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Issue JUNE 2025

EOFY Update & Market Update

EOFY Priorities & Market Perspectives What You Need to Know Now

a publication by rocket Financial

Economic Update

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Policy Uncertainty to Remain High

Periods of high policy uncertainty are quite simply, bad news. Bad news for business, and bad news for the economy. A lack of clear, predictable policies creates a volatile and risky environment for businesses, making them less likely to invest, expand operations or employ new staff. Consumers delay spending decisions as they wait for clearer policy direction.

The US Economic Policy Uncertainty Index, which tracks the frequency of newspaper references to policy uncertainty, stands at close to 7 standard deviations above its long- term average, far exceeding levels seen during the early days of Covid. Bad news indeed. Soft economic data releases, such those that rely on sentiment surveys (consumer and business confidence), have cratered as a result.

The good news is that we do think policy uncertainty may ease in the coming months, as the baseline for tariffs becomes clearer. Trump has backed down from his most egregious tariff settings set out on Liberation Day (a whopping 24% weighted average tariff rate on total imports), instead settling at a level much closer to 12-15% (based on 10% universal tariffs plus 30% on China).

This still represent the highest tariff level since the 1930's & 40's and is likely to subtract 0.7% to 1.0% from GDP growth. With current US GDP running at 2.1%, it's a blow, but does not yet appear recessionary.

Despite some clarity with the worst-case scenarios seemingly off the table, policy uncertainty will remain high by historical standards. Sporadic tariff announcements remain a feature of Trump's negotiating style ensuring new and unexpected tariffs are likely. In recent weeks we've seen 50% tariff threatened on European goods as well as a doubling of tariffs on all steel and aluminium imports to 50%.

We should expect additional hits to growth should these tariffs also be implemented.

The market is however, now coming to expect Trump to backdown. The TACO trade (Trump Always Chickens Out) is making financial news headlines in recent days, with investors starting to anticipate market rebounds amid Trump's on again, off-again tariff policies. Trump is not impressed. Expect him to push back which could add some risk to the recent reprieve of trade tensions.

At the same time, US courts are challenging the validity of existing tariffs. The Federal Appeals court temporarily stayed the Court of International Trade's ruling that found tariffs imposed under the International Emergence Economic Powers Act were not valid. Tariffs are back on for now, but for how long?

Fiscal stimulus on the way, but is it enough?

Fiscal stimulus is on the way with Trump's signature tax bill passing the House. However, the path through the Senate is still far from certain with a number of Republicans raising concerns about the high levels of spending.

In its current form, we doubt Trump's 'big beautiful bill' will be enough to offset the negative impact on growth from tariffs. The extension of the Tax Cuts and Jobs Act (TCJA) of 2017 that were set to expire in December is the largest provision in the bill, however for the most part, this is not new stimulus, largely an extension of existing tax cuts which are already being spent. Additional new tax breaks for tip income, overtime pay and older Americans, among other provisions are largely offset by historic spending cuts to programs for low-income families, including Medicaid health coverage and food stamps.

The reconciliation bill could end up with between US$1.5-$3.9 trillion in spending cuts and US$3.9-$7.7 trillion in tax cuts and spending hikes, for a total of US$2.4-$3.8 trillion in new budget shortfalls. This sounds large, and is, but in the context of the already enormous debt burden the US is carrying, it is at the margin. Under all scenarios the US budget deficit is set to remain around 7%-8% of GDP. The bond market's reaction will be important to monitor.

EOFY 2025: Smart Moves to Wrap Up the Year Strong

With the End of Financial Year (EOFY) 2025 just around the corner, now is the perfect time to make the most of maximising retirement savings and managing your tax position. In this checklist, we'll cover some key tips to help you make the most of EOFY 2025 and set yourself up for a stronger financial future. Here are a few important things to consider:

Superannuation & Retirement Planning

- Top up your super: You may be able to contribute more before EOFY and claim a tax deduction.
- Carry-forward contributions: If you've had less than $500,000 in super, you might be able to use unused caps from previous years.
- Spouse contributions: Help grow your partner's super and potentially get a tax offset.

Tax Tips to Maximise Your Return

- Claim deductions: Including work-from-home expenses, investment advice fees, and donations.
- Investment planning: Reviewing capital gains and losses could help reduce your tax bill.
- Prepay expenses: You might be able to prepay things like income protection premiums or loan interest for a tax benefit.

We're here to help you get organised. If you'd like us to review your contributions, tax strategies before 30 June, please get in touch as soon as possible.

Contact us on 1300 852 862 or emailus@rocketfinancial.com.au to set up an appointment today.

Life changes. Has your insurance kept up?

Your ability to earn an income is one of your greatest assets — yet it's often the most overlooked when it comes to protection. Whether you're buying a home, starting a family, running a business or nearing retirement, having the right personal insurance in place — like life cover, income protection, or trauma insurance — can provide peace of mind for you and your loved ones.

- Not sure what cover you currently have?
- Wondering if you're paying too much — or not covered enough?
- Want to know if your policies are better inside or outside of super?

Let's chat. A short conversation could make a big difference if the unexpected happens.

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If you require assistance with any of the above matters, please reach out and our team will be happy to assist.

Contact us via 1300 852 862 or book a review online with an adviser on www.rocketfinancial.com.au

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