



MONTHLY SUMMARY

MARKET SUMMARY

Equities rallied

- ASX 200 rose 1.3% in December, taking the total return for 2025 to +10.3%.
- Australian equities outperformed Global Equities (MSCI World ex Australia) which fell 0.9% (in \$A terms).
- The US S&P500 finished slightly down (-0.05%) snapping a seven-month winning streak.
- Europe (ex UK) +2.7%, UK +2.3% and Emerging Markets +2.6% performed well in December.

Sector performance – Materials (Mining) performed strongly

- Within the ASX200 the best performers were Materials +6.6%, Financials ex-Property +3.4% and Property +2.0%; while the worst performers were IT -8.7%, Health Care -7.1% and Communication Services -3.1%.
- The US market saw a continuation of the cyclical rotation supported by expectations for a 2026 fiscal impulse via OBBA taxes and accelerated depreciation, resilient consumer spending, and less onerous tariff pressures.
- In the US Big Tech was mostly lower though Nvidia +5.4% (signed a \$20B licensing deal with Groq) and Tesla +4.5% outperformed. Netflix fell 13% after bidding for Warner-Bros Discovery.

Bonds sold off

- Australian bonds fell 0.6% (AusBond Composite index). Australian 10-year bond yields rose 23bps to 4.74% as strong domestic data, higher inflation and a hawkish RBA continued to see bond investors reappraise their outlook for rates. US 10-year Bond yields rose 15bps to 4.17%.
- Across Australian fixed income, Credit outperformed Duration (Credit -0.2% vs Treasuries -0.8%), as spreads tightened slightly.

Global economy focused on US Federal Reserve

- The US Federal Reserve cut rates 25bps to 3.50-3.75% and launched a surprise \$40bn treasury bill purchase program which adds liquidity and supports risk assets. While the US cut rates, there were hawkish signals from global central banks. The Bank of Japan increased rates to 0.75%.
- US employment data remains mixed. November nonfarm payrolls rose modestly (+64K), but the unemployment rate increased to 4.6%. US November CPI was below consensus at 2.7% year-on-year partly driven by housing. Retail sales exceeded expectations, supporting the narrative of consumer resilience. Housing indicators remain soft. The US Dollar fell 1.2%.
- Chinese hard data moderated slightly. Property remains soft, consumer confidence is low and Fixed Asset Investment has contracted. Exports remain strong. China pledged to strengthen domestic demand in 2026.
- Geopolitically, US-China trade tensions eased with Nvidia chip approval news; however, tensions rose with US strikes and blockades on Venezuela. Otherwise, little-progress was made on the Ukraine peace deal.

Australian economy faced an increasingly hawkish RBA

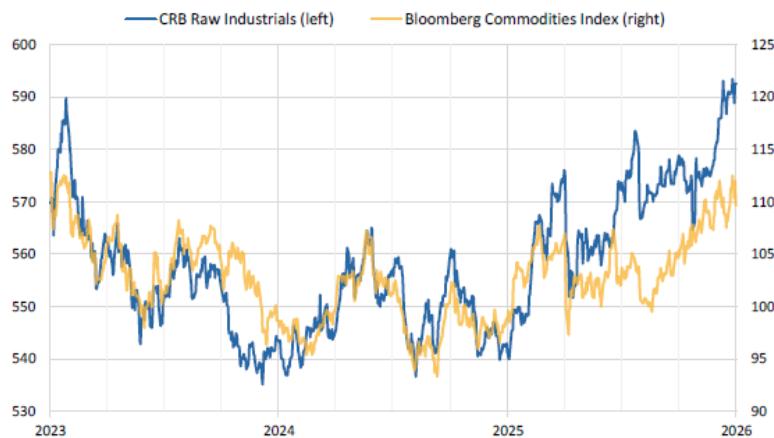
- The RBA held rates steady at 3.6% but turned more hawkish: Governor Bullock flagged rate cuts "off the table" and set conditions for potential hikes; some economists put ~40% probability of a February hike.
- Data skewed hawkishly with unit labour costs +4.9% year-on-year, stronger household spending, housing prices rising 0.9% month-on-month and unemployment printing at 4.3% (Nov). The change in RBA rhetoric is likely to mute momentum in the Australian economy from here.
- The Australian dollar rose 1.9% vs US Dollar to 66.73c on improved risk appetite, commodity support and interest rate differentials.



Commodities supported by US rate cuts, investor demand and better supply / demand fundamentals.

- Precious metals rose 7.8% with gold +2% and silver +23.5%.
- Base Metals jumped 8.2% driven by Nickel +14% (talk of Indonesian supply curbs) and copper +13.7%.
- Iron ore also rose 1.6%, while oil fell ~2%

Commodity Price Indices – Commodities have rallied this year helping the Australian equity market

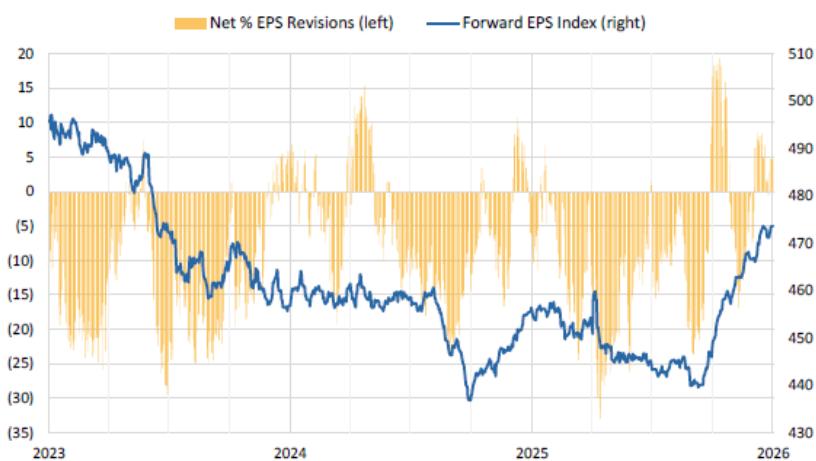


Source: FactSet, Macquarie Research, January 2026.

ASX200 earnings revisions mildly positive while valuations still modestly expensive

- ASX200 earnings revisions remained positive but slowed (+0.5% to 12-month forward Earnings per share).
- Materials (+1.9%) and Health Care (+1.2%) saw the most positive revisions; Consumer Staples (-4.5%) and Information Technology (-4.4%) the most negative.
- ASX200 FY26F earnings-per-share is forecast to grow ~8%. ASX200 re-rated 0.5 PE points to 18.4x modestly above long-run average (~16.4x).

ASX300 Earnings Trend – shows revisions have turned more positive in recent months



Source: FactSet. Macquarie Research. January 2026.

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