

Market Commentary July 2025

In July a long running border dispute between Thailand and Cambodia re-ignited with armed conflict between the two nations. On 28 July the two nations agreed to an unconditional ceasefire. In Japan upper house elections were held with Japanese Prime Minister Shigeru Ishiba's Liberal Democratic Party and junior coalition partner, the Buddhist Komeito party, failing to secure a majority in Japan's upper house.

Central banks in Australia, Europe and the US all held meetings in July and decided to keep rates on hold. It appears the European Central Bank (ECB) is coming towards the end of its rate cuts having cut rates 8 times since the start of 2024. In contrast, the US Federal Reserve and Reserve Bank of Australia have been less aggressive in cutting rates since 2024 and could cut rates more over the next year if inflation remains controlled.

Australian large cap equities gained 2.39% in July led by the Health Care (+9.05%), Energy (+5.71%) and Utilities (+5.11%) sectors. On the other hand, Financials (-1.02%), Consumer Staples (+0.55%) and Industrials (+2.02%) were laggards. Australian Small Companies outperformed large cap equities gaining 2.82% for the month.

Currency hedged global equities gained 2.06% for the month as the Australian dollar weakened 2.37% versus the US dollar. At month's end the Australian dollar closed at US\$0.6425, down from US\$0.6581 a month earlier. Unhedged global equities gained 3.12% for the month. US equities gained 4.07% for the month in Australian dollars.

Bond yields in both Australia and the US moved higher during the month with the US 10-year bond yield gaining 14bps to 4.37% and the US 2-year bond yield gaining 24bps to 3.96%. In Australia, the Australian 2-year bond yield gained 14bps to 3.35% whilst the Australian 10-year bond yield increased 10bps to 4.26%. Rising expectations of fiscal expansion (ahead of the Japanese upper house election) drove the Japanese 10-year government bond yield to its highest level since 2008 during the month with yields on the 30-year Japanese Government Bond rising to a record high of 3.21% in July.

Benchmark Returns

Period Ended: 31 July 2025	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
	%	%	%	%	% (pa)	% (pa)	% (pa)
Australian Shares							
Large Caps	2.39	8.08	4.26	11.91	12.69	12.76	8.82
Broad Caps	2.43	8.25	4.29	11.88	12.08	12.17	8.65
Small Caps	2.82	9.67	4.65	11.53	7.09	7.67	7.77
International Shares							
World ex-Australia in AUD Hedged (Net)	2.06	12.21	5.15	14.42	14.55	13.29	10.33
World ex-Australia in AUD unhedged (Net)	3.12	11.29	3.77	17.49	19.10	16.32	12.14
Australian Cash and Bonds							
Bank Bill Index	0.30	0.97	2.02	4.31	3.94	2.40	2.05
Australian Bond Index	-0.04	0.88	3.72	5.22	2.74	-0.18	2.17
Australian Property							
A-REIT – Accumulation	3.28	10.44	4.58	10.18	12.32	13.00	8.07

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