

From market moves to retirement smarts: insights for the New Year

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Jacinta King (00:00):

Welcome to The Ideas Exchange by ASX, connecting you with investment experts, market updates, and ideas. I am Jacinta King, business development manager, investment products at ASX, and this is our regular podcast covering everything from investment trends, through to different ways to invest using a variety of products.

Speaker 2 (00:19):

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Jacinta King (00:46):

Welcome to The Ideas Exchange. I'm your host, Jacinta King, from ASX. And today, we welcome back into the studio, Gemma Dale, who joins us from nabtrade, where she is director, SMSF, and investor behavior. Hello, Gemma.

Gemma Dale (00:59):

Hey, how are you doing?

Jacinta King (01:00):

For our listeners, Gemma joined us recently at the ASX Investor Days that ran through November, and she was on a panel discussing how Australians retire. So we'll take a look at that today. It's end of the year, and we're recording this on the 1st of December, but our listeners will actually hear this early January, so I thought I'd better just mention that date. But I do think that market performance is probably top of mind for many investors, especially this time of year. So Gemma, how is the Australian economy looking as we head into December?

Gemma Dale (01:27):

The view of our economics team, the abridged version is, it's okay. It's okay. It's not amazing. It's okay. Broadly speaking, you would feel fairly

comfortable that what we anticipated would happen when the RBA started hiking rates aggressively from a super low basis, we were going to see fairly massive crack in the economy, that things would start to contract very dramatically. And that hasn't happened. So on one hand, you can look at it and go, this is very close to a soft landing. It's been quite an incredible outcome that we still have relatively low unemployment, we still have relatively low inflation. I know we'll talk about that. We still have GDP... It's lackluster. It's not super impressive. But we have GDP growth.

(02:14):

So all of the major factors in the economy that you want to see are holding up okay in an environment where the RBA had to take fairly drastic measures to get inflation down post COVID. So it's okay. I mean, it's worth noting that we do have GDP growth, but we're running immigration super hot. So population growth is driving a fair bit of that, and we're also running government spending super hot. So the big drivers of growth are factors that don't necessarily reflect a native level of demand in the economy or a huge amount of business confidence and consumer confidence. Those things are still recovering, I think, you want to say. But it's okay. Could be worse.

Jacinta King (03:01):

Well, that's good to hear. Because I know in the work that we do with you throughout the year, you have talked about, people were still spending at the beginning of this year and arguably a lot of last year, but perhaps there's a bit some caution at the moment with some of these factors that you've just mentioned. But what we saw in October, the annual inflation rate rose to 3.8% from 3.36 in September, and that's according to information from the Australian Bureau of Statistics. So as an economist, was this surprising?

Gemma Dale (03:29):

So as I said, we have an economic team, and I will always defer to them on these subjects as the genuine experts in the field. I think there was some concern that inflation was starting to tick up again. And we've seen the roll off of those electricity subsidies in particular, those factors that were there to help with cost of living, for want of better term. You know to strip them out of the headline figures because they are distortionary, but now that they've rolled off and you're getting a clearer picture, it's clear that there are some inflationary pressures in the economy. And that is making people nervous because after 20 plus years of lackluster inflation, it suddenly broke out during COVID and it broke out in a very big way.

(04:11):

So central banks around the world, not just here, are much more alive to the possibility of an uptick in inflation that could be problematic. So we went from having cuts factored in for early next year to now really seeing

the RBA on hold for the foreseeable future. And I think that is something that the market more broadly is starting to price in. Certainly other economists are starting to take that view as well. So it's probably the biggest change is seeing this anticipation of significant cuts, sooner rather than later, start to get pushed out and go, "Do you know what? We're probably going to see the RBA on hold for a while."

(04:54):

The big risk to that is unemployment. If we've seen a tiny uptick in unemployment, if we continue to see that, then I think everyone anticipates that there should be some cuts in the medium term.

Jacinta King (05:05):

What could this mean for an investor and the work that you do, your investor base? Is that pretty?

Gemma Dale (05:06):

This is always the question.

Jacinta King (05:13):

Yeah. It's always the question. You probably get asked this a lot.

Gemma Dale (05:15):

Well, it's super interesting to me, right? So the RBA cuts rates because, and any central bank cuts rates because they're concerned about levels of activity in the economy and they want to stimulate. What we tend to see though with lower rates is the anticipation of much better economic growth, but also just simply the fact that you are repricing different asset classes. So you could be in cash and get 4%. For our purposes, the term deposit is cash. I know that individuals don't see it that way. But for our purposes, it is, right? It's just holding with a bank. So you can have money and a term deposit in the bank for 4%.

(05:52):

As the cash rate gets cut, then you start to go, "Well, that's not terribly attractive to me if I've got a dividend yield of 4 or 5% just on the ASX 200." And so investors will always make that decision, "What's the relative return I can expect?" And as cash rates fall, everything else becomes more attractive. And then we had the ultimate acronym for this during COVID when rates were cut to zero. TINA. Right? There is no alternative. You have to be invested because your cash was earning nothing. The only thing it did was really provide you with some downside protection.

(06:24):

So as rates fall, investors are more likely to move up the risk curve and seek yield and just any kind of return outside very safe investments like cash. On the other hand, as rates are on hold, you would anticipate the businesses

are going to find it more challenging to get funding and so on. And so you're not anticipating a real breakout in terms of spending. What is funny in Australia is when we cut rates, it tends to go straight into housing investment. It doesn't necessarily go into other areas of the economy, which is not true in other economies. So we have a bit of an interesting and slightly distorted view of what lower rates means here. Residential property springs to mind for most investors more than other asset classes.

(07:14):

But when rates fall, you do anticipate risk assets doing better on a relative basis. And a lot of our investors tend to be alive to that. You can see it really clearly on our platform because there is a high interest cash account, which generally gives you the RBA rate. Cash levels are at record highs and they're growing. So that tends to lead us to conclude two things. One is people are very comfortable being in cash because they think the market's quite toppy and they're not super keen to go chasing equities at this particular point in time. And also that they're waiting for a pullback. We see that all the time. They're waiting for a pullback and they'd like to buy equities at a cheaper price than currently. That's how we put it.

Jacinta King (07:57):

We see that in our data too, because I work most specifically with ETFs and we'll see that contraction into elevated cash at certain times.

Gemma Dale (08:05):

Yeah.

Jacinta King (08:05):

But also in your other point, I'm not surprised at all that if there is an excess cash going into the housing market in Australia in particular.

Gemma Dale (08:12):

It's what we see all the time. And it was interesting, again, talking to our chief economist who was of the view, if we do continue, and it is continue, because we've seen a massive uptick in investor borrowing for housing since the RBA started to cut, that there'll probably be some macro prudential measures after and so on stepping in to do something about that because it does introduce other risks to the economy.

Jacinta King (08:37):

Yeah. I think the media has had whispers of that in the last week. I did see some headlines. So I guess it'd be interesting to see how that pans out if they do make some moves there. So given that backdrop, can we turn to Australian markets specifically? So a week ago, the ASX 200 had fallen 2.52% and hit a new six month low. And by Friday last week, so the 28th November, the losing streak was broken with the Australian markets

experiencing the best weekly performance since May. So what's going on? It's volatility, right? That word again.

Gemma Dale (09:10):

Yeah. So the funny thing about it is volatility is very, very low by historical standards. So that feels like a sizable move, but it's very, very low. And we've seen really low volatility for a long time. We saw a big breakout of volatility around Liberation Day. Things got very interesting and very exciting. And when I talk about our investors hoping for a pullback when they're massively cashed up, Liberation Day, they threw enormous amounts of money at the market. So people don't just sit on those cash holdings, which I think is important. If we just saw them sitting on the cash holdings and it never changing, then you would assume that was a permanent allocation. But it isn't. They absolutely will buy handover fist when the market sells off. So we see that behavior really consistently.

(09:53):

We haven't seen dramatic levels of buying as the market weakens, which is interesting. So it's been point-to-point fairly lackluster year for the ASX at this point in time, and I'm conscious that we're going to go live a month from now and anything could happen.

Jacinta King (10:11):

Correct.

Gemma Dale (10:11):

Because at one point, the ASX was up 9% for the year. And now, we're above zero, but only just. And that dividend yield is starting to look better. I think what's most tricky for Australian investors is that earnings growth, I'll be gentle, has not been strong, right? Earnings growth has not really been there to support higher equities prices, and yet we've seen an expansion in multiples, or an expansion in prices, which has led to an expansion in multiples. And so it's been quite difficult for investors who clear about what value looks like in the market and what future returns look like when you see multiples expand and the dividend yield falling as a result of that. Just finding it a little bit unattractive. They're just not super keen to chase at this point.

(11:01):

And when they look at other equities markets around the world, they get a bit of a similar feeling, to be honest with you. There's been some multiple expansion in a lot of places and they're just not keen to chase it. So cash has been rising. They've just been waiting for an opportunity to buy at cheaper prices because they feel what has been happening with the market is just prices going up for equities and the earnings growth is not there to support that.

Jacinta King (11:26):

Really interesting. We'll have to get you back in six months time and see what happens.

Gemma Dale (11:30):

And see if that's changed. Yeah. Yeah.

Jacinta King (11:32):

Yeah. Yeah. Well, while we're focusing on markets, I just wanted to also ask you if we could talk about any sectors, that even though "everything's down," there's any sectors that have survived or appearing okay despite these [inaudible 00:11:48].

Gemma Dale (11:48):

Look, it's really interesting. If I look at what our guys are doing, if nothing else, and they're always... So I will say this as a caveat right at the beginning. We have two quite distinct groups of investors, with those who joined us post COVID or during COVID, and those who came before that. And the COVID and post COVID cohort tend to have a strong preference for buying the market. Just buying an ETF, an ASX 200 generally, but then also the S&P 500. They just want market exposure. And they're not necessarily stock pickers. Investors who've been around longer have much stronger views on individual equities. And so they're the ones who drive sector allocation. We don't get a lot of information from our newer investors other than they want to be invested.

(12:40):

But the investors who have been around a long time, so what we have seen a lot of is a lot of trimming in financials. The financial sector, and I mean the banks very specifically, just ran super hard for two years. It was absolutely incredible to watch. CBA went from sub \$100, and it really traded in a range sub \$100, between 90 and 100 bucks for a couple of years, and then went to 180. And that was something our investors clearly had trouble with. They just were like, "I don't want to sell it because it's been so good, but I really, really, really don't feel comfortable about this level of pricing." And it was true for the other banks as well. So what we've seen is trimming.

Jacinta King (13:19):

Emotion and rational brains trying to kick in there [inaudible 00:13:22].

Gemma Dale (13:21):

Yeah. Yeah, yeah. But then you go, it's also quite rational to hold onto it because it just continued to run for so many of them, and many of them ran the risk of trimming too early. So we saw a lot of trimming of financials and we've seen it really right through 2025, and a big rotation into materials. Also a rotation into energy. And I talk about this ASX CEO Connect as an event that you guys host with us. And I always do a little market update at

the beginning where I break down the sectors. The thing that I'm yet to come to terms with is that the dividend yield on the energy sector in Australia is higher than the price earnings multiple, which tells you a lot about how cheap it is.

(14:01):

Now, it's also underwater from a performance perspective over one, five, and 10 years. So investors, and we've had a lot of them, have been rotating into energy, believing that there's opportunity there and it just has not paid off. It's just not been a great move at all. But they're generally very hopeful that, at some point, that will turn. I mean, we've got a couple of big energy players, I guess, for want of a better term. So you're rotating into your Woodsides and Santos and so on. We've seen a huge amount of interest back into the BHP, Rio, Fortescues of the world, the iron ore miners, into the better quality end of the lithium space and so on. Gold, obviously, just had an extraordinary run, so we've had a lot of interest there.

(14:45):

Looks like our guys picked up on gold quite early. So they were buying particularly gold ETFs. One of the gold ETFs is technically structured as a preference share. But they were in that quite early, 12 months ago, had a fabulous run. Looking at the gold miners as well, but they're starting to trim those now. So it's really been financials into materials and energy with a smattering of other things. We tend to see idiosyncratic stuff. So WiseTech gets absolutely hammered. They've never held WiseTech before, but they think it looks interesting now at this price. So there will be some individual stocks.

(15:22):

The other one that's been absolutely enormous has been CSL. CSL has been a very narrow holding of people who bought it early and just ran it all the way up until COVID when it went from sub \$20 through to more than \$350. And then as it has traded in a range really between, let's say 250 and 300 for like five years, and then has come off really, really hard through the latter half of 2025. And our investors have been super keen to get on that story. They wanted an allocation, they believe it's a quality company, they're happy to pick it up really cheaply. So that's been the other really, really big rotation.

Jacinta King (16:03):

So interesting. So much in that short summary that you've provided us. I really appreciate it. I want to change topics now though. Because as I mentioned at the top when I introduced you, you attended our ASX Investor Days and we held those in Melbourne and Sydney, and you are a regular attender, attendee, presenter for us, which we're very appreciative. So anyone listening, if you haven't already, you must get yourself down to

Investor Days and catch Gemma in-person on stage because she's always very generous of her insights.

(16:35):

One of your other areas, which is not a secret, you've worked a long time in the SMSF, and superannuation, investor behavior is one of your specialty areas. You were on a panel with Resolution Capital and Vanguard, and you looked at their most recent report on how Australians retire. That was their 2025 report. The report found that nearly 50% of Australians don't have a clear retirement plan. But those that do have a plan are twice as likely to feel confident about their financial future.

(17:07):

So the question is, what you did cover on the day was, what drives this confidence gap and what are some practical steps that Australians can take right now? And I would say, our listeners, we don't know individually who you are. So if we could discuss if you're a beginner, but also you'd be mid-range in your career, and then also thinking about retiring or already in retirement. Are there practical ways? Does it matter what stage you are in that journey? Or you should...

Gemma Dale (17:34):

Look, it matters enormously what stage you're at. There's a wonderful quote that my father used to use quite frequently, which was, "The lovely thing about not having a plan is that failure comes as a complete surprise."

Jacinta King (17:47):

I like that. I'm going to borrow that.

Gemma Dale (17:47):

It's quite useful. So look, it absolutely matters what stage you're at. I think the first thing I will say is that there are... We talk about the three pillars of the retirement system in Australia. And I did make this point on the panel, and I always do want to make it. People are highly critical of superannuation. It is the envy of the developed world, right? People come to Australia from top quality institutions globally to understand the system that we have built because it does provide us with a capital base for a huge number of people that will save them in retirement.

(18:24):

And it doesn't exist everywhere else. And in places where "pensions" are publicly funded, you don't want to be in France right now with an aging population and a deeply broken pension system. So there's a lot of places where... Most places, in fact, have less robust retirement systems than we have. So super, for all of its challenges, is quite an incredible system relative to the alternative. So the same thing about capitalism. It's terrible, apart from all the others. It's the worst system, apart from the others.

Jacinta King (18:55):

Always good to understand things relative.

Gemma Dale (18:55):

Yeah, yeah. Absolutely.

Jacinta King (18:57):

Relative to options.

Gemma Dale (19:00):

The three pillars that are talked about are superannuation, which is compulsory, but also has a large non-compulsory element. You can absolutely contribute on a voluntary basis. There are private savings and investments. So if you happen to own an investment property or cash and term deposits or you build up an equities portfolio or whatever else it might be, it could be crypto, your private savings and investments. And then the age pension. And the age pension is there to be a safety net. Not always perceived that way by the general public, but it was, believe it or not, when it was initiated and originally legislated, which was after superannuation, believe it or not, the first super funds or the first super systems existed. Not universal by any means, but super did exist before the age pension. You were expected to get it at age 65, which was higher than your statistical life expectancy.

(19:51):

So it was basically like, if you were really old and you lived a long time, this would kick in to keep you going because you weren't expected to work. And then life expectancy have just shot through the roof. And so we need the age pension and we definitely need super to be able to fund a retirement, that we didn't anticipate would be anywhere near as long when all of this stuff was contemplated. But I think there are two other parts to the system that you need to think about at an individual level. So one is home ownership, which is absolutely critical to the way the system is built, even though it's not explicitly stated. And the easiest way to check that is go and have a look at the different homeowner and non-homeowner asset thresholds for the age pension, because it's pretty shocking if you've not done that.

(20:35):

So everything is predicated on the idea that you own your home, even though we don't explicitly state that. And levels of home ownership have been dropping over time as housing's become more expensive. So that is something you need to think about. And the other one is debt, which has not been contemplated and is not built into the system. But as people hold more debt into retirement, it's another factor that you need to consider. So you've got these five different things, and you use different levers

throughout your lifetime to be able to optimize your position for, but also during retirement. Because as I said, life expectancies have gone through the roof.

(21:10):

If you retired in the '70s, at 65, you had a life expectancy of seven years. You now have a life expectancy at 65 of at least 20 years for women. At least. And so there is an entirely different approach you need to take. If you retire, take one nice holiday, and then have health issues for the last little bit of your life, that's a very different kind of retirement to, "I've got 20 plus years and I want to enjoy that and I want to do some interesting things and I need to be able to fund all of that."

Jacinta King (21:40):

A lot to think about there. I was going to maybe hone in on that home ownership and debt into retirement piece. And you also said that these thresholds and that system that we've been working under for 30 years or so, it's predicated on home ownership. So how do we need to change that? I mean, big questions here today. How do we need to change that? Does legislation need to change? Do we, as a financial industry and system, need to also start... I mean, arguably, there are product issuers out there already thinking about this and creating things for that income. And I guess my age range, by the time I retire, I'm told, "Yeah, think about you're going to have 20 to 30 good years, really good years, not going to be of ill health typically. So what are you going to..."

Gemma Dale (22:29):

So I think I'll come back to-

Jacinta King (22:30):

How you can implement that? Yeah.

Gemma Dale (22:31):

... the question you asked earlier, partly because I can get into a policy conversation to come up with 50 things. But unfortunately, I have very limited influence over this stuff. If we come back to that question about what age you're at and whether it matters, right? I have no problem with a 20-year-old having no confidence about their retirement. It's 30 or 40 years away at the minimum for them. They've got more immediate things to focus on. And those in their 30s and 40s, if you have children and you're in the peak of your career and you've got a whole lot of complexity going on in your life, it's perfectly understandable that you don't have a strong view of what your retirement is going to look like. If you're in your late 50s and 60s and you're not confident about your retirement, that's a bit of a different story.

(23:13):

So your objectives change over time. And to your question about housing, because it is, as I said, the system is predicated on the idea that you have somewhere permanent to live and that you are not paying rent. So the issue is really that rent is expensive. And if you are on the pension and supplementing that with a small amount of other income, it's very, very difficult. So for younger people, prioritizing home ownership over superannuation makes perfect sense, to be frank. Also, home ownership is an asset that you can do something with if you need to at a later date. So I do think we should be thoughtful. There's a lot of talk about people should engage more with their super. Absolutely engage with it, right? Know where it's invested, know who you've got it with, know what insurance you have, make sure that the fees are low and that you're invested in an appropriate asset allocation for you. Because if you're young, you've got a super long timeframe. You don't need to worry about a market crash. You're contributing to it all the time.

(24:12):

That's the other thing. Like you were dollar cost averaging for decades. You've got plenty of time to make those amazing long-term decisions, which is why super is the envy of the world. But it should be set and forget for you. You have other more immediate priorities. And if that includes home ownership for you, don't let anyone say you should be focusing on your retirement instead. That is a very valid personal option. And for those in their 30s and 40s, if you have managed to secure home ownership and you have a mortgage, prioritizing paying off that mortgage has a lot of benefits over contributing to your super. Super is absolutely preserved until retirement. There are a couple of scenarios under which you can take it out. Generally, you don't want to, but only pretty dire circumstances when you want to withdraw your super.

(24:59):

So you want to prioritize paying off that mortgage, which gives you much more security. And it's also generally a pretty attractive option from an after tax perspective, which is not something we always talk about relative to other forms of investment. So you've got these different priorities through your lifetime. But as you get closer to retirement, you start to narrow really, really closely on, get rid of that debt. You do not want to be taking non-deductible debt into retirement. You don't really want to be taking even deductible debt into retirement, unless you just happen to have enormous amounts of fully taxable income that you can't offset against anything else.

(25:37):

So you want to have a home, you don't want to be carrying debt, and you want to be optimizing your super because it's incredibly tax effective in retirement.

Jacinta King (25:45):

Thank you, Gemma. I think you've given a really good framework. I'm quite clear to break that down. We hope that our listeners find that thought-provoking and then give them some comfort too, actually, that they're probably doing better than they think, given the noise that you have from the media and the constant articles that you might be reading that might pull your focus. But if you filter that out and go, "Okay. Well, let's just be really practical about the way and make sure that I've got those foundations right, I might be okay."

(26:14):

Look, that brings our conversation to close. Unfortunately, it went really quickly, but you've been most generous as always. And if listeners would like to know, hear more from you, where can they go?

Gemma Dale (26:23):

So I work for nabtrade. You can find me on all the nabtrade things on our website, on our mobile app. I have a podcast called Your Wealth, which is just fun talking about markets, really. Sometimes, we talk about super and other stuff, but really fun talking about markets.

Jacinta King (26:41):

I listen to your podcast regularly and it is very enjoyable. So we just want to thank the contributions that you're making for investors out there. And of course, people can head to the ASX website and they can look for the tab investor and they'll find our educational content, on demand videos, and Gemma will feature in some of those as well. So thanks, as always, to our listeners. I am Jacinta King. And if you liked this episode, please share, and tune in again next month to The Ideas Exchange.

Speaker 2 (27:09):

Are you keen to learn more? Why not visit the ASX blog, asx.com.au/blog, for a wide range of articles, videos, and insights from ASX experts, listed companies, and investment professionals.