

# Monthly Market Snapshot

January 2025

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets.

# Market commentary

January saw an eventful start to the year for investors. President Trump's return to the White House initially boosted US equities, but AI-driven competition concerns weighed on the tech sector late in the month. Bond markets were volatile as fiscal policy expectations drove yields higher before a late-month bond rally. Commodities surged on tariff concerns, geopolitical risks, and strong demand.

US equities posted gains. Strong jobs growth and GDP expansion supported sentiment, while President Trump's policy announcements also fueled optimism. However, technology stocks faced pressure late in the month after DeepSeek's emergence raised concerns over increased competition in AI. Nvidia experienced the largest single-day market cap loss in US history, weighing on the broader index.

The Federal Reserve (Fed) left the fed funds rate (FFR) unchanged at its January meeting. The Committee noted that unemployment had stabilised "at a low level" and described the labour market as "solid". However, the FOMC removed its previous comment that inflation had made progress toward the 2% target, while continuing to note that inflation "remains somewhat elevated". Powell later said the removed comment was not an intentional signal for changed in views.

European equities produced large positive returns, driven by financials and consumer discretionary sectors, on the back of improved macroeconomic data. UK equities gained support from a weaker sterling, benefiting companies with overseas revenues.

Australian stocks produced positive returns, supported by strength in commodities and mining stocks. With inflation moving towards the RBA's 2-3% target, expectations for a February rate cut also rose, with markets increasingly pricing in a move at the 18 February meeting.

Emerging market equities produced a small positive return despite weak Chinese equities as policy stimulus disappointed.

US Treasury yields rose early in January as markets anticipated inflationary pressures from Trump's proposed tax cuts and tariffs. However, softer inflation data and the AI-driven tech sell-off led to a bond market rally, with US government bond returns finishing the month in positive territory.

In Japan, the Bank of Japan (BoJ) delivered a 25 basis point interest rate hike as confidence in domestic wage growth increased.

Currency volatility was high, responding to fears of a US-China trade war and expectations around Fed and RBA monetary policy adjustments. The Australian dollar (AUD) appreciated against most major currencies but remained around its lowest level since 2020 against the US dollar (USD).

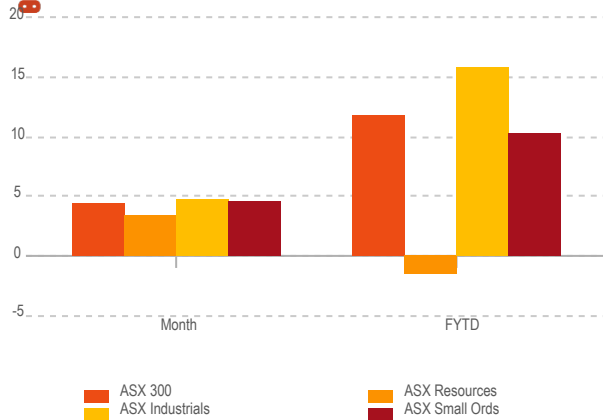
Commodities posted strong gains amid tariff threats and rising geopolitical risks, with gold and copper leading the rally.

Listed property posted gains due to anticipation of RBA interest rate cuts. Infrastructure showed slight decline due to concerns regarding the balance between urban and regional development, and the need for further investment in sustainable infrastructure initiatives.

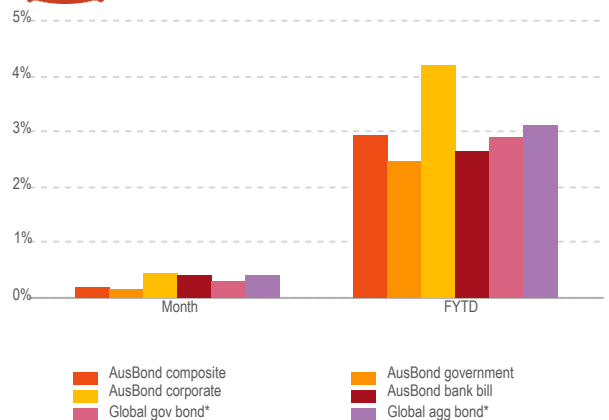
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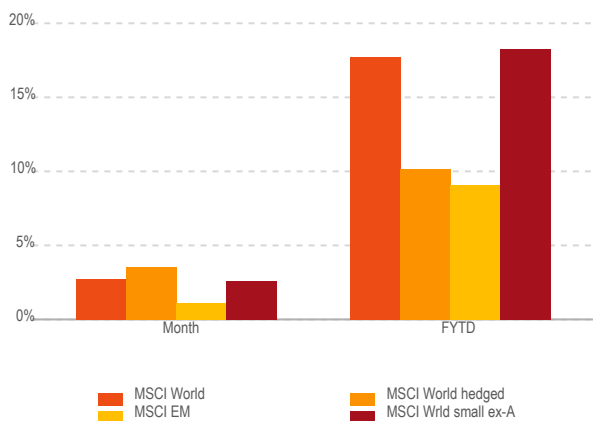
## Australian equities



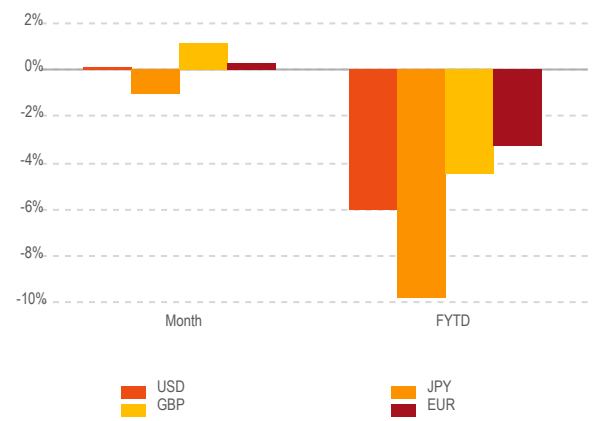
## Fixed income



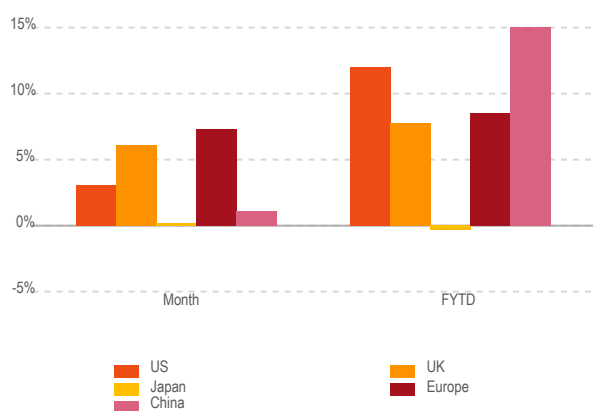
## International equities (\$A)



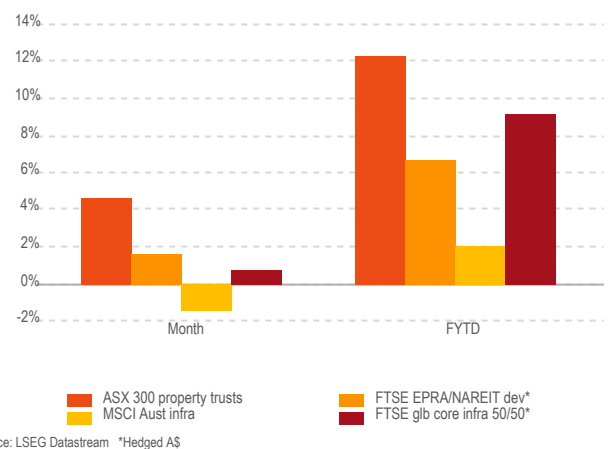
## Australian dollar



## International equities



## Real assets





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