Monthly Market Snapshot

May 2025

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

Frontier Advisors

Market commentary

Global investment markets experienced a strong rebound in May, with risk assets rallying across most regions. Market sentiment was buoyed by further de-escalation in global trade tensions following the volatility that was triggered by 'Liberation Day' tariff announcements in April. The global economic outlook remains cautious, with forecasters suggesting a widespread slowdown in growth amid elevated risks from US trade policy and growing fiscal deficits.

Global equities delivered robust gains in May. The US equity market was particularly strong, underpinned by resilient corporate earnings. Technology stocks surged, benefiting from ongoing enthusiasm around artificial intelligence and digital infrastructure. However, market participants remained attuned to the potential impact of tariffs and the changing economic strategies of the Trump administration, both of which have introduced additional uncertainty around inflation and growth prospects.

European equities also posted solid gains, supported by the European Central Bank's decision to cut interest rates in April, which reinforced expectations of an even more accommodative policy stance in the months ahead. In the UK, equities advanced on the back of a widely expected rate cut by the Bank of England. Japanese equities also performed strongly, reflecting a more constructive inflation and macroeconomic backdrop.

Australian equities recorded a large positive return in May, with broad-based gains across sectors, bolstered by the Reserve Bank of Australia lowering interest rates. Economic data continued to reflect the challenges of moderating growth and cost-of-living pressures, but the prospect of further interest rate cuts have provided a measure of reassurance to the market. The Australian Federal Election resulted in a large win to the incumbent party, albeit had limited influence on investor sentiment.

Emerging market equities, including China, delivered moderate positive returns in May. Chinese equities benefited from incremental policy support and signs of some stabilisation in key economic indicators. However, emerging markets, more broadly, continued to grapple with the implications of global trade tensions and divergent growth trajectories. Political events, such as presidential elections in Poland and Romania, as well as the European Political Community summit, are part of the complex geopolitical landscape, but did not materially disrupt capital flows in the month.

Yields on government bonds moved higher over the month, reflecting a combination of resilient economic data and shifting expectations around the timing and magnitude of future central bank easing, particularly in the US. The US Federal Reserve left its policy rate unchanged again during the month, with market expectations for the first cut shifting towards the second half of the year. This is as the Fed weighs the competing challenges of growing inflationary pressures and a weaker growth outlook from trade tariffs. Elsewhere, major central banks are mostly continuing with the trend of gradual monetary easing, although the pace and extent of further cuts remains the subject of debate. Rising yields caused global government and corporate bonds to post slightly negative results for the month. In Australia, yield rises were smaller, and bond returns were flat or slightly positive.

Currency markets were relatively stable in May, largely tracking shifts in interest rate expectations and relative economic outlooks. The Australian dollar was modestly stronger against the US dollar, euro, and yen, reflecting improved risk sentiment and relatively less direct economic exposure to the trade wars. The US dollar was steady overall, with some weakness early in the month reversing as sentiment improved and US economic data remained firm.

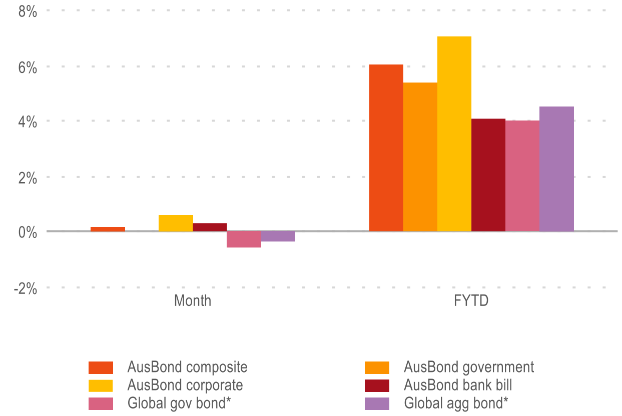
Listed property and infrastructure produced solid returns in May, responding positively to improved risk sentiment, but were weighed down by rising bond yields.

May 2025

Australian equities

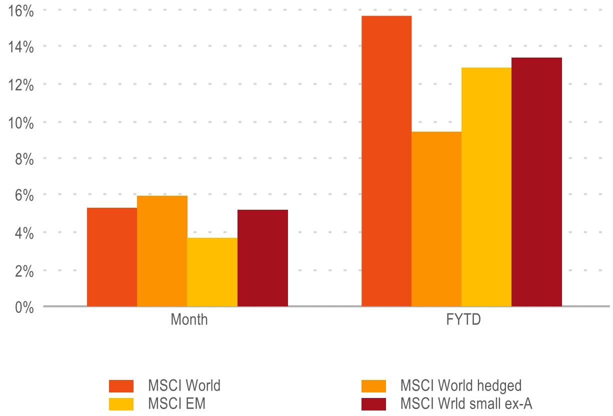
Source: LSEG Datastream

Fixed income



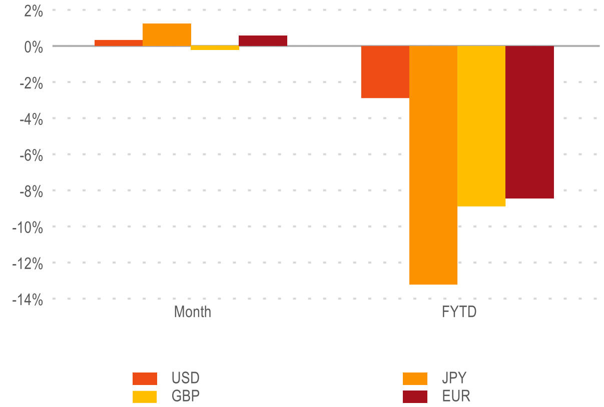
Source: LSEG Datastream

International equities ($A)



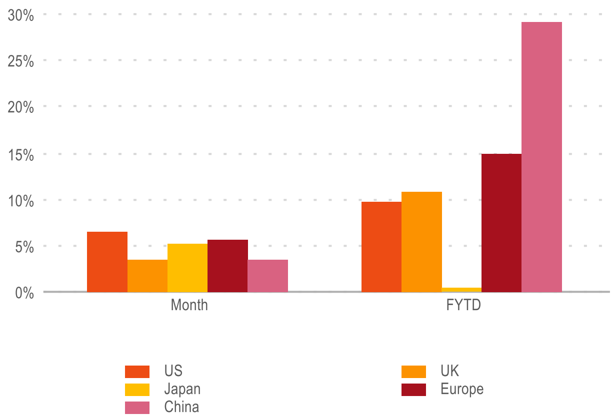
Source: LSEG Datastream

Australian dollar



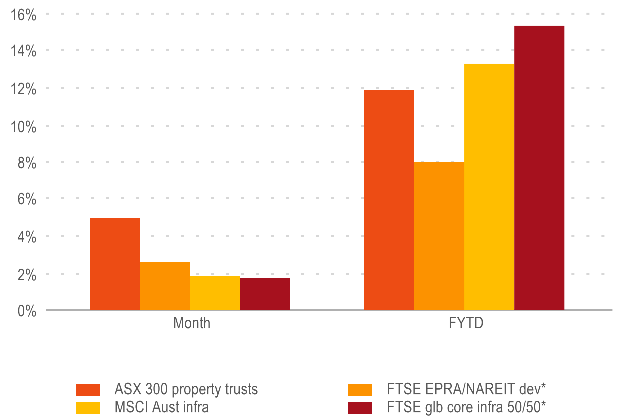
Source: LSEG Datastream

International equities



Source: LSEG Datastream

Real assets



Source: LSEG Datastream *Hedged A$

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