

## Monthly view as at 30 November 2025

### Overview

In November, domestic developments had the greatest impact on investment portfolios. Internationally, volatility in global sharemarkets was driven by concerns over Artificial Intelligence (AI) related capital expenditure, uncertainty in US economic data, and divisions within the US Federal Reserve (Fed).

The Reserve Bank of New Zealand (RBNZ) lowered the Official Cash Rate (OCR) by 25 basis points (0.25%) to 2.25% in November. This compares with an OCR of 3.75% at the beginning of the year and a peak of 5.5% in 2024. The November cut followed a 50-basis point reduction in October.

The November decision, reached by a 5–1 majority, signalled a slight easing bias. However, Governor Hawkesby emphasised that any further cuts would require a significant deterioration in economic conditions, reinforcing market expectations that the easing cycle is effectively complete.

Market reaction following the last two RBNZ decisions suggests investors believe the OCR has likely reached its low point in this cycle. Over the last six weeks, the 5-year swap rate has risen by 60 basis points (0.6%), from approximately 2.9% to 3.5%. This upward movement reflects market expectations that the easing cycle has ended.

### New Zealand 5-year swap interest rate



Source: Bloomberg, Shaw and Partners

The RBNZ expects modest economic growth to resume in the September 2025 quarter, with activity accelerating into 2026. Recent domestic economic indicators, such as retail sales, business confidence, and employment data support expectations of a recovery in economic activity going into the New Year and for activity to continue to strengthen through 2026.

After weakening over most of the month, the New Zealand dollar rebounded sharply following the RBNZ update and strong retail sales data, rising from 56 cents to approximately 57.5 cents, a 2.6% increase in a matter of days.

### Global shares

At the index level, global sharemarkets were largely flat in November. The US technology heavy Nasdaq index underperformed, falling 1.6%, as investors rotated away from these stocks into defensive and value-oriented sectors such as industrials, financials, and healthcare.

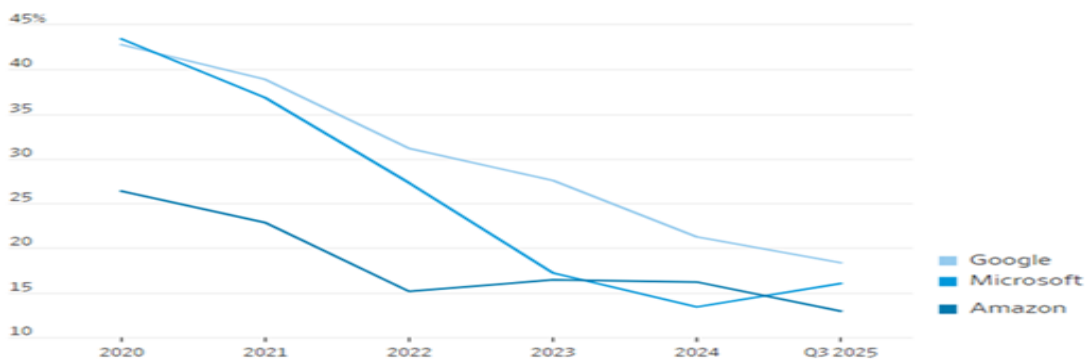
The extended AI-driven rally that has dominated much of 2025 began to show signs of fatigue in November, as fears of inflated valuations and concerns about the sustainability of unprecedented AI spending and financing requirements tempered enthusiasm.

Even Nvidia's standout third-quarter result was not enough to turn investor sentiment. Nvidia's revenues surged 62% year-on-year to \$57 billion, and net income rose 65% to \$31.9 billion.

Wall Street's role in fuelling the AI boom emerged as a theme during the month. Private credit firms, led by Blue Owl Capital, shifted from their traditional corporate lending models to financing massive AI data centres for technology giants including Meta, Microsoft, Oracle, and OpenAI. Tech companies are projected to spend \$3 trillion on AI through 2028. However, they can self-fund only about half this amount, increasing reliance on external financing.

For major technology firms, the financial strain of AI investment is becoming increasingly evident. This trend underscores the growing financial strain on technology firms, as Microsoft, Alphabet, and Amazon have collectively spent more than \$600 billion on AI initiatives since 2023, with cumulative outlays expected to reach \$1 trillion by 2026. Cash reserves have declined sharply. For example, Microsoft's cash and short-term investments have declined from 43% of assets in 2020 to just 16% today.

### Short-term investments as percent of total assets



Source: S&P Capital IQ

Source: WSJ

Debt issuance is rising, with Meta raising \$30 billion and Oracle \$18 billion to fund AI and cloud projects. These developments signal a shift toward more capital intensive business models. So far in 2025, by some estimates, over \$100 billion in AI-related bonds have been issued.

This increased reliance on debt raises credit quality issues, particularly for Oracle, and highlights the importance of revising valuation frameworks to account for the changing business models among the large technology firms.

### Australasian shares

New Zealand's sharemarket fell -0.4% on higher longer-term interest rates and global uncertainty. During the month several New Zealand corporates delivered strong updates, reinforcing confidence in earnings recovery in the year ahead. Fisher & Paykel Healthcare posted a standout first-half result, with robust margins and revenue growth prompting analysts to lift forecasts. A2 Milk reaffirmed double-digit revenue growth and announced a NZ\$300m special dividend, while Mainfreight and Infratil signalled improving second-half earnings momentum.

These company-specific upgrades coincide with a supportive domestic backdrop, easing cost pressures, stabilising inflation, and forward-looking surveys pointing to improving activity.

Together, these factors mark a positive pivot for New Zealand earnings, breaking a multi-year cycle of downgrades and setting the stage for sustained recovery.

The Australian sharemarket fell -2.7%. Technology and financial sectors underperformed, reflecting global uncertainty and diminished expectations of interest rate cuts by the Reserve Bank of Australia (RBA), which weighed on investor sentiment. Stronger than expected inflation and robust employment data indicate the RBA is unlikely to adjust interest rates in the near term.

Life 360 (-18.8%), Technology One (-17.0%), and Commonwealth Bank (-11.1) were amongst the weakest performers in November. In contrast, Ramsay Healthcare (+14.7%) and gold producers Newmont (+12.0%) and Northern Star (+10.4%) ranked among the top performers for the month.

### Fixed income and cash

The Bloomberg Global Aggregate Bond Index (New Zealand dollar hedged) rose slightly by 0.1%. Interest rate volatility was elevated as sentiment shifted regarding the Fed's next interest rate decision, compounded by uncertainty from the delayed US economic data due to the government shutdown.

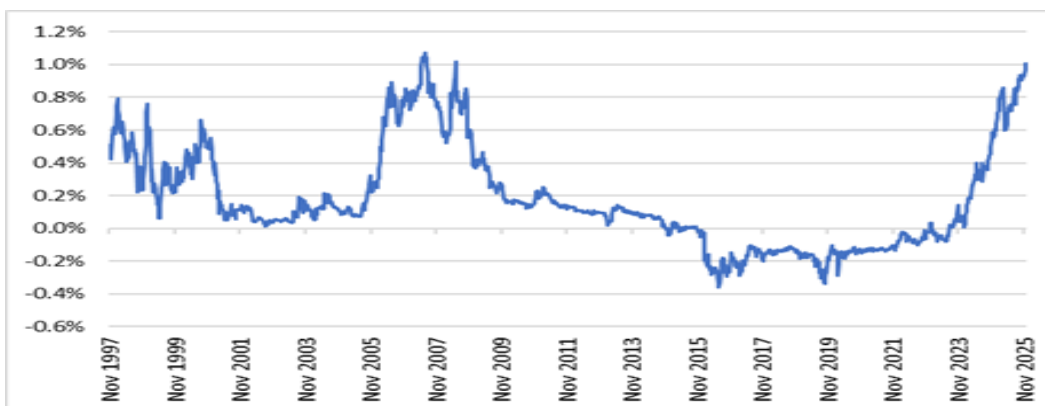
The resolution of the record 43-day US government shutdown, which ended on November 12, was amongst the month's most significant events. The prolonged disruption delayed the release of critical economic data, forcing policymakers and investors to rely on private surveys.

Against this backdrop, the Federal Reserve maintained a cautious tone. Minutes from the October meeting indicated that a narrow majority of policymakers preferred to hold rates steady in December, while a minority supported cuts. Advocates for holding rates cited the risk of inflation remaining near 3%, well above the 2% target, whereas proponents of interest rate cuts highlighted signs of labour market weakness. The Fed's division highlights ongoing uncertainty, including the effects of the government shutdown that has delayed key economic data.

Meanwhile, the Bank of Japan (BOJ) is preparing to raise interest rates in response to persistent inflation and a substantial increase in government spending. The latest government spending package was massive, amounting to 3.0% of GDP.

Although still low in absolute terms, interest rates have risen significantly over recent years following a prolonged period of negative rates. Japanese inflation has been tracking above the BOJ's 2.0% target for over three years and is currently running at 3.0%. Higher domestic rates are expected to exert upward pressure on global yields in 2026 and may trigger currency volatility as Japanese investors repatriate funds from overseas to take advantage of more attractive returns at home.

### Japanese 2-year government bond Yield



Source: Bloomberg, Shaw and Partners

New Zealand's fixed income market fell -0.9% on improving domestic economic data and the likelihood the RBNZ has finished cutting interest rates in this cycle, as outlined above.

### Summary

AI remains a key driver of markets heading into 2026 with growing concerns about sustainability, financing, and elevated valuations. While speculative elements are evident, continued technological progress and broader business adoption point to longer term potential. Nonetheless, given current pricing, periods of market weakness would not be unexpected.

Low global short-term interest rates, robust fiscal spending, and solid corporate earnings should continue to underpin global sharemarkets. However, caution is warranted amid persistent economic uncertainty, a divided Fed, and high US sharemarket valuations.

Financial markets in New Zealand and Australia appear well positioned relative to global peers. However, returns from cash related investments are likely to remain low given the reduction in interest rates by the RBNZ.

We continue to encourage investors to focus on their longer-term goals, remain patient during short-term market fluctuations, and maintain a portfolio aligned with their objectives and risk tolerance.

### Indices for key markets

As at 30 November 2025	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 Years p.a.
S&P/NZX 50 Index	-0.4%	4.6%	9.0%	4.0%	6.1%	1.9%
S&P/ASX 200 Index (AUD)	-2.7%	-3.0%	3.8%	5.5%	9.7%	9.9%
MSCI ACWI Index (Local Currency)	0.0%	6.6%	15.4%	16.9%	18.3%	12.9%
MSCI ACWI Index (NZD)	-0.4%	8.9%	19.4%	22.0%	22.3%	16.6%
S&P/NZX 90 Day bank bill Total Return	0.2%	0.8%	1.6%	3.7%	4.9%	3.4%

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