

## RESEARCH UPDATE

# MARKET *watch*

SEPTEMBER 2025



Global equity markets finished the month higher despite significant sector volatility due to corporate reporting season in both Australia and the US. The S&P 500 and the Nasdaq Composite Index rose 1.9% and 1.6% respectively, with the Materials, Healthcare and Energy sectors the best performers, while the large Information Technology sector finished the month relatively flat. The Hang Seng Index rose 1.2%, the fourth consecutive monthly gain, driven by momentum and Chinese government pro-growth policies targeted at AI and technological self-sufficiency. The S&P/ASX 200 returned 2.6%, with small companies significantly outperforming large companies over the month.

## S&P/ASX 200 Sector Performance

The best-performing sector was Materials, which rose by 9.0%, largely driven by the iron ore miners, in particular BHP Group Limited (+10.0%) and Fortescue Metals Group (+8.6%), as the iron ore price rose. The iron ore price rally is the first back-to-back monthly gain since 2024 and is counterintuitive as the Chinese government moved to further limit steel production due to an upcoming military parade. BHP also reported financial year 2025 (FY25) results with underlying profit down 26% on the prior corresponding period and a 25% decrease in the dividend.

Consumer Discretionary was the next best-performing sector, up 7.4%, driven by Eagers Automotive Limited (+45.1%), Harvey Norman (+18.8%) and Lovisa Holdings Limited (+26.4%).

Eagers Automotive reported a better than expected 8.8% increase in net profit after tax (NPAT) for FY25, driven by growth in both the core business and from the recent acquisition, which increased Eagers Automotive's market share of the new car sales market. Harvey Norman reported a 47% increase in NPAT, which included property revaluations and new store openings overseas, while Lovisa rallied after reporting a 4.8% increase in NPAT, despite cutting the final dividend by 10 cents per share. The company noted that comparable same store sales had increased by 5.6% in the first eight trading weeks of the new financial year. Utilities closed up 4.9%, driven by Origin Energy Limited, which rallied 10.7% despite reporting FY25 results that were in line with

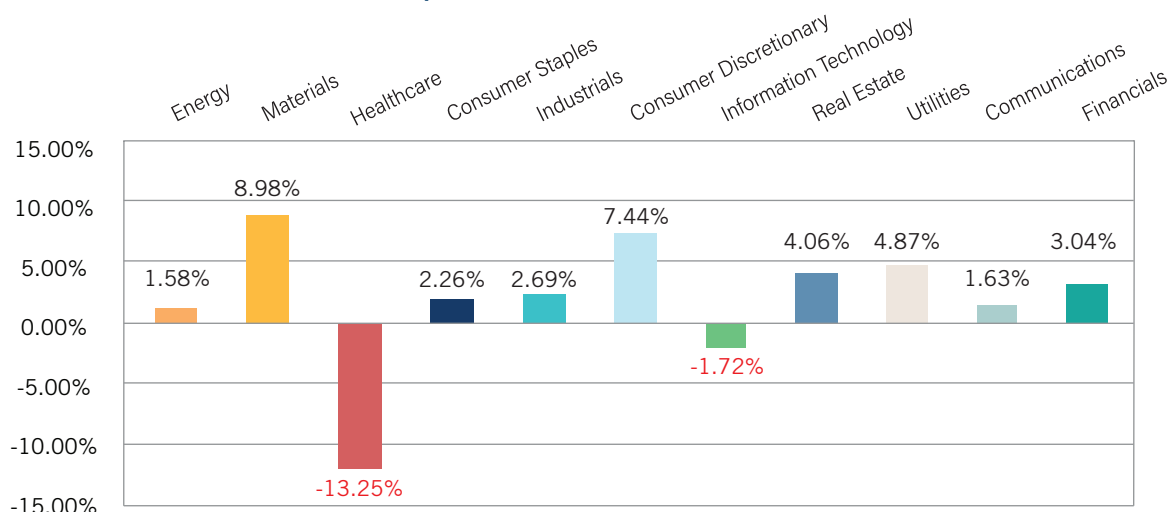
market expectations. The share price reaction was largely due to the optimism around the 26% stake in energy retailing software platform 'Kraken', which is considering an initial public offering, and better-than-expected guidance for FY26.

Wisetech Limited fell 14.7% which dragged the Information Technology sector to a loss of 1.7% for the month. Wisetech missed consensus expectations despite reporting a 14% increase in FY25 revenue and a 30% increase in underlying NPAT due to lower-than-expected profit margins. Wisetech also provided guidance below analyst expectations for the flagship CargoWise product. Car Group

rose 5.9% after reporting strong FY25 financials, with guidance for further double-digit growth in the year ahead.

Healthcare went from being the best-performing sector in July to the worst performer in August, falling by 13.3%. CSL Limited was the primary detractor, falling 21.4% despite reporting a 17% increase in NPAT, which was in line with market expectations. The market was concerned about the announced intention to spin off the vaccine division given the current anti-vaccine sentiment in the US and the \$750 million in restructuring costs to be incurred in FY26.

### S&P/ASX 200 Sector Performance



Data Source: Desktop Broker, 1 September 2025.

## Highlights

**Australia:** The Australian Bureau of Statistics published the updated Select Living Cost Indexes. The Living Cost Indexes rose between 0.4% to 1.0% for the June quarter and between 1.7% and 3.1% for the year. The 'other government transfer recipient' living cost index recorded both the largest quarterly and annual increase, while the employee index and the self-funded retiree recorded the smallest quarterly

and annual increases respectively.

The Reserve Bank of Australia (RBA) made the third rate cut of the current monetary policy easing cycle, which brought the cash rate down from 3.85% to 3.60%. The decision was unanimous among all nine board members. The RBA also downgraded its economic growth forecasts, with GDP growth by December now forecast to be 1.7%, down from 1.8%.

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**US:** American chipmakers, Nvidia and AMD, have agreed to provide the US government with a 15% cut of revenue in exchange for export licences to ship the H20 chips and the MI308 chips respectively to China. This is the first instance of a US company receiving an export licence by paying the government a proportion of revenue. OpenAI has released the newest version of its artificial intelligence (AI) chatbot, known as GPT-5. Compared to the predecessor, GPT-5 is faster and more powerful, possessing 'PhD-level' skills in areas such as coding, writing and health. The newest version is also more honest and safer than previous iterations and is less likely to 'hallucinate' or make up statements.

**Canada:** Canadian road trips to the United States have fallen for the seventh consecutive month in July, with a 37% decrease year-on-year. Similarly, there has been a 26% fall in air travellers year-on-year. The decline in travel is attributed to increasingly negative sentiment of the US due to its trade policies and threats of annexation.

**United Kingdom:** The Bank of England has made its fifth interest rate cut this cycle, bringing its key rate to 4.0%. An initial 4-4-1 split vote resulted in an unprecedented second vote, where the 0.25% rate cut was passed in a 5-4 vote. Committee members were split over weaker labour market data and growing inflation concerns, with the bank now forecasting inflation to remain higher for longer.

**Italy:** Italy has approved the construction of a 3.7km suspension bridge to connect the Italian mainland to the island of Sicily. The project is expected to cost €13.5 billion and will be included as defence spending for its military

spending target under the North Atlantic Treaty Organization.

**New Zealand:** The New Zealand government is planning to overhaul its funding for roads by replacing the fuel tax of 70 cents per litre with a road user charge for all light vehicles. Transport Minister Chris Bishop noted that 'it isn't fair to have Kiwis who drive less and who can't afford a fuel-efficient car paying more than people who can afford one and drive more often.'

**South Korea:** The South Korean defence ministry has published a report revealing that the military has fallen in size by around 20% over the last six years and is now 50,000 troops below the required number to maintain defence readiness. The decline has been driven by a smaller number of men of enlistment age as fertility rates declined. South Korea currently has the world's lowest fertility rate at 0.75 as of 2024.

**China:** Hours before the US-China tariff extension was set to expire, US President Trump signed another executive order to suspend tariffs for another 90 days.

The government warned the electric vehicle industry to stop cutting prices and rein in production amid fears that persistent deflation is imperilling economic growth. The government also pledged to crack down on 'unregulated competition'.

**Japan:** In 2024, Japan's population fell for the 16th consecutive year, down by 0.75% or 908,754 people, the steepest decline recorded since government surveys. Japanese births also fell to a record low of 686,061, below the 700,000 mark for the first time.

## What to watch out for

The US appeals court upheld the previous Court of International Trade's decision that President Donald Trump's tariffs are illegal and that he had exceeded his authority in imposing them. The US federal government is currently relying on an emergency law to impose the tariffs. The tariffs will remain in place for now, but the case is likely

headed to the US Supreme Court.

Market concerns are rising around President Donald Trump's efforts to influence the independence of the US Federal Reserve. The independence of the Federal Reserve has been a key pillar of most developed markets for the past century.

## Conclusion



Global equity markets have continued to rally as we head into September, a seasonally weak month. Inflation has continued to moderate in most markets, which has enabled Central Banks to cut interest rates, albeit there is some uncertainty as to whether inflation will continue to trend down. 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:** Spread investments 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.

#### Disclaimer

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