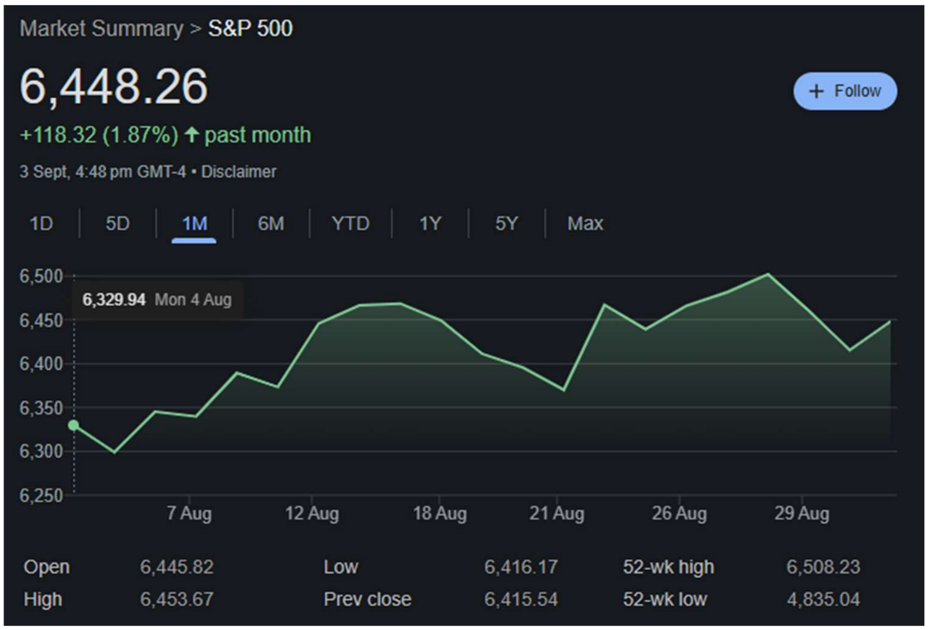
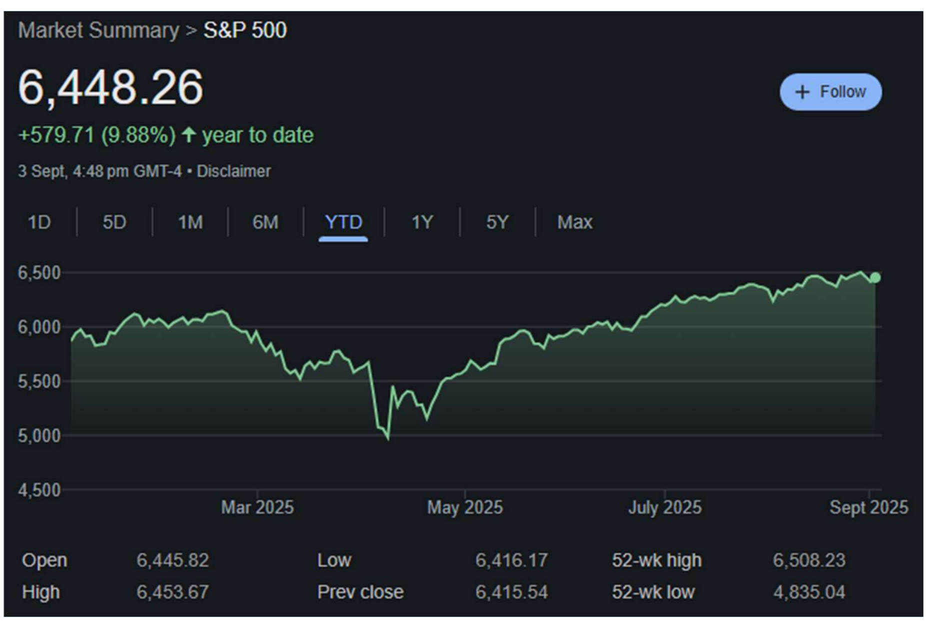
September Monthly Economic Market Wrap

Troy Theobald

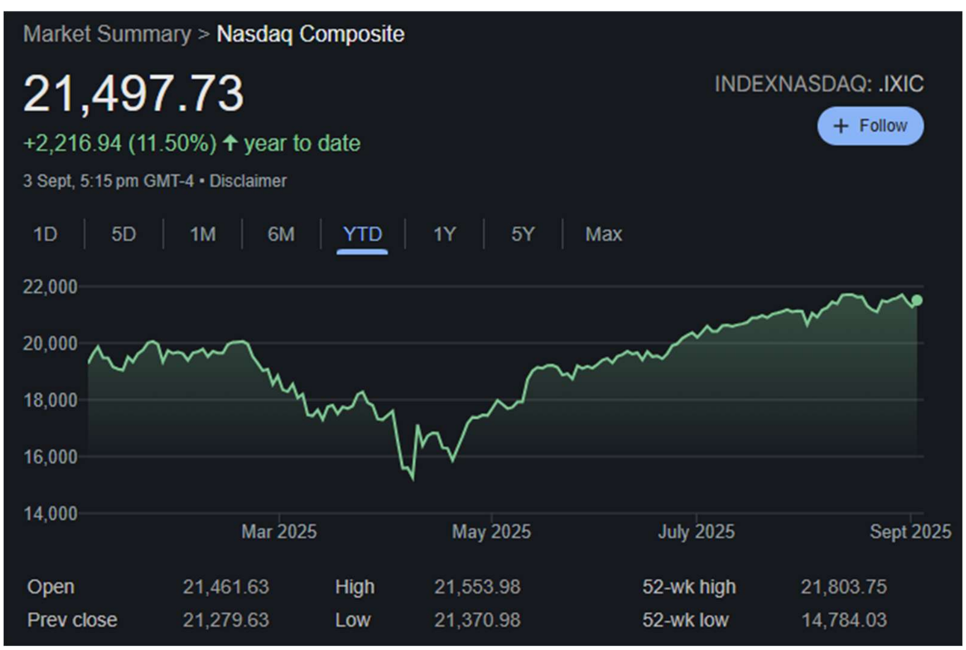
Founding Partner

U.S. equities extended their summer rally in August, albeit at a more moderate pace. The S&P 500 index gained roughly +2% for the month, notching its fourth straight monthly advance and even setting fresh record highs. Notably, market leadership broadened beyond the mega-cap tech names – 54% of S&P 500 constituents outperformed the index in August. Value-oriented stocks staged a comeback as investor focus shifted to economic fundamentals. Market breadth improved and previously lagging sectors (industrials, small-caps, financials) played a bigger role in the gains.





The Dow Jones Industrial Average rose about +3.2% and the tech-heavy Nasdaq Composite around +1.6%, reflecting that blue-chip and value stocks outperformed high-growth names. U.S. investors digested mixed economic signals but took comfort in resilient corporate earnings and hopes that the Federal Reserve might soon pivot to rate cuts, which lifted sentiment in the latter part of the month.



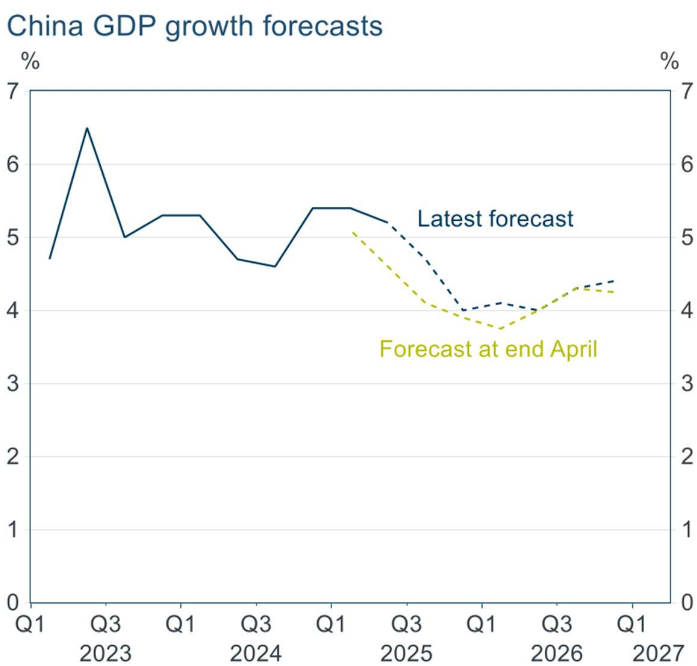
Chinese equities surged in August, outperforming global peers. The Shanghai Composite Index jumped roughly +8% over the month to reach multi-year highs around 3,858. This marked one of the strongest monthly gains for China's market in recent years. The rally was fuelled by tech and semiconductor shares, amid excitement over artificial intelligence and government support for the chip industry.

Shanghai Stock Exchange Composite Index:

China's sharp equity rebound – alongside solid performances in other Asian markets – contributed to a generally positive month for global equities but September has seen some of this pared back.

China has also found other markets to export to amidst Trump's Tariff policy, which should help limit its current economic slowdown.

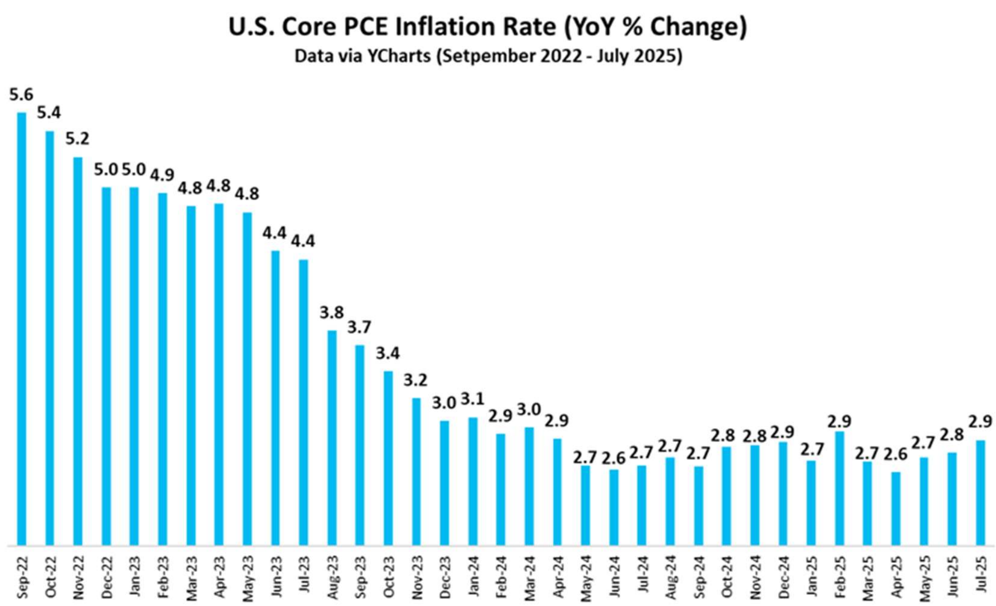
Note: seasonally adjusted
Sources: Challenger, Macrobond, CCS, GAC



Sources: Challenger, Macrobond, Bloomberg

U.S. Federal Reserve: The Fed held its benchmark federal funds rate steady through August (having last raised it to ~5.25–5.50% in late 2024), but signs point to an imminent cutting cycle. At the Fed's annual Jackson Hole symposium on August 22, Chair Jerome Powell struck a dovish tone, acknowledging that policy is now "restrictive" and that risks to growth and employment have increased.

Indeed, by the end of August, Treasury yields fell and equities rallied after Powell "set the table to move" on cutting rates. Still, some Fed officials remain cautious with inflation (core PCE 2.9%) above 2%. The baseline expectation is for the Fed to begin easing very gradually, barring any resurgence in prices.



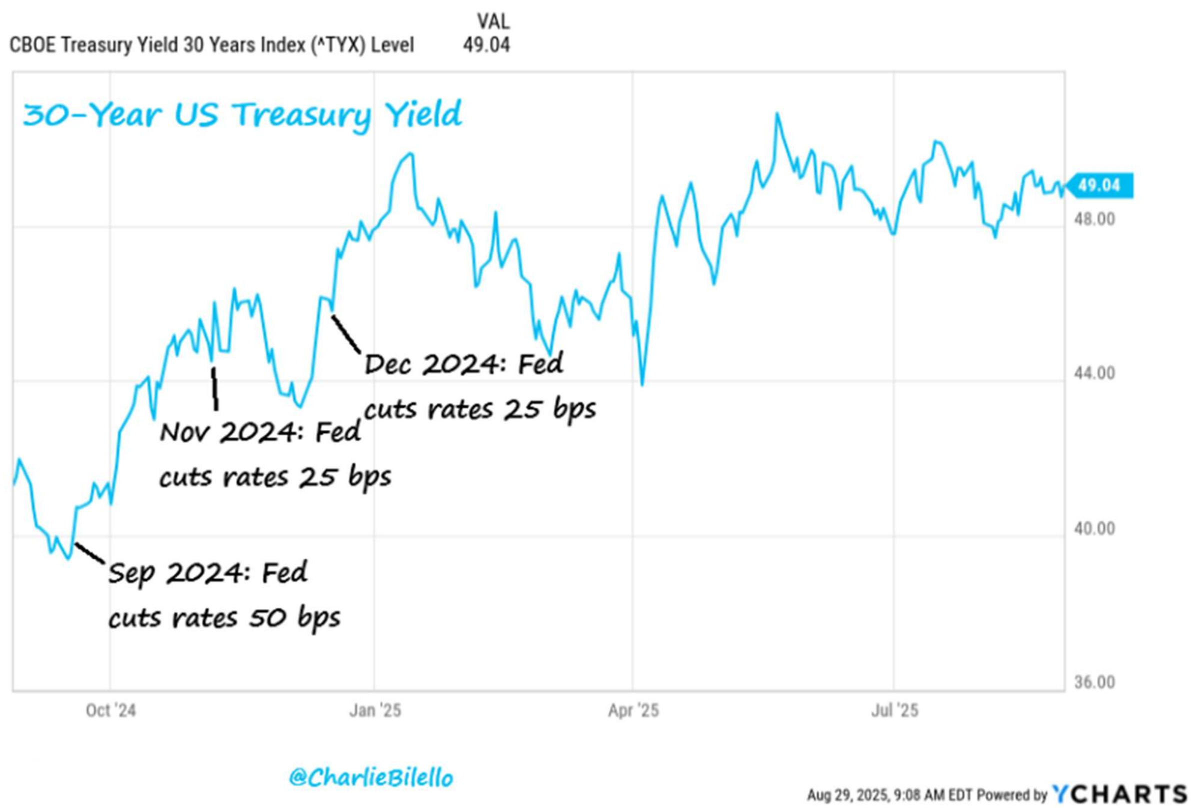
What will happen to long-term interest rates if the Fed resumes their rate cuts?

That's an important question without a clear answer.

When the Fed started cutting rates last September, the 30-year Treasury yield was below 4%.

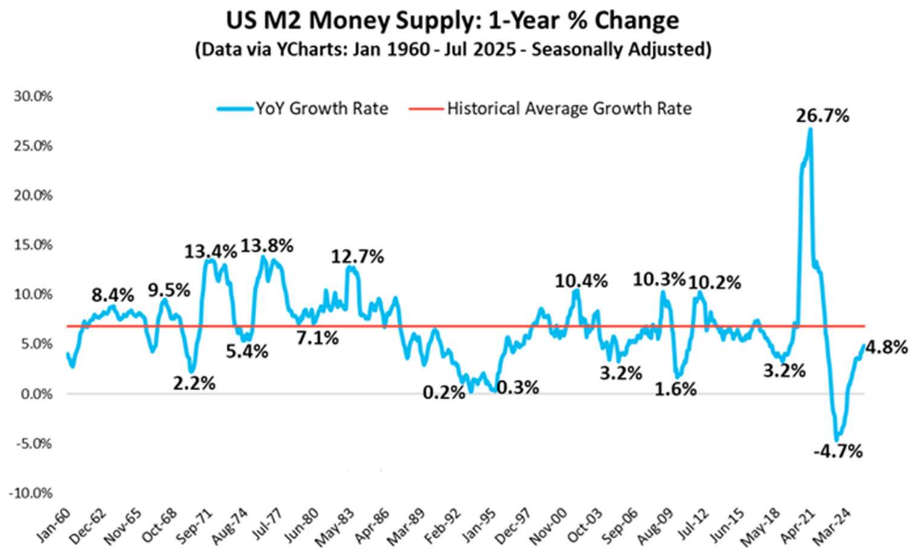
Today, it's above 4.9%.

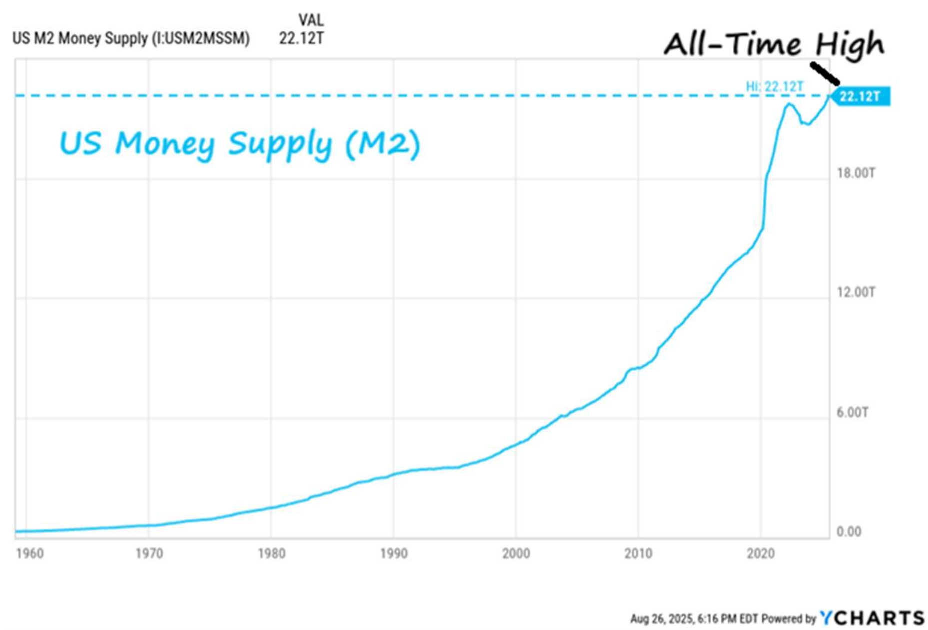
Translation: the Fed may be done with inflation, but inflation isn't done with the Fed. Longer-term bond investors are more concerned about inflation today than when the Fed started easing a year ago.



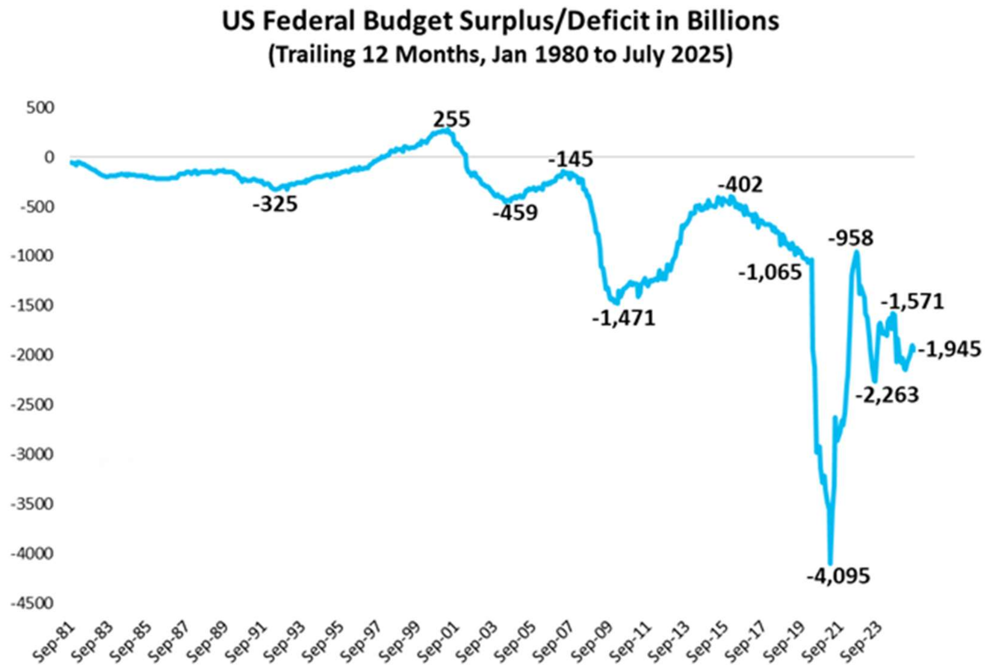
And concerned they should be, for the two biggest factors driving inflation – government spending and government creation of money – continue unabated.

The US Money Supply grew 4.8% over the last year, the biggest year on year (YoY) increase since July 2022.

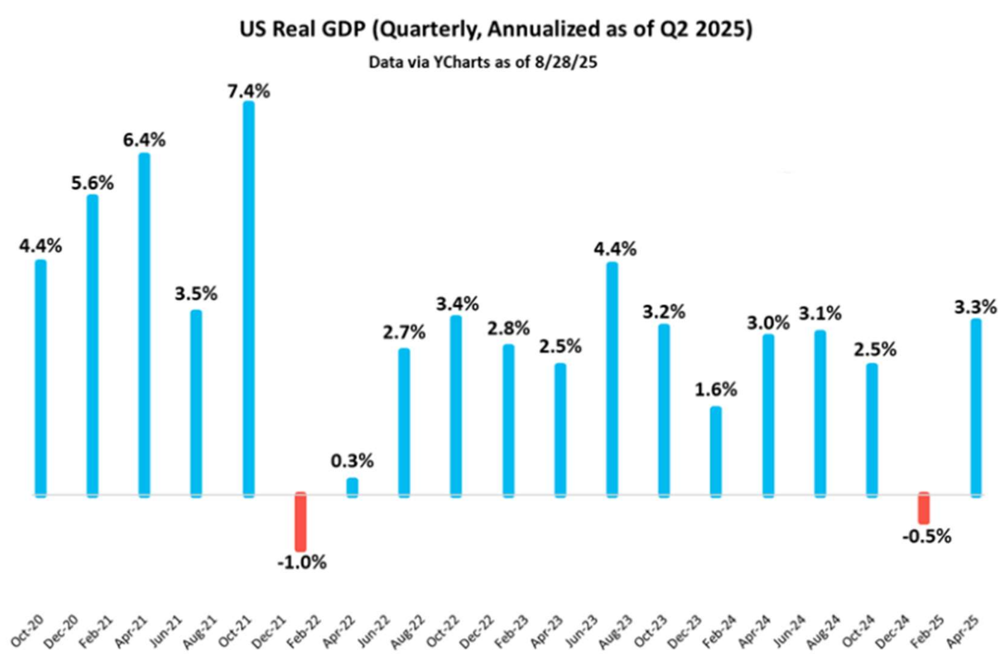




And with federal budget deficits still running at close to $2 trillion, we should expect more money printing to come.



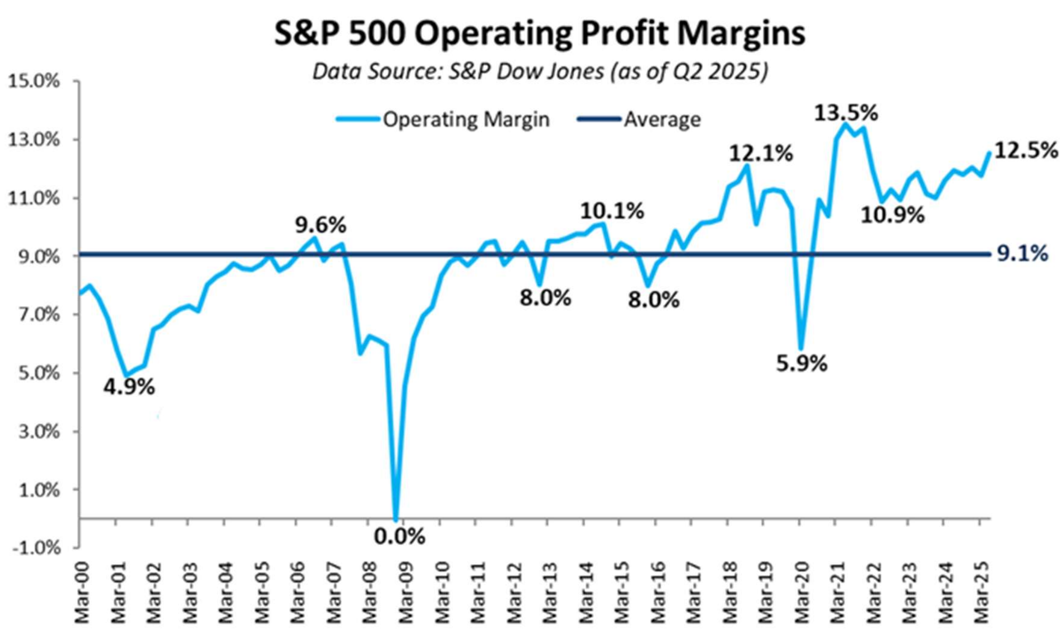
Staying with the US, we saw in the 2nd quarter the real Growth Domestic Product (GDP) was revised upward to 3.3%, and the Atlanta Fed is now projecting 3.5% growth in quarter 3.



RFS ADVICE

And while it may be up for debate as to whether President Trump's policies have become more stable, or the markets are simply no longer paying any attention to them. The volatility index has dropped to its lowest level of the year.

S&P 500 profit margins moved up to 12.5% in the 2nd quarter, their highest level since 2021.

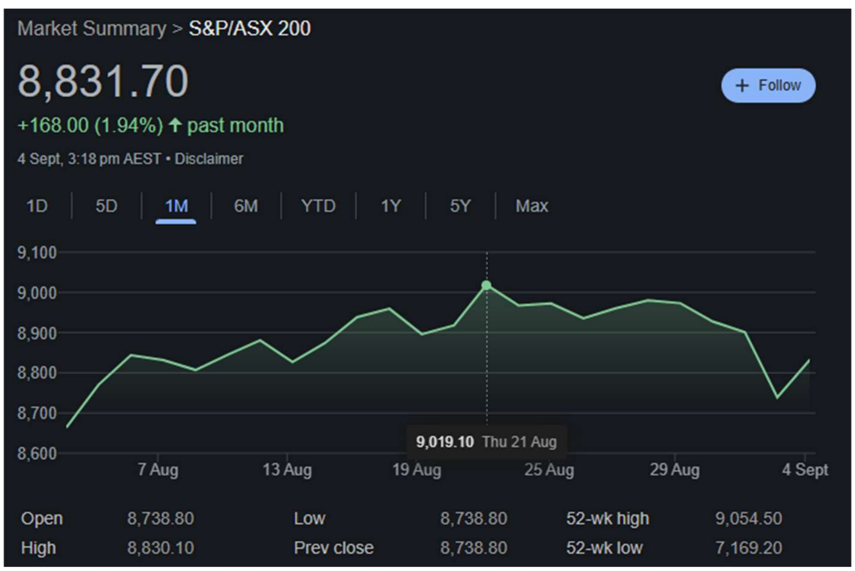


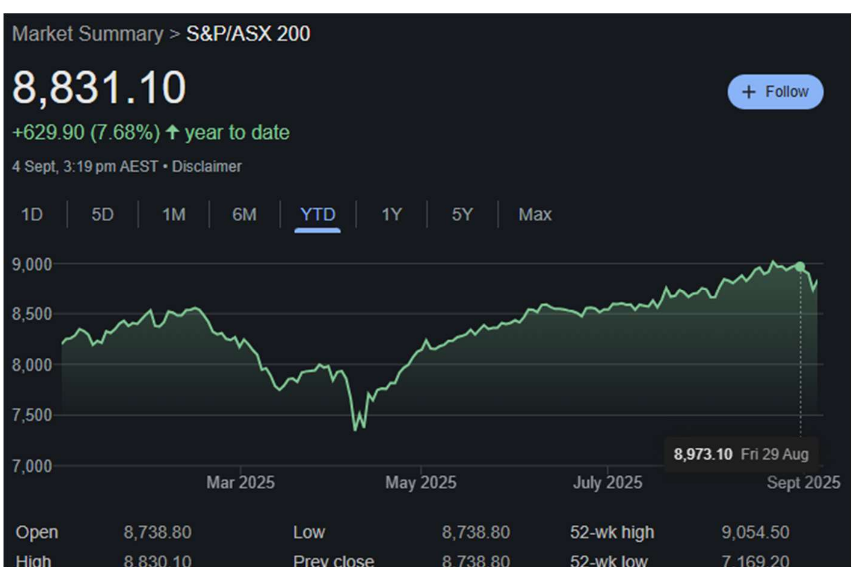
Key Economic Indicators:

	31-Aug-25	31-Jul-25	30-Jun-25	Qtr change	1 year change
Interest Rates (at close of period)					
Aus 90 day Bank Bills	3.61%	3.68%	3.69%	-17.0	-77.0
Aus 10yr Bond	4.29%	4.27%	4.17%	+0.8	+31.3
US 90 day T Bill	4.05%	4.24%	4.24%	-20.0	-93.0
US 10 yr Bond	4.22%	4.36%	4.23%	-16.4	+30.4
Currency (against the AUD)					
US Dollar	0.655	0.644	0.655	1.70%	-3.54%
British Pound	0.484	0.488	0.477	1.42%	-6.29%
Euro	0.560	0.566	0.559	-1.20%	-8.82%
Japanese Yen	96.20	96.85	94.73	3.77%	-2.76%
Trade-Weighted Index	60.50	60.30	60.10	1.51%	-3.35%
Equity Markets					
Australian All Ordinaries	3.2%	2.6%	1.4%	7.3%	14.9%
MSCI Australia Value (AUD)	4.4%	2.9%	1.5%	9.0%	15.5%
MSCI Australia Growth (AUD)	-2.9%	1.0%	1.6%	-0.5%	8.6%
S&P 500 (USD)	2.0%	2.2%	5.1%	9.6%	15.9%
MSCI US Value (USD)	2.8%	0.5%	4.5%	7.9%	8.4%
MSCI US Growth (USD)	1.3%	3.9%	5.8%	11.3%	24.3%
MSCI World (USD)	2.6%	1.3%	4.3%	8.5%	16.2%
Nikkei (YEN)	4.1%	1.4%	6.8%	12.8%	12.7%
CSI 300 (CNY)	10.5%	4.3%	3.3%	19.1%	39.1%
FTSE 100 (GBP)	1.2%	4.3%	0.0%	5.6%	13.6%
DAX (EUR)	-0.7%	0.7%	-0.4%	-0.4%	26.4%
Euro 100 (EUR)	0.6%	1.0%	-0.5%	1.2%	9.7%
MSCI Emerging Markets (USD)	1.5%	2.0%	6.1%	9.9%	17.7%
Commodities					
Iron Ore (USD)	3.6%	6.5%	-2.1%	8.0%	0.5%
Crude Oil WTI U$/BBL	-8.5%	6.1%	7.9%	4.7%	-13.6%
Gold Bullion $/t oz	4.4%	0.4%	0.0%	4.8%	37.4%

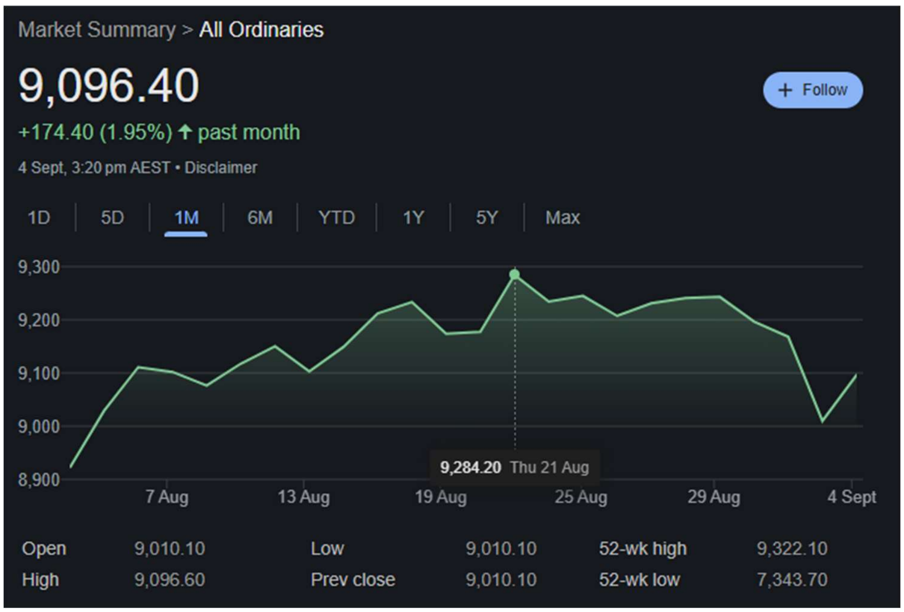
Source: Quilla, Refinitiv Datastream

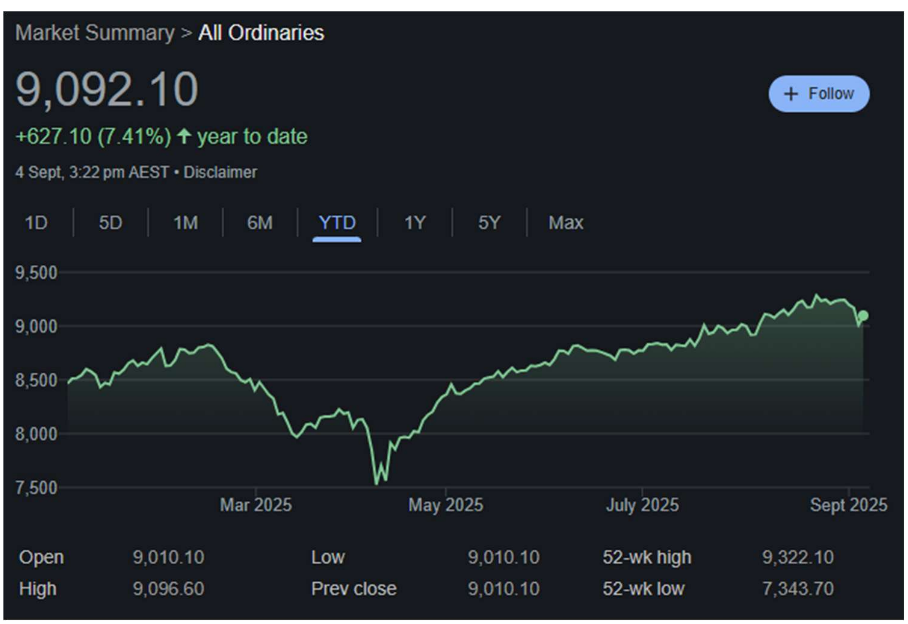
August saw broadly positive equity performance across major markets, with Australia leading gains. Australian shares (ASX 200) climbed around +2.6% for the month, marking the index's fifth consecutive monthly advance. In fact, the S&P/ASX 200 rallied over 25% from April lows and even notched an all-time high intraday above 9,000 during the month.





The materials sector was a standout driver – surging +8.7% – as mining giants like BHP and Fortescue benefitted from strong commodity prices. Other cyclical sectors outperformed too (e.g. Consumer Discretionary +6.6%, Real Estate +4.8%), boosted by rising consumer confidence and expectations of interest rate cuts in Australia. Banks and financials also rose over +3%, helped by a surprisingly robust corporate earnings season and anticipation of an easier monetary policy.

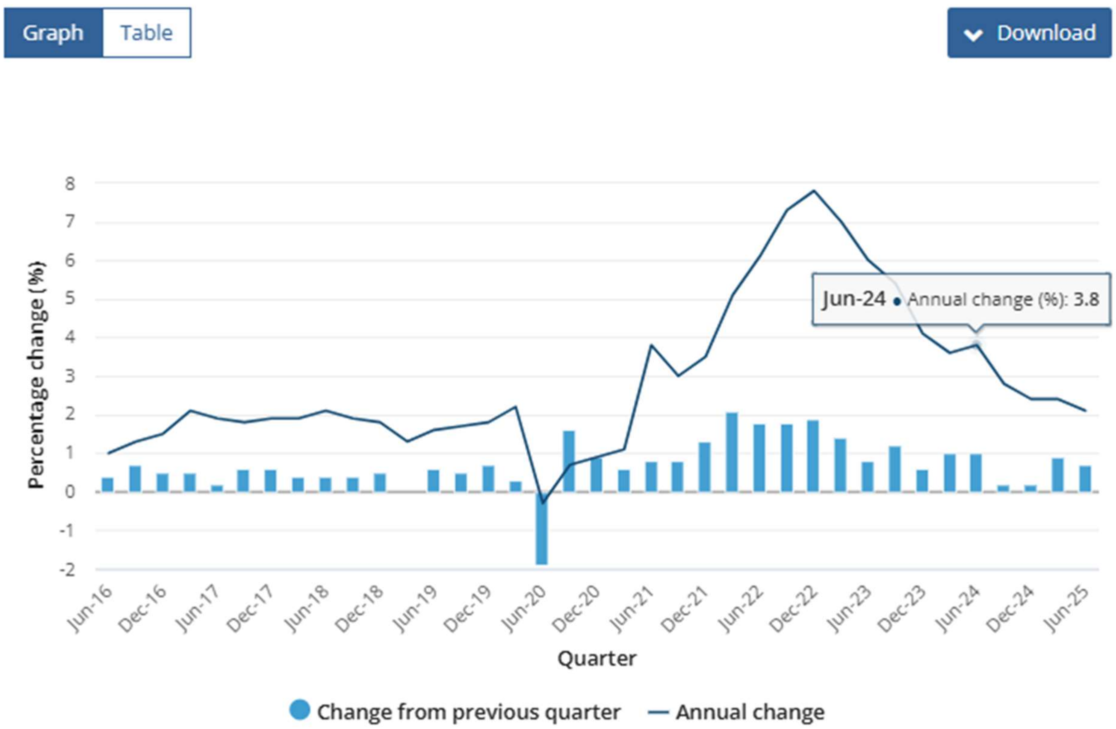




RFS ADVICE

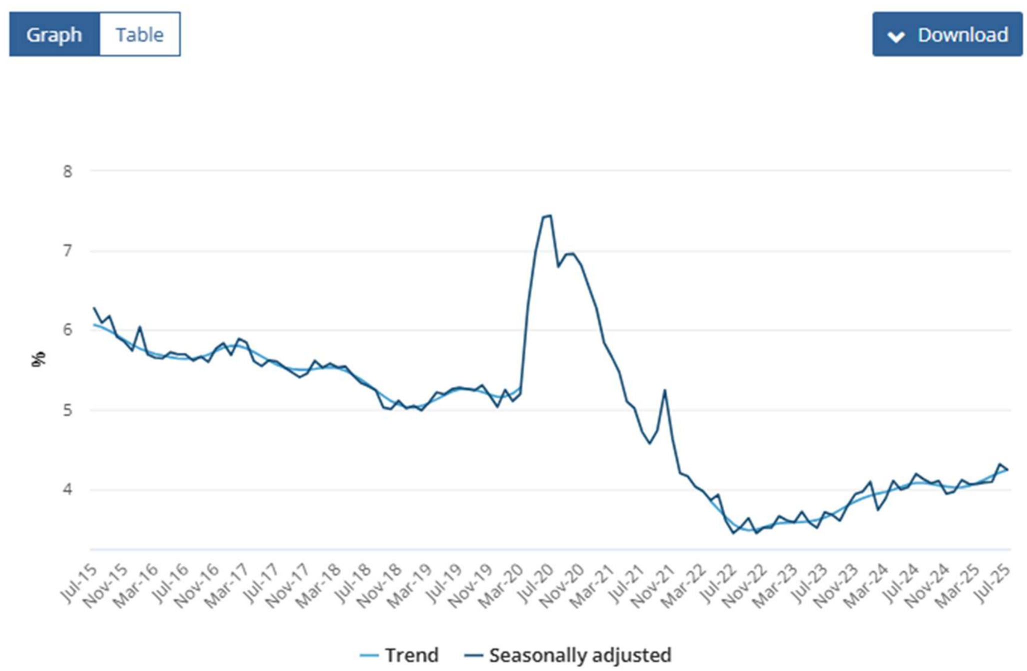
The RBA reduced the cash rate by 0.25% to 3.60%, as the Board became confident that inflation has sustainably moderated. Commentary from the RBA indicates that they are now comfortable with the level of inflation and that their policy priority is maintaining full employment in the economy.

All groups CPI, Australia, quarterly and annual movement (%)

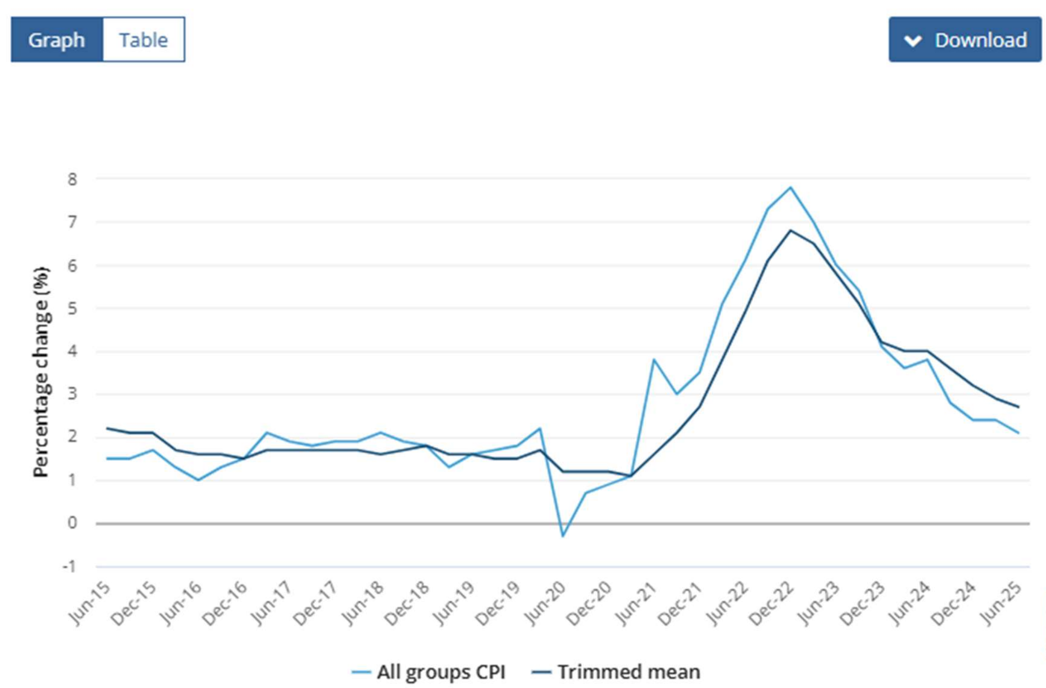


The unemployment rate fell from 4.3% in June to 4.2% in July, as forecast by economists. Trimmed mean inflation, however, increased from 2.1% to 2.7%, well above forecasts of 2.3% as it was impacted by an increase in travel and electricity prices.

Unemployment rate



All groups CPI and Trimmed mean, Australia, annual movement (%)



The second quarter Australian GDP data exceeded expectations, surpassing both consensus and the RBA's own forecasts. The economy grew by +0.6% quarter-on-quarter (QoQ), compared to the consensus of +0.5% QoQ and +0.2% QoQ in quarter 1. This brought the annual growth rate to +1.8% YoY, surpassing the consensus of +1.6% YoY and the +1.3% YoY at the end of quarter 1.

Household consumption was a core driver, up +0.9% QoQ versus +0.4% QoQ in Q1, strong growth after just one rate cut. Consumer strength may force the RBA to question whether another rate cut is really needed. Government spending again was a meaningful contributor (+1.0% QoQ), also a factor when considering the need for further cuts.

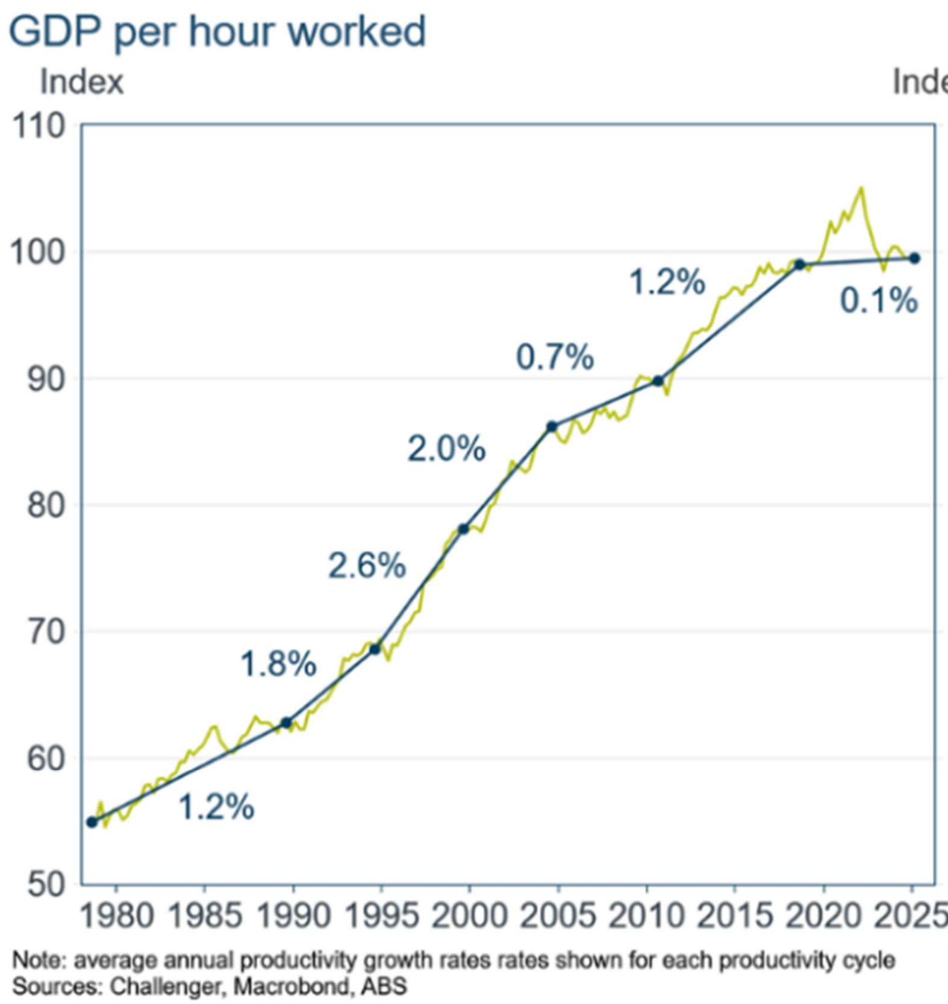
Gross domestic product, chain volume measures, seasonally adjusted

Net trade contributed 0.1 percentage points to GDP growth as a rise in exports (+1.7%) was only partly offset by a rise in imports (+1.4%).

Exports of goods (+1.4%) led the rise driven by non-rural goods as iron ore production volumes recovered from adverse weather impacts in the previous quarter. Rural goods also contributed to the rise with ongoing strength in grain exports resulting from the strong 2024-25 harvest. Exports of services (+3.3%) further contributed to the rise driven by travel services with increased short-term arrivals for other personal travel, while education related travel was relatively flat.

Net trade contribution to quarterly growth in GDP, chain volume measures, seasonally adjusted

The Government held its "Economic Reform Roundtable" in response to no growth in productivity since before the pandemic. Over the period from 2018, annual growth of GDP per hour has averaged just 0.1%, well below earlier rates of 1-2%. Higher productivity growth is important for driving increased living standards, increasing companies' future profits and asset prices, and lifting interest rates. Nobel Laureate Paul Krugman (1997) summed up that "productivity isn't everything, but in the long run it is almost everything."

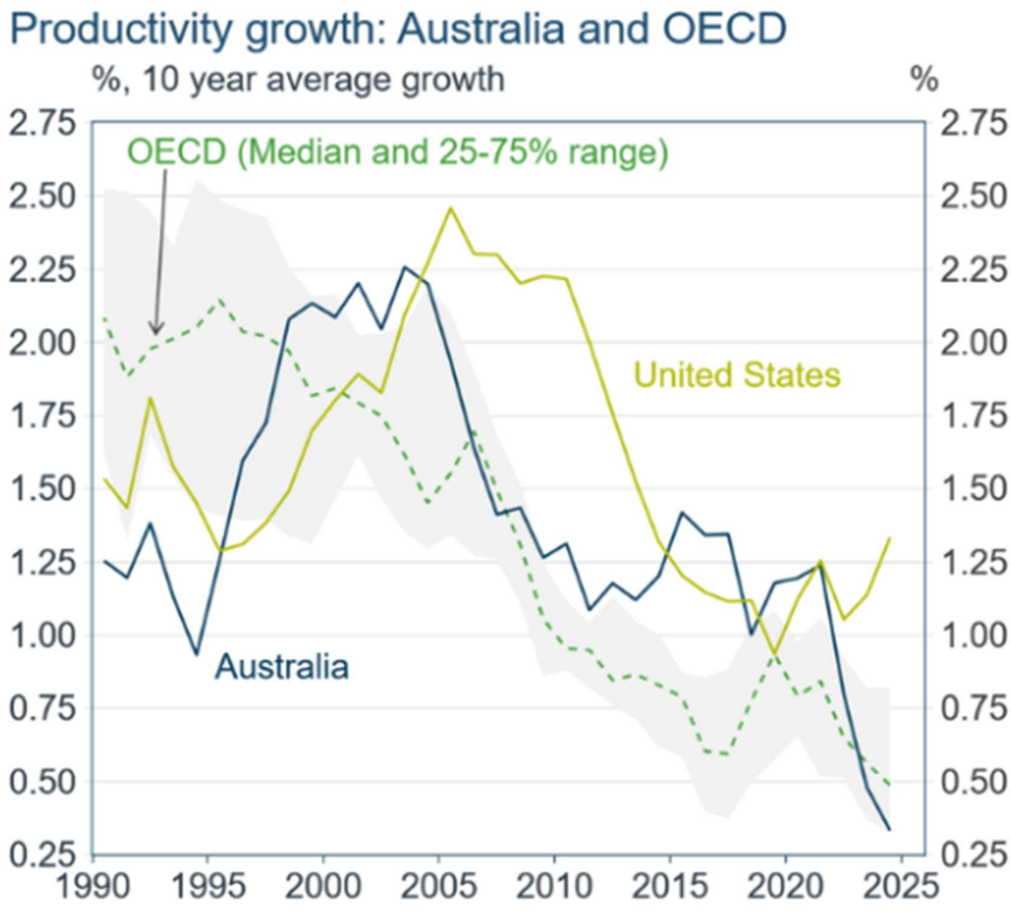


Across wealthy economies, productivity growth has been declining for decades (Figure 2). Several factors have driven this long-run structural trend.

- **Deregulation and micro-economic reform boosted productivity growth in the 1970s through to the 1990s by removing impediments to business efficiency and so increasing the level, and so for a period of time the growth, of productivity. Reform, and so its productivity benefits, came later in Australia than in other parts of the Organisation for Economic Co-operation and Development (OECD).**
- **Changing economic structure has reduced employment in manufacturing, which shifted to cheaper countries and tends to have higher productivity growth. Employment in service sectors, where (measured) productivity growth is lower, has also increased given the growth of incomes and aging in wealthy countries (e.g., health and social assistance services).**

Note: exponential trends calculated 2015-2019; GDP per hour worked
Sources: Challenger, Macrobond, ABS

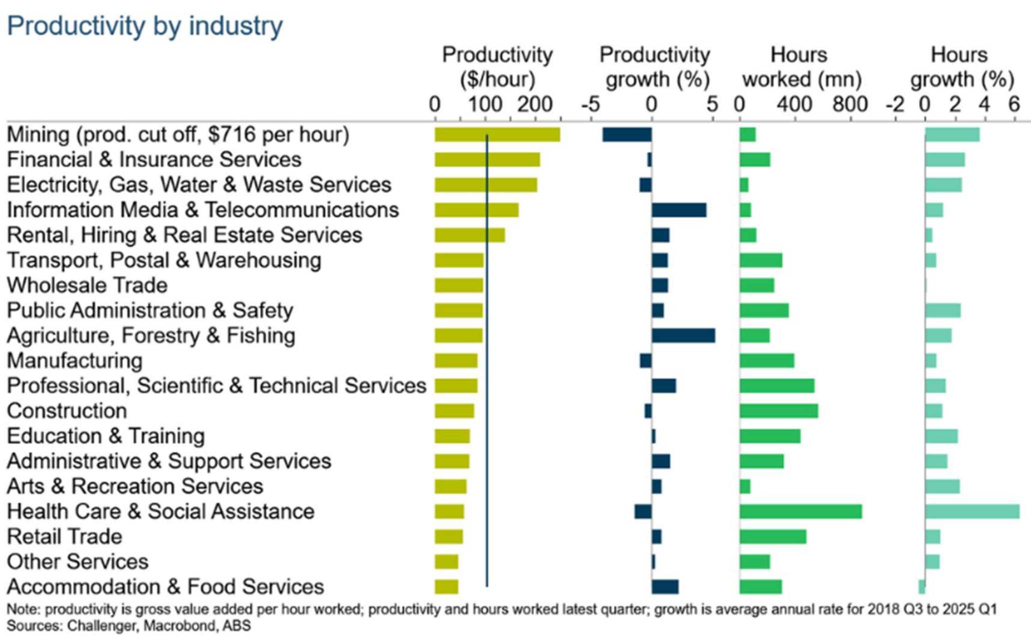
There is a long list of explanations for the slowdown in productivity. In Australia and internationally these include low research and development investment, declining business and market dynamism, slower uptake of new technology, slower growth of workers' skills, and increased regulation and barriers to competition.



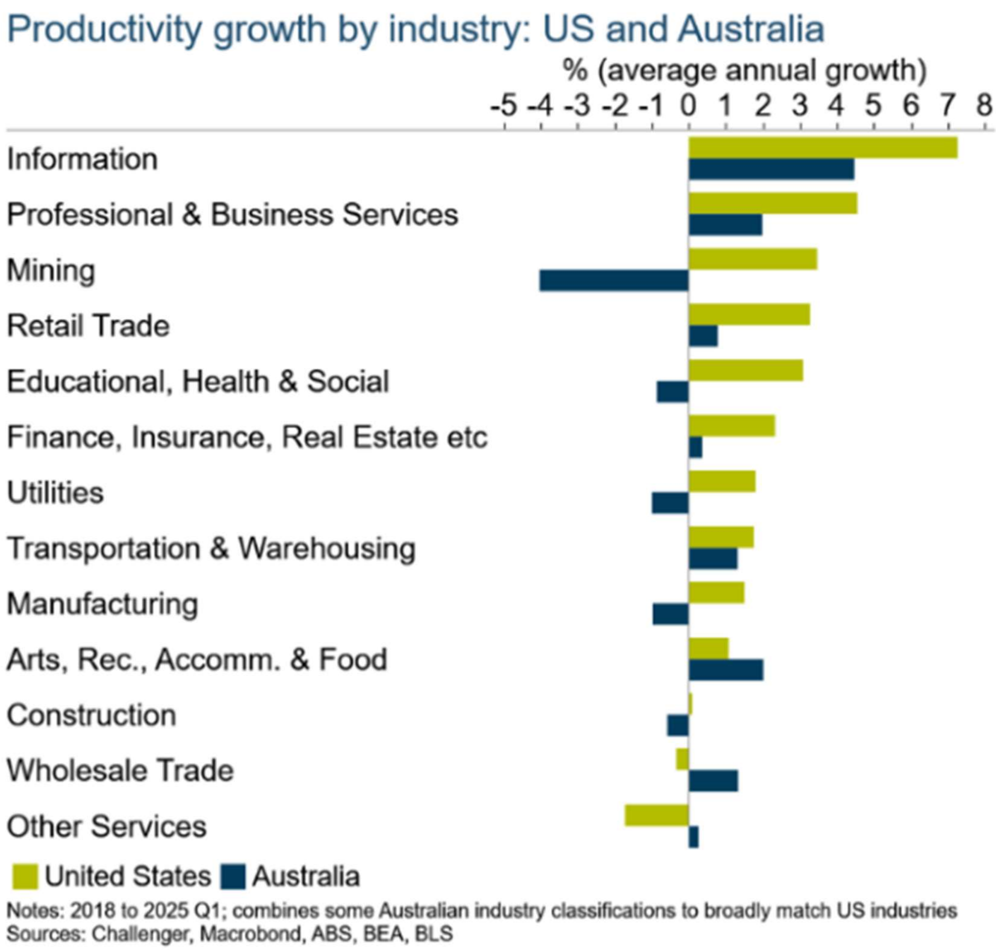
Notes: 10-year rolling geometric mean growth of GDP per hour; sample is 15 advanced OECD economies (BE, CA, DK, FR, DE, IT, JP, NL, NZ, NO, ES, SE, CH, UK and US)
Sources: Challenger, Macrobond, OECD

Productivity varies significantly across industries and jobs. It's highest in sectors that use more capital, particularly Mining which is very intensive in machinery and in Australia has productivity of over $700 per hour, seven times the economy-wide average. The lowest measured productivity is in a range of service industries: Accommodation and Food, Retail Trade, Health and Social Assistance, and Arts and Recreation. Over the past seven years, productivity growth has been weak across most industries.

Strong employment growth in the low-productivity Health Care and Social Assistance industry has led to suggestions this is driving Australia's weak productivity.

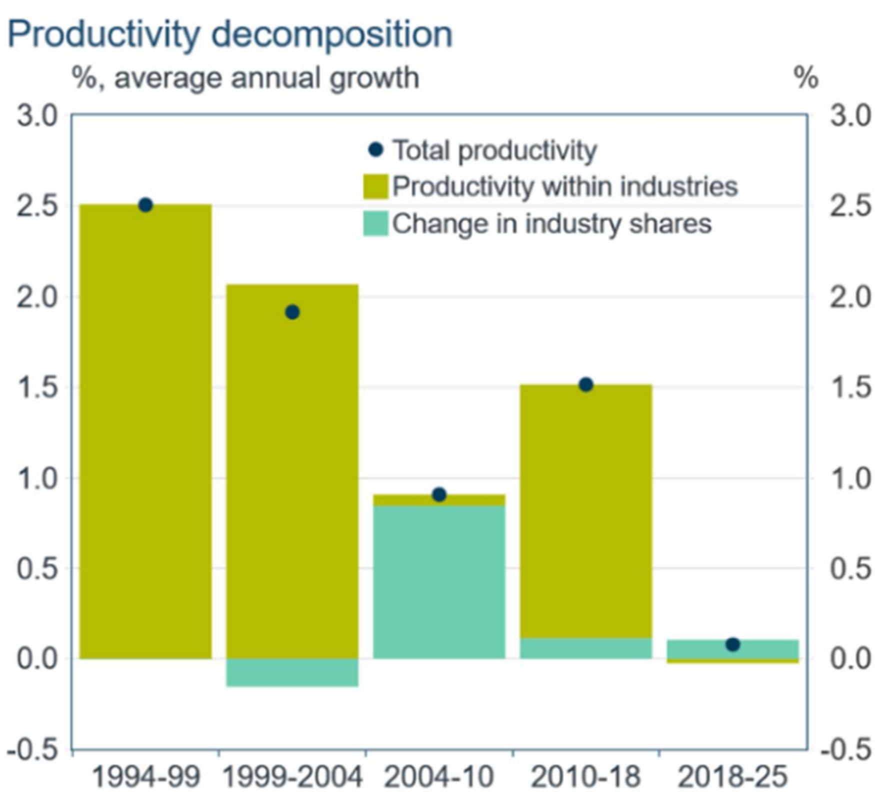


Note that in 2004 to 2010 the mining boom saw the share of Mining employment increase from 1% to 1.6%. Because the level of productivity in Mining at the time was over ten times the level in the rest of the economy the increase in mining employment significantly contributed to higher economy-wide productivity.

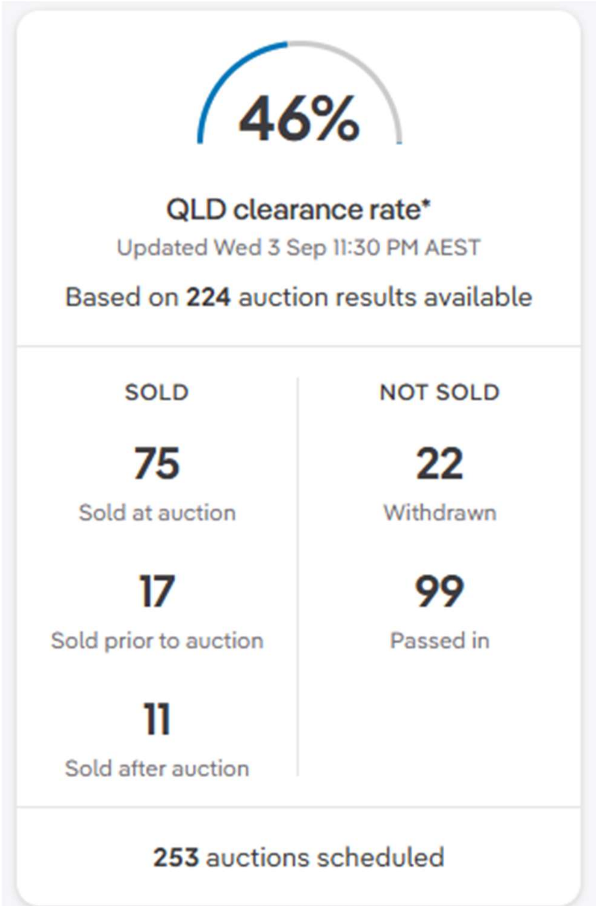


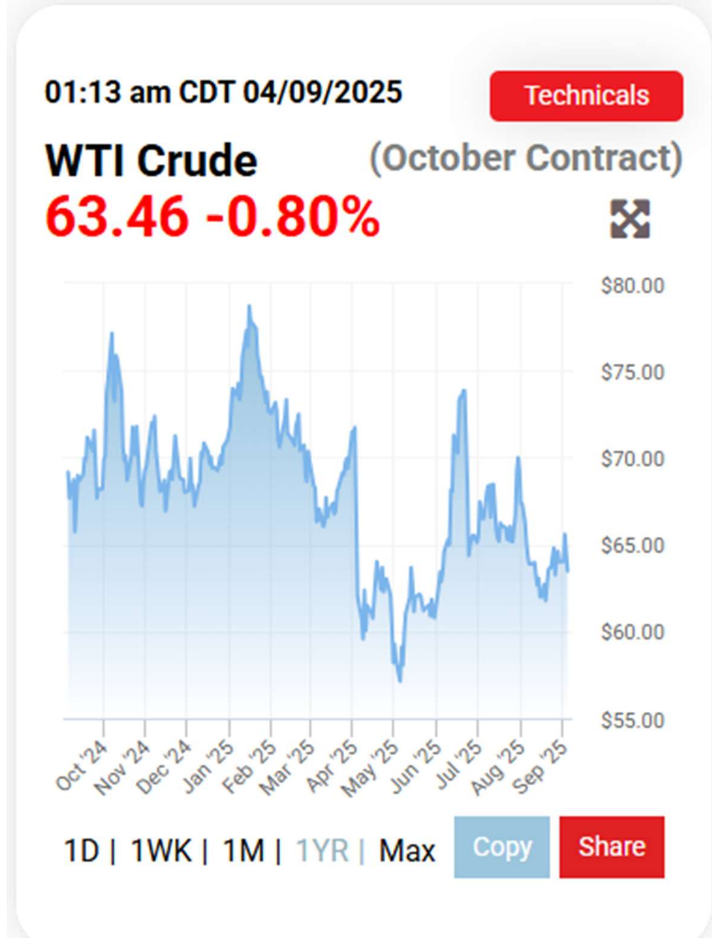
Productivity growth is always seen as a good thing. However, if it was easy to identify ways to increase productivity we would have already done so. Most productivity growth comes from the private sector which employs 80% of people. But government regulations set the environment in which private companies operate and so influence productivity growth.

Looking for economy-wide constraints to productivity, one contender is regulation. It is hard to point to specific regulation that might be hampering productivity, the cumulative impact and interaction of individual seemingly innocuous regulations may be significant. Regulations that have benefits for the environment, the structure of our cities or workers' conditions can be positive but we should also be realistic if they constrain productivity and consider that trade-off. However, stronger productivity growth may not be worth it if the social costs are too great. No doubt there were many perspectives at the Government's Economic Reform Roundtable.



Note: decomposition of total productivity growth to contributions from productivity within industries and movement in labour between 19 industries
Sources: Challenger, Macrobond, ABS

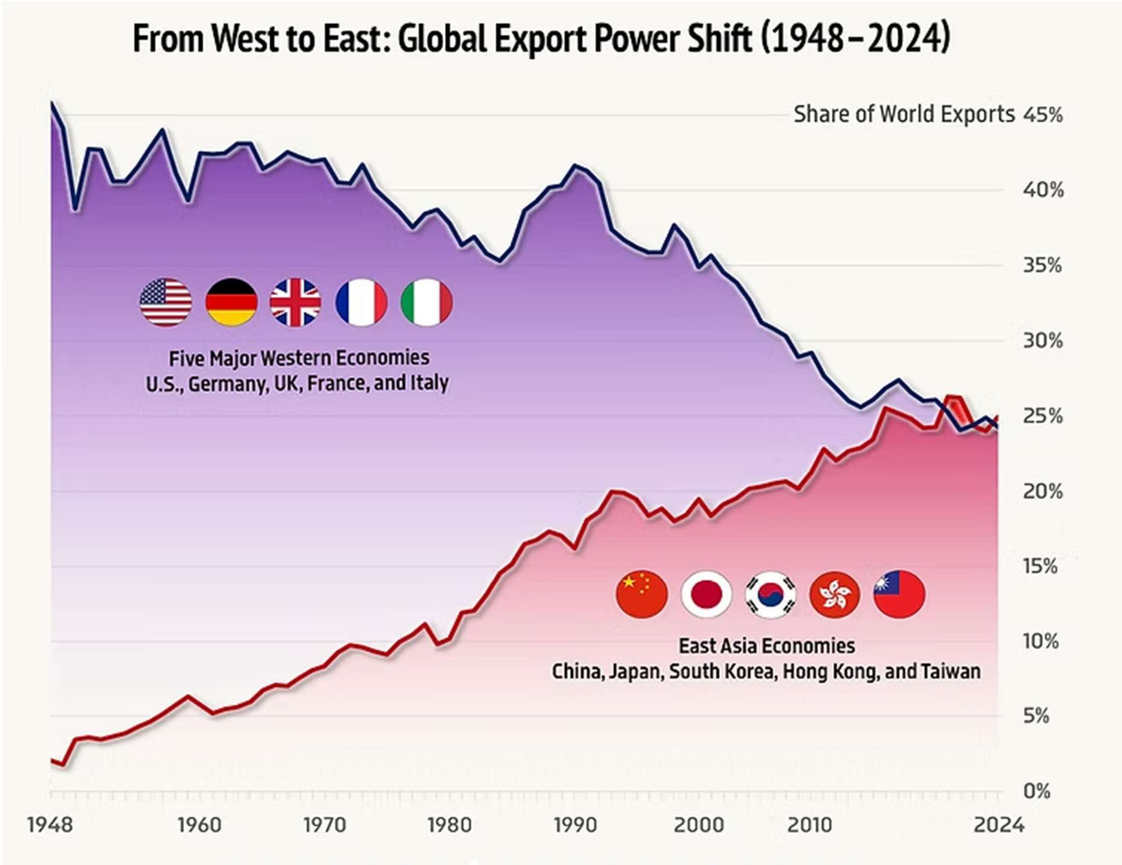

46%
QLD clearance rate*
Updated Wed 3 Sep 11:30 PM AEST
Based on 224 auction results available
SOLD
75
Sold at auction
17
Sold prior to auction
11
Sold after auction
NOT SOLD
22
Withdrawn
99
Passed in
253 auctions scheduled

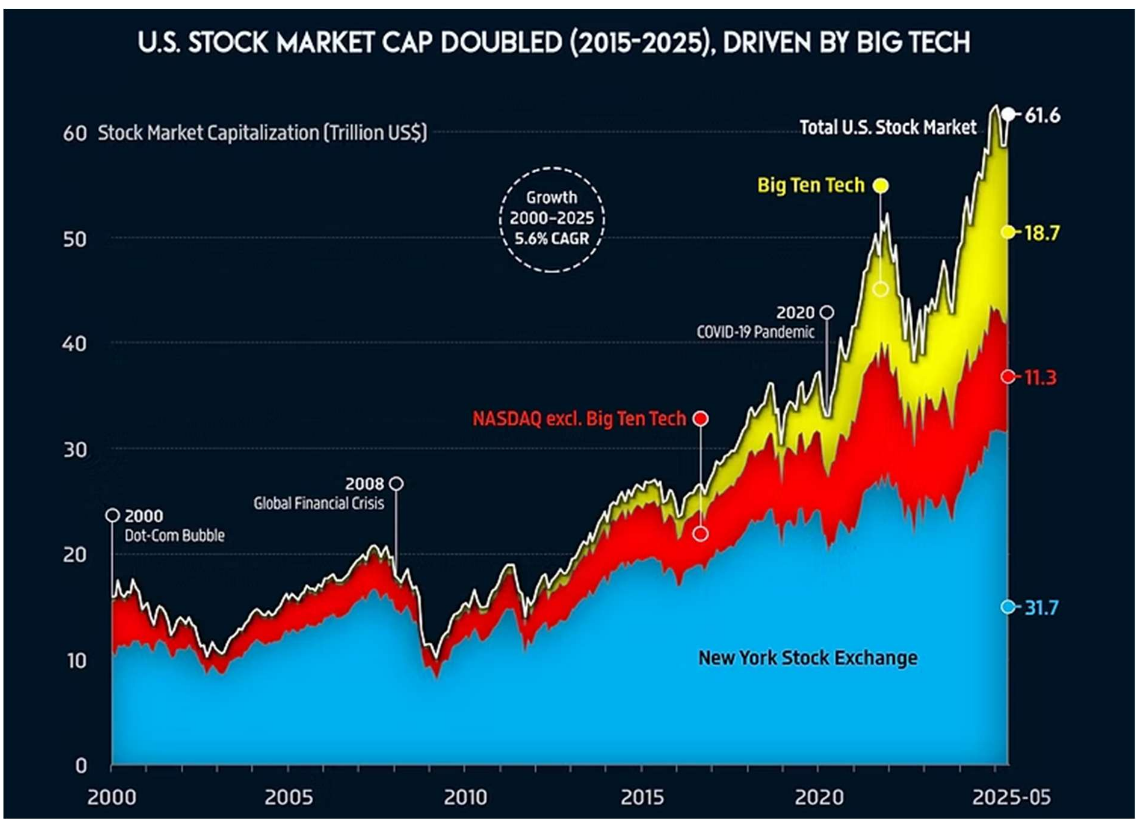

01:13 am CDT 04/09/2025
Technicals
WTI Crude
(October Contract)
63.46 -0.80%
$80.00
$75.00
$70.00
$65.00
$60.00
$55.00
Oct '24
Nov '24
Dec '24
Jan '25
Feb '25
Mar '25
Apr '25
May '25
Jun '25
Jul '25
Aug '25
Sep '25
1D | 1WK | 1M | 1YR | Max
Copy
Share


Australian Dollar to United States Dollar
0.6524
↑5.33%
+0.0330 YTD
Sep 4, 6:12:18 AM UTC · Disclaimer
1D
5D
1M
6M
YTD
1Y
5Y
MAX
0.66
0.65
0.64
0.63
0.62
0.61
0.60
0.59
Mar 2025
May 2025
Jul 2025
Sep 2025

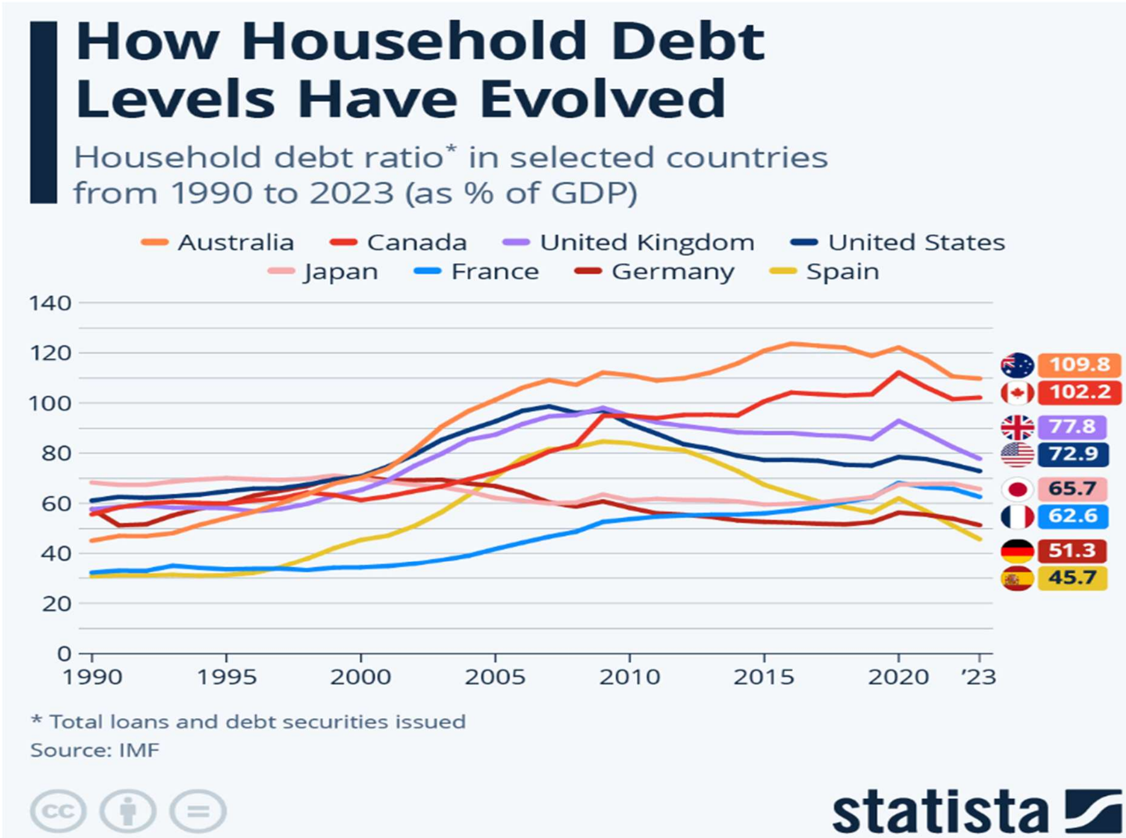
Search...
1D
Export
API
Containerized Freight Index (Points) 1445.1
3000
2750
2500
2250
2000
1750
1500
1445.1
1250
Nov
2025
Mar
May
Jul
Sep
1Y
5Y
10Y
All

Global Trade Dominance
U.S., EU, or China
U.S. as the Largest Trading Partner
EU as the Largest Trading Partner
China as the Largest Trading Partner
Trade: $5,428B
Exports: $2,795B
Imports: $2,633B
Trade: $5,379B
Exports: $2,084B
Imports: $3,296B
Trade: $6,163B
Exports: $3,575B
Imports: $2,587B


From West to East: Global Export Power Shift (1948–2024)
Share of World Exports
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
Five Major Western Economies
U.S., Germany, UK, France, and Italy
East Asia Economies
China, Japan, South Korea, Hong Kong, and Taiwan
1948
1960
1970
1980
1990
2000
2010
2024


U.S. STOCK MARKET CAP DOUBLED (2015-2025), DRIVEN BY BIG TECH
Stock Market Capitalization (Trillion US$)
60
50
40
30
20
10
0
Growth
2000–2025
5.6% CAGR
Total U.S. Stock Market
61.6
Big Ten Tech
18.7
2020
COVID-19 Pandemic
NASDAQ excl. Big Ten Tech
11.3
2008
Global Financial Crisis
2000
Dot-Com Bubble
31.7
New York Stock Exchange
2000
2005
2010
2015
2020
2025-05

RFS ADVICE



The Spectator Index · 19h

World's most unaffordable housing markets

1. 🇭🇰 Hong Kong
2. 🇦🇺 Sydney
3. 🇺🇸 San Jose
4. 🇨🇦 Vancouver
5. 🇺🇸 Los Angeles
6. 🇦🇺 Adelaide
7. 🇺🇸 Honolulu
8. 🇺🇸 San Francisco
9. 🇦🇺 Melbourne
10. 🇺🇸 San Diego
11. 🇦🇺 Brisbane
12. 🇬🇧 London
13. 🇨🇦 Toronto
14. 🇦🇺 Perth
15. 🇺🇸 Miami Show more

RFS ADVICE