yieldreport Daily

Your Income Advantage

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Overview of the US Market

Wall Street's mood remained **bound to the repercussions of Donald Trump's trade war (are you bored? I'm bored)**, with stocks moving away from session lows amid hopes the US will strike deals with some top commercial partners soon. As investors awaited any breakthroughs in tariff talks, the S&P 500 trimmed about half of a slide that earlier topped 1%. Trump said he will be making a "big announcement" before his trip to the Middle East — though he did not say what it will be about. Treasury Secretary Scott Bessent said many countries have good offers, while the Financial Times reported the UK and the US are set to sign a deal this week.

The **S&P 500 and Nasdaq** fell 0.5% and 0.6%, respectively, the **Dow Jones** dropped over 300 points. Trump's backtracking on earlier promises of imminent trade deals, saying "we don't have to sign deals," contradicted recent remarks by Treasury Secretary Scott Bessent and dimmed hopes for tariff relief. Meanwhile, a tense exchange between Trump and newly elected Canadian Prime Minister Mark Carney highlighted diplomatic strains, with Carney declaring, "Canada is not for sale," to which Trump quipped, "Never say never." The Fed is expected to hold rates steady, though traders will listen closely to Powell's outlook on the economy as tariffs loom large. Tech giants were trading lower, with Meta down 1.5%, and Tesla shares slid over 2% amid weak European sales.

The **steep recovery in equities over the past two weeks is typical of bear-market rallies**, and the erratic swings mean almost every investor will experience pain whichever direction the market suddenly moves. Following a historic winning run for stocks, Goldman Sachs Group Inc. strategists say current valuations leave little room for the recent rally to continue. For JPMorgan Chase & Co. strategists, US assets are "not a good place to hide." At HSBC, Max Kettner remains tactically cautious as "fundamentals remain dire." So, what are we left with? Despite that sage advice, where else is the market going. **It's not a problem until it becomes a problem. Well, I'm not the marginal buyer. Watch the Dollar and Watch the Bond Market.**

Let's be honest. If you know what's going on in the markets, then you're the only one. **Not Public Markets. Not private Markets.** I don't see safety.

Overview of the Australian Market

The **S&P/ASX 200 Index** shed 0.08% to close at 8,151 on Tuesday, marking its second straight session of losses as global trade tensions and weak economic data weighed on sentiment. Trump stated he has no plans to speak with Xi Jinping this week, though he expressed openness to reducing the steep 145% tariff on Chinese goods. Trump also announced a 100% tariff on foreign-produced films and hinted at potential levies on pharmaceuticals within two weeks.

Locally, sentiment was further dampened by disappointing Australian building permits data and signs of slowing growth in China's services sector—both key indicators for Australia's trade-reliant economy.

Financials led the market lower, with steep declines in major banks including Westpac (-2.1%), NAB (-1.5%), and ANZ Group (-0.8%). Technology and mining stocks also came under pressure. In contrast, gold miners outperformed on stronger bullion prices, with Northern Star Resources climbing 4.2% and Evolution Mining surging 5.4%.

Overview of the US Bond Market

The **yield on the 10-year US Treasury note** eased to 4.32% on Tuesday, 6bps below the two-week high touched earlier in the session as investors piled on long-dated government debt after a strong auction for the 10-year note. The Fed bought nearly $15 billion in notes in the auction, the most since 2021, to align with the recent softer pace of its quantitative tightening.

The central bank is widely expected to hold its rates unchanged tomorrow, but may unveil insights on the economic impact of President Trump's trade policies. Trade negotiations between the US and several Asian countries are expected to resume this week, though discussions with China appear to have stalled. On the data front, the ISM services report pointed to an expansion and reinforced optimism from last week's jobs report. These figures contrasted with signs of economic strain linked to trade tensions, including a Q1 GDP contraction, a spike in imports ahead of new tariffs, and a sharp decline in port volumes.

What's the Fed doing tomorrow? Nothing and their hands are bound. Milken is on this week. The excitement is about secondaries. I guess we all need liquidity. **But get used to secondaries. But on more positive note, ABS.**

Overview of the Australian Bond Market

Australia's 10-year government bond yield rose to around 4.37%, reaching a more than three-week high after Prime Minister Anthony Albanese secured a second three-year term in the federal elections. Albanese pledged a "disciplined" government focused on addressing cost-of-living issues, global trade tensions, and reaffirmed commitments to renewable energy, tax cuts, housing, and healthcare investments. These policies are seen as potentially increasing inflationary pressures, which could limit the Reserve Bank's ability to cut rates.

Meanwhile, the Melbourne Institute's Monthly Inflation Gauge rose 0.6% in April, easing from March's 0.7% but marking a second consecutive increase. Investors are now looking ahead to the RBA's May policy meeting, where a 25-bps rate cut to 3.85% is widely expected. Markets are also pricing in a further decline to 2.85% by year-end amid easing inflation and weaker global growth prospects.

ETFs -Domestic & Global

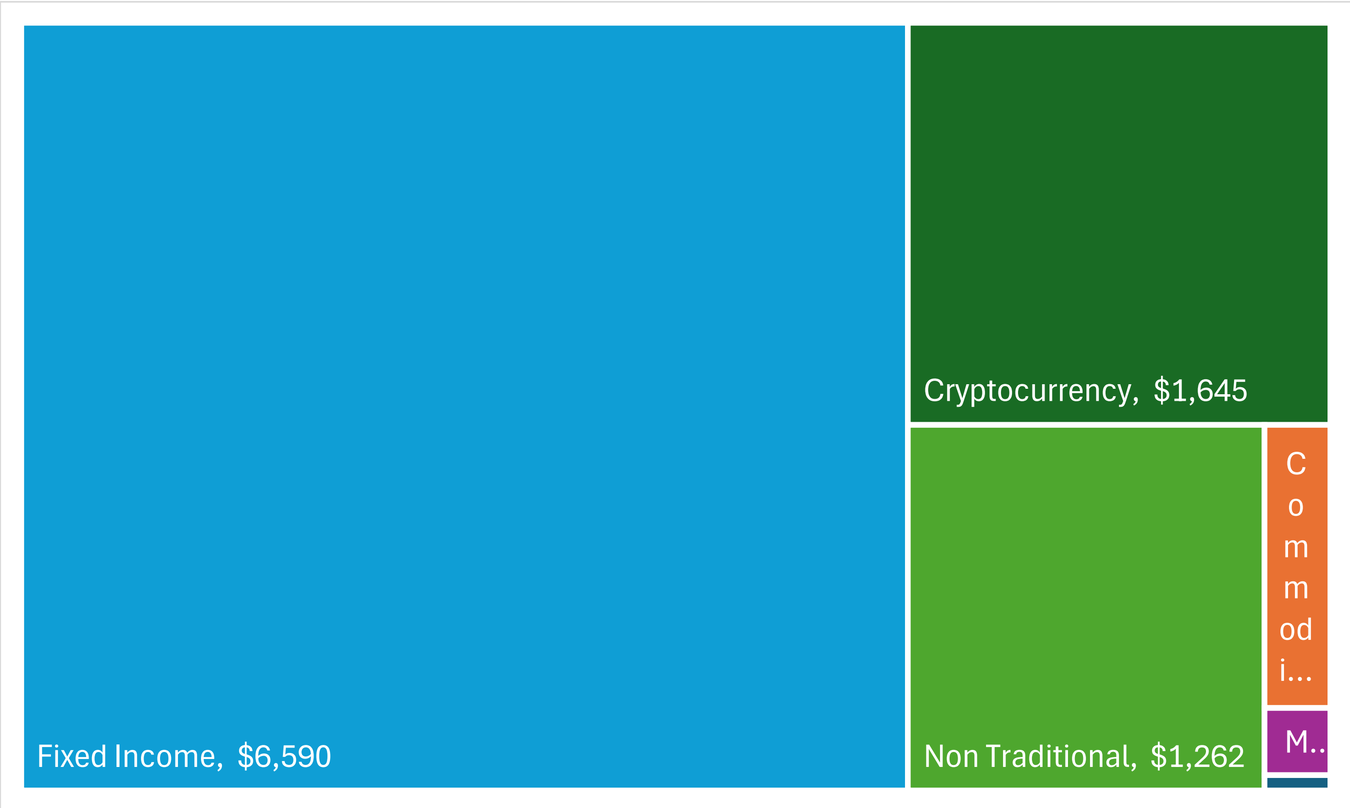
Weekly Flows data. What happens in the US regarding TAA happens in Australia.

- Total 5-day ETF flows reached $9,229.4 million. **The punters are all-in**, but they are in selectively.
- **Fixed Income** led in one-week asset class flows with $6.590 million **while Equity ETFs saw modest net outflows.**
- **Global Ex-U.S. Large Cap** - Blend ETFs had the top category flows with $4,023.26 million.
- Sector ETFs saw mixed flows last week; Financials ETFs saw almost $500 million in net outflows while Health Care ETFs gathered $386 million in net inflows. **Call it Defensive**.

- Disruptive Tech gathered $224 million in net inflows bringing its YTD total to over $2 billion in net inflows
- **Corporate Bond ETFs** saw $3.638 billion in net inflows for the week while Government Bond ETFs lost $1.788 billion in net outflows.

- Bitcoin ETF pulled in $1.454 billion in net inflows on the week, **IBIT** gathered $2.046 billion.

Figure 1: Weekly US ETF Flows by Sector



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