Crystal Wealth Partners Market Commentary – March 2025

Please find our commentary on investment markets to 31st March 2025.

March proved to be a challenging month for investors, closing out an already challenging quarter. Those that bought indiscriminately into momentum trades early in the quarter (such as banks and the 'magnificent 7' large US based tech stocks) saw those trades unwind later in the quarter. This was amplified by the work of speculators driving short-term trading positions.

Global bond yields climbed across most markets except for the US, while major equity markets in advanced economies struggled. Market volatility surged, driven largely by President Trump's tariff announcements, which remained a dominant force shaping investor sentiment. Uncertainty reached new heights ahead of additional tariff measures to be announced on April 2, a date Trump dubbed "Liberation Day" in typical form. Meanwhile, European fiscal policy helped ease the markets from Trump's almost daily upsets, with Germany's high-spending announcements (particularly in areas of defence) providing some positive stimulus.

US equity markets took a hit during the month with most major US indexes showing minimum falls of around -4% for the month. Investors grew increasingly uneasy during the month about the administration's trade policies, dragging most global markets down with them including our domestic equity market. Lower valued stocks outperformed their growth counterparts this month and for the quarter, while smaller companies struggled, given mounting trade uncertainty dampened confidence in economic growth forecasts and stoked further inflation fears.

With respect to commodities, gold was the best performer over the quarter, boosted by a 19% rise in USD gold prices. Meanwhile, oil and iron ore ended the quarter in the red, weighed down by tariff concerns and broader market unease about hits to economic growth

US Markets

U.S. stock indexes struggled in March, weighed down by weakness in the information technology and communication services sectors. Value stocks, however, continued their winning streak, outperforming growth shares for the sixth straight week.

Market sentiment took another hit after President Trump announced a 25% tariff on all non-U.S.-made automobiles, stoking fears of a broader economic slowdown. Concerns over weakening consumer confidence added to the pressure, pushing major indices deeper into negative territory. The Nasdaq 100 bore the brunt of the downturn, dropping -8.25% for the quarter and -7.69% for the month, while the S&P 500 also exceeded a -5% loss in March. Meanwhile, FactSet revised its 2025 S&P 500 earnings growth forecast year-on-year down from 14.8% to 11.5%, reflecting increased uncertainty.

Inflationary pressures remained a concern more broadly in the economy as the jobs market continues to hold up for now. The Federal Reserve's preferred measure, the core personal consumption expenditures (PCE) price index, rose by 2.8% in February, well above the Fed's 2% target. However, consumer confidence continued its downward slide, with the Conference Board's index falling for the fourth straight month to 92.9 in March, its lowest level since 2020. This raises concerns about the future spending plans of consumers if the trend continues.

Against this backdrop of slowing growth and rising inflation concerns, the Federal Reserve left interest rates unchanged in March but lowered its economic growth forecasts while slightly raising inflation projections. Policymakers highlighted ongoing uncertainty around trade policy, immigration, and fiscal measures, suggesting rates could remain steady for an extended period, or even be cut if economic conditions significantly deteriorate.

The US 10-year Treasury yield remained relatively stable over the past month, registering only a small 0.2% increase in the yield. However, from a broader perspective, the yield decline over the quarter (-7.91%) indicates increased demand for government bonds, reflecting economic uncertainty and concerns over growth prospects, particularly due to the impact of tariffs.

World Markets

In contrast to the deteriorating economic outlook in the US, Europe saw notable improvements, largely driven by Germany's shift toward fiscal expansion (i.e. government spending). The German government announced major infrastructure and defence spending, breaking from its historically cautious fiscal stance. However, U.S. tariffs remain a significant headwind, creating uncertainty for European growth and interest rates.

Adding to the fiscal gains, European Commission President Ursula von der Leyen unveiled a nearly €800 billion defence spending plan, including €150 billion in new EU borrowing and €650 billion in additional fiscal space for member states. Germany's DAX index dropped -1.72% in March, weighed down by tariff concerns, particularly in the auto sector, which makes up 6% of Germany's GDP. However, the index posted an 11% gain for Q1, buoyed by Germany's stimulus measures.

In the UK, the FTSE 100 fell -2.58% in March amid a global selloff sparked by U.S. trade tensions but still managed a 5% gain for Q1. Mining stocks, including Anglo American, Glencore, and Rio Tinto, were among the hardest hit, while defensive sectors helped stabilise the market and reach a quarterly gain.

Asian markets delivered mixed results. Hong Kong's index led global markets with a 15.25% quarterly gain, though sentiment remained fragile ahead of U.S. tariff implementations. The Shanghai Composite dipped -0.48% in Q1 but ended March with a slight gain of 0.45%. This was backed by Beijing's stimulus efforts implemented in the past few months to support the recovery despite ongoing concerns over weak domestic consumption and global trade risks.

Japan's Nikkei 225 tumbled -4.14% in March, marking its third straight monthly decline. The index fell to a six-month low as investors braced for the impact of U.S. auto tariffs. Toyota shares slid 3.1%, with broader market weakness hitting technology, consumer, and industrial stocks. While industrial production exceeded expectations in February, retail sales lagged forecasts, adding to economic uncertainty.

In response to sluggish economic conditions, we saw rate cuts again with the European Central Bank (ECB) cutting rates in March. This means they delivered two rate cuts in Q1, with markets expecting another 60 basis points of reductions by the end of 2025. Switzerland's central bank followed suit, lowering its policy rate by 25 basis points to 0.25%, this was its fifth cut since it started cutting rates in 12 months. Elsewhere, the Bank of Canada also cut rates in March as escalating U.S. trade tensions posed a growing risk to Canada's economic outlook.

Australia

The Federal Government's 2025/26 Budget had little impact on the near-term economic outlook, with deficits and net debt expected to remain lower than those of many advanced economies. While government spending is set to slow, it will still account for a significant share of economic activity. Prime Minister Anthony Albanese also announced a national election for May 3, kicking off a five-week campaign centred on tax cuts and cost-of-living relief. The budget can be expected to change and be re-cast post-election, depending on which party forms government.

Australian bond yields mirrored global trends, with the 10-year government bond yield remained still for Q1 with only a 0.29% rise as investors hold to see the outcome of the announced tariffs. Markets remained on edge ahead of decisions around U.S. reciprocal tariffs and their potential economic fallout. Domestically, attention turned to the Reserve Bank of Australia (RBA) ahead of its May meeting, particularly after February's data showed a loss of over 50,000 jobs (including both full-time and part-time workers). Despite the unemployment rate holding at 4.1%, inflation has eased into the RBA's 2–3% target range.

The S&P/ASX 200 index dropped -4.03% in March, posting its second consecutive monthly decline. Australian equities seemed to closely track Wall Street returns as fears over U.S. tariffs and potential retaliation from major trading partners weighed on market sentiment. Iron ore giants BHP -3.8%, Fortescue -4%, and Rio Tinto -4.8% led the declines over Q1. Gold miners benefitted from record-high gold prices and performed well for the quarter, with small-cap gold producers being the top performers.

Other Markets

WTI crude oil jumped over 3% on the final day of March to $71.40 per barrel, its highest level since late February. The rally followed President Trump's threats of secondary tariffs, which are expected to range from 25% to 50% on buyers of Russian oil. Meanwhile, OPEC+ is set to begin a gradual output increase in April, with additional hikes likely in May. However, fears of a global trade war ahead of Trump's reciprocal tariffs, have raised concerns about weaker energy demand and increasing downward pressure on the oil price.

Iron ore prices climbed above $102 per ton in late March, buoyed by strong seasonal steel demand from China. Data showed China's hot metal production rose by 56,700 tons month-over-month, while daily imports of iron ore increased by 67,900 tons. Investors are also closely watching potential stimulus measures from Beijing after the government reaffirmed its 5% GDP growth target for 2025.

Gold rose past USD $3,110/ounce, closing the month at a new all-time high and extending its Q1 gains to nearly 19% (unsurprisingly the strongest quarterly performance in 38 years). The surge was fuelled by intensifying geopolitical risks and trade uncertainties, with investors flocking to safe-haven assets as Trump's trade war and escalating global conflicts added to market volatility.

The Australian dollar remained under pressure throughout March, trading below $0.64 for most of the month. However, it managed to end in positive territory with a modest 0.59% gain. Its weak performance was driven by a weaker than expected jobs report and ongoing trade uncertainties, which weighed on sentiment. With investors already pricing in a 70% chance of a RBA rate cut in May, much of the impact appears to be reflected in the currency, suggesting that any cut may have a limited effect on the AUD.

Index*	1 Month	3 Months
US – Dow Jones	-4.20%	-1.28%
US – Nasdaq (100)	-7.69%	-8.25%
US – S&P 500	-5.75%	-4.59%
Germany – DAX	-1.72%	11.32%
UK – FTSE 100	-2.58%	5.01%
Shanghai Composite - SSE	0.45%	-0.48%
Hong Kong- Hang Seng	0.78%	15.25%
Japan – Nikkei 225	-4.14%	-6.78%
S&P/ASX 200	-4.03%	-3.87%
All Ordinaries Index	-4.17%	-4.36%
Gold (USD)	9.26%	18.97%
Oil (USD) – WTI	2.47%	-0.33%
Iron Ore (USD)	-4.18%	-1.14%
10 Year Aus Gov't Bonds (yield)	1.67%	0.29%
10 Year US Gov't Bonds (yield)	0.20%	-7.91%
AUD/USD	0.59%	0.90%

* percentage change in local currency unless stated otherwise

It is worth noting that after moving sharply higher following November's US presidential election, domestic and US stock markets have now given up those gains. This illustrates the difficulty in placing market trades built on potential policy speculation or 'themes'.

If you have any questions in relation to the above, or require any additional information, please do not hesitate to contact your Adviser to discuss your particular circumstances.