

Investment report

Market overview

As at 18 September 2025

Share markets had another solid month in August as a positive earnings season and prospect of lower rates in the United States (US) provided a supportive backdrop.

US interest rates update

The outlook for lower interest rates in the US was driven largely by surprisingly weak employment data released in early August, which showed that employment growth had softened in July and had also been weaker than previously reported in earlier months. While a weakening in jobs growth would not ordinarily be something for share markets to cheer about, it led to expectations that the US Federal Reserve (the Fed) would resume its rate-cutting cycle, reinforced by a subsequent speech by Fed Chair Jerome Powell where he noted that labour market weakness could warrant a policy response. With a range of other economic data in the US appearing to be holding up, and corporate earnings remaining strong, share markets appeared to focus more on the benefits of lower rates rather than the downsides from weak employment data.

Bond yields also fell

The expectation for lower interest rates also supported the prices of US government bonds in August as their yields fell (bond yields move inversely to prices), driven by a decline in real yields. This continued into September as another weak labour market print early in the month cemented the case for the Fed to cut rates at its mid-September meeting, despite underlying inflation remaining modestly above the Fed's 2% target.

Questions around credibility

On the other hand, these developments in the macroeconomic data have come alongside further challenges to the independence of the Fed from US President Trump, who wants lower interest rates and attempted to dismiss Democrat-appointed Fed Board Governor Lisa Cook, a voting member of the Fed's rate-setting committee. So far, the move doesn't appear to have had a material impact on bond yields. However, further moves to undermine the Fed's independence could see investors begin to question the credibility of its long-term inflation goals, and could pose a risk to longer-dated bond yields and values.

Back home in Australia...

The Reserve Bank of Australia (RBA) lowered its cash rate by 25 basis points to 3.60% in August following a pause at its prior meeting, with June quarter consumer price index (CPI) data confirming that underlying inflation had continued to moderate, and at 2.7% year-on-year, was now close to the middle of the 2-3% target range. National accounts data also showed that gross domestic (GDP) growth strengthened in the June quarter, with stronger real household incomes – following tax and interest rate cuts and lower inflation – finally appearing to translate to a recovery in consumer spending growth. The inflation and GDP data suggest the RBA is close to achieving its goal of a 'soft landing' and could be approaching the end of its easing cycle (though a slowing in employment growth means at least one further cut is still possible sometime in the next few months).

Outlook

The easing of monetary policy from central banks including the US Fed and RBA should provide a support to growth over the next 12 months, and if the global economy can maintain positive momentum for the rest of this year, the outlook for 2026 looks reasonably bright as tariff headwinds dissipate. However, the recent weakening in the US labour market should not be ignored, and any additional deterioration in the data could cast further doubt over the economic outlook.

Investment performance

Accumulation investment options as at 31 August 2025

	High Growth	Growth Plus	Growth (MySuper) - Default	Conservative Growth	Conservative	Cash	Australian Shares	Diversified Fixed Interest	Overseas Shares	Indexed Diversified	Property
1 month	1.28%	1.14%	1.03%	0.86%	0.63%	0.30%	2.49%	0.62%	0.81%	1.56%	1.09%
FYTD	3.10%	2.73%	2.33%	1.83%	1.13%	0.60%	5.05%	0.88%	3.06%	3.19%	0.86%
1 year	12.85%	11.85%	10.70%	8.59%	6.15%	4.06%	12.81%	4.82%	18.54%	12.03%	1.56%
3 years p.a.	11.70%	10.38%	9.19%	7.38%	5.49%	3.80%	11.65%	4.16%	17.97%	11.41%	0.44%

The crediting rate is based on investment returns minus investment fees and costs, transaction costs and investment-related taxes. Excludes fees and costs that are deducted directly from members' accounts. Past performance is not a reliable indicator of future performance.