



INVESTMENT INSIGHTS

OCTOBER 2025

Mackay Private Wealth

OVERVIEW

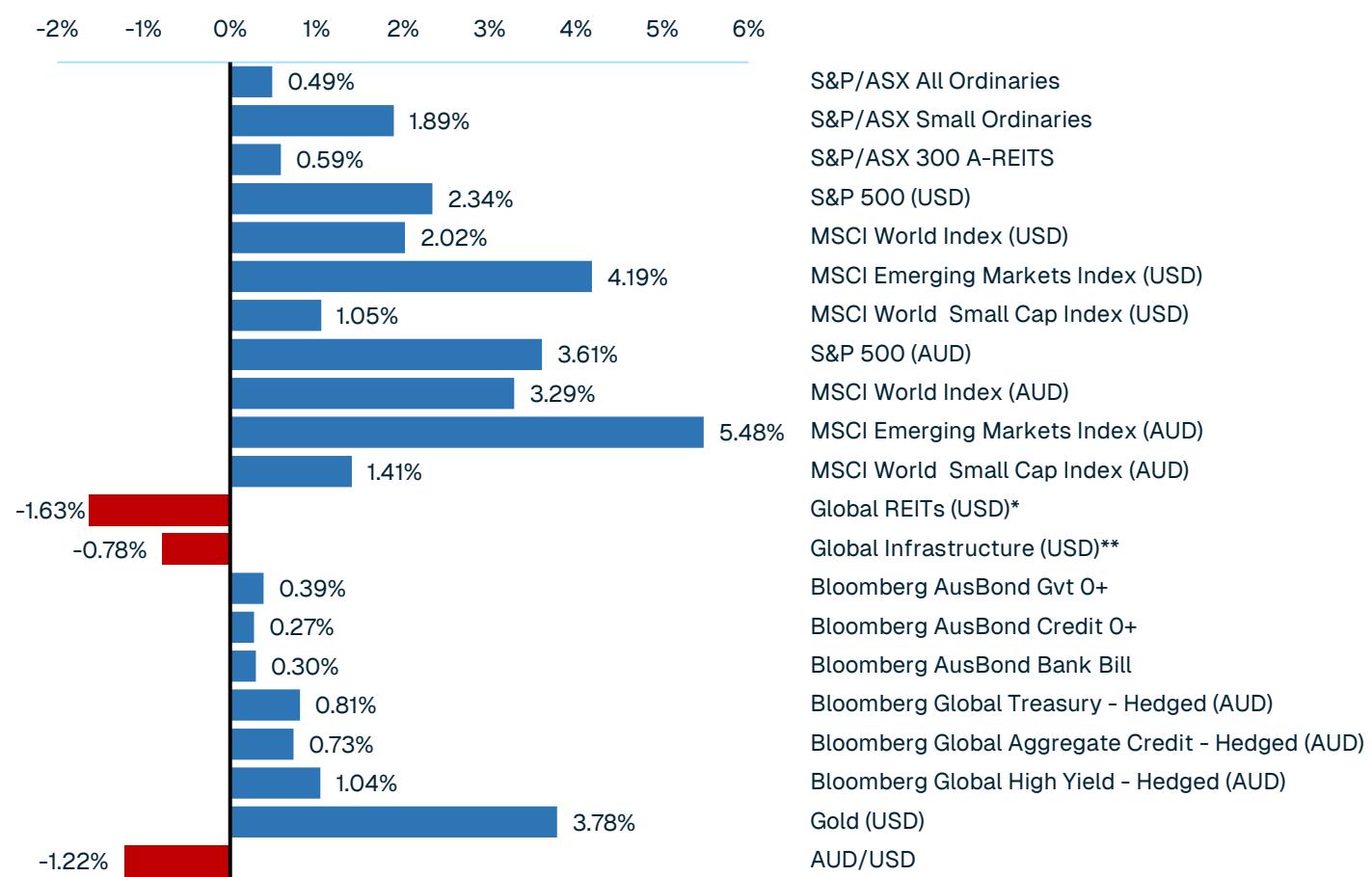
EMERGING MARKETS RALLY ON POSITIVE TRADE DEVELOPMENTS.

Emerging markets delivered strong results in October, led by Asia as trade negotiations progressed. Gold rallied above US\$4,300 per ounce before easing, while oil prices softened amid geopolitical uncertainty.

Bond markets were steady, with the US Federal Reserve cutting rates by 25 basis points as expected. In Australia, a higher-than-expected CPI reading reduced the likelihood of an RBA rate cut in November. Global growth is expected to slow moderately, but fiscal and monetary support should help maintain resilience. Equity markets are entering their historically strongest period. This will likely be supported by solid earnings and corporate balance sheets and further increases in corporate spending on AI initiatives.

Volatility will likely remain a characteristic as markets react to several key factors, including inflation and labour market data in both the US and Australia, that will provide further guidance as to the trajectory of interest rates.

Market Returns (%), October 2025



KEY MARKET DEVELOPMENTS

Global Equities

Global equities rallied on solid earnings and easing US–China trade tensions. The MSCI World (USD) was up 2%, with emerging markets leading the way. Equity markets in South Korea +20% and Taiwan +10% surged on trade and AI developments.

Australian Equities

The ASX 200 was relatively unchanged over the month. Materials and energy gained, driven by geopolitical tensions and rare earth discussions, offsetting weakness in healthcare, consumer discretionary, and tech.

Bond Markets

Bond yields eased early but ended higher; US 10-year closed at 4.1%, Australia at 4.3%, as inflation and trade optimism tempered rate-cut expectations.

Commodities

Gold hit record highs +3.7%, WTI crude fell -2.2%, and rare earths spiked amid China's export restrictions. A US–Australia \$4.6B partnership aims to boost critical minerals.

Monetary Policy

Australian inflation rose to 3.2%, above the RBA's target, while unemployment climbed to 4.5%, signalling no further rate cuts in 2025.

The Fed cut rates by 0.25% to 3.75%–4.00%, citing employment risks despite high inflation.



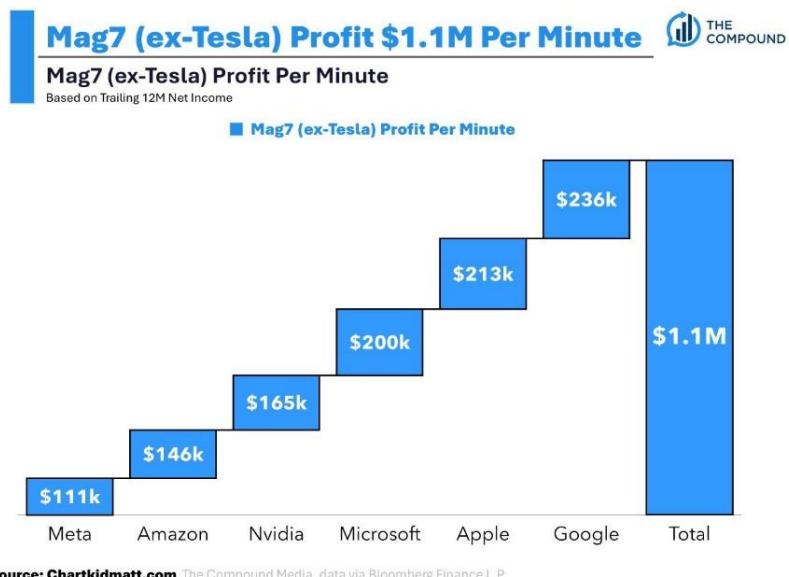
WHAT'S CAUGHT OUR EYE

Real Profits, Elevated Valuations: What's Next?

The Magnificent 7 (excluding Tesla), which account for over 30% of the US stock market, are delivering substantial profits, generating about US\$1 million every minute. This is a clear contrast to the dot-com era.

Broader equity market strength continues, with 84% of US companies beating earnings estimates last quarter compared to a 10-year average of 75%.

Valuations for the S&P 500 remain high at 22.6 times forward earnings, but history suggests a major macro shift may be needed to change sentiment.



Disruption Is the Norm

Headlines about AI-related job losses can feel alarming, but history shows this is nothing new.

The labour market has always reinvented itself as technology advanced.

Around 60 per cent of today's jobs did not exist in 1940. Economies adapt, roles evolve or fade, and new opportunities emerge.

The real skill is learning, not fearing, the next wave of change.





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