yieldreport Daily

Your Income Advantage

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Overview of the US Market

Wall Street investors set aside a flurry of tariff headlines to drive stocks to all-time highs, capping a week that saw a cooling in Middle East geopolitical risks and signs the US economy is holding up amid subdued inflation.

A surge in equities after April's tariff-fuelled meltdown drove the S&P 500 to its first record since February, with the gauge topping 6,170. Tech mega caps led gains, with Nvidia Corp. approaching the $4 trillion mark and Alphabet Inc. up almost 3%. President Donald Trump touted progress on trade deals with a few countries, naming agreements with China and the UK, while saying he was ending discussions with Canada.

Indeed, with earnings season just weeks away, stocks will get a major test.

While a report on Friday showed US consumer sentiment hit a four-month high in June as inflation expectations improved, other data this week painted a less encouraging picture. Purchases of new homes fell in May by the most in almost three years. Recurring applications for unemployment benefits are now at the highest level since 2021, aligning with other data pointing to a slowdown in the labor market. Consumer spending declined in May by the most since the start of the year.

On the economic front, consumer sentiment rose sharply to a four-month high and inflation expectations improved notably. Data also showed that while the core personal consumption expenditures price index rose slightly more than expected, the pace was consistent with limited price pressures that will allow the Federal Reserve to resume rate cuts later this year.

Those reports were backdrop to testimony this week by Fed Chair Jerome Powell before Congress, where he said interest rates would probably be coming down already if not for uncertainty around Trump's trade policy. He joined a parade of central bank officials who made clear in speeches they'll need a few more months to be sure tariff-driven price hikes won't raise inflation in a persistent way.

None of that derailed the risk rally. The S&P 500 surged 3.4% this week and closed at a record high. Junk bonds extended gains for a fifth week as 10-year Treasury yields fell around 10 basis points. Bitcoin is back above $100,000 and Coinbase Global Inc. hit its first record since 2021. Altogether, the pan-asset tandem rallies in June of US stocks, long-dated Treasuries, junk bonds and the Bloomberg Commodity Index set them for their best monthly performance in 13 months.

Overview of the Australian Market

On 27 June 2025, the Australian share market experienced a modest decline. The benchmark S&P/ASX200 index gave up its modest morning gains on Friday to finish on the lows of the day, losing 36.6 points, or 0.43 per cent, at 8,514.2. Solid gains by the mining sector were not enough to keep the Australian share market in the green, while the dollar has climbed to its highest level of 2025 against its faltering US counterpart.

The materials sector rose 2.3 per cent on Friday, its best day since a 6.3 per cent gain on April 10, as iron ore prices climbed to $94.50 a tonne. BHP advanced 3.9 per cent to $108.97, Rio Tinto gained 4.6 per cent to $108.97 and Fortescue added 3.6 per cent to $15.46. Across the banking sector, Commonwealth Bank (CBA) dipped 0.4% to $190.71, National Australia Bank (NAB) fell 0.4% to $39.89, ANZ surged 2.2% to $29.74 while Westpac edged up to $34.57.

Within Tech and Industrials, DroneShield (DRO) jumped 11.7% after announcing a major European military deal., Humm Group (HUM) rose 3.7% following a takeover offer., Neuren Pharmaceuticals (NEU) gained 6.1% after a US patent approval. Xero (XRO) dropped 5.3% after completing a $1.85 billion capital raise.

The ASX200 finished the week up 0.1 per cent after a rally on Tuesday following the Iran-Israel ceasefire. Over the week, the best performing sectors were Gold (+5.5%), Banks (+0.9%), Small Ords (+0.6%) and Tech (+0.4%). With one more day of trading left in 2024/25, the ASX200 is on track to deliver an annual return of 13.9 per cent, including dividends or 10 percent excluding dividends. This is not a bad return for the FY given the tariff and geopolitical noise that investors had to accept in their decision making.

Overview of the US Bond Market

Yields of U.S. government bonds fell for the third week in a row, with yields of notes with shorter maturities posting the biggest declines. On Friday afternoon, the yield of the 10-year U.S. Treasury was 4.28%, down from a recent peak of 4.60% on May 21, the 2-year yield ended at 3.3% while the 30-year yield reached 4.85%. Junk bonds extended gains for a fifth week as 10-year Treasury yields fell around 10 basis points.

Money markets continued to project at least two Fed cuts by the end of this year. Wagers on a third reduction could gain momentum with other data released during the week. While a report on Friday showed US consumer sentiment hit a four-month high in June as inflation expectations improved, other data this week painted a less encouraging picture. Purchases of new homes fell in May by the most in almost three years. Recurring applications for unemployment benefits are now at the highest level since 2021, aligning with other data pointing to a slowdown in the labor market. Consumer spending declined in May by the most since the start of the year.

The U.S. economy's contraction in this year's first quarter was deeper than initially estimated, based on an updated figure released on Thursday. GDP contracted at a 0.5% annual rate versus an earlier estimate of a 0.2% contraction. It's the first negative GDP reading since the first quarter of 2022. In contrast, the economy expanded at a 2.4% rate in last year's fourth quarter.

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U.S. crude oil was trading around $65 per barrel on Friday afternoon, down 11% for the week as tensions in the Middle East eased, calming fears of a potential supply disruption. As recently as June 18, the price had surged above $75 per barrel.

Ahead of a July 9 deadline on reciprocal tariffs, investor sentiment was lifted by updates from the Trump administration on negotiations with China and the European Union. However, the administration on Friday afternoon terminated trade talks with Canada in a dispute over dairy product tariffs and a digital services tax.

Overview of the Australian Bond Market

On 27 June 2025, the Australian government bond market posted modest gains, reflecting a mix of global uncertainty and domestic economic signals. The Bloomberg AusBond Composite 0+ Yr Index rose 0.16%, indicating a slight uptick in bond prices. The benchmark 10-year bond yields increased to 4.17%, up 4 basis points from the previous session. The 3-year bonds edged up to 3.27%, while 30-year bonds held steady at 4.83%. The short-term 3-month bank bills dropped 15 basis points to 3.73%.

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