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Market Review Monthly

November 2025

A business of Marsh McLennan

Key takeaways

- International shares (hedged) rose 0.3% in November; supported by the US Q3 2025 earnings season, which delivered 13.4% YoY earnings growth. In contrast, Australian shares fell -2.6%, as strong labour market data suggested that future interest rate cuts in Australia may not eventuate as the market had expected.
- The Reserve Bank of Australia (RBA) held interest rates steady at 3.60% at their November meeting, in line with market expectations, following news that inflation jumped higher in Q3 than the RBA had anticipated.
- Australian Westpac consumer confidence data for November showed the index rising over 100, which indicated consumers are more optimistic about the economy than pessimistic. This is the highest level of confidence in four years and likely reflected positive wage growth and the lagged impact of earlier interest rate cuts.
- The US Government shutdown that began on 1st October ended after 44 days, making it the longest since the shutdowns began in 1980.
- The US Government proposed a Ukraine peace plan, under which Ukraine would cede some territory to Russia, be barred from joining NATO, and limit its military, in exchange for Russia recognising Ukraine's sovereignty.

Upcoming

1. **Australia Q3'25 GDP (early December)**– Australian economic growth is expected to be 2.2% YoY.
2. **US Government data releases (December)**– Following the Government shutdown, US Government departments will be catching up on missed data releases.
3. **Happy New Year! (1st January)**– Enjoy the holidays!

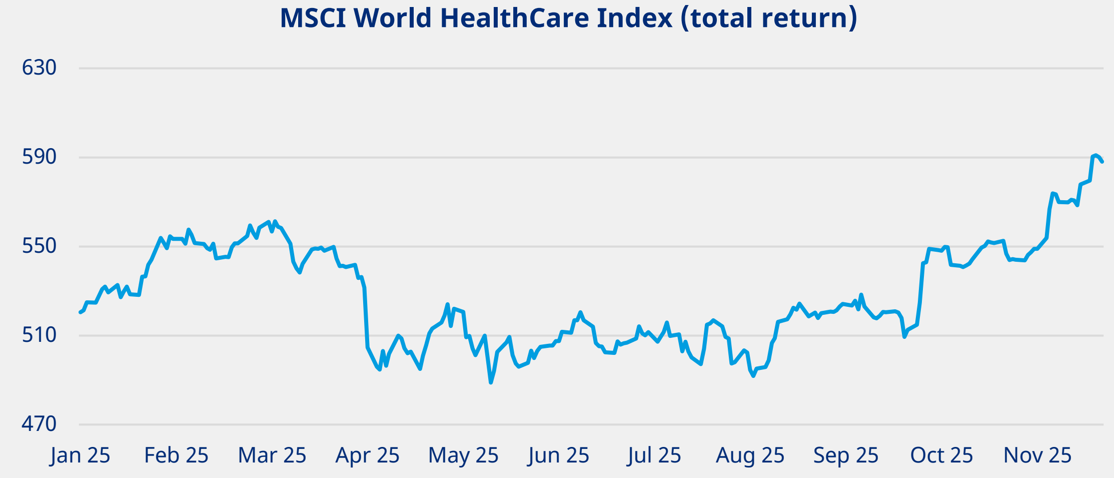
Market review

US corporate earnings season ends strongly

- International shares (hedged) rose 0.3% in November; supported by the US Q3 2025 earnings season, which delivered 13.4% YoY earnings growth. Nvidia, the largest stock in the S&P 500, also reported strong earnings.
- Healthcare was the best performing sector in November, gaining 8.1%, as the pharmaceutical shares performed strongly following solid earnings reports.
- The information technology (IT) sector was the worst performing sector for the month, down -4.7%, even though IT companies reported strong earnings. Given that the IT sector had risen almost 30% over the year to November, a correction was not unexpected.
- Emerging Market shares fell -2.6% for the month.

Australian shares underperformed international shares for a further month

- Australian shares fell -2.6%, as strong labor market data suggested that future interest rate cuts in Australia may not eventuate.
- In line with the global theme, healthcare was the best performing sector, rising 1.7% for the month, closely followed by materials, which gained 1.6%.
- Information technology was the largest detractor for the second consecutive month, down -10.9%, reflecting high sector valuations.



Source: Bloomberg, Mercer

Australian listed property fell in line with the broader index

- Australian listed property declined -3.7% in November, in line with the broader share market. Although inflation data came in higher, this reduced the risk of interest rates further weighing on listed property valuations.

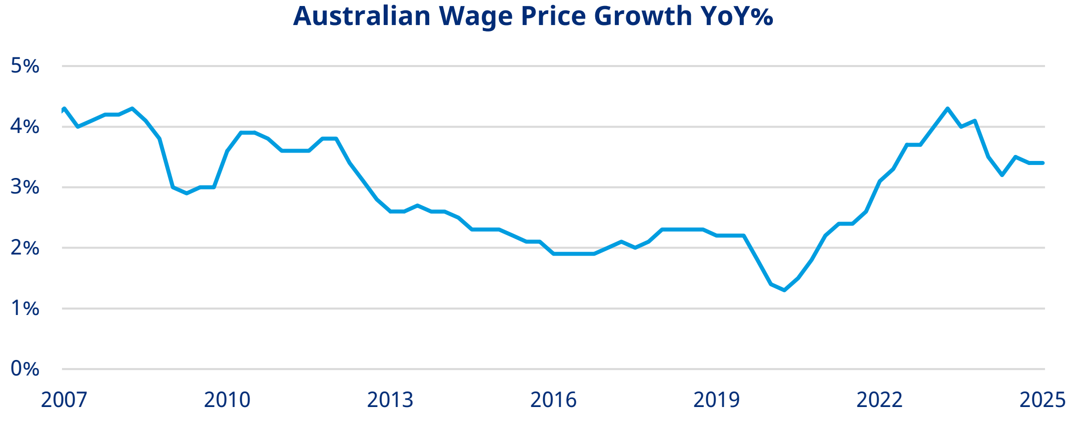
Australian government bonds were marginally lower in November

- Australian government bonds were down -0.9%, as yields climbed significantly higher over the month.

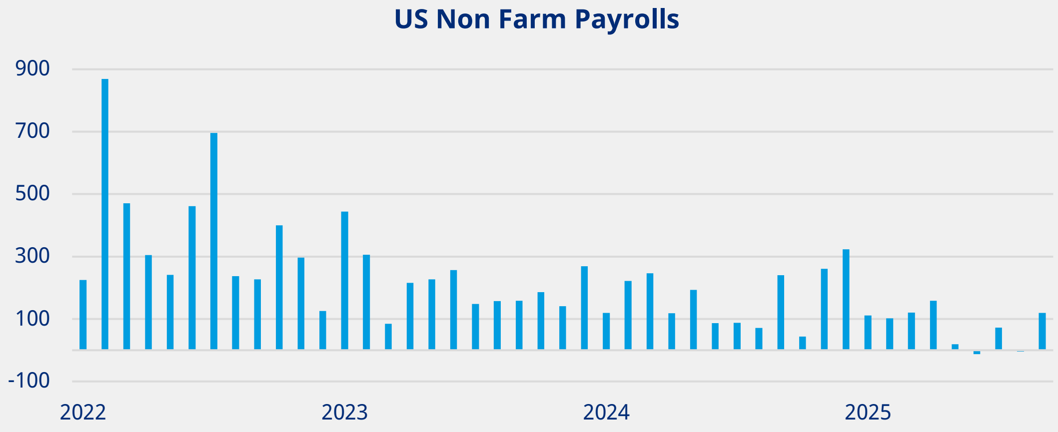
Economic review

Australia: Strong wage growth dampens expectations for interest rate cuts

- The RBA held interest rates steady at 3.60% at their November meeting, in line with market expectations, and raised its economic growth forecast for 2026.
- Australian wage growth held steady at 3.4% in Q3 2025, supporting the RBA's decision not to cut interest rates in November.
- Australia's unemployment rate fell from 4.5% to 4.3% in October, driven by a stronger-than-expected gain of 42,200 jobs (vs. 14,900 forecast), with the steady participation rate confirming that the decline was due to robust employment growth.
- Australia's monthly CPI for October rose to 3.8% YoY from 3.6%, with trimmed mean CPI increasing to 3.3%. This marked the first full release of the monthly CPI, while the quarterly CPI will continue to be published for at least the next 18 months.
- Australian Westpac consumer confidence rose to 103.8 in November from 91.1, the highest level in four years, indicating that consumers are now more optimistic than pessimistic about the economy. This reflected positive wage growth, and the RBA's decision to pause interest rates did not unsettle consumers.



Source: Bloomberg, Mercer



Source: Bloomberg, Mercer

International: US Government shutdown ends after 44 days

- The US Government shutdown ended after 44 days, the longest since 1980. Congress approved funding for military construction, veterans' affairs, the Department of Agriculture and Congress itself through the end of 2026, and for the rest of the Government through to the end of January 2026.
- US payrolls data for September, delayed by the Government shutdown, showed job gains of 119,000, well above expectations of 51,000. However, prior months were revised down by a net 33,000, with August lowered to -4,000, continuing this year's trend of downward revisions.
- The US proposed a 28-point Ukraine peace plan with Russia, requiring Ukraine to cede territory, avoid NATO, and limit its military. In return, Russia must respect Ukraine's sovereignty, and $100 billion of Russia's frozen assets would fund Ukraine's rebuilding, with the US receiving half the investment profits.
- The UK autumn budget raised fiscal headroom from £9.9bn to £21.7bn, reaffirming fiscal rules. However, spending is concentrated in the near term, while most tax increases are delayed. The main tax increases come from extending the freeze on income tax thresholds, and from changes to salary sacrifice schemes.

Outlook

Australian economic growth is expected to pick up in 2026

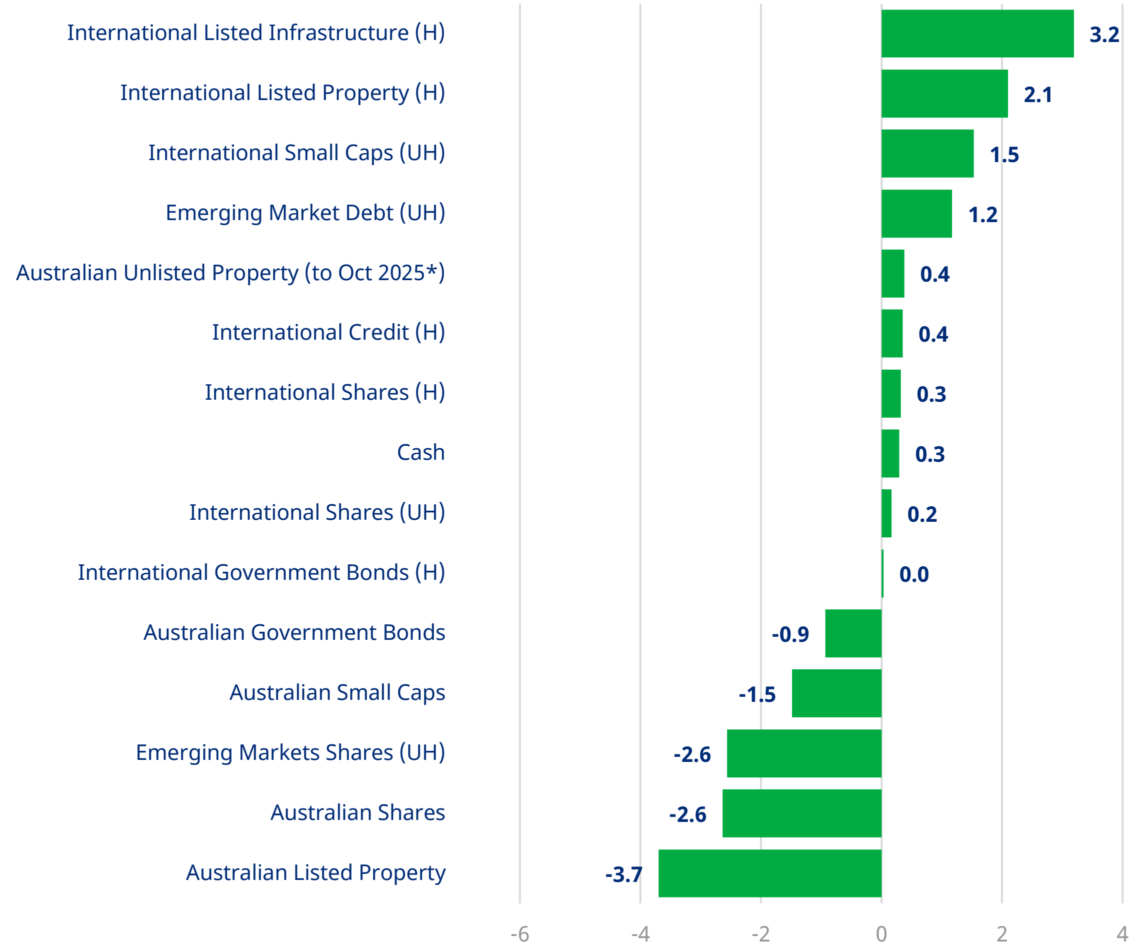
- Australian economic growth is likely to pick up in 2026, driven by recent RBA interest rate cuts, improving consumer confidence, and decent wage growth.
- The RBA is likely to take a more data dependent approach in 2026, evaluating the impact of each rate cut on inflation and employment. However, mounting evidence suggests that the bulk of the easing cycle has already taken place.
- Headline inflation is likely to rise in 2026, as government energy rebates expire in December 2025, though this should be a short-term impact that is unlikely to concern the RBA.

The international economy remains resilient

- We anticipate continued resilience in the international economy as we move into 2026. US consumption growth should remain healthy; supported by robust income gains, positive wealth effects from strong share markets and generally solid consumer balance sheets.
- Beyond the US, growth is expected to improve modestly; with Germany supported by stronger domestic spending, and Emerging Markets and Japan maintaining positive momentum. By contrast, China’s growth is likely to remain below trend, due to ongoing property sector challenges, despite strong advances in areas like electric vehicles.
- Inflation is expected to remain low across most international economies. US inflation is likely to remain above target into 2026, as higher tariffs feed through to prices. The Federal Reserve is likely to cut rates further, but probably less than markets expect. The Bank of Japan is likely to keep raising interest rates; while the Bank of England is expected to ease, as inflation nears target.

Performance

Market performance November 2025



Data source: LSEG Datastream. Data provided 'as is' . Details on chart constituents can be found on last page

Market performance 12 Months to November 2025

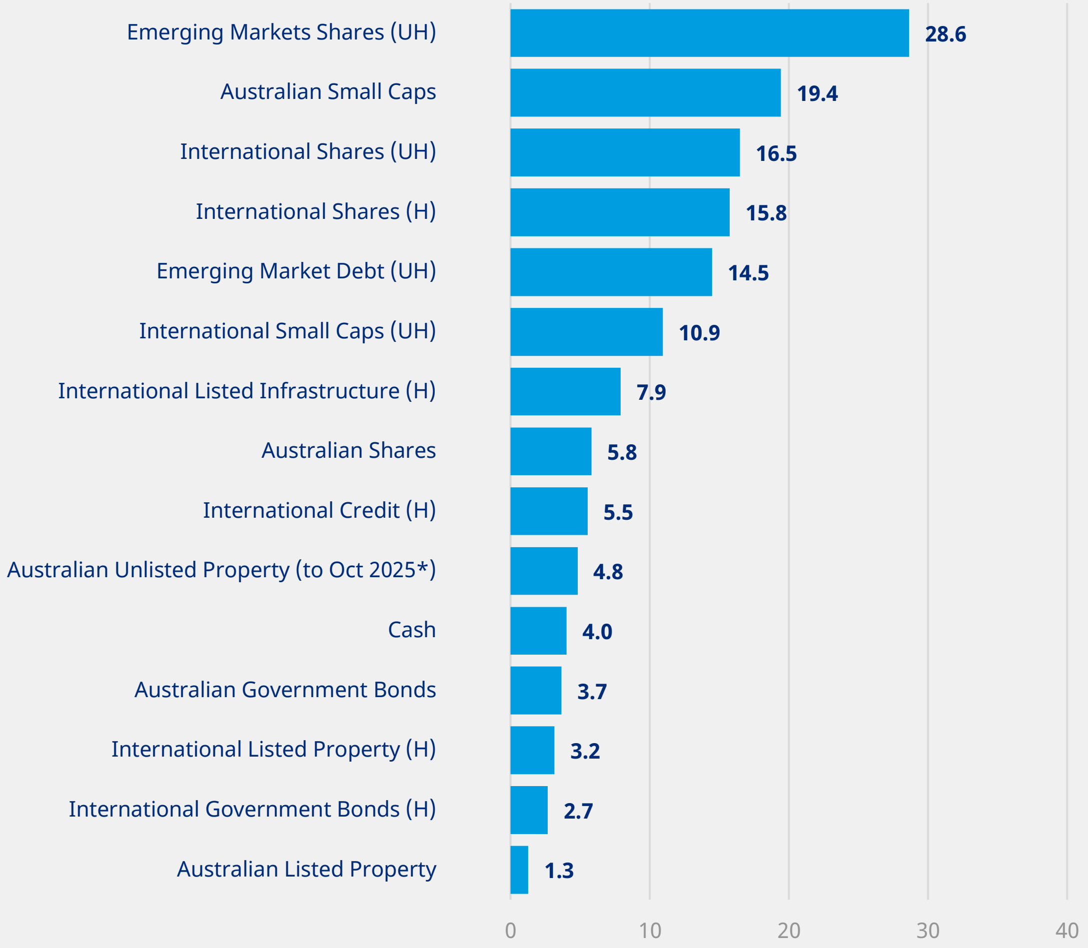


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Chart Constituents

Asset class	Benchmark	Data type
Australian Shares	S&P/ASX 300	Total Return
Australian Small Caps	S&P/ASX Small Ordinaries	Total Return
International Shares (UH)	MSCI World ex Australia	Net Index
International Shares (H)	MSCI World ex Australia 100% Hedged	Net Index
International Small Caps (UH)	MSCI World Small Cap	Net Return
Emerging Markets Shares (UH)	MSCI Emerging Markets	Net Index
Australian Unlisted Property (one month lag)	MSCI/Mercer Australia Core Wholesale Monthly PFI	NAV Post Fee
Australian Listed Property	S&P/ASX 300 A-REIT	Total Return
International Listed Property (H)	FTSE EPRA/NAREIT Developed Hedged	Net Return
International Listed Infrastructure (H)	FTSE Global Core Infrastructure 50/50 Hedged	Net Return
International Credit (H)	Bloomberg Global Credit	Hedged Return
Emerging Market Debt (UH)	JP Morgan GBI EM Global Diversified Composite	Total Return
Australian Government Bonds	Bloomberg AusBond Treasury 0+ year	Total Return
International Government Bonds (H)	Bloomberg Global Treasury Hedged	Hedged Return
Cash	Bloomberg AusBond Bank Bill	Total Return

Notes

- Currency: AUD.
- UH: Unhedged.
- H: Hedged.
- Where a lag exists, the performance start and end dates shift accordingly.
- Total Return: Total Return Index with Gross Dividends.
- Net Index: Total Return (Net Dividends Reinvested).

IMPORTANT NOTICES