Monthly Market Snapshot

February 2025

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets.

Frontier Advisors

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Market commentary

February 2025 saw weaker global equities, led by US tech losses and rising US inflation fears, while European stocks outperformed on ceasefire hopes. Global bonds rallied as falling US yields offset growth fears.

US equities struggled in February, particularly mega cap technology stocks. Growing uncertainty around the US administration's policy agenda and rising concerns about future growth weighed on consumer sentiment. This shift contributed to weaker performance in developed market equities, which posted negative returns for the month. Notably, US inflation expectations have increased sharply, driven by expectations of Trump policy impacts.

European equities outperformed, with investors increasingly pricing in the possibility of a ceasefire in Ukraine, which boosted market sentiment. The European Central Bank (ECB) significantly loosened monetary policy with 125bps of rate cuts with a further 100bps forecast in 2025.

Japanese equities declined, with the stronger yen acting as a headwind for export-sensitive sectors.

Australian stocks produced negative returns, erasing their calendar year-to-date gains as tariff fears and risk aversion hit global markets. Star shares dropped 15% as it explores liquidity proposals. Lower inflation led to the Reserve Bank of Australia's (RBA) first rate cut in February, though it emphasized that further cuts were not guaranteed. Market consensus still expects two more 25bps cuts this year.

Emerging markets overall outperformed developed markets, supported by rising Chinese equities and a weaker US dollar, which boosted local currency returns. Chinese equities rallied sharply despite weak macroeconomic data as optimism around technological innovation and improved regulatory signals from high-profile meetings between government officials and business leaders drove the gains.

Global bonds delivered solid returns. Despite inflation data coming in firmer than expected and ongoing policy uncertainty around tariffs, bond markets focused on softer US sentiment data and rising recession risks. Falling US Treasury yields supported global bond returns over the month.

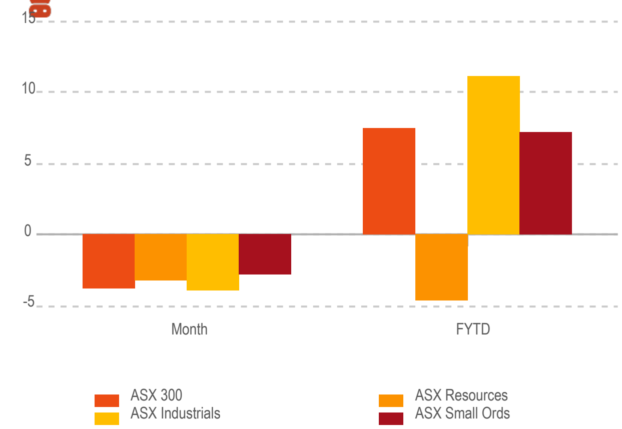
The Australian dollar weakened modestly against most major currencies in February, reflecting global risk-off sentiment tied to softening US economic data and weakening commodity demand signals from China.

Oil prices declined due to concerns about the US economy and the possibility of a peace deal between Russia and Ukraine. Commodities overall remained volatile amid tariff threats and rising geopolitical risks, with gold and copper leading the rally.

Australian listed property posted losses, aligned with the stock market performance, despite the first interest rate cut in five years by the RBA. Listed infrastructure stocks delivered small positive returns on the expectation of further rate cuts.

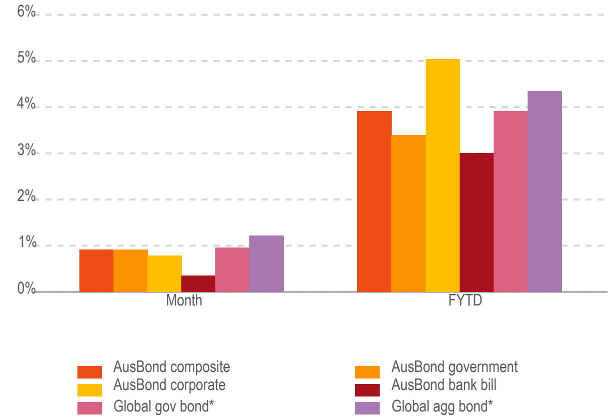
February 2025

Australian equities



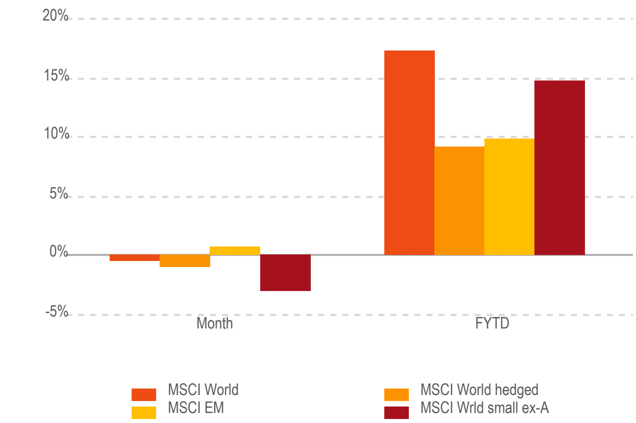
Source: LSEG Datastream

Fixed income



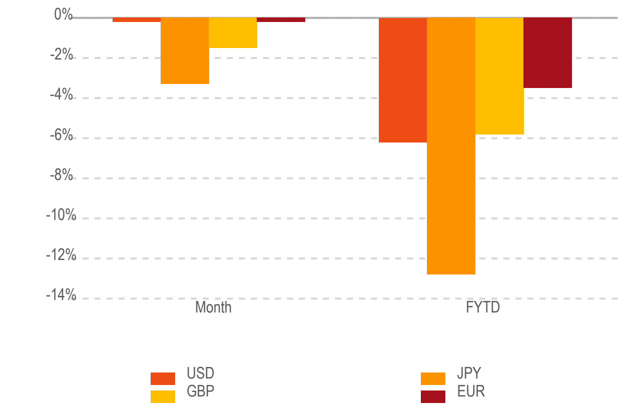
Source: LSEG Datastream

International equities ($A)



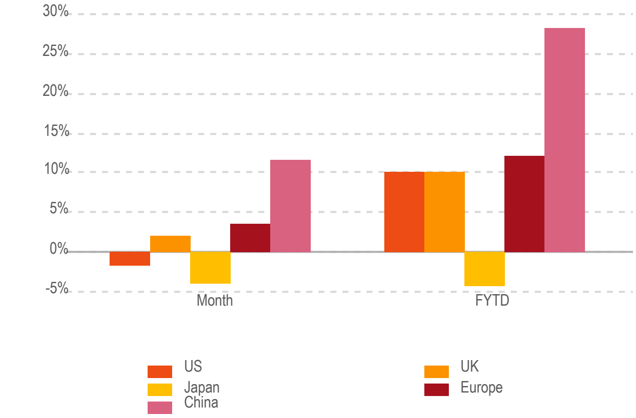
Source: LSEG Datastream

Australian dollar



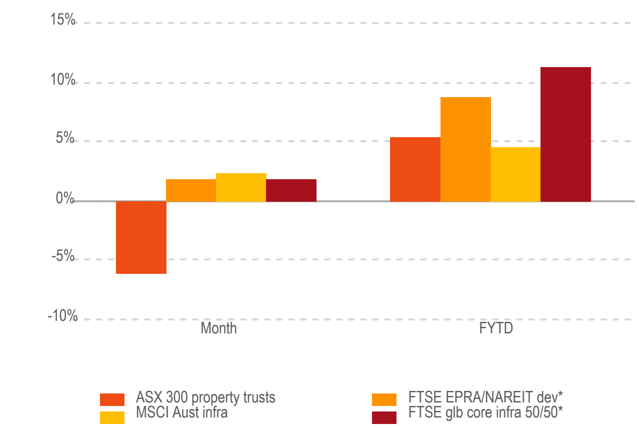
Source: LSEG Datastream

International equities



Source: LSEG Datastream

Real assets



Source: LSEG Datastream *Hedged A$

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