Investment report

Market overview

As at 21 October 2025

Share markets continued to rally in most markets in September, as the US Federal Reserve (the Fed) resumed its rate-cutting cycle and financial markets priced in further easing from the Fed in the months to come.

Rate cuts by the Fed

The Fed's 0.25 percentage point (ppt) cut to 4.00-4.25% was the first this year, following 1.00 ppt of cuts between September and December 2024. The move was widely expected after a run of disappointing employment growth data, and earlier comments from Fed Chair Jerome Powell that signalled a cut could be on the cards.

Just as important as the rate cut was the Fed's communication around the potential path of rates going forward. The Fed's updated median forecast of the fed funds rate – the "dot plot" – showed an expectation of two further 0.25 ppt cuts this year, and an additional cut in 2026, a marginally lower path for interest rates than had been included in the previous set of forecasts, published in June. While rates were still projected to settle at a long-run level of 3% a few years into the future, the prospect of a faster pace of rate cuts in the near term appeared to lift share markets, in addition to continued optimism surrounding AI and technology companies.

More about the outlook

Any concerns markets may have had around the weakening US labour market which prompted the Fed's easing seem to have fallen by the wayside for now. However, the Fed's proactive response to the data may have supported this, with the Fed's updated forecasts pointing to only a modest rise in the unemployment rate by the end of 2025, followed by an improvement in labour market conditions in subsequent years. The same forecasts show a moderate tariff-driven rise in underlying inflation in the coming months and an upward revision to inflation next year, with inflation not expected to approach the 2% target until 2027. This suggests the Fed is comfortable looking through some of these inflationary tariff impacts in the short term (assuming they prove temporary) in favour of leaning towards support for growth and the labour market, which is positive for the growth outlook in the US.

On the other hand, financial markets continue to price in an even faster pace of rate cuts than outlined in the Fed's updated forecasts, and this leaves room for potential disappointment. With inflation expected to remain above target in the US next year, the Fed could become wary about easing policy too far, particularly if the labour market begins to stabilise. In addition, there remains uncertainty surrounding the ultimate pass-through of tariffs to inflation, and any upside surprise to the magnitude or persistence of tariff pass-through could also dispel expectations of further rate cuts.

Back in Australia

In Australia, the economy grew by 0.6% in the June quarter, a little stronger than expected, lifting annual growth to 1.8%, the strongest since 2023. While still a little below trend, it is less anaemic than the 0.8% annual pace the economy was growing at a year ago and reflects a much awaited pick-up in consumer demand, including discretionary spending. This helped offset a slowing in public demand growth due to a soft quarter of public investment, though private business investment remains tepid, highlighting that a full recovery in private sector demand growth is not yet complete.

Inflation data also showed that some areas of market services inflation have been a little stronger than expected, suggesting that the disinflation trend in underlying inflation may have slowed in recent months. While underlying inflation has fallen below 3%, it remains a little above the 2.5% midpoint of the RBA's 2-3% inflation target band. Combined with the recovery in GDP growth, this was enough to convince the RBA to leave rates on hold at its September meeting, and this could remain the case for the rest of this year.

One area that could change this outlook is the labour market, with employment growth also softening in Australia in recent months. So far, there is enough strength across a range of other labour market indicators to satisfy the RBA that labour demand remains resilient. However, if employment growth remains weak, or other labour market indicators also deteriorate, the RBA could quickly return to an easing of policy. More broadly, weaker employment growth and above-target inflation in both the US and Australia highlight that the jobs of these central banks are not complete and may even be in tension between inflation and unemployment goals. The path of interest rates over the next 12 months therefore remains highly uncertain.

Investment performance

Accumulation investment options as at 30 September 2025

	High Growth	Growth Plus	Growth (MySuper) - Default	Conservative Growth	Conservative	Cash	Australian Shares	Diversified Fixed Interest	Overseas Shares	Indexed Diversified	Property
1 month	1.00%	0.93%	0.88%	0.67%	0.45%	0.28%	-0.78%	0.41%	1.47%	0.92%	1.01%
FYTD	4.12%	3.68%	3.23%	2.51%	1.59%	0.88%	4.22%	1.29%	4.57%	4.14%	1.88%
1 year	12.24%	11.28%	10.22%	8.18%	5.89%	4.01%	8.62%	4.59%	20.23%	11.77%	1.63%
3 years p.a.	13.68%	12.10%	10.62%	8.52%	6.34%	3.84%	13.63%	5.13%	19.96%	13.30%	2.35%

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.