

July 2025 Newsletter

The past quarter has been marked by geopolitical tensions, volatile oil prices, and shifting US policies, yet markets have remained remarkably resilient. Investor sentiment has held firm, sustained by hopes of easing monetary policy and improving trade relations.

The Australian share market closed the financial year on a high, delivering a near 10% return, which is its strongest performance since the COVID-19 recovery. June alone saw continued gains for the ASX 200, supported by easing concerns over US tariffs and improving investor confidence. Wall Street has also remained resilient, with the S&P 500 surging to a four-month high in June, driven by optimism around potential rate cuts and smoother trade negotiations. However, US tariffs pose inflationary risks, potentially prompting rate hikes that could temper this optimism. While Australia is somewhat insulated from US tariffs, concerns linger over the federal government's \$1.5 trillion investment in the US.

In Australia, the Reserve Bank cut interest rates by 25 basis points in May, bringing the cash rate down to 3.85%. While domestic demand and household incomes show signs of improvement, forecasts for further rate cuts are divided, with some anticipating a July cut while others now expect one in August due to moderating tensions in the Middle East.

Following the record lows experienced earlier this year, the Australian dollar climbed to a seven-month high, closing June at around 65 US cents. This strength is largely attributed to broad US dollar weakness, with the USD falling to a three-year low.

Core inflation in Australia has dropped to its lowest level since 2021, providing some relief to households and businesses. However, oil prices experienced sharp weekly declines throughout June, as the Middle East conflict intensified. This volatility continues to pose challenges for global inflation and energy markets.

While global uncertainties have been persistent this quarter, markets have shown remarkable resilience and equity prices are now somewhat disconnected from fair value in some sectors, mainly tech. Australia's relative insulation from US tariffs and improving domestic indicators provide a cautiously optimistic outlook.

Investors should still remain vigilant. US equities are seemingly expensive vs long run averages and geopolitical issues, or internal US government policy developments could quickly change sentiment from optimism to caution in coming months.

Returns for the 2025 Financial Year:

All Ordinaries: 8,773.00, up 760 points, or 9.48%.

Listed Property Accumulation Index: 74,229.10, up 1,762.1 points or 2.43%.

90 Day Bank Bills: 3.61%, down 0.84%.

AUD vs US Dollar: 65.79c, up 0.62c or 0.95%.

UK FTSE 100: 8,768.59 points, up 604.59 points or 7.41%.

Dow Jones Industrial Avg: 44,126.9 points, up 9,757.9 points or 28.39%.

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Investment Performance: Past performance is not a reliable guide to future returns as future returns may differ from and be more or less volatile than past returns.

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SCAMS: knowledge is protection

Scammers operate in an ever-evolving space and the scams of today are far more sophisticated than they have ever been, targeting even the most financially literate individuals.

In addition to the financial impact from a scam, it can affect your mental health as well as damage your reputation, so understanding how scammers operate is the best way protect yourself from falling victim.

A growing trend

The statistics provide a sobering reminder that no one is immune – no matter how experienced or cautious they may be – it can happen at the click of a button.

According to the Australian Competition and Consumer Commission's (ACCC) Scamwatch, Australians lost an alarming \$3.18 billion to scams last year.

The average individual loss from scams is significant, with individual losses rising by more than 50 per cent last year, to an average of almost \$20,000. This is due, in part, to scammers using new technology to lure and deceive victims and it underscores the serious financial toll scams can take.

Some of the most common scams include:

Investment scams: Investment scams continue to be a major issue, with losses reaching around \$1.2 billion in 2024. These scams often involve fraudulent online trading platforms or fake cryptocurrency schemes, designed to lure investors with promises of high returns and minimal risk.

Impersonation scams: Fraudsters are increasingly using sophisticated tactics to impersonate trusted organisations, such as government bodies, banks, and financial advisers. In 2024, impersonation scams accounted for \$700 million in losses, with scammers using fake emails, phone calls, and even text messages to trick victims into revealing sensitive personal information or parting with funds.

Romance and relationship scams: These scams often involve scammers establishing a personal relationship with victims before manipulating them into sending money. In 2024, these types of scams led to losses of \$250 million, highlighting the emotional and financial damage they can cause.

While these figures are shocking, they also reflect the changing nature of scams. Scammers are no longer relying on clumsy, obvious frauds. Instead, they are using highly professional methods, often tailored to the specific interests, financial knowledge, and behaviours of their targets.

Why everyone is vulnerable

As scammers become more creative, even the most experienced and financially savvy individuals are at risk. There are several reasons why this is the case.

Sophistication: Scammers now use advanced technology and psychological manipulation to trick their victims. They impersonate respected brands and financial institutions, and they can craft highly convincing emails, websites, and phone calls that look indistinguishable from legitimate communications.

Cryptocurrency and new technologies:

The rise of digital currencies and decentralised finance (DeFi) platforms has created new opportunities for scammers to exploit. These markets are largely unregulated, making them more vulnerable to exploitation by criminals.

Deepfakes: Scammers are increasingly using deepfake technology to make their fraudulent schemes more convincing and harder to detect. By creating hyper-realistic videos or audio recordings, they

can impersonate trusted individuals, such as company executives, colleagues, or even loved ones, to manipulate victims to respond to requests for urgent assistance or money. This manipulation of digital media makes it much more difficult for victims to distinguish between what's real and what's fabricated.

Protecting yourself

Despite the growing sophistication of scammers, there are steps you can take to protect yourself. It's crucial to stay alert and use a combination of scepticism, knowledge, and due diligence.

Be cautious when receiving unsolicited offers or requests, whether by phone, email, or social media. If you weren't expecting to hear from a company or individual, don't rush to react. Don't click on links. Take a step back and verify the legitimacy of the contact by using an email or contact number that you locate online. Always verify account details this way before transferring any money.

Scammers are constantly evolving their tactics, so it's crucial to stay informed. Regularly educate yourself on the latest scam trends and familiarize yourself with common warning signs. Agencies like Scamwatch provide ongoing updates and resources for identifying and reporting scams.

The evolving nature of financial scams means that it's not enough to simply be cautious; you need to stay proactive. If you're unsure whether an opportunity is a scam or simply want a second opinion on a financial matter, we're here to help.

Source for all scam statistics in this article: <https://www.scamwatch.gov.au/research-and-resources/scam-statistics>



FORGING new bonds – *how bonds work*

Bonds are not usually the flashy upstarts of the investment world with their every move reported, like stocks.

But the Trump Administration's extraordinary refashioning of world trade, with on-again off-again tariffs of eye watering amounts, has put bond markets in a similar position to share markets – in turmoil.

So, with the bond markets attracting more attention than usual, we take a closer look at the asset class.

What is a bond?

A bond is a bit like an interest-only loan and there are many different types of bonds available. A government (government bond), or sometimes a large company (corporate bond), issues bonds to investors to raise funds for infrastructure or, in the case of a company, for expansion.

Large institutional investors tend to favour some of the more complex types. Retail investors are more often interested in fixed-rate bonds, known as a fixed-income investment because of the regular payments made to the investor (or the coupon interest rate). The principal (called the face value) is repaid at an agreed date when the bond matures.

These bonds can also be traded on a secondary market by those who've chosen to sell their bonds before maturity. In this case, depending on the state of the markets and the economy, the amount they're worth, or their capital value, may be higher or lower than the face value, which is fixed.

The most common fixed-rate bonds, issued by governments, are generally considered more stable. Nonetheless, all bonds are assigned a credit rating by independent rating agencies such as Standard & Poor's or Moody's.

Australia's Commonwealth bonds, issued by the federal government, are AAA-rated reflecting strong fiscal management, economic stability and low default risk.ⁱ

State governments and quasi-government organisations such as the World Bank also issue bonds. The risk level for this category of bonds can vary.

Large companies, looking to expand or start new projects, often use bonds as a way to raise funds. Corporate bonds generally pay higher interest but are considered slightly more risky.

How to buy bonds

Investing in bonds can help to diversify a portfolio and provide a steady stream of income but for those with no knowledge or experience of the market, it is important to get quality professional advice and speak to us.

For example, if you had been relying on the conventional wisdom that bond markets are often up when share markets are down, recent share market activity would have delivered a shock. The usual flight to safety from share price volatility to bonds did not happen in the United States where, for a time, both markets were falling.

While it is possible to buy bonds directly when there is a public offer, it can be difficult for smaller individual investors to participate because of the large minimum transactions required.

Instead, most retail investors look to bond funds, bond exchange traded funds (ETFs) or managed funds for exposure to the bond market. The variety of funds on offer can help to diversify a portfolio by giving access to a range of different markets.

What affects bond rates?

Interest rate movements directly affect bond prices on the secondary market.

When interest rates rise, bond prices fall because newly issued bonds will be at the higher rate making older bonds less attractive and reducing demand.

Conversely, bond prices rise when interest rates fall because new bonds will offer the lower rates meaning there will be higher demand for older bonds, driving their prices up.

Bond prices are also influenced by economic conditions and investor sentiment.

Rising inflation can cause bond prices to rise while strong economic growth may decrease bond prices because investors often prefer to buy shares. Bonds with a lower credit risk, such as AAA-rated government bonds, tend to attract higher prices.

If you would like to learn more about your options for investing in bonds, please give us a call.

ⁱ <https://www.fitchratings.com/research/sovereigns/fitch-affirms-australia-at-aaa-outlook-stable-01-11-2024>