

Investment report

Market overview

As at 20 May 2025

The month of April was dominated by major changes to United States (US) import tariffs and corresponding swings in financial markets. The month began with the so-called “Liberation Day” on April 2, when President Trump announced an array of tariffs that were much harsher than expected, and if implemented could significantly impact the US and global economies.

How did markets react to ‘Liberation Day’?

Liberation Day triggered a sharp risk-off market reaction over the following two days, as US shares fell, the VIX index of equity market volatility spiked, and US 10-year government bonds rallied. While US shares continued to decline the following week, US 10-year government bonds also began to sell off and the US dollar weakened, a possible indication that investors may have been rethinking the safety and attractiveness of holding US assets.

What happened next?

On April 9, President Trump announced a 90-day pause on tariffs above 10% for all countries except China, sparking a bounce in share markets, and further positive messaging from the Trump Administration on tariffs saw the share rebound continue over the rest of the month. By the end of April, the S&P 500 was sitting just 0.8% down for the month, despite initially falling by more than 10% in the days following April 2.

On May 12, the US and China announced a major temporary truce in their trade tensions, with the US reducing its tariffs on imports from China to 30% from 145% for 90 days, and China reducing its tariffs on US imports to 10% from 125%. This propelled a further share market rally, with many major equity markets, including the S&P 500, erasing all their calendar year 2025 declines.

What is the outlook from here?

While share markets appear to be full of optimism over the outlook, there is no guarantee that the global economy has made it through unscathed. While much of the ‘hard’ economic data representing economic output and employment has so far held up well in most major economies, this largely reflects the period before the dramatic increase in trade tensions in early April. Meanwhile, ‘soft’ data such as surveys of consumer and business sentiment suggest a sharp deterioration in confidence and increase in uncertainty in the US. In addition, while consumer and business spending showed solid growth in the US gross domestic product (GDP) figures for the March 2025 quarter, it was accompanied by a surge in imports that likely represented a pull-forward of purchases ahead of tariff increases, a possible early sign of tariff effects in the ‘hard’ data.

The increase to import tariffs poses a challenge to monetary policy in the US, as it is likely to weigh on growth but put upward pressure on inflation, at least temporarily. The US Federal Reserve has therefore opted to wait for further clarity over both trade policy and economic data before making any changes to interest rates. For other countries that haven’t responded with major tariff increases of their own, the impact of US tariff increases is likely to be negative for both growth and inflation. This could open the door to further interest rate cuts from a number of central banks over the coming months, including the Reserve Bank of Australia.

Monthly performance

Accumulation Options – investment performance as at 30/04/2025

	High Growth	Growth Plus	Growth (MySuper) - Default	Conservative Growth	Conservative	Cash	Australian Shares	Diversified Fixed Interest	Overseas Shares	Indexed Diversified	Property
1 month	0.34%	0.36%	0.43%	0.41%	0.33%	0.33%	2.58%	0.37%	-1.50%	0.88%	0.34%
FYTD	5.92%	5.70%	5.61%	5.00%	4.38%	3.47%	5.05%	4.79%	9.80%	6.11%	3.70%
1 year	8.02%	7.49%	7.19%	6.26%	5.43%	4.19%	6.41%	6.15%	12.39%	8.82%	4.08%
3 years p.a.	7.73%	6.87%	6.22%	5.04%	4.01%	3.49%	6.23%	2.93%	12.93%	7.38%	-1.64%

Returns are based on the crediting rate, which is returns minus investment fees, taxes and until 31 January 2020, the percentage-based administration fee. Excludes fees and costs that are deducted directly from members' accounts. Past performance is not a reliable indicator of future performance.