Milliman Market Monitor - April 2025

Market Commentaries

Equities

● April was an extremely volatile month for global equities as the market reacted sourly to the ramifications of the Trump administration's range of reciprocal tariffs and subsequent measures imposed by other nations, such as China. The S&P 500 TR index returned -0.7%

● European equities also declined, with the EuroStoxx 50 TR index returning -1.2%. UK equities were similarly weaker, as the FTSE 100 TR index returned -0.7%.

● Japanese equities performed better, with the Nikkei TR index returning 1.2%, while the Topix TR index gained 0.3%.

● Aussie equities experienced a volatile month but ultimately outperformed other developed markets, partly due to lower tariffs on their goods. The ASX200 TR index gained 3.6%, with most sectors posting healthy gains. Notably, Communications, IT, Consumer Discretionary, and Financials were all up over 5%. The only sector to post a loss was Energy, which fell 7.7% due to a sharp decline in oil prices.

Fixed Income

● US yields were volatile this month, with significant movements, particularly at the long end of the curve. The 10-year yield dropped below 4% before surging to 4.5%, as investors expressed concerns over the 'safe haven' status of the US. Markets are pricing in between three to four rate cuts in the US this year.

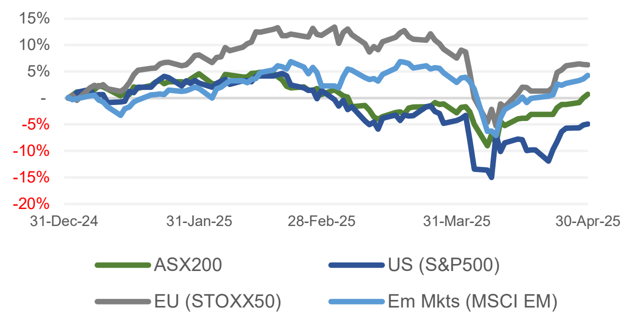
● Australian government bond yields decreased this month, with the 10-year yield dropping 21 basis points to 4.1648%. Overall, Australian bonds returned 1.8%, while global bonds returned 0.9%, as measured by their Bloomberg Aggregate Indices.

Currencies

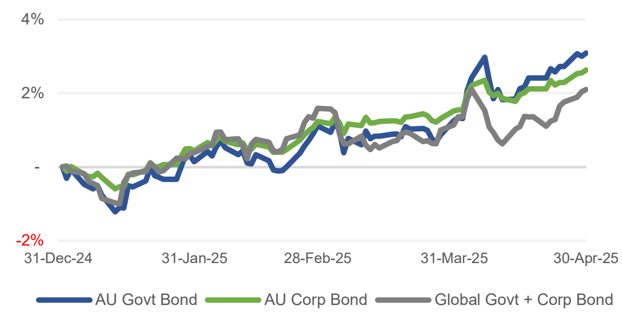
● The Aussie dollar strengthened against the USD this month following the tariff news, closing at 64.02 US cents, marking a 2.4% gain.

● The Aussie dollar declined against the Euro (-2.2%), the British Pound (-0.7%), and the Yen (-2.3%).

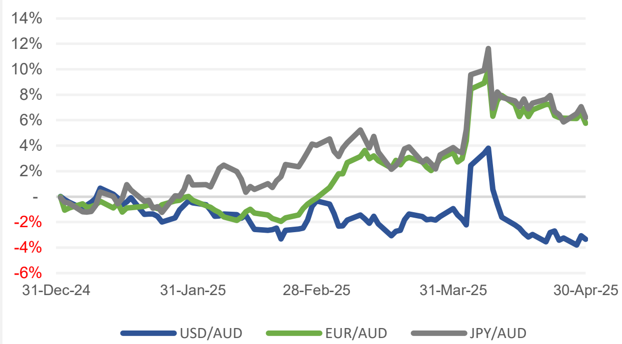
Equities: YTD Total Return[1] %



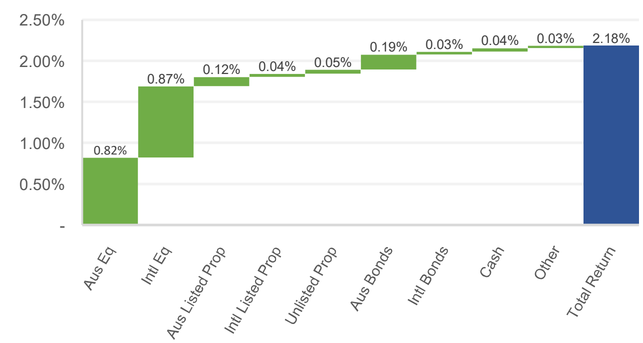
Fixed Income: YTD Return[2] %



Foreign Currencies: YTD Return %



Monthly Return Contribution by Asset Class: Morningstar Aus Multi-Sector Balanced Index



Returns ending 30 April 2025

	ASX200	US (S&P500)	EU (STOXX)	EM Mkts (MSCI)	AU Govt Bond	AU Corp Bond	Global Bond	USD/AUD	EUR/AUD	JPY/AUD
1 Month	3.6%	-0.7%	-1.2%	1.3%	1.8%	1.1%	0.9%	-2.4%	2.2%	2.3%
3 Month	-3.7%	-7.5%	-1.7%	2.4%	3.0%	2.2%	1.7%	-2.9%	6.1%	5.2%
1 Year	9.8%	12.1%	7.2%	9.0%	7.0%	7.7%	6.5%	1.1%	7.4%	11.5%
CYTD	0.7%	-4.9%	6.3%	4.3%	3.1%	2.6%	2.1%	-3.3%	5.8%	6.2%

[1]Equities returns captures both the capital gains as well as any cash distributions, such as company dividends.
[2]AU Govt Bond uses the Bloomberg AusBond Govt 0+ Yr Index, which measures the return of Australian Treasury and Semi-government bonds maturing in 0+ years. AU Corp Bond uses the Bloomberg AusBond Credit 0+ Yr Index, which measures the return of Australian corporate/credit securities maturing in 0+ years. Global Govt + Corp Bond uses the Bloomberg Barclays Global Aggregate Index, which measures global investment grade debt from 24 countries, both developed and emerging markets issuers.

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Upcoming Key Economic Events & Risk Commentaries

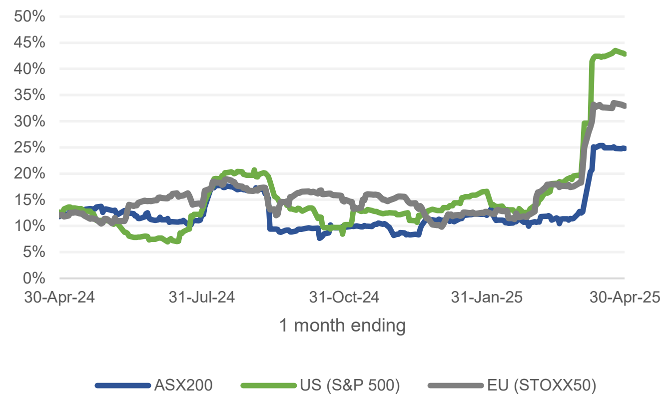
● Implied volatility, frequently regarded as the market's fear index, has risen significantly for the S&P 500. Both the S&P 500 and Stoxx 50 remain above the 75th percentile over the past year. The implied probability of the S&P 500 declining by more than 10% and 5% in May has increased from last month, currently standing at 8% and 17%, respectively.

● Early this month, the Trump administration introduced 'liberating' tariffs on all countries with which the U.S. runs a trade deficit, catching markets by surprise. These substantial tariffs impacted Japan, Korea, and Southeast Asia, aiming to push U.S. corporations reliant on offshore manufacturing to bring production back to America. In the short to medium term, this policy is expected to increase goods costs and reduce domestic consumer spending power. Investors are concerned that persistent U.S. inflation, a slowing economy compared to 2024, and weakening consumer confidence will curb consumption, while the broader decline in global trade threatens global GDP. The S&P 500 fell around 12%, and the VIX nearly reached 60 before Trump announced a 90-day pause on most reciprocal tariffs, excluding those on China.

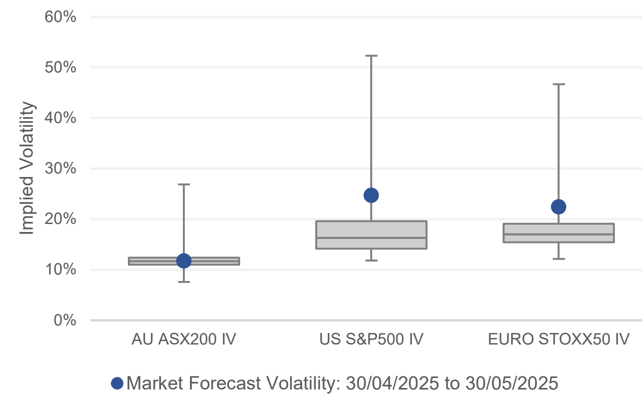
● During the market turmoil, U.S. Treasury long-dated yields unexpectedly climbed, impacting U.S. corporations and increasing U.S. Federal Treasury funding costs, especially amid rising federal deficits and upcoming debt ceiling negotiations. The fragility of the U.S. Treasury market was one reason Trump decided to pause and introduce selective exemptions to his new tariffs. These exemptions include the technology sector, particularly smartphones and some electronics, as well as auto parts from Canada and Mexico. Coupled with ongoing trade talks with key trading partners, equity markets made a strong recovery in the latter half of the month. However, the uncertain trade policy complicates investment decisions, undermines business and consumer confidence, slows capital expenditures and trade, and ultimately keeps recession risks elevated.

● In April, the Reserve Bank of Australia (RBA) kept its official cash rate unchanged at 4.10%, aligning with expectations. However, the futures market is now pricing in five rate cuts for this calendar year, up from four, due to the economic spillover effects of uncertain U.S. trade policy on global GDP. The Australian Bureau of Statistics (ABS) reported softer job numbers for March, with 32.2k jobs added compared to the expected 40k.

Realised 1 Month Equity Volatility (%)

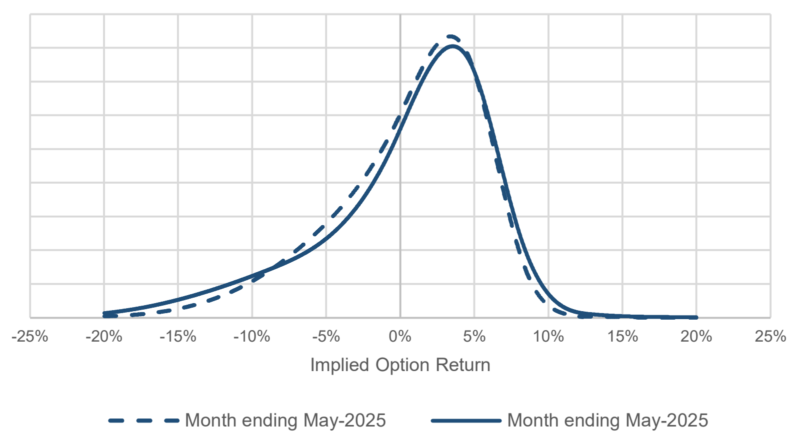


Implied Volatility[3,4] (IV)



The chart above shows the current market implied volatility for the next month, and compares it against the range of implied volatilities for the past 1 year.

1 Month S&P500 Implied Return Distribution[5]



Implied likelihood[5] of S&P 500:	Month ending May-2025	Month ending Apr-2025
Falling more than 10%	**~ 8%**	~ 5%
Falling more than 5%	**~ 17%**	~ 15%

[3]**Implied Volatility (VIX) r**epresents the expected volatility of the index over the next 30 days (starting from the effective date of this report), as derived from the market prices of index options traded on the exchange.
[4]**Box & Whisker Plot** is designed to give readers a quick sense of the range of implied volatility for the past year. The end of the whiskers indicate the maximum and minimum implied volatility for the past year. The box represents the interquartile range (from first to third quartile implied volatility values), and the middle line indicates the median implied volatility value for the past year.
[5]**Implied Return Distribution / Implied Likelihood r**epresents the forecasted return (and its likelihood) of the index over the next 30 days (starting from the effective date of this report), as implied from the market prices of index options traded on the exchange.

Observations on Sustainable Withdrawal Rates

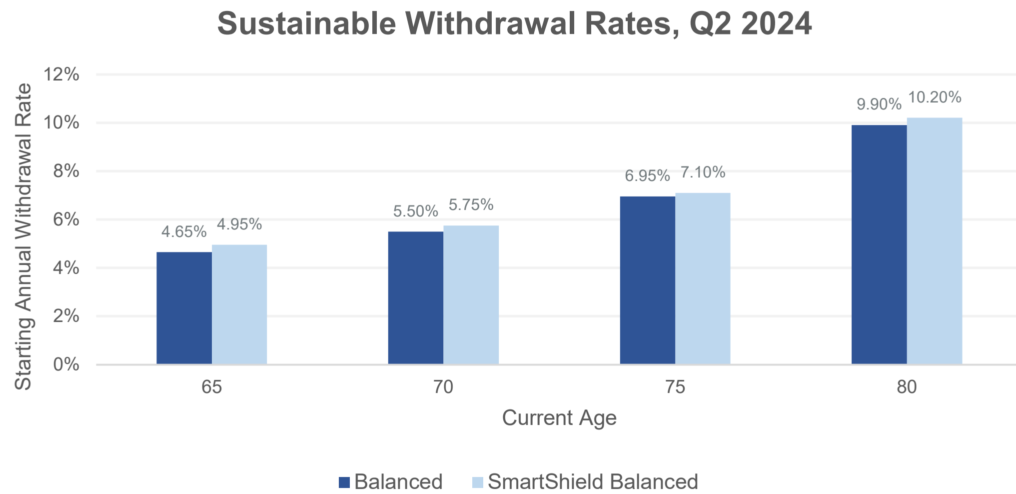
We observe that sustainable withdrawal rates at the end of Q4 2024, are higer compared to Q2 2024.

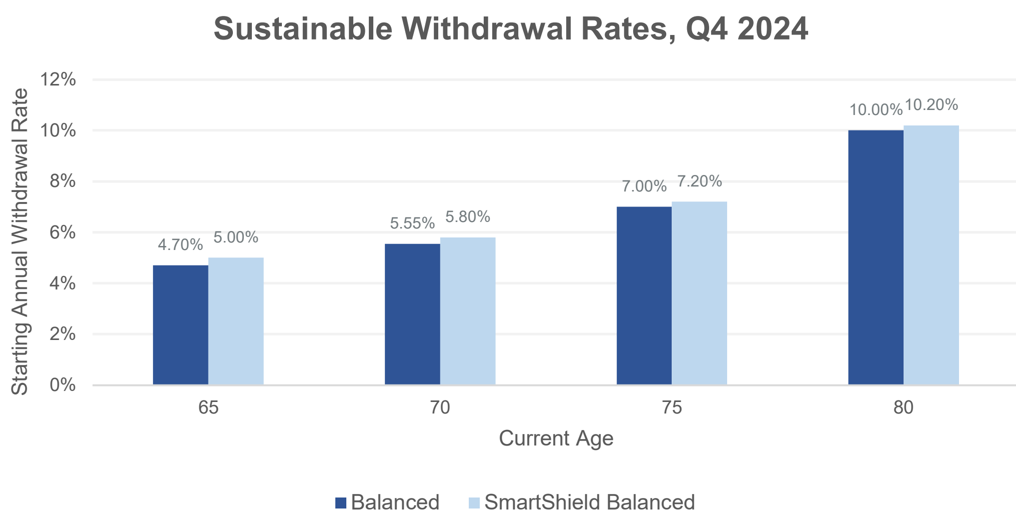
This is primarily driven by the change in interest rate levels over the period of 10 year government bond yields increasing by approximaterly 7bps, leading to higher simulated returns from all asset classes.

Using the SmartShield series of portfolios as an example, we have illustrated that additional sustainable withdrawal rates are achieved when we add a risk management strategy to the portfolios.

By controlling the level of volatility and reducing the impact of sustained market drawdowns, solutions such as the SmartShield portfolios which employ a risk management strategy, can reduce the exposure to sequencing risk and result in higher sustainable withdrawal rates for retirees.

In April, Milliman's SmartShield portfolios maintained an average hedge level of approximately 40% for both Australian equities and 38% global equities.



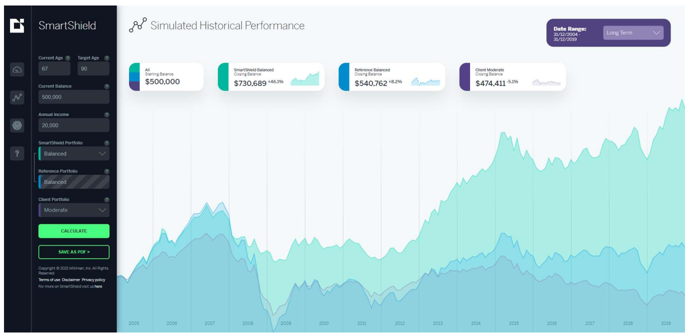


Sustainable Withdrawal Rate is defined as the maximum amount that can be withdrawn from a portfolio each year with a 90% certainty that this rate can be sustainably withdrawn (adjusted for inflation) until the target age of 90. An additional constraint introduced is for the potential shortfall to be less than 5 years. Note the withdrawal rate is calculated with regards to future projections of 5,000 stochastic scenarios. Further information on the assumptions used to generate these scenarios can be found via our portfolio simulator, which is free to access at https://smartshield.millimandigital.com/.
For example, a 4% sustainable withdrawal rate for a 70 year old retiree with $500k balance means the retiree can withdraw $20k in the first year. And for each subsequent years, the amount the retiree can withdraw is $20k plus any increase due to projected inflation (CPI).

SMARTSHIELD™ SIMULATOR – FREE ACCESS FOR FINANCIAL ADVISERS

Built for financial advisers and complementary to Milliman's SmartShield portfolios, the Simulator strengthens your client conversation by:

- Calculating the likelihood of meeting retirement goals
- Illustrating the impact of experiencing a market crash scenario e.g. the GFC or Covid-19



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