reliance science

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Month in Review
Market Insights

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Economic Update
October 2025
Market Key Points:

• The September quarter delivered positive returns across most major asset classes as trade tensions eased.
• Global technology stocks, linked to AI, dominated investment headlines in September.
• Emerging markets continue to outperform versus developed markets.

Australian Equities

September saw the S&P/ASX 200 Accumulation Index fall by 0.8%, with nine of the 11 sectors finishing lower, reversing the previous month's trend. The Energy sector led the declines, down 9.8%, as investors grappled with expected rising supply in a market with a softening demand outlook and the collapse of the Santos Limited (STO) takeover. Consumer Staples (-4.4%), Health Care (-4.1%), and REITs (-3.1%) also declined. In contrast, Materials (+6.1%) rose, with copper, gold, and iron ore stocks leading the gains on the back of rising commodity prices.

The S&P/ASX 200 Small Ordinaries Index rose 3.4% in September, having increased 15.3% across the past 3-months. The index has benefited from a rotation of capital, particularly into resource stocks.

The sector's performance was driven by an 11.9% increase in the gold price in September, bringing the 12-month rise for the commodity to 46.5%. Santos Limited (STO) declined 16.1% in September, with the Abu Dhabi led Consortium withdrawing its indicative proposal and advising that they would no longer proceed with a takeover transaction for STO. The withdrawal follows an extension provided to the Consortium in August to finalise the Scheme Implementation Agreement.

In economic news, Australia's seasonally adjusted unemployment rate stood unchanged at 4.2% in August, in line with market expectations. The Consumer Price Index (CPI) increased to 3.0% in August, marking the highest level since July 2024, largely due to housing-related costs (4.5% from 3.6% in July). The figure exceeded the forecasted 2.9% rate and stays within the Reserve Bank of Australia's (RBA) target range of 2-3%.

The RBA left the cash rate unchanged at 3.60%, in line with market predictions, at its September meeting. Markets are pricing in one to two additional rate cuts, with a terminal rate of 3.1%.

Global Developed Equities

Global equities had another solid month in September, with developed market equities rising 2.0% (MSCI World Ex-Australia Index (AUD)). US equities outperformed their global peers for a second straight month, with the S&P 500 Index climbing 3.5% and hitting record highs throughout the month. US performance was boosted by the 25bps interest rate cut and consistent AI and chip news from major US tech firms, which had already reported strong Q2 corporate earnings the previous month.

Across developed markets, growth (+4.6%) and quality stocks (+3.2%) outperformed value stocks (+1.8%), while momentum (+4.8%) continued to produce positive gains. Global small caps gains slowed in September, returning 0.7%.

European equity markets were broadly stronger in September, with geopolitical and economic news influencing individual markets across the region. Germany's DAX Index dipped 0.1%, while the UK's FTSE 100 Index rose 6.7%.

In Japan, the Nikkei 225 posted strong returns in September, following solid gains in the previous month, rising by 5.2%. This was driven by the weaker yen, easing inflation pressures (~20bps), strong foreign inflows, and optimistic sentiment towards technology companies.

In economic news, US annual inflation slowed in August to 2.9% year-on-year, down from 3.1% in July (core CPI stayed around the 3.1% mark). Retail sales grew by 0.6% in August, supported by back-to-school and services spending. Labour-market data showed weakness, with nonfarm payrolls increasing by only 22,000 in August (well below previous figures and consensus) and the unemployment rate rising to 4.3%. Meanwhile, job openings and hiring trends indicated a cooling in the jobs market, aligning with a wider slowdown in labour demand. Finally, the Federal Reserve lowered the policy rate by 25 basis points on 17 September (to 4.25–4.00%), the first cut in 2025, reflecting easing inflation pressures and signs of labour-market cooling.

Commodity performance remained mostly steady in September, with the S&P Goldman Sachs Commodity Index (USD) increasing slightly by 0.1%. Oil prices declined by 2.6% due to rising worries about market oversupply. Gold prices saw an uptick, while iron ore stayed nearly unchanged with a 0.4% rise. Copper increased by 4.1% following a significant incident at Freeport's Grasberg Copper Mine in Indonesia, which led to substantial production cuts.

Emerging Market Equities

Emerging market equities rose 5.8% in September (MSCI Emerging Markets Index (AUD)), outperforming developed markets. China continued to rally on the back of improving domestic market sentiment and potential targeted policy support, with the CSI 300 gaining 3.2%. Economic data from China in September remained mixed. The official manufacturing PMI rose slightly to 49.8 in September (from 49.4 in August) but stayed below the 50-point expansion threshold, indicating ongoing contraction in factory activity. The official non- manufacturing (services + construction) PMI dipped to 50.0, just at the expansion threshold but signalling a slowdown in the services sector. On the hard-data side, industrial production grew by 5.2% year-on-year in August, a slowdown compared to the previous reading, while retail sales increased by 3.4% year-on-year in August, again softer than the month before, highlighting sluggish consumer demand.

Fixed Income

U.S. 10-year Treasury yields finished the month 8 basis points lower at 4.23%, with yields across the UK 1-year Gilt (-2bps), German 10-year (-1bps), and French 10-year (-3bps) following suit. Notably, instability in French leadership has continued in Europe, while inflation in the region has broadly increased. German and UK manufacturing PMI remained below 50, indicating that manufacturing activity is close to stagnation.

Elsewhere, Japan's 10-year government bond yield increased by 5 basis points during the month, finishing September at 1.65% and hitting a three-year high. This occurred as the Bank of Japan kept interest rates steady at 0.75%, while the annual inflation rate continued to decline, falling to 2.7% from 3.1%.

Domestically, Australian bond yields rose 3bps to end the month at 4.30%. The RBA held the cash rate steady following its August reduction, with the decision reflecting a desire to assess the impact of earlier policy moves amid mixed economic data. Minutes from the meeting highlighted that while inflation has continued to moderate, near-term price pressures remain a concern, warranting a cautious approach to further policy adjustments.

Cybersecurity Awareness – Stay Alert to Scams

Cybercrime is becoming more sophisticated, and phishing emails, fake SMS messages and fraudulent phone calls are now common tools used by scammers to target individuals. These messages often appear to come from trusted organisations such as banks, MyGov, the ATO or delivery companies, and they are designed to create urgency so you click a link, provide personal information or approve a payment without thinking. Always take a moment to check whether a message is genuine. Look carefully at the sender's email address, avoid clicking unfamiliar links, and do not open unexpected attachments.

If you receive a request involving money, passwords or identification details, verify it first by contacting the organisation directly using official contact details. We will never ask you to share passwords or sensitive information by email. If you are ever unsure whether a message claiming to be from us is legitimate, please contact our office to confirm before taking any action.

Contact us on 03 9589 8888 or emailus@reliancewm.com.au to set up an appointment today.

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