



December 2025 Newsletter

Global markets advanced in the quarter, rounding out a strong year for risk assets. While enthusiasm around artificial intelligence continued to dominate headlines, late 2025 showed early signs of market broadening as value-oriented and international equities attracted incremental capital. The global economy enters 2026 in better condition than many expected, with inflation easing and supply pressures stabilising.

In the US recent CPI data shows that price pressures are normalising and consumer spending remains solid, although labour market conditions point to softer hiring and a more cautious business environment. Markets still expect the first Federal Reserve rate cut around mid-2026.

Global conditions are similarly mixed. Growth among advanced economies is slowing modestly, while emerging markets retain relative momentum despite higher financing costs. A softer US dollar has supported commodity prices and helped stabilise global trade flows following a volatile year of tariff announcements.

In Australia, economic data remains firmer than sentiment suggests. Household spending surprised to the upside for the second consecutive month. However, consumer confidence remains subdued, with many households still adjusting to higher mortgage costs and elevated living expenses. The Reserve Bank of Australia has kept the cash rate at 3.60% with the upcoming CPI release to determine further movements. Broader investment activity—particularly in data infrastructure, energy transition projects, and technology—continues to provide a foundation for medium-term growth.

As we move further into 2026, the most likely path is one of moderate economic expansion and gradually cooling inflation. While risks persist, especially around geopolitics and trade policy, the overall macro backdrop remains stable. We will continue to monitor developments closely and adjust portfolios where appropriate.

Returns for the 2026 Financial Year (6 months):

All Ordinaries: 9018, up 245 points, or 2.80%.
S&P/ASX 200 A-REIT: 1,818.20, up 27 points or 1.56%.
90 Day Bank Bills: 3.71%, up 0.02%.
AUD vs US Dollar: 67.00c, up 1.00c or 1.47%.
UK FTSE 100: 9350 points, up 1,170 points or 13.40%.
Dow Jones Industrial Avg: 48,063 points, up 4,01 points or 9.10%.

Guardian Investments

Level 1
52 Old Cleveland Road
Stones Corner QLD 4120

PO Box 1284
Coorparoo DC
QLD 4151

P 07 3394 3755
E info@guardianinvestments.com.au
W www.guardianinvestments.com.au

2025 YEAR IN REVIEW:

It was a *soft landing* for Australia

Many investors breathed a sigh of relief at having survived (and even thrived) the turbulent economic and political events of 2025.

Super funds posted strong double-digit returns for the 2024-2025 financial year. Australia recorded modest economic growth, while inflation cooled a little throughout the year – albeit with a slight uptick at year's end – and house prices surged before hitting the brakes in December. Share markets reported respectable gains locally and some surging profits globally.

The big picture

Markets and economies around the world have danced to the tune of the Trump Administration's second term in office and reacted to wars and unrest in the Middle East and Ukraine.

The US President's often surprising policy twists and turns, particularly a punishing new tariff regime, saw markets falter and exporters of goods and services to the US plunged into uncertainty.

The Australian dollar reflected the choppy conditions, hitting lows just under 0.60 US cents in April before recovering slightly by year end at just under 0.67 US cents, this was buoyed by our strong iron ore exports and the growing demand for lithium, copper and rare earths.ⁱ

The artificial intelligence revolution was another feature of the year, driving US share markets ever higher with some fearing the bubble is overdue to burst.

Economy

Inflation's stubborn resistance to the Reserve Bank's measures to bring it down could lead to further interest rate rises in 2026.

The Consumer Price Index in January recorded an annual rate of 3.4 per cent, down 0.4 per cent on the previous month.

The RBA's flexible inflation target aims to keep the cost of living increases between two and three per cent.

The cash rate began 2025 at 4.35 per cent but after three cuts during the year, it was down to 3.6 per cent in December. The RBA is due to meet in February to consider its next move.

In the US, the Federal Reserve also cut rates three times, putting the interest rate to a range of 3.5 - 3.75 per cent.

The Australian economy grew 2.1 per cent in the year to September in a massive improvement on the previous year's growth of 0.8 per cent.

Property

After two uneven years, home values surged again in 2025 by 8.6 per cent, adding about \$71,500 to the national median.ⁱⁱ

It's the strongest calendar year performance since the remarkable 24.5 per cent increase in 2021.

However, values softened in December, recording the smallest monthly increase in five months.

Darwin delivered the best performance with an 18.9 per cent gain in values during the year while Melbourne took the wooden spoon with a 4.8 per cent increase.ⁱⁱⁱ

Share markets

Global equity markets proved that they could thrive, even in a higher-interest rate environment, and the AI revolution moved from the hype phase of the previous year to serious players in 2025.

While 'The Magnificent Seven' tech stocks have long ruled the S&P 500, in 2025 just two outperformed the index with a gain of 64.8 per cent for Alphabet and 38.9 per cent for Nvidia.^{iv}

It was a slower pace for Australian markets with the S&P/ASX 200 delivering a solid total return of 6.8 per cent. While the big banks faced some pressure on margins as interest rates peaked, the materials sector was supported by the global energy transition. Dividend yields remained attractive, continuing Australia's tradition of providing reliable income for retirees and SMSFs.

Commodities

Precious metals drove commodity values in the past year with investors looking for security amid interest rate movements and geopolitical tensions.

Silver was up by an astonishing 182 per cent during the year, but a sell-off in December saw the price finish the year with a 147 per cent gain.^v

Meanwhile, gold's safe haven status during times of uncertainty saw it jump by 65 per cent during the year.

Looking ahead

It seems likely the issues that dominated the financial markets in 2025 will continue to shape performance and returns this year.

Global politics and war are likely to move commodity prices and equity markets while the contrariness of US foreign policy will both spook and buoy investors.

In Australia, all eyes will be on the RBA, with high levels of speculation as to where interest rates will be heading in 2026.

ⁱ <https://tradingeconomics.com/australia/currency>

^{ii, iii} <https://www.cotality.com/au/insights/articles/2025-delivers-strong-housing-gains-but-2026-set-for-a-softer-landing-as-rate-fears-and-affordability-bite>

^{iv} <https://www.investing.com/analysis/which-magnificent-7-stock-had-the-best-year-in-2025-200672716>

^v <https://www.exchange-rates.org/precious-metals/silver-price/united-states/2025>



Investing in rare earths requires patience & perspective

Few investment sectors combine geopolitical intrigue, technological innovation and long-term growth potential quite like rare earth elements (REEs).

For Australians, the recent deal with the United States to supply rare earths to seed US\$8.5 billion worth of new projects, has thrust the sector into the spotlight.ⁱ

What are rare earths?

Rare earth elements are a group of 17 metallic elements that, despite the name, are not particularly rare but are difficult and costly to refine. Their unique properties are essential in the powerful magnets that drive electronic devices such as headphones, speakers and computers, wind turbine generators, electric vehicles and medical technology such as magnetic resonance imaging (MRI).ⁱⁱ

Almost half of the world's known reserves of rare earths are in China. It's estimated 44 million metric tonnes dwarf our 5.7 million and the 1.9 million in the United States. Brazil has about 21 million metric tonnes.ⁱⁱⁱ

Production and processing

Reserves are one thing but production and processing is what makes the difference for investors.

China is leading the field by a wide margin. It extracted and processed some 270,000 tonnes in 2024. The US was next with 45,000 tonnes, followed by Myanmar (31,000) and Australia, Nigeria and Thailand, each on 13,000 tonnes.^{iv}

Australia's strategic position

The deal recently signed in Washington – the US-Australia Framework for Securing Supply of Critical Minerals and Rare Earths – commits both countries to investing at least US\$1 billion each over

the next six months to accelerate mining, processing and supply chain development for critical minerals.

Two of the projects were announced by Prime Minister Albanese after his recent meeting with US President Trump.

One project, the Alcoa-Sojitz Gallium Recovery project in Western Australia, will provide up to 10 per cent of total global supply of gallium, essential for defence and semiconductor manufacturing.

The second, the Arafura Nolans project in the Northern Territory, aims to supply 5 per cent of global rare earth demand by 2029.^v

A recently announced third project, Astron Corporation's Donald Rare Earth and Mineral Sands project in western Victoria, is expected to become the fourth-largest rare earth mine in the world outside China.^{vi}

The landmark Australia-US deal is a response to China's dominance in the rare earths market and Beijing's recent export restrictions on rare earths, which have left many nervous about vulnerabilities in the supply chains for defence and high-tech industries.

Investment opportunities and risks

For some investors, rare earths may be seen as a long-term opportunity given a prediction by the International Energy Agency that demand could double by 2040.^{vii}

There are several ways to invest including:

- Directly in ASX-listed companies such as Lynas Rare Earths (LYC), Arafura Rare Earths (ARU) or Iluka Resources (ILO)

- Through exchange traded funds (ETFs) or managed funds that offer exposure to rare earths miners and processors
- In private equity and venture capital. For high-net-worth investors, early stage mining and processing ventures may offer high risk, high reward potential

Of course, there are risks worth considering including geopolitical volatility, growing environmental concerns over the high water and energy demands, and China's ability to flood the market or further restrict exports, which could cause price volatility.

In any case, patience will be required. Mines can take as long as seven years to become operational.^{viii}

The bottom line for investors is while rare earths are a sector still maturing, they are critical to a range of industries and expected to increase in value over the next decade. However, their share prices are sensitive to global headlines, politics and policy changes, so volatility is to be expected – particularly in the current environment.

As always, there is a lot to consider when weighing up investment opportunities and we are here to discuss any aspect of your investment strategy.

i, v <https://www.pm.gov.au/media/historic-critical-minerals-framework-signed-president-trump-and-prime-minister-albanese>

ii <https://iere.org/what-are-rare-earth-minerals-used-for/>

iii, iv <https://www.abc.net.au/news/2025-10-23/rare-earths-reserves-global-critical-minerals-australia-china-us/105913262>

vi <https://www.abc.net.au/news/2025-10-22/donald-mineral-sands-mine-given-major-project-status/105917530>

vii <https://www.iea.org/reports/global-critical-minerals-outlook-2024/outlook-for-key-minerals>

viii <https://www.crikey.com.au/2025/10/23/critical-minerals-rare-earths-deal-united-states-australia/>