RIPPL Quarterly Commentary

MARCH QUARTER 2025 ECONOMIC COMMENTARY

The first quarter of 2025 has presented a complex economic landscape across major global economies, influenced by factors such as trade tensions, inflationary pressures and varying growth trajectories.

C E N T R A L B A N K A C T I O N S

Global Economy

The global economy faced significant challenges in Q1 2025, primarily due to escalating trade tensions. The World Bank cautioned that proposed U.S. tariffs could reduce global growth by 0.3 percentage points, with developing economies being particularly vulnerable.

United States

In the U.S., the economy showed signs of slowing growth amid rising inflation and trade policy uncertainties. The Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters projected a 2.5% annual growth rate for Q1, an improvement from previous estimates. However, concerns about stagflation emerged, with inflation remaining above the Federal Reserve's target and consumer confidence declining.

Australia

Australia's economy exhibited sluggish growth, influenced by higher interest rates and external trade uncertainties. The Reserve Bank of Australia maintained the cash rate at 4.1%, expressing concerns about potential international tariffs affecting the nation's small, open economy. Nonetheless, forecasts indicated a gradual recovery, with GDP growth expected to reach around 2% for the year.

Europe

The eurozone experienced modest growth, with GDP projected to expand by 0.9% in 2025. Inflation remained a concern, with headline inflation anticipated to hover around 2.3% throughout the year. Trade risks and geopolitical tensions continued to weigh on the economic outlook.

United Kingdom

The UK faced weak growth and stagflationary pressures in early 2025. The Office for Budget Responsibility downgraded the GDP growth forecast to 1%, citing weaker productivity and business sentiment. Inflation was projected to average 3.2%, peaking at 3.8% in July, before stabilising.

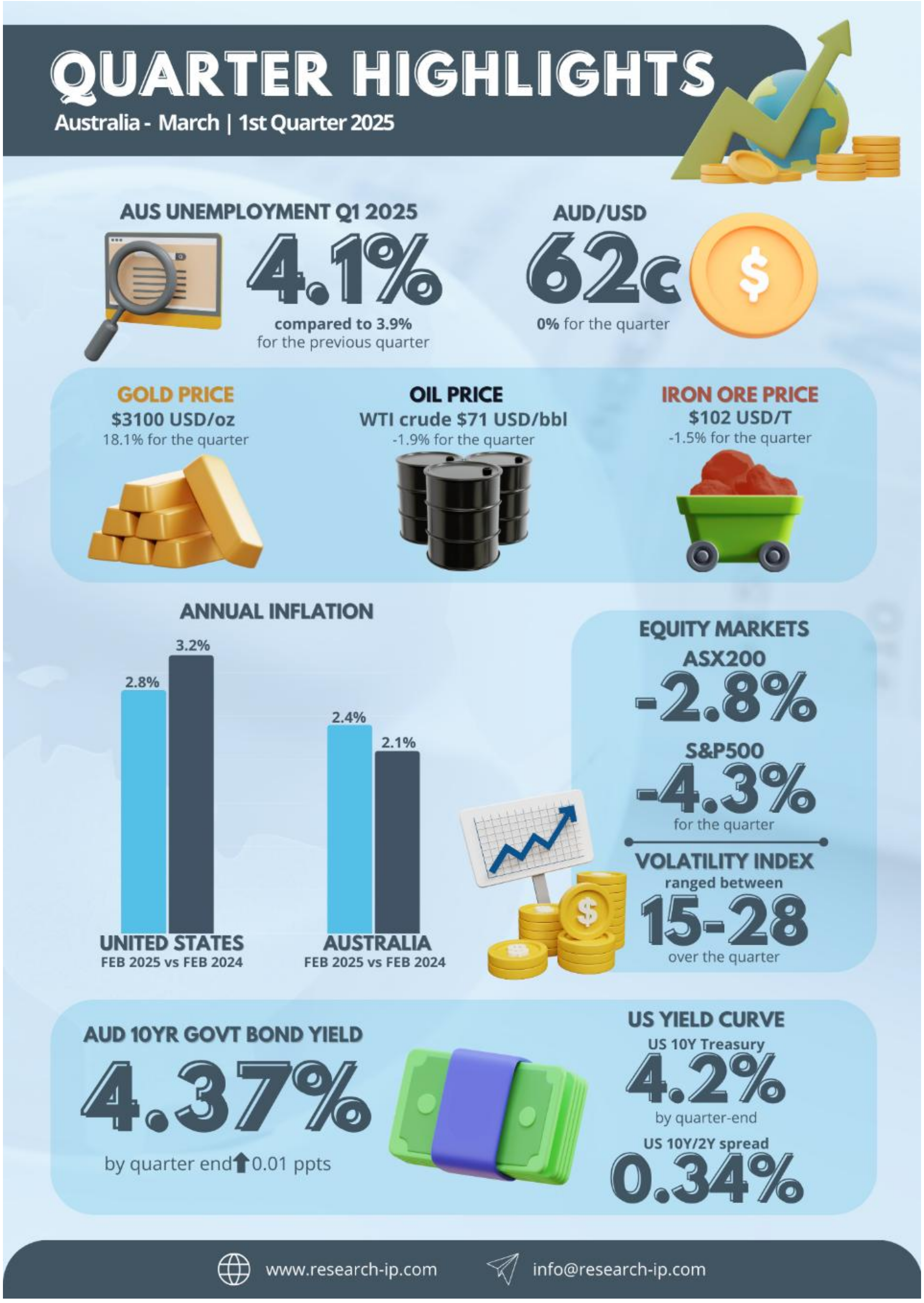
Japan

Japan's economy showed signs of a potential recovery, with real GDP rising and wage growth accelerating. However, the Bank of Japan's Tankan survey indicated a decline in business confidence among large manufacturers, partly due to concerns over U.S. tariffs. The economy was projected to grow by 1.1-1.2% in 2025, supported by wage growth outpacing inflation.

China

China's economy demonstrated resilience, with real GDP growth reaching 5% in 2024 and exceeding expectations in Q4 at 5.4%. Early 2025 data indicated strong retail sales and industrial output, though the property sector remained a drag on growth. Government measures aimed at boosting consumption and supporting income growth were expected to further stimulate the economy.

In summary, Q1 2025 was marked by a mix of cautious optimism and underlying challenges across major economies, with trade tensions and inflationary pressures being central themes influencing economic performance.



Source: *Research IP*

MARCH QUARTER 2025 INVESTMENT MARKET COMMENTARY

The first quarter of 2025 was marked by significant market movements influenced by geopolitical developments, trade policies, and economic indicators. Below is a comprehensive review across various asset classes and regions.

Equities

- **Global:** Global equities experienced volatility due to uncertainties surrounding U.S. trade policies and geopolitical tensions. Despite these challenges, certain markets demonstrated resilience, particularly in Europe and select emerging economies.
- **United States:** U.S. equities faced a downturn, with the S&P 500 declining by 4.6%, marking its worst quarter since 2022. Investor concerns centred around potential stagflation and the impact of anticipated tariffs on imports such as steel and aluminium. Notably, major technology stocks, including Nvidia, Tesla, Apple, and Microsoft, recorded significant losses.
- **Australia:** The Australian equity market exhibited caution amid domestic political developments and a subdued budget outlook. The ASX 200 index experienced shifts, with growth stocks gaining prominence while traditional banking shares, equity Analysts have highlighted a trend towards income stocks, influenced by falling bond yields.
- **Europe:** European equities outperformed, buoyed by Germany's announcement of a €500 billion investment fund aimed at revitalizing its economy. This fiscal stimulus led to a surge in the euro and European asset prices, with the euro posting its best week against the dollar in 16 years. Analysts revised their euro-dollar exchange rate forecasts to $1.20 by the end of the year.
- **United Kingdom:** The UK market remained relatively stable, with equities quietly outperforming many other regions. However, concerns persisted regarding the potential economic fallout from global trade tensions and domestic fiscal policies.
- **Japan:** Japanese equities faced mixed results, with the Topix index experiencing declines. The market grappled with concerns over global trade dynamics and domestic economic indicators, leading to cautious investor sentiment.
- **China:** Chinese stocks outperformed, rising by 15% year-to-date. This growth was attributed to less severe U.S. tariffs than anticipated, improved sentiment towards Chinese technology companies following significant AI advancements, and indications of a more supportive policy stance from Beijing.
- **Emerging Markets:** Emerging market equities showed resilience, with notable performances in Chinese and Korean markets. The combination of less severe U.S. tariffs and improved technological advancements contributed to this positive trend.

Fixed Interest

- **Global Government and Corporate Bonds:** The bond market reflected varying economic sentiments. U.S. Treasuries returned 2.9% as recession risks led investors towards safer assets. In contrast, European sovereign bonds faced pressures due to expectations of increased issuance to finance new government spending programs, with German Bunds ending the quarter down 1.6%. Japanese government bonds underperformed, declining by 2.4%, amid rising inflationary pressures.

- **Australian Government and Corporate Bonds:** The Australian bond market experienced shifts influenced by domestic economic policies and global trade uncertainties. Falling bond yields led to a rotation towards income-generating stocks, reflecting investor caution.

Commodities

- **Oil:** Oil markets experienced fluctuations driven by geopolitical tensions and supply-demand dynamics. Specific price movements were influenced by global trade policies and production adjustments by major oil-producing nations.

- **Gold and Precious Metals:** Gold prices surged by 19% over the quarter, reaching record highs as investors sought safe-haven assets amid economic uncertainties. Other precious metals also saw increased demand, reflecting a broader trend towards risk aversion.

- **Industrial Metals:** Industrial metals faced mixed outcomes, with prices influenced by global manufacturing activity and trade policies. While some metals experienced price increases due to supply constraints, others faced downward pressure from reduced industrial demand.

Currencies

- **USD:** The U.S. dollar experienced fluctuations, influenced by domestic economic policies and trade tensions. While initially strengthening due to anticipated tariffs, the dollar later faced pressures from evolving trade dynamics and fiscal policies.

- **AUD:** The Australian dollar's performance reflected domestic economic indicators and global trade developments. Investor sentiment towards the AUD was shaped by Australia's trade relationships and commodity export dynamics.

- **Euro:** The euro appreciated significantly, posting its best week against the dollar in 16 years, driven by Germany's substantial fiscal stimulus plans and improved economic outlook in the Eurozone.

- **Yen:** The Japanese yen experienced movements influenced by domestic economic policies and its traditional role as a safe-haven currency amid global uncertainties.

- **Emerging Market Currencies:** Currencies in emerging markets exhibited varied performances, influenced by local economic conditions, trade policies, and investor risk appetite.

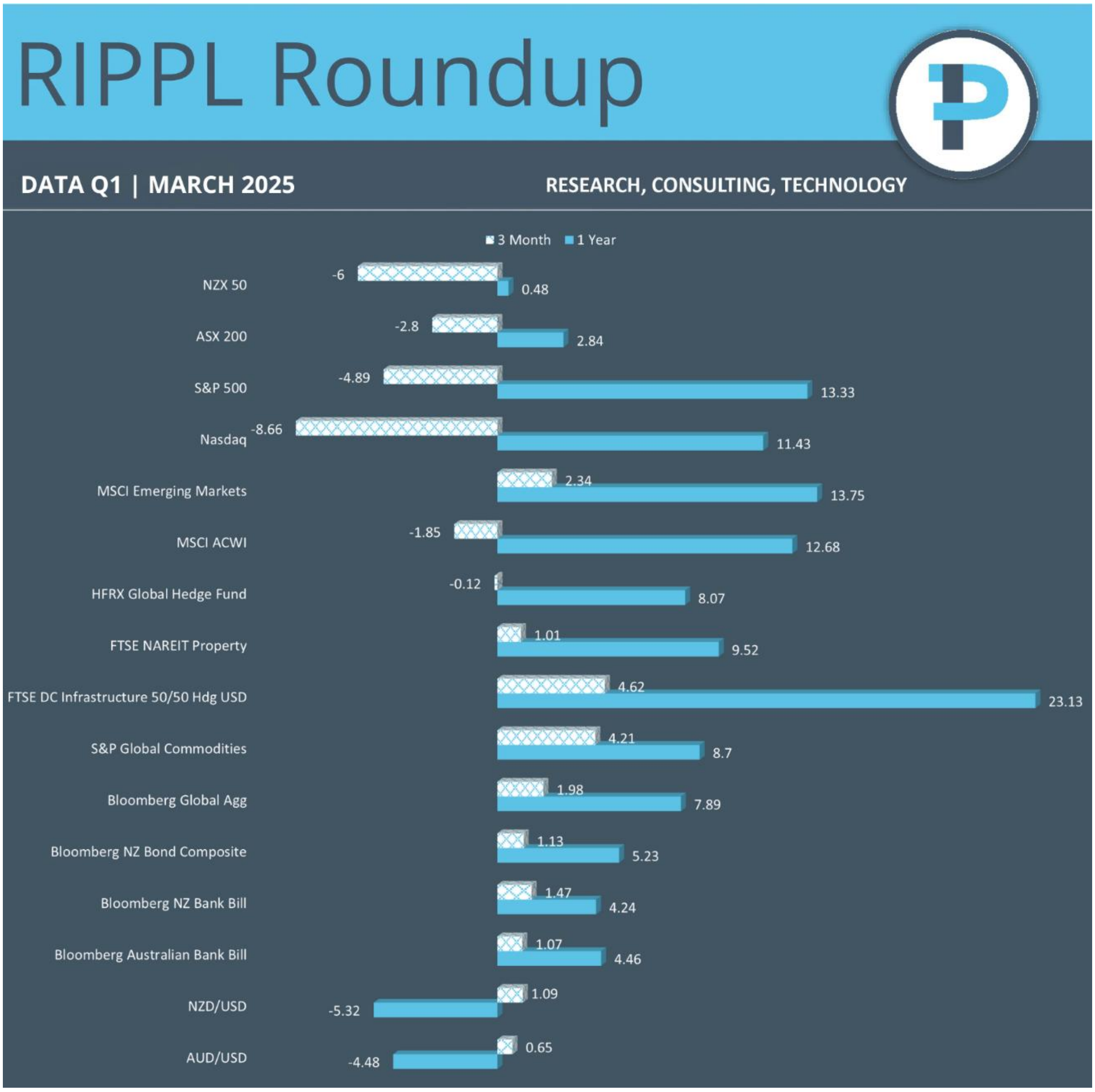
- **Broader Currency Trends:** Overall, currency markets were characterised by volatility, driven by geopolitical events, trade negotiations, and differing monetary policies across regions.

In summary, Q1 2025 was marked by significant market movements across asset classes, shaped by geopolitical developments, trade policies, and economic indicators. Investors navigated a complex landscape, balancing opportunities and risks in a dynamic global environment.

RIPPL Quarterly Commentary

Market Indices

The chart below shows the movement of markets over the quarter and for the year to 31 March 2025. Notably, most equity indices were negative for the quarter but remained positive for the year. The NZD and AUD strengthened against the USD over the quarter, after a period of USD strength.



Source: *Research IP*

CONTACT US FOR A TAILORED ADVISER VERSION OF THE RIPPL INVESTMENT COMMENTARY

www.research-ip.com   info@research-ip.com