperforming many global markets. The Australian market weathered the tariff news better than other countries due to the relatively small tariff announced for Australia (10%) and the fact that China is a much larger trade partner for Australia than the U.S. Some investors also see the U.S. tariffs on China as a potential opportunity for Australia, as China may seek to strengthen trade ties with other partners. For instance, Australian beef exporters have benefited from China's retaliatory tariffs on U.S. beef, leading to increased demand for Australian beef in the Chinese market.

Throughout the month, the Consumer Staples sector remained strong, even after the tariff announcements. It grew consistently over the entire month, ending up 4.2%, without the volatility experienced by other sectors. As the Consumer Staples sector consists of companies dealing in essential products, it often performs well during periods of volatility as investors seek stability.

As with the global market, the Energy sector was the hardest hit during the month, falling by 17.8% in the days up to April 7 and only recovering to end the month down 8.6%. This decline occurred despite oil and some other fossil fuel products being omitted from the tariffs. The fall was likely due to the expected macroeconomic effects of the tariffs discussed previously, which would decrease demand for oil and other energy sources. Additionally, the expectations of OPEC+ oil output increases further contributed to the poor performance of the sector. All other sectors, except Materials, made a full recovery and ended the month in positive territory.

Domestic and International Fixed Income

Australian bonds delivered a solid return of 1.8% in April. The 10-year government bond yield declined by 24.7 basis points to 4.1%, while the two-year yield dropped by 39.6 basis points to 3.3%. This significant decline in short-term yields reflects market expectations of a global economic slowdown following President Trump's tariff announcements. Investors anticipate that the Reserve Bank of Australia (RBA) may lower the cash rate sooner than previously expected to support economic growth. Despite equity markets recovering after subsequent announcements of tariff delays and negotiations, bond markets continue to signal an uncertain outlook for investors.

International bonds also posted gains in April, albeit more modestly, with a return of 0.9%. In the United States, the 10-year Treasury yield experienced volatility throughout the month, reflecting investor reactions to various tariff announcements. While the 10-year yield rose slightly by 1.3 basis points to 4.1%, the two-year yield fell by 27.8 basis points to 3.6%. The lesser decline in U.S. yields compared to Australian yields may be attributed to concerns that the tariffs could lead to higher domestic inflation, potentially deterring the Federal Reserve from reducing the central bank rate in the event of an economic slowdown.

Australian Dollar

In April, the Australian Dollar (AUD) appreciated against the US Dollar (USD) by 2.0%, reaching 0.64 USD. Following President Trump's initial tariff announcements, the AUD depreciated by 4.3% to 0.60 USD due to concerns about potential negative impacts on China's economy and Australia's trade with China. However, this decline was quickly reversed as the tariffs were delayed and negotiations commenced.

Commodities – Gold and Oil

In April, the price of oil dropped significantly, falling by 17.7%. This decline was primarily due to the negative impact of U.S. tariffs on the global economic outlook, which consequently dampened future demand expectations for oil. Additionally, OPEC+'s announcement of further oil production increases contributed to the oversupply in the market, exacerbating the downward pressure on prices.

Gold continued its upward trajectory in April, with prices increasing by 5.3%. Ongoing geopolitical uncertainties, which peaked with President Trump's "Liberation Day" declaration, attracted investors to the precious metal as a safe-haven asset. This surge led gold prices to exceed AUD 5,400 per ounce, marking a new all-time high. However, following the initiation of tariff negotiations, prices have slightly retreated from this peak.

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