Investment report

Market overview

As at 20 January 2026

Global financial markets ended 2025 on a relatively subdued note in December, as investors weighed further indications of ongoing disinflation in most advanced economies and signs of resilience in economic growth against caution from central banks about the pace of future policy easing. Nonetheless, most major share markets still finished 2025 with strong annual gains, shrugging off multiple geopolitical flashpoints including US President Trump's sharp increase in tariffs earlier in the year.

Global share markets provide strong calendar year returns

The US S&P 500 index was broadly flat in December, ending a strong year with a gain of 16.4%. Share markets globally also delivered robust performance over the full year, supported by easing inflation, resilient labour markets and lower interest rates in most major economies. Share markets in Europe, the UK, Japan and China recorded particularly strong gains for 2025, though Australia lagged peers with the S&P/ASX 200 price index advancing 6.8% over the year.

Government bond markets were mixed in December

In the US, short-term Treasury yields declined following further evidence of softening labour market conditions, while longer-dated yields edged a little higher (bond prices move inversely to bond yields). The US Federal Reserve (Fed) delivered its third 25 basis point rate cut of 2025 at its December meeting, lowering the federal funds target range to 3.50–3.75%. However, accompanying guidance and updated economic projections signalled a cautious approach to further easing, with policymakers anticipating stronger US growth and only one additional rate cut in 2026 as core inflation remains a little above the Fed's 2% target.

A little closer to home

In Australia, the RBA kept the cash rate unchanged at 3.60% at its December meeting, yet short- and long-dated government bond yields continued to rise higher. The RBA acknowledged that while inflation has moderated substantially since its peak, recent monthly CPI readings pointed to a pick-up in underlying price pressures. Trimmed mean inflation remains above the RBA's 2% to 3% target range, supporting the Board's cautious stance and reinforcing market expectations that a modest number of RBA rate hikes could be on the cards for 2026.

Elsewhere among developed markets

The European Central Bank left policy rates unchanged in December, with euro area core inflation now less than 0.5% above the 2% target. Policymakers signalled confidence that inflation is moving sustainably lower, but also pointed out lingering risks given elevated wage growth and services inflation. Similarly, the Bank of England delivered a 25 basis point rate cut in December but reiterated that any further easing would proceed gradually and remain highly data dependent. Meanwhile, the Bank of Japan raised its policy rate by 25 basis points to 0.75%, its highest level in 30 years, with policymakers gaining confidence that underlying inflation is sustainably positive after decades of stubbornly lacklustre price growth.

Commodity markets were mixed at year-end

Oil prices declined further in December amid evidence of global oversupply, with Brent crude falling to its lowest level since early 2021. In contrast, the price of gold rose modestly higher during the month and finished 2025 with its strongest annual gain in decades.

Looking ahead to 2026

Investors continue to face a complex macroeconomic backdrop. Although inflation has eased materially across developed markets, central banks appear increasingly reluctant to deliver aggressive rate cuts while growth remains resilient and core inflation rates hover above their targets. With share valuations elevated after strong returns in 2024 and 2025, market outcomes are likely to be sensitive to changes in earnings expectations, inflation trends and the outlook for interest rates. Furthermore, if the first few weeks of 2026 are anything to go by, geopolitical developments could also remain a key factor for markets over the coming year.

Investment performance

Accumulation investment options as at 31 December 2025

	High Growth	Growth Plus	Growth (MySuper) - Default	Conservative Growth	Conservative	Cash	Australian Shares	Diversified Fixed Interest	Overseas Shares	Indexed Diversified	Property
1 month	0.61%	0.60%	0.59%	0.37%	0.19%	0.29%	0.97%	-0.09%	-0.35%	0.26%	-0.51%
FYTD	5.49%	5.02%	4.58%	3.49%	2.30%	1.75%	3.23%	1.64%	6.86%	5.06%	3.08%
1 year	10.61%	10.03%	9.27%	7.53%	5.53%	3.81%	8.36%	4.31%	12.24%	9.98%	5.45%
3 years p.a.	12.37%	11.03%	9.84%	7.87%	5.94%	3.89%	10.89%	4.83%	18.98%	11.98%	2.36%

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.