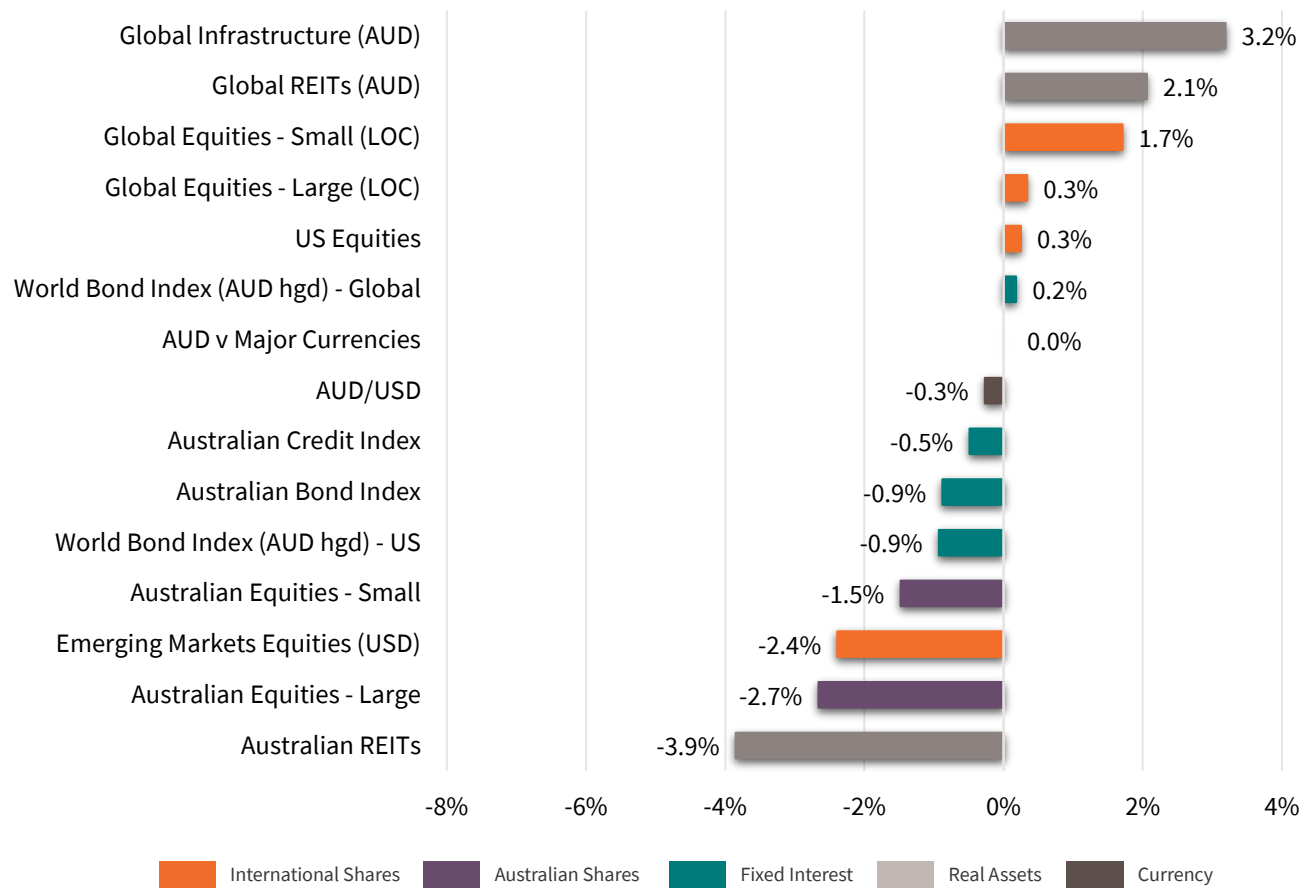


FMD Financial – Economic Snapshot – November 2025

SUMMARY – MARKETS PAUSE AS EARNINGS HOLD AND RATE CUTS COME INTO FOCUS.

Markets in November reflected a shift toward caution after a strong run, particularly in AI-related stocks, as investors reassessed valuations despite broadly resilient earnings. Global equities paused, while Australian shares underperformed as persistent inflation pushed bond yields higher and weighed on valuations, even as economic growth improved. Emerging markets softened after recent strength but remain supported by AI demand, firmer commodity prices and a weaker US dollar. Bond markets increasingly priced in US rate cuts as labour conditions eased, while Australian rates moved higher on inflation concerns. Defensive assets, including global REITs, infrastructure and gold, attracted renewed interest amid higher volatility. Overall, the outlook remains constructive but more balanced, reinforcing the importance of diversification as markets adjust to shifting interest rate expectations and late-cycle dynamics.

Chart 1: Asset Class Returns – November 2025



Source: Zenith Investment Partners Pty Ltd, Monthly Market Report, Issue 141, November 2025

GLOBAL MARKETS

After six strong months, global share markets paused in November as investors reassessed the lofty expectations built into many AI-related stocks. Heavy investment across the AI ecosystem raised questions about whether earnings can keep pace with valuations, leading to sharp pullbacks in some of the sector's biggest names. Even with strong reported profits, companies like Nvidia and Microsoft fell during the month, and more speculative AI exposures retreated further. This cooling also flowed into other risk assets, including bitcoin.

Yet beneath the AI-driven volatility, corporate earnings remained robust. Excluding one-off effects at Meta, the other major US tech leaders delivered earnings growth above 30%, while the broader group of S&P 500 companies posted nearly 12% growth — roughly double what analysts expected only months ago.

Markets found support late in the month as several Federal Reserve officials hinted that a December rate cut was back on the table, helping the S&P 500 recover earlier losses. Global developed markets finished slightly higher overall, with Europe and the UK outperforming thanks to stronger currencies and resilient earnings. Defensive sectors such as healthcare and utilities attracted buyers, while IT was the weakest performer.

As 2026 approaches, markets remain sensitive to questions around AI-related earnings, capital spending, and valuation levels. A softer US labour market and easing inflation suggest that interest rate cuts are likely, which should help underpin earnings and support valuations if economic conditions remain steady.

AUSTRALIAN EQUITIES

Australian shares underperformed global markets in November as investors continued to adjust to the reality of more persistent inflation and the likelihood that interest rates may stay higher for longer. The ASX 200 fell just over 3% for the month, trimming year-to-date gains to 8.9%. Large companies bore the brunt of the weakness, with the ASX 50 slipping more than 3%, while mid-caps held steady and remain well ahead for the year. A key drag was the banking sector, which declined sharply, while resources and healthcare offered some support.

Despite the market weakness, Australia's economic backdrop has been gradually improving. Business surveys have shown steady gains in forward orders and conditions, and recent GDP data confirmed annual growth of just over 2% — the strongest since 2023. Household spending appears to be lifting as well.

However, this improving growth outlook has come with a valuation cost. Rising bond yields — with the 10-year reaching 4.7% — have pressured equity valuations, especially for rate-sensitive sectors. Markets now expect earnings to

grow by more than 8% over the coming year, but the belief that Australia's long-term growth potential is only around 2% has raised concerns that stronger activity could prove inflationary. As a result, investors have started to price in the possibility of a rate hike by 2026.

EMERGING MARKETS

Emerging markets eased in November after a strong run, as investors took profits in markets that had benefited most from the AI-driven rally. South Korea and Taiwan led the pullback following earlier outsized gains, with offshore investors trimming exposure as valuations became more stretched. China also softened modestly, reflecting ongoing caution around domestic growth.

Brazil was a clear standout, rising strongly as improving diplomatic relations with the US and targeted tariff relief supported investor confidence. The market is now up more than 50% for the year, underpinned by political stability and improving economic conditions.

Despite the monthly setback, the broader outlook for emerging markets remains constructive. A weaker US dollar, firmer commodity prices and expectations of further US rate cuts continue to support capital flows. The global AI boom remains a powerful tailwind, particularly for semiconductor exporters, with earnings growth across emerging markets forecast to remain strong. While short-term volatility is likely, structural and cyclical forces remain supportive heading into 2026.

PROPERTY AND INFRASTRUCTURE

Property and infrastructure assets delivered mixed results in November as interest rate expectations diverged across regions. Globally, REITs and listed infrastructure benefited from easing US bond yields and a shift toward more defensive assets. Global REITs rose modestly for the month, while infrastructure performed slightly better as investors sought stable cashflows amid equity market volatility.

Australian listed property told a different story. Rising domestic bond yields, driven by persistent inflation and changing expectations around monetary policy, weighed heavily on returns. The AREITs index declined, led by weakness in Goodman Group and other large names, highlighting the sector's sensitivity to interest rates and earnings expectations linked to the industrial and logistics property cycle.

Despite short-term volatility, global REITs and infrastructure remain supported by their defensive characteristics, income appeal and long-term demand for essential assets. Australian property, while more exposed to local rate movements, may benefit over time if inflation pressures ease and interest rate expectations stabilise.

FIXED INTEREST – GLOBAL

Global bond markets were volatile in November as investors weighed shifting signals from the US Federal Reserve. Early comments suggesting a December rate cut was uncertain pushed yields higher, but sentiment improved later in the month as weaker labour market data and more dovish Fed commentary emerged. By month-end, US 10-year yields had eased back toward 4%, reflecting growing confidence that rate cuts are approaching.

With limited official data during the US government shutdown, markets focused on alternative indicators, including layoffs and employment surveys, which pointed to slowing momentum and easing inflation pressures. Markets now expect a December cut, with further easing likely through 2026.

Elsewhere, bond markets diverged. European yields were stable as growth improved, UK yields remained elevated due to fiscal concerns, and Japanese yields surged to multi-year highs on expectations of a rate hike — a development that could place upward pressure on global yields over time.

FIXED INTEREST – AUSTRALIA

Australian bond yields continued to rise in November as inflation surprised on the upside and economic activity strengthened. The 10-year yield moved higher, with markets now fully pricing in the possibility of a rate hike by late 2026. This reflects growing confidence in domestic growth but also concern that stronger activity could sustain inflation.

Business surveys and GDP data point to improving momentum, supported by household spending and private investment. At the same time, core inflation remains above the RBA's target range, removing any prospect of near-term rate cuts.

While some market participants argue Australia's long-term growth potential is limited, we believe expectations for rate hikes may be premature. Nevertheless, higher yields weighed on bond returns in November, leaving fixed interest delivering only modest gains for the year to date as markets adjust to a more resilient economic backdrop.

COMMODITIES & CURRENCIES

Commodities delivered mixed results in November. Gold was a standout, rebounding strongly as equity market volatility and lower long-term yields boosted demand for defensive assets. Industrial metals also held firm: copper continued to benefit from improving global momentum and long-term electrification themes, while iron ore remained above US\$100 a tonne despite ongoing concerns about China's property

sector. In contrast, oil prices weakened further on oversupply and softer demand.

Currency markets reflected shifting expectations for US interest rates. The US dollar continued its decline as softer labour market signals and the likelihood of rate cuts in 2026 gained traction. This supported major currencies, with the euro, pound and Australian dollar all strengthening. The AUD edged towards 66 cents, helped by firmer commodity prices and a widening interest rate spread relative to the US. The yen, meanwhile, stayed weak despite the prospect of a Japanese rate hike, influenced by ongoing supportive fiscal and monetary policy settings.

KEY TAKEAWAYS FOR INVESTORS

- **Global equities paused but earnings remained resilient**, supporting markets despite a pullback in AI-related stocks.
- **Australian shares lagged as higher inflation pushed bond yields up**, weighing on valuations even as economic growth improved.
- **Emerging markets softened after strong gains**, but remain supported by AI demand, firmer commodities and a weaker US dollar.
- **Global REITs and infrastructure benefited from defensive positioning**, while Australian property lagged due to rising domestic rates.
- **Bond markets increasingly price US rate cuts**, while Australian yields rose as inflation stayed elevated.
- **Gold and industrial metals remained firm**, while oil prices stayed under pressure from excess supply.
- **The US dollar weakened**, supporting the AUD and other major currencies as rate cut expectations grew.

BOTTOM LINE FOR INVESTORS

Markets are entering 2026 with a blend of opportunity and uncertainty. Earnings remain solid, inflation pressures are easing globally, and interest rate cuts are moving closer — all of which support a constructive outlook. At the same time, persistent inflation in Australia, questions around AI-driven valuations, and shifting central bank leadership introduce potential volatility. In this environment, staying diversified across regions, sectors and asset classes remains the most effective way to balance growth opportunities with resilience.

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