Investment report

Market overview

As at 19 December 2025

Global equity markets took a breather in November despite an end to the prolonged United States (US) government shutdown, as delays to US economic data clouded the outlook and nervousness grew over optimistic valuations of AI-related stocks.

US markets stall amid data delays and valuation concerns

The US S&P 500 index rose 0.1% in November, a notable slowdown following six consecutive months of strong gains, and the tech-oriented NASDAQ Composite index fell 1.5%, its first decline since March. The weaker performance came despite a US earnings season that showed continued strong profit growth, particularly in the technology sector (including AI-chipmaker NVIDIA). But with expectations of future earnings already at high levels, investor caution over lofty valuations weighed on the sector.

Government bonds faced uncertainty from the lack of US economic data due to the government shutdown, with important indicators impacted. The October unemployment rate and CPI inflation were cancelled, and other data was delayed. The remaining available data suggested that some softness in the US labour market had likely continued. This provided some confidence that the US Federal Reserve (Fed) would likely ease policy again at the upcoming meeting in December, supporting US government bond prices as yields edged lower (bond yields move inversely to prices).

RBA holds rates as inflation persists, shifting market expectations

The Reserve Bank of Australia (RBA) kept its cash rate unchanged at 3.60% in November. This followed the September 2025 quarter CPI data that showed core inflation had been hotter than expected, with signs of broad-based underlying price pressures. The release of Australia's first official monthly CPI data later in the month revealed annual trimmed mean inflation (the RBA's preferred underlying measure) had lifted further in October. At 3.3% (y/y), it was sitting above the RBA's 2-3% target range.

While the new monthly CPI measure will be more volatile than the equivalent quarterly data, the indication that core inflationary pressures had persisted into the December quarter dispelled any lingering expectation of further rate cuts in Australia. Financial markets moved to instead price in at least one rate hike in 2026. Yields on Australian 10-year government bonds rose 0.16 percentage points in the month as a result.

The turnaround in expectations for RBA policy could foreshadow the outlook for monetary policy in other major economies over the next year. A number of central banks have potentially approached, or already reached, the end of their rate-cutting cycles. Officials from the Reserve Bank of New Zealand and the European Central Bank have suggested their easing cycles may be over.

Outlook for 2026

With fiscal support in the US likely to pick up from early 2026 and drive economic growth, the Fed may also find itself approaching the end of its easing journey next year, and investors may begin to consider the prospect of rate hikes further down the line. With conditions in place for resilient growth in the US and globally next year, corporate earnings are likely to find support for continued growth as well. But with equity market valuations remaining at high levels, and interest rate cycles potentially reaching a turning point, 2026 could be an eventful year for financial markets.

Investment performance

Accumulation investment options as at 30 November 2025

	High Growth	Growth Plus	Growth (MySuper) - Default	Conservative Growth	Conservative	Cash	Australian Shares	Diversified Fixed Interest	Overseas Shares	Indexed Diversified	Property
1 month	-0.71%	-0.60%	-0.47%	-0.31%	-0.07%	0.27%	-2.27%	0.07%	-0.23%	-0.74%	1.48%
FYTD	4.86%	4.40%	3.97%	3.11%	2.10%	1.45%	2.23%	1.73%	7.24%	4.78%	3.61%
1 year	9.61%	9.11%	8.44%	7.06%	5.33%	3.87%	4.23%	4.82%	14.98%	8.91%	2.81%
3 years p.a.	11.16%	10.02%	8.98%	7.24%	5.50%	3.88%	9.30%	4.53%	17.44%	10.69%	1.76%

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.