

## RESEARCH UPDATE

**MARKET** watch

APRIL 2025



Global equity markets retreated in March as the trade war escalated, raising concern for the global economic outlook. The S&P 500 Index and the Nasdaq Composite Index were down -5.8% and -8.1% respectively, with all sectors but the Energy sector falling over the month. The Communication Services, Consumer Discretionary and Information Technology sectors led losses as investors rotated away from riskier sectors towards more defensive sectors. The US Federal Reserve maintained the US target cash rate range of 4.25% to 4.5%. The Hang Seng Index edged 0.9% higher, with improving economic data and further stimulus. The S&P/ASX 200 fell -4.0%, with concerns the trade war will indirectly reduce demand for Australian exports.

**S&P/ASX 200 Sector Performance**

Utilities was the best-performing sector despite being flat for the month. APA Group rose 7.1%, offset by a -4.2% drop by Infratil Limited, whilst AGL Energy Limited was up 0.6%. Infratil Limited's management noted that despite the movements in share price and the increasing discount to net asset value, its strategy is 'built on backing high-quality assets... and structural tailwinds that drive sustainable, long-term growth'.

On the other hand, Information Technology was the worst-performing sector in March, down -9.7%. Appen Limited was the main laggard, down -21.5% after reporting disappointing results for the 2024 Financial Year (FY24). The

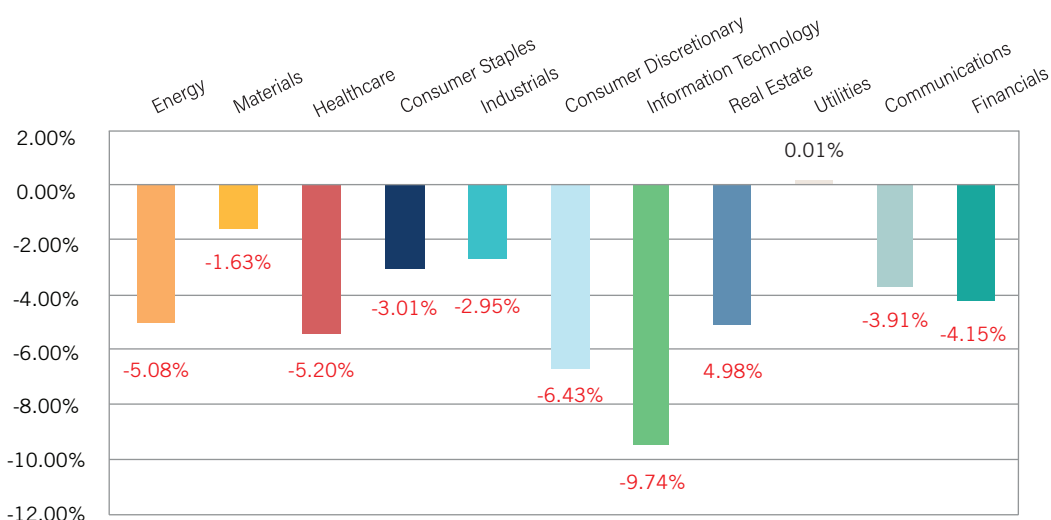
company recorded a \$20 million loss for the financial year, primarily due to the loss of its contract with Google. New addition to the ASX 200, Nuix Limited, fell -16.6%, followed by NextDC Limited (-15.2%) and Life360 Inc (-15.0%). Alibaba Chairman Joe Tsai warned of possible overinvestment and future oversupply of data centres. This caused a revaluation of data centre operators, including NextDC Limited. Megaport Limited and SiteMinder Limited were also caught in the sell-off, down -13.4% and -11.9% respectively.

The Consumer Discretionary sector fell -6.4%, with Light & Wonder, Inc. leading losses with a -20.7% decline, despite recording 10% revenue

growth, with growth across all business divisions. Gaming peer, Tabcorp Holdings Limited, was also down -16.9%. Lovisa Holdings Limited fell -17.5% in March despite growing its total sales by 8.8% on the prior half-year and increasing earnings before interest and taxes by 10.7%. In the half year, Lovisa Holdings Limited opened 57 new stores and entered three new markets. Travel shares were also lower, with Flight Centre Travel Group Limited and Corporate Travel Management Limited down -14.5% AND -13.0% respectively.

The Healthcare sector fell -5.2% over the month. Clarity Pharmaceuticals Limited dropped -40.7% after reporting a \$23.6 million loss in the 6 months to 31 December 2024. Mesoblast Limited lost -22.2% despite having its Ryoncil therapy approved by the US Food and Drug Administration and being made available for purchase in the United States. Pro Medicus Limited declined -21.1% despite signing a 7-year, \$40 million contract with radiology services company LucidHealth. The company has used the fall in share price to repurchase shares as part of its ongoing on-market buyback.

**Graph 1: S&P/ASX 200 Sector Performance**



*Data Source: Desktop Broker, 1 April 2025.*

## Highlights

**Australia:** The Australian Bureau of Statistics published the national, state and territory population data for the 2024 September quarter. Australia’s population grew 1.8% (484,400 people) over the year to 27,309,396 people. A gain of 104,200 people was attributed to a natural increase, whilst a gain of 379,800 people was from net overseas migration.

Australia has recorded its first monthly surplus with the United States – to the amount of US\$2.2 billion – since trade balance recordkeeping started in the 1980s. Australia imported US\$2.4 billion of goods to the US in January and exported \$4.6 billion. The sudden increase in exports was driven by record gold exports as the metal price traded at all-time highs.

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**US:** US President Donald Trump signed an executive order to close the US Education Department and leave school policy and programs to state and local boards. Complete closure of the Education Department would require an act of Congress.

The US Federal Reserve held interest rates steady at its March meeting, as expected. The Central Bank did increase its inflation forecast from 2.5% to 2.7% for 2025 and lowered its GDP growth forecast from 2.1% to 1.7%. The rate cut forecasts remain unchanged, with two cuts forecast for the year.

**Canada:** Mark Carney won leadership of the Liberal Party with 85.9% of the party vote and is now serving as the Prime Minister of Canada following the resignation of Justin Trudeau. Carney was formerly the Bank of Canada Governor from 2008 to 2013 and the Bank of England Governor from 2013 to 2020.

**United Kingdom:** The UK economy has unexpectedly fallen into contraction after recording an estimated 0.1% decline in GDP for January. The result was driven by a 0.9% fall in production and a 0.2% decline in construction output, slightly offset by a 0.1% increase in services.

**Germany:** The German parliament has approved a plan to create a €500 billion fund to spend on its military and infrastructure as it looks to 'ensure national and European security' despite concerns about the resulting debt burden. Incoming chancellor Merz stressed the necessity of the package given Russia's 'war of aggression against Europe' and the need to be more independent

from the US.

**Finland:** Finland has once again been named the world's happiest country, topping the World Happiness Report 2025 for the eighth consecutive year. It remains ahead of fellow Nordic countries Denmark, Iceland and Sweden.

**Sweden:** Swedish battery developer and manufacturer Northvolt has filed for bankruptcy in Sweden after being unable to secure US\$1.2 billion in new investment to continue operations. With debt of over US\$8 billion, it is one of the largest corporate bankruptcies in Swedish history. The company has stated its divisions in North America and Germany are currently unaffected.

**Panama:** A consortium led by US investment firm BlackRock and the Mediterranean Shipping Company has reached a deal to purchase 80% of Hutchison Ports group and 90% of Panama Ports from Hong Kong conglomerate CK Hutchinson for US\$19 billion. The deal will see the consortium operate 43 ports in 23 countries in addition to two key entryway ports around the Panama Canal.

**Japan:** Japanese investment holding company SoftBank Group has acquired US semiconductor firm Ampere Computing for US\$6.5 billion. The move continues SoftBank's investment into artificial intelligence technology and related projects, including the Stargate venture with Oracle and OpenAI.

**China:** Hybrid and electric vehicle automaker, BYD, revealed a new battery and charging system with a maximum charging speed of 1,000kW. At this top speed, the latest BYD cars can recharge

their battery within five minutes for a range of 400km. BYD will begin selling cars with the new batteries from next month and building charging stations across China.

**New Zealand:** The New Zealand economy recorded 0.7% growth for the December 2024 quarter, returning to expansion and escaping recession. GDP growth had fallen -1.1% in each of the previous two quarters.

## What to watch out for

US President Donald Trump will announce new tariffs on 2 April. Dubbed 'Liberation Day,' Trump aims to protect US industries and reduce the reliance on foreign goods. Previously delayed tariffs for Mexico and Canada are also expected to come into effect soon.

## Conclusion



Global equity markets retreated in March as the trade war escalates and investors shift towards safer and more defensive assets. Geopolitical tensions across the world remain elevated but have so far had little impact on markets.

During periods of uncertainty, clients should:

- Stick to the plan and focus on your long-term goals. Our investment approach is focused on the long term and designed so that your portfolio can ride out any downturns – including this one. Staying the course, despite how uncomfortable it may feel right now, will prove to be the better option when looking back five years from now.

Investors who stayed the course while equity markets declined in the depths of the COVID-19 pandemic in early 2020 have benefitted from one of the fastest market turnarounds with equity markets. Investors who sold equities during the downturn and waited until economies started to show recovery before buying back into the market missed a large part of the recovery.

- Maintain a buffer of safety. Holding a buffer of cash and term deposits has been a key strategy to provide a cushion against market downturns and to protect capital.
- Take advantage of the weakness. Market downturns provide buying opportunities to invest in long-term, quality investments.
- Focus on quality investments. Invest in companies that generate stable cash flows to support distributions, which are not connected to the movements in asset prices, and partner with fund managers who share the same investment philosophy and objectives.
- Diversify across asset classes, industries, sectors and geographies.
- Regularly rebalance the portfolio back to your risk profile to ensure that the portfolio is not exposed to unwanted risks and to also lock in profits.
- Remain calm, and speak to your Apt adviser. It is important that you speak to your Apt adviser before making any financial moves. Your adviser understands your long- and short-term goals and will have been planning for these types of scenarios already, so they are best placed to explain any impact and discuss the best options and opportunities for you personally.

#### **Disclaimer**

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