RIPPL Quarterly Commentary

JUNE QUARTER 2025 ECONOMIC COMMENTARY

The second quarter of 2025 has presented a mixed global outlook, with slow growth in advanced economies, a rebound in US markets, and steady expansion in emerging markets. Inflation is easing, but uncertainties from trade, policy, and climate risks persist.

CENTRAL BANK ACTIONS

Q2 2025 Quarterly Economic Update

Australia

- **GDP Growth:** The Australian economy grew by 0.2% in Q1 2025 and 1.3% year-on-year to March 2025. Growth was subdued, with public sector activity detracting from overall performance. Extreme weather events, including flooding, dampened domestic demand and reduced exports, particularly in mining, tourism, and shipping.
- **Inflation:** Underlying inflation continued to ease, with trimmed mean inflation at 0.7% for the March quarter and 2.9% year-on-year, returning to the Reserve Bank of Australia's (RBA) 2–3% target range. Headline inflation was 2.4% year-on-year.
- **Monetary Policy:** The RBA maintained a supportive stance, with financial markets expecting further easing in the cash rate to support household incomes and investment amid global headwinds.
- **Outlook:** Recovery is expected to be gradual, with household consumption picking up more slowly than previously forecast due to global uncertainty and domestic weather impacts.

United States

- **GDP Growth:** The US economy experienced a contraction of 0.2% in Q1 2025, with growth slowing as the year began. The outlook remains cautious, with year-over-year growth trending lower.
- **Labour Market:** Unemployment is projected to rise to 4.3% in 2025, reflecting a cooling labour market.
- **Inflation & Policy:** Inflation remains persistent but is gradually declining. The Federal Reserve held rates steady through Q2, with markets anticipating the first rate cut in September. Tariff policy uncertainty, especially after the announcement and subsequent suspension of new tariffs in April, contributed to market volatility.
- **Financial Markets:** US stocks rebounded sharply in Q2, ending the quarter up 11.14% after a brief bear market in April. Growth stocks outperformed value stocks, and the market entered a new bull phase, led by mega-cap tech companies.

Europe

- **GDP Growth:** The euro area saw modest growth, with real GDP up 0.3% in Q1 2025. The region is forecast to grow by 1.3% in 2025, up from 0.7% in 2024, as consumption recovers and employment stabilises.
- **Inflation:** Wage growth remains elevated, and inflation is not yet fully aligned with the European Central Bank's target. However, inflation is expected to continue its gradual decline.
- **Investment & Trade:** Investment remains subdued due to high financing costs and policy uncertainty. Exports have been supported by services, but industrial output is weak. The suspension of US tariffs in April provided some relief to trade flows.
- **Outlook:** The recovery is expected to be modest, with risks from global trade tensions and domestic policy uncertainty.

Emerging Markets

- **GDP Growth:** Emerging markets are expected to grow by approximately 4% in 2025, maintaining a healthy growth differential over developed markets. Excluding China, the EM–US growth gap is forecast to widen to 1.1–1.3% in the second half of 2025.
- **Inflation:** Inflation rates vary widely. For example, Brazil's inflation is projected at 5.2% for 2025, India at 4.4%, and China at 0.3%. Some countries, like Argentina and Turkey, continue to face high inflation, though with signs of improvement.
- **Risks & Policy:** Key risks include ongoing trade policy uncertainty, especially regarding US tariffs, and changes in US Federal Reserve policy. EM currencies are supported by attractive real rates, and there is a preference for quality high-yield debt in local and hard currency markets.
- **Outlook:** Fundamentals remain resilient, but volatility is expected due to global macro crosscurrents, including geopolitical tensions and commodity price fluctuations.

JUNE QUARTER 2025 INVESTMENT COMMENTARY

Q2 2025 was marked by a global equity rebound, led by tech and easing trade tensions. Bonds were volatile but steady, commodities rallied, and emerging markets gained. Currency moves reflected shifting policies and global demand trends.

Global Overview

Equities

- **Global equities** rebounded sharply in Q2, with developed market equities delivering positive returns for the quarter. The initial shock from US tariff announcements in April caused a sharp selloff, but markets recovered as trade tensions eased, and a strong earnings season boosted confidence. Growth stocks, especially mega-cap tech, outperformed value stocks.
- **Non-US markets** outperformed the US, with Europe and select emerging markets showing relative strength. Chinese equities lagged, while UK equities provided diversification benefits amid global volatility.

Fixed Interest

- **Global fixed income** markets experienced volatility, with yields spiking in response to inflation concerns and fiscal uncertainty, particularly in the US. Despite this, core bond indices posted modest gains for the quarter. Emerging market debt saw narrowing spreads and improved sentiment, especially in countries with reform momentum and stabilising inflation.

Regional Commentary

Australia

- **Equities:** Australian shares participated in the global rebound, supported by stabilising inflation and expectations of monetary easing. Resource and energy sectors benefited from commodity price strength, while financial and consumer sectors remained mixed.
- **Fixed Interest:** Yields declined modestly as the Reserve Bank of Australia signalled a dovish stance, with markets pricing in rate cuts for the second half of the year. Demand for government bonds improved as inflation stabilised and liquidity remained ample.

United States

- **Equities:** US stocks ended Q2 positively, recovering from a sharp April selloff. Growth stocks, led by technology, outperformed value, reversing the Q1 trend. The S&P 500's "Magnificent 7" delivered outsized returns, while mid-caps offered potential entry points after volatility.
- **Fixed Interest:** Bond yields were volatile, spiking in May on fiscal concerns but ending the quarter lower as the Federal Reserve held rates steady. Investors anticipate the first rate cut in September.

Europe

- **Equities:** European markets outperformed the US, with large caps benefiting from cheaper valuations, fiscal support, and reduced tariff sensitivity. Value stocks, especially in defensive sectors like pharmaceuticals, led gains. The outlook is constructive, with improved sentiment and policy support.
- **Fixed Interest:** European bond markets remained stable, with the ECB maintaining a cautious stance. Yields were steady as inflation moderated, and growth prospects improved.

United Kingdom

- **Equities:** UK equities provided protection against global volatility, with select sectors thriving and valuations remaining attractive. The market offered diversification benefits as global investors sought alternatives to crowded US tech trades.
- **Fixed Interest:** UK gilts were steady, with yields reflecting cautious optimism amid election-related uncertainty and stable inflation.

Japan

- **Equities:** Japanese equities were broadly flat in local currency terms, reflecting a pause after strong gains in previous years. Foreign interest waned, but exporters benefited from a weaker yen.
- **Fixed Interest:** The Bank of Japan maintained an ultra-accommodative policy, keeping yields low. The yen's weakness supported export sectors but increased import costs.

China

- **Equities:** Chinese stocks underperformed global peers, weighed down by trade tensions and cautious investor sentiment. However, government stimulus and a revival in technology sectors provided some support.
- **Fixed Interest:** Yields remained low as the People's Bank of China maintained an accommodative stance. Fiscal stimulus and stable inflation helped anchor the bond market.

Emerging Markets

- **Equities:** Emerging market equities delivered solid returns, supported by resilient fundamentals and attractive valuations. Large-cap tech in China and select Asian markets outperformed, while commodity exporters benefited from higher prices.
- **Fixed Interest:** EM debt saw narrowing spreads and improved sentiment, especially in countries with reform momentum. Local currency bonds were favoured for their attractive real yields, and EM FX turned more bullish as fundamentals improved.

Commodities Overview

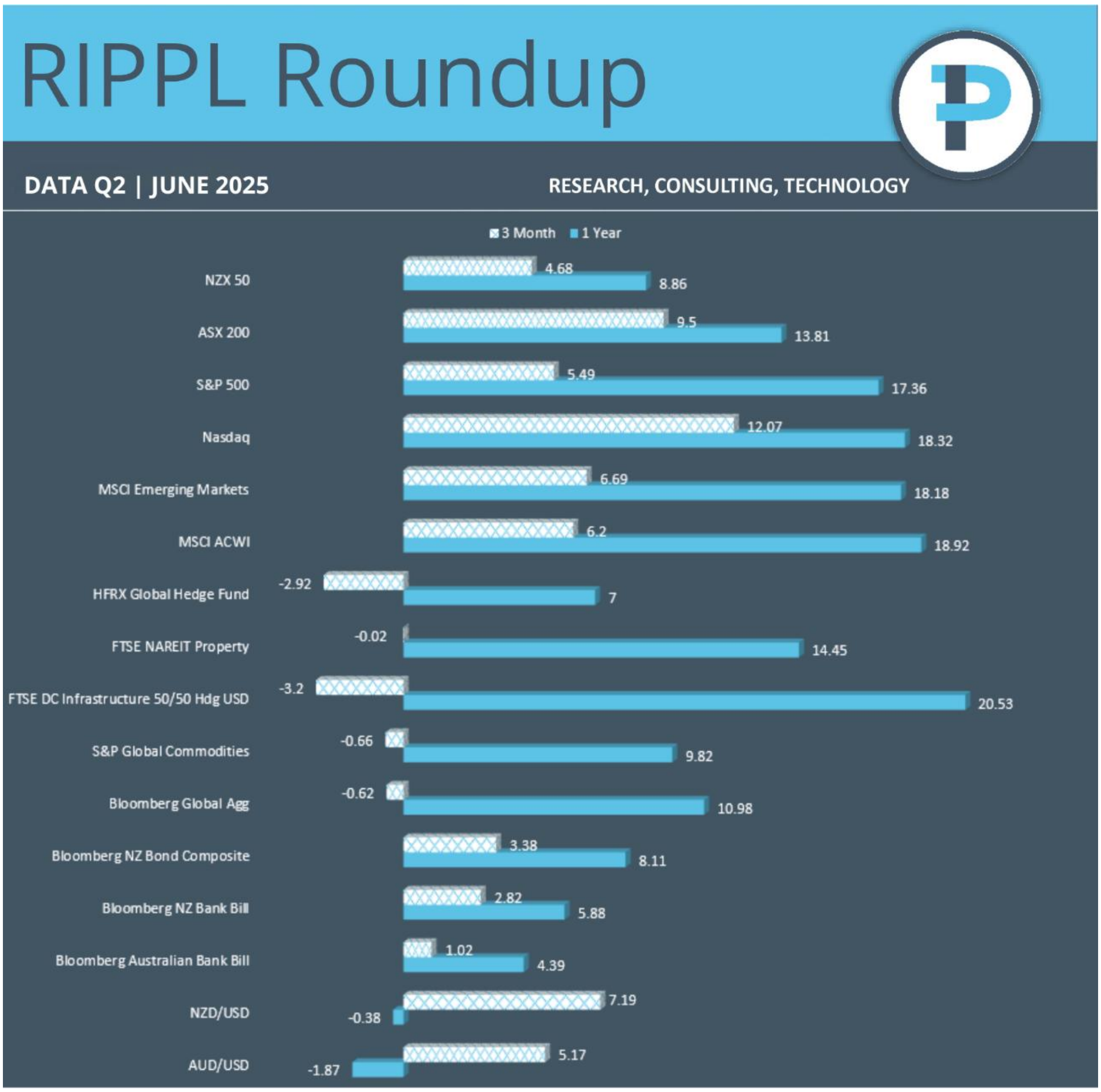
- **Commodities** rallied despite global uncertainty. Precious metals, especially gold and silver, led gains, supported by central bank buying and geopolitical risks. Energy prices remained firm. Industrial metals benefited from decarbonisation and infrastructure demand, while agricultural commodities were mixed.
- **Key drivers** included deglobalization, defence spending, energy transition, and climate-related demand shifts. Gold prices rose 5% in Q2, while oil and gas markets were supported by supply constraints and robust demand.

Currencies Overview

- **US Dollar (USD):** Range-bound, responding to mixed economic data and steady Fed policy.
- **Euro (EUR):** Gained modestly on improved Eurozone sentiment and moderating inflation.
- **British Pound (GBP):** Slightly volatile amid election uncertainty and fiscal debates.
- **Japanese Yen (JPY):** Weakened further due to ultra-loose monetary policy, aiding exporters.
- **Chinese Yuan (CNY):** Stable, supported by government stimulus and recovering domestic demand.
- **Commodity Currencies (AUD, CAD, NOK):** Influenced by commodity price swings and China's demand trends.
- **Emerging Market FX:** Turned more bullish, with real rates and reform momentum supporting select currencies. Hedging and risk management remained crucial for corporates exposed to FX volatility.

Market Indices

The chart below shows the movement of markets over the quarter and for the year to 30 June 2025.



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