

RESEARCH UPDATE

MARKET watch

JULY 2025



Global equity markets rallied in June, despite volatility during the month following the escalation and de-escalation of tensions in the Middle East. Both the S&P 500 and the Nasdaq Composite Index reached new record all-time highs, returning 5.0% and 6.6% respectively for the month. Renewed optimism around artificial intelligence (AI) saw a bounce in the Information Technology sector, while US banks rallied on the US Federal Reserve's proposal to ease leverage rules. The US Federal Reserve once again maintained its cash rate at a target range of 4.25% to 4.5%. The Hang Seng Index rose 3.4%, with gains muted by the Hong Kong Monetary Authority's decision to intervene in its currency market. Meanwhile, the S&P/ASX 200 underperformed, returning 3.8%, despite a lower-than-expected inflation reading, paving the way for the Reserve Bank of Australia to make further interest rate cuts.

S&P/ASX 200 Sector Performance

Energy (9.0%) was the best-performing sector in June, driven by a surge in underlying commodity prices. Uranium prices once again spiked after Canadian asset manager Sprott announced it would purchase US\$200 million of uranium for its physical uranium trust. Uranium producers Paladin Energy Limited, Deep Yellow Limited, Boss Energy Limited and NexGen Energy (Canada) Limited rose 29.3%, 24.2%, 17.6% and 7.4% respectively. Oil and gas producers benefited from higher crude oil prices, with worries that the escalating tensions in the Middle East would impact crude oil supply. Santos Limited, Viva Energy Group Limited and Karoon Energy Limited gained 16.2%, 15.5% and

15.3% respectively. Santos Limited was also the recipient of a non-binding takeover proposal from a consortium led by a subsidiary of the Abu Dhabi National Oil Company, and Carlyle, an American private equity firm. The proposed takeover price is US\$5.76 per share.

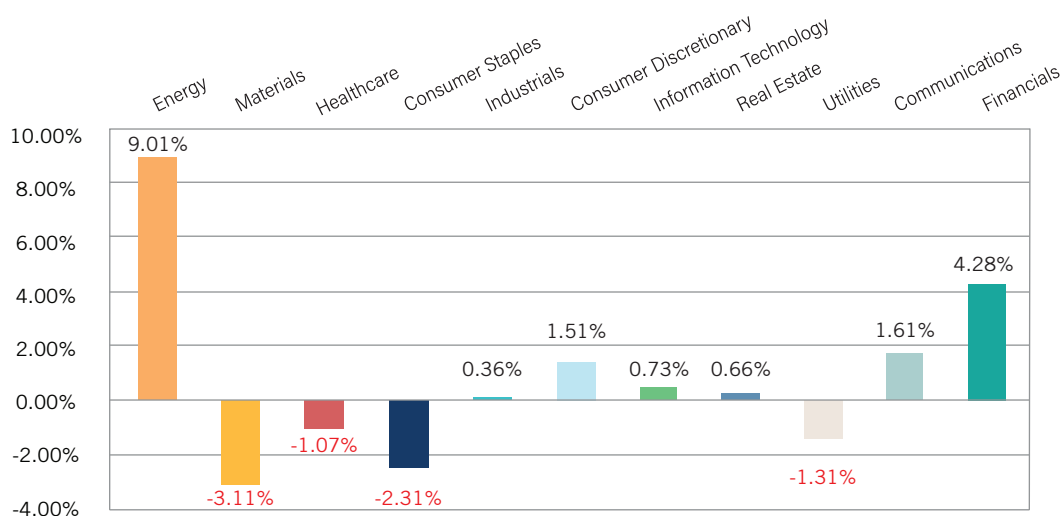
Financials was the next best performer over the month, rising 4.3%. Zip Co led gains with a 54.7% return after upgrading its earnings before tax, depreciation and amortisation guidance for the 2025 financial year from at least \$153 million to at least \$160 million. The share price was also supported by the ongoing on-market share buy-back in which Zip Co repurchased 12.3 million shares. Washington H. Soul Pattinson and

Company Limited rallied 13.8% after announcing a merger with Brickworks Limited and ending the 56-year mutual ownership structure. The merger is intended to form a more 'well-resourced and more diversified group' with a simplified structure and greater liquidity and scale. Other strong performers included Judo Capital Holdings Limited (9.8%), Helia Group Limited (8.3%), Insignia Financial Limited (8.0%) and GQG Partners Inc. (7.6%).

The Materials sector was the main laggard on the index, down -3.1%. Gold miners led declines with Ora Banda Mining Limited, West African Resources Limited, Catalyst Metals Limited and Emerald Resources NL down -33.2%, -19.8%, -19.1% and -17.5% respectively. Gold prices

eased after the ceasefire in the Middle East. The US Federal Reserve's decision to maintain its interest rate target range and its updated forecasts of weaker growth and higher inflation have lowered near-term rate cut expectations. Higher interest rates for longer increase the opportunity cost of holding gold, weighing on its price. Ora Banda Mining Limited was also impacted by extended downtime at its processing plant for new installations and upgrades, resulting in a production guidance downgrade for the 2025 financial year. West African Resources Limited also gave up a 5% stake in its mining projects to the Burkina Faso government to comply with the country's new mining code.

S&P/ASX 200 Sector Performance



Data Source: Desktop Broker, 1 July 2025.

Highlights

Australia: The Australian Bureau of Statistics published the total value of dwellings data updated for the 2025 March quarter. Over the quarter, the total value of residential dwellings rose by 1.2% or \$130.7 billion to \$11,366.4 billion. The mean price of residential dwellings

reached \$1 million for the first time, rising \$6,900 to \$1,002,500.

Australian oil and gas producer, Santos Limited, has received a non-binding indicative takeover proposal from a consortium led by a subsidiary of

Abu Dhabi National Oil Company and Carlyle, an American private equity firm. However, national security concerns may result in the deal being blocked by the Australian government. The South Australian government has also outlined its own requirements if the deal were to be approved, including commitments from the consortium to keep Santos' headquarters in Adelaide and guarantees of investment into state projects.

US: The US Federal Reserve was unanimous in its decision to maintain its cash rate at the range of 4.25% to 4.5%. The Federal Reserve also raised its inflation forecast from 2.7% to 3.0%, and the unemployment rate from 4.4% to 4.5%. Economic growth for 2025 was downgraded from 1.7% to 1.4%.

The US Department of Defence has awarded a US\$200 million contract to OpenAI to 'develop prototype frontier AI capabilities to address critical national security challenges'. The Pentagon has announced that more partnerships with technology companies to use AI for defence projects are in the works.

Canada: Canada has signed a defence pact with the European Union (EU). In addition, Canada and the EU will increase support for Ukraine and work together on other issues, including climate change.

United Kingdom: The UK government completed a strategic defence review, which has highlighted the need to improve its defence capabilities amidst a more threatening global landscape. The review recommends around £68 billion in investment to build 12 new submarines, increase drone production, stockpile munitions and more.

Switzerland: The Swiss National Bank has cut its key interest rate to zero, as expected, to fight deflation. Switzerland's consumer price index fell 0.1% in the 12 months to May.

Netherlands: The Dutch government has collapsed after Geert Wilders, leader of the far-right Party for Freedom, withdrew from the ruling right-wing coalition after disagreement over anti-immigration and asylum seeker policies. Following Wilders' withdrawal, Prime Minister Schoof resigned. The government is now operating in caretaker mode until a new election is called.

Democratic Republic of Congo: The Democratic Republic of Congo will extend its suspension of cobalt exports for another three months. The suspension was introduced in February when prices were at a nine-year low due to an oversupply of the metal.

Vietnam: Vietnam has ended its two-child policy following a decline in the national birthrate. The Vietnamese birthrate fell to a record low in 2024, coming in at 1.91 children per woman.

New Zealand: New Zealand will be ceasing funding the Cook Islands due to the latter's growing relationship with China. New Zealand had planned to provide NZ\$18.2 million in funds to the Cook Islands over 2025–2026.

Japan: Japanese manufacturing activity has returned to growth after 11 consecutive months of contraction. The improvement was driven by increased output and purchases. However, concerns of weak demand remain with declining new business and the impact of tariffs.

China: Chinese rare earth exports fell 53% in May, having imposed export controls on seven elements (dysprosium, gadolinium, lutetium, samarium, scandium, terbium and yttrium). These materials are used in automotives, particularly electric vehicles and hybrids, jets and drones.

What to watch out for

The 90-day pause on 'Liberation Day' tariffs by Donald Trump will be lifted on 8 July. The suspension of the tariffs was intended to allow for trade deals to be negotiated. However, only the United Kingdom and China have secured a trade deal over this period.

Conclusion



Global equity markets rallied, despite conflict breaking out in the Middle East for just under two weeks. Markets were supported by improving economic data and progress with trade deals. 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:** 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:** Ensure the portfolio is not exposed to unwanted risks to 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.

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