yieldreport Daily

Your Income Advantage

13th May 2025

Overview of the US Market

Equities climbed toward the highest since February, the month that marked the S&P 500's all-time high. Up about 1%, with chipmakers leading the charge as Nvidia Corp. and Advanced Micro Devices Inc. will supply semiconductors to Saudi Arabian firm Humain for a massive data-center project. The **S&P 500** rose 1%. The **Nasdaq 100** climbed 1.8%. The **Dow Jones Industrial Average** lost 0.3%. A closely watched gauge of chipmakers rallied 3.1%. The **Magnificent Seven** index of mega caps added 2.4%.

The Trump administration plans to overhaul regulations on the export of semiconductors used in artificial intelligence, tossing out a Biden-era approach that had drawn strenuous objections from America's allies.

After mostly missing out on last month's rebound, investors are likely to be forced to chase the stock rally sparked by this weekend's US-China trade truce. A survey conducted before the trade talks in Geneva showed fund managers were a net 38% underweight on US stocks, the most in two years. The poll is bearish enough to suggest **the pain trade** is modestly higher given the US-China deal would prevent a recession or a shock in credit markets.

The negative earnings-growth momentum that plagued US equities for months is finally taking a turn for the better. A gauge of earnings revisions, based on the number of upgrades and downgrades, has turned positive for the first time in six months. And, 77% of S&P 500 members that reported surprised positively in the first quarter, the highest since the second quarter of last year. Meanwhile, earnings growth in the quarter is running at 13.1%, compared with just 6.6% expected before the start of the season. Last month, sell-side strategists were downgrading their forecasts for the S&P 500 at a furious pace. But since then, well, ..., forcing those same strategists to pull U-turns on their calls.

Wall Street veterans Ed Yardeni and David Kostin at Goldman Sachs are among the strategists changing course this week, calling for the S&P 500 to rally past 6,000 by December's close. They also were among the first to slash their 2025 targets for the benchmark in April.

Well, Wall Street isn't Main Street, right. Sentiment among US small businesses deteriorated for a fourth straight month in April due to concerns about the economic outlook and sales prospects amid higher tariffs. The National Federation of Independent Business (NFIB) optimism index dropped 1.6 points to 95.8, the weakest reading since October, with six of the survey's 10 components decreasing **(see figure 2)**.

Figure 1: US Conference Board

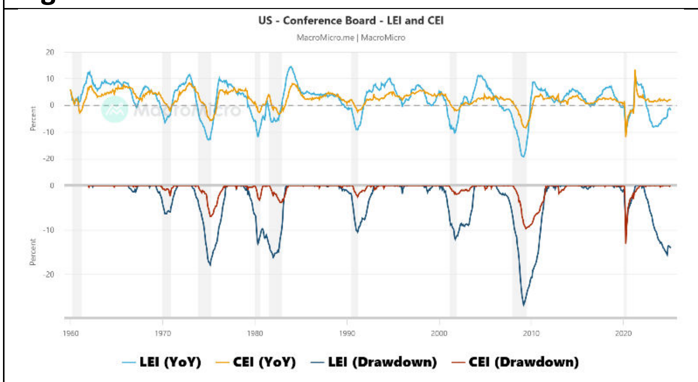

Figure 2: US NFIB – Small Business Optimism

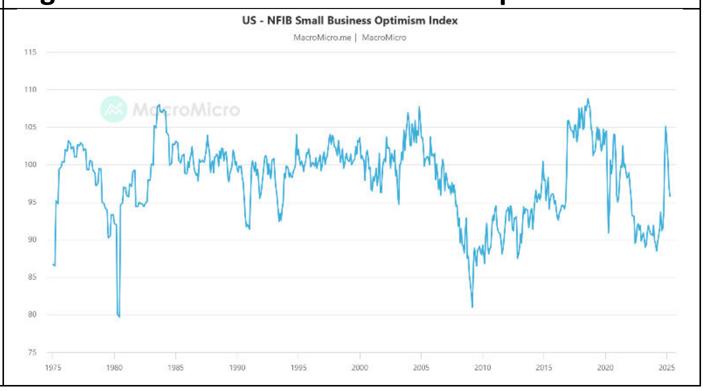

Figure 1 displays the leading and coincident indicators published by the Conference Board (CB), both of which are key tools for assessing economic health. The Leading Economic Index (LEI) is derived from data

such as average working hours, the number of initial unemployment benefit claims, new manufacturing orders, and the stock price index. It typically signals future economic trends. The Coincident Economic Index (CEI), in contrast, reflects the current state of the economy, based on data like employment, personal income excluding transfer payments, manufacturing and trade sales, and industrial production. The year-on-year growth rate is calculated by comparing the most recent value with the value from the same period last year. The drawdown is calculated by measuring the decline from the three-year high to the most recent value. Historical data indicates that when both leading and coincident indicators show a significant decline, it often signals that the economy is either already in or on the verge of a recession.

Overview of the Australian Market

The **S&P/ASX 200 Index** rose 0.43% to close at 8,269 on Tuesday, reaching its highest level in over two months as Australian equities tracked a strong rally on Wall Street. The positive sentiment was driven by news that the US and China have agreed to temporarily lower tariffs, easing fears of a prolonged trade war and reducing the risk of a global recession. Australia, with its significant export exposure to China, remains particularly sensitive to developments in US-China trade relations.

Meanwhile, **domestic data showed that consumer confidence in Australia improved in May**, supported by a rebound in financial markets and the resolution of uncertainty following the Federal election. Gains were led by major index constituents, including BHP Group (+2.1%), Macquarie Group (+3.7%), CSL Ltd (+2.4%), Fortescue Metals (+2.7%), and Zip Co (+8.8%).

Overview of the US Bond Market

Treasury debt slipped as gains for US stocks reinforced the broadening conviction on Wall Street that Fed interest-rate cuts are unlikely before December. The US government bond market erased gains that were spurred by April inflation data that showed smaller increases in consumer prices than economists estimated. **The two-year note's yield, more sensitive than longer maturities to expected changes in the Fed's rate, was little changed at about 4.02% after earlier dipping to 3.95%.**

While derivative contracts continue to price in two quarter-point rate cuts by the Fed this year, several major Wall Street banks this week forecast a rate cut in December, later than they previously anticipated. The changes were based on the US trade truce with China announced Monday, which along with comments by Trump during the US-Saudi investment forum in Riyadh drove gains for US stocks. **And the below . . . .**

US inflation rose less than forecast in April, with the consumer price index increasing 0.2% from March, driven by tame prices for clothing and new cars. The report suggests that companies are absorbing some of the extra costs of higher tariffs, and consumers are cutting back on leisure and discretionary spending. The temporary agreement to de-escalate the trade war with China has scaled back projections of how much damage tariffs will inflict on the economy, but economists still expect inflation to remain above the central bank's target.

Overview of the Australian Bond Market

Australia's 10-year government bond yield held steady at a one-month high to around 4.47% on Tuesday, supported by improved risk sentiment following an agreement between the US and China to reduce mutual tariffs for 90 days. The temporary halt in the trade war between the world's two largest economies eased worries of a global recession. Markets interpreted the easing of trade tensions as reducing the urgency for aggressive rate cuts domestically, and now implies an Australian policy rate of 3.25% by year-end compared to around 2.85% a couple of weeks ago.

Still, traders remain fully priced for a 25bps rate cut from the RBA later this month. In domestic news, consumer confidence in Australia rose in May, while business sentiment also improved in April, suggesting an optimistic outlook for the economy.

ETFs -Domestic & Global

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, Trackinsight writes.

About YieldReport - Your Income Advantage

YieldReport is Australia's leading online data and research platform for interest rate markets, securities and products that focus on fixed income and yield generation. YieldReport provides advice, news review, analysis and insights on what's shaping the yield curve and fixed income markets. It also provides a great source of reference for pricing and performance data on yield generating investment opportunities including cash, term deposits, government and semi-government bonds, managed funds, ETFs, corporate bonds, floating rate notes, hybrids as well as other yield instruments. YieldReport insights and analyses are designed to help anyone managing money – whether it be their own or whether they sit on a finance committee, board etc. – to make informed decisions about where interest rates are going and to have access to the best rates and latest performance data available.

Explore more via the website - www.yieldreport.com.au. Find daily updates on social media platforms such as [LinkedIn]() and [Twitter](). For inquiries, please contact contact@yieldreport.com.au or call 0408 266 713.

Disclaimer

The material contained in this document is for general information purposes only. It is not intended as an offer or a solicitation for the purchase and/or sale of any security, derivative, index, or financial instrument, nor is it an advice or a recommendation to enter any transaction. No allowance has been made for transaction costs or management fees, which would reduce investment performance. Actual results may differ from reported performance. Past performance is no guarantee for future performance.

This material is based on information that is reliable, but Foresight Analytics makes this information available on an "as is" basis without a duty to update, make warranties, express or implied, regarding the accuracy of the information contained herein. The information contained in this material should not be acted upon without obtaining advice from a licensed investment professional. Errors may exist in data acquired from third party vendors, & in coding related to statistical analyses.

Foresight Analytics disclaims any & all expresses or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. This communication reflects our quantitative insights as of the date of this communication & will not necessarily be updated as views or information change. All opinions expressed herein are subject to change without notice.