# yieldreport Daily

## Your Income Advantage

**16th May 2025**

## *Overview of the US Market*

Wall Street closed the week on a high note, with all three major indexes posting solid weekly gains, buoyed by easing US-China trade tensions. The **S&P 500** rose 0.7% on Friday, marking its fifth consecutive daily gain, while the **Nasdaq** added 0.4% and the **Dow** advanced 331 points, erasing year-to-date losses. A 90-day tariff truce between the US and China earlier in the week lifted market sentiment, pushing the S&P 500 back into positive territory for the year.

However, **soft consumer sentiment data** slightly tempered the rally, as the **University of Michigan's index** fell to 50.8—its second-lowest reading on record—while one-year inflation expectations jumped to 7.3%.

Big Tech performance was mixed, with Alphabet rising 1.2% and Meta slipping 0.5%. For the week, the S&P 500 gained 5.3%, the Dow rose 3.4%, and the Nasdaq surged 7%. Tech stocks rallied this week, led by Nvidia's 16% surge. Meta rose 8%, Apple climbed 6%, and Microsoft added 3%.

However, shortly after market close on Friday, **Moody's Ratings downgraded the US government's credit rating** from AAA to Aa1, citing a ballooning budget deficit and lack of signs of narrowing. The downgrade risks reinforcing Wall Street's growing worries over the US sovereign bond market as Capitol Hill debates even more unfunded tax cuts and the economy looks set to slow as President Donald Trump upends long-established commercial partnerships and re-negotiate trade deals. In a potential sign of things to come on Monday, 10-year Treasury yields rose as high as 4.49% in thin volumes on Friday and an exchange-traded fund tracking the S&P 500 fell 0.6% post-market.

Wall Street sent stocks higher as bond yields sank after the latest economic data spurred speculation the Fed will cut interest rates twice this year to prevent a recession. The S&P 500 rose for a fourth straight day. Despite the gain, caution lurked in the background after the rally **spurred worries about an overheated market, with the pendulum swinging in favor of defensive dividend-payers**.

## *Overview of the Australian Market*

The **S&P/ASX 200 Index** rose 0.56% to close at 8,344 on Friday, marking its eighth straight session of gains and reaching its highest level in nearly three months. The rally mirrored strength on Wall Street, driven by optimism surrounding the US-China trade deal and signs of easing US inflation.

Domestically, **stronger-than-expected jobs data** released earlier in the week led investors to temper expectations for aggressive rate cuts by the RBA.

Mining and gold stocks led the charge on the back of rising metals prices, with BHP Group climbing 1%, Fortescue advancing 1.2%, and Northern Star Resources jumping 2.5%. Other index heavyweights also posted solid gains, including CSL Ltd (1.7%), Brambles (0.9%), and QBE Insurance (0.6%). The benchmark index gained 1.3% for the week, reflecting broad-based strength across sectors.

## *Overview of the US Bond Market*

The **yield on the 10-year US Treasury note** fell to 4.4% on Friday from the three-month high of 4.55% touched yesterday, as the latest data favored multiple rate cuts by the Fed this year. Consumer and wholesale costs were lower than expected in April, suggesting that tariffs passed by the White House did not trigger an immediate increase in price levels. Still, this was countered by import prices unexpectedly rising in April, indicating that firms may have attempted to pass tariffs through to consumers.

In the meantime, the control group for retail sales unexpectedly contracted, strengthening the argument for dovish policymakers in the FOMC. Yields remained over 23bps higher since the start of the month. The US and China jointly lowered their tariffs against each other for the next 90 days, easing concerns that trade barriers would cause a recession and triggering a sharp rebound in risk sentiment and long-dated US Treasury yields.

**Moody's lowered the US credit score to Aa1 from Aaa on Friday** after market close, joining Fitch Ratings and S&P Global Ratings in grading the world's biggest economy below the top, triple-A position. The one-notch cut comes more than a year after Moody's changed its outlook on the US rating to negative. The credit assessor now has a stable outlook.

Long-term Treasury yields have already been moving higher, with 30-year rates creeping toward 5% as the tax-cut plan adds to investor concerns about the surging debt load. Jamie Dimon, chief executive officer of JPMorgan Chase & Co., said in an interview late last week that the US deficit and debt load would be an issue. "It creates risk of inflation to me. It creates risk of higher long-term rates," Dimon said.

## *Overview of the Australian Bond Market*

Australia's **10-year government bond yield** fell to around 4.5% on Friday, as investors awaited the RBA policy decision on Tuesday this week, where it is widely expected to cut its official cash rate by 25bps. However, investors have scaled back their expectations for the total rate cuts this year to 75bps, down from over 100bps a few weeks ago, following an upbeat jobs report.

Recent data showed **Australian employment soared in April** while the jobless rate held steady, highlighting the resilience of the labor market. The shift also reflects the easing of US-China trade tensions, which has lowered the chances of a global recession and reduced the need for aggressive monetary easing at home. The decline in Australian bond yields also mirrored a similar move in US Treasuries, after downside surprises on US economic data this week reinforced expectations of further rate cuts by the Federal Reserve this year.

## *ETFs -Domestic & Global*

**Investors go on the defence in April: Amundi ETF**. **European strategies** accounted for half of the month's overall inflows of EUR16.9 billion says Amundi ETF, with investors allocated **into defensive strategies** in both equities and fixed income. **Smart beta, minimum volatility and government bonds all posted gains**. The rotation to European equities showed no sign of abating, as half of the overall net new assets (NNA) in the month were directed towards these exposures. This underscores the year-to-date trend of investors preferring Europe over the US in equities.

Trackinsight has published its 2025 global ETF survey revealing that the ETF Industry has broken new barriers as global growth accelerates.



 

**Active ETFs: The breakout story**. **Active ETFs now represent 27% of global listings** (up from 13% in 2019). They attracted USD352 billion in 2024—22 per cent of total flows—and made up 51% of all ETF launches.

**The US leads** with USD973 billion in active ETF AUM and 60 per cent of new listings. Share class reform and fund conversions are poised to fuel further growth. Europe is catching on, with active ETF AUM quadrupling since 2019, the firm says.

**APAC (ex-China/India) is gaining speed. Australia**, Korea and Japan are driving growth with AI, income, and flexible strategies. Regulatory changes have helped level the playing field, Trackinsight writes.

**Fixed Income ETFs:** maturing & expanding: Bond ETFs exceeded USD2.6 trillion in AUM (ex-China/India). The US dominates with USD1.9 trillion, but Europe, Canada, and APAC are growing fast. 2024 saw 572 new bond ETFs globally. Active strategies took the lead, with 269 launches and USD127 billion in inflows — a third of all Fixed Income ETF inflows. Their market share hit 15%, up from 9% in 2019.

**Thematic ETFs:** growth, but selective. Thematic ETFs hit a turning point. US assets reached USD278 billion, led by crypto, infrastructure, AI, and nuclear. But closures are rising, especially in niche fading or volatile areas like metaverse and blockchain.

## *About YieldReport - Your Income Advantage*

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