



Your Income Advantage

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Overview of the US Market

Stocks rebounded from a bruising Friday and oil prices fell, with investors growing optimistic about a quick de-escalation in the Israel-Iran conflict.

The Dow Jones Industrial Average gained 317 points, or 0.8%. The S&P 500 rose 0.9%, and the Nasdaq Composite advanced 1.5%.

Oil prices dropped sharply in morning trading after The Wall Street Journal reported that Iran has been urgently signalling that it seeks an end to hostilities and a resumption of talks over its nuclear programs.

Brent crude shed 1.3% to \$73.23 a barrel. The U.S. oil gauge, West Texas Intermediate crude futures, fell back below \$72 a barrel, after surging Friday and rising during the weekend.

Traditional safe-haven assets such as gold fell, while the U.S. dollar pared losses. Gold prices lost 1% to \$3,396.40 a troy ounce, after settling Friday at a record. The Cboe Volatility Index—known as the VIX, or Wall Street's fear gauge—fell 8%.

Trump is joining the leaders of G-7 countries, plus others, at the summit. Nations including Japan, Canada and Mexico hope face time with Trump will help them persuade the president to lower at least some of his tariffs.

Before tensions in the Middle East had ratcheted up, US stock funds suffered the biggest outflows in almost three months, according to data published by Bank of America Corp.

About \$9.8 billion was redeemed from US stocks in the week through Wednesday, the most in 11 weeks, according to EPFR Global data cited by the bank. Even European funds, which have been popular with investors this year, suffered their first outflows in nine weeks at \$600 million.

Overview of the Australian Market

The ASX barely moved today. The S&P/ASX 200 closed just +1 point higher at 8,548.4—flat, but steady amid global tension.

You know what stole the spotlight? Santos Ltd (STO). It surged to \$7.72, up \$0.76 or a massive +10.92%! Why? A \$30 billion takeover deal got the green light—Abu Dhabi-backed consortium + Carlyle.

Energy stocks stole the show, surging +5.4%, fuelled by oil prices hitting 3-month highs after Israel's airstrikes on Iran. Also flying high - Paladin up 15.7%, as uranium demand glows brighter.

But not everything glittered—gold stocks slipped. Northern Star and Evolution got hit after UBS downgrades, even with gold prices staying near record highs.

Banks stayed quiet—mostly flat. Westpac dipped, NAB edged up.

Tech climbed 0.9%, riding Nasdaq futures strength.
And yes, the Aussie dollar? Back to 65.06 US cents. Steady under pressure.

Overview of the US Bond Market

Treasuries briefly trimmed losses on Monday along with crude following a Wall Street Journal report that Iran signalled it wants an end to its conflict with Israel. But bonds resumed their slide as equities rallied, pushing yields up two to six basis points across maturities in late afternoon New York trading.

The yield on 10-year US bonds rose three basis points to 4.43% on Monday, underperforming German peers. Traders pared bets on interest-rate cuts from the Federal Reserve, pricing 46 basis points by the end of the year, compared to 49 basis points on Friday.

After last week's closely watched sale of 30-year debt saw stronger-than-expected demand, the 20-year auction was unremarkable. Its 4.942% yield matched the indicated level, and non-dealers were awarded 86.6%, a touch better than recent sales.

The developments add to risks for Treasury investors nervous about whether President Donald Trump's policies will stoke inflation and widen the US budget deficit, pushing traders to demand a steeper premium on longer maturities.

US Treasuries are down since tensions between Israel and Iran turned into a direct conflict on Friday and selling pressure is likely to have a lasting effect if past episodes of clashes are any guide. Iran's direct strikes in April 2024 and another flare-up between the two nations in October had also pushed up US yields rapidly and kept them elevated over a 30-day period, Bloomberg analysis showed.

Ahead of the latest escalation in geopolitical tensions, traders had boosted their bets on Fed rate cuts. While those wagers receded slightly on Friday, money markets are still projecting two quarter-point reductions before the end of the year.

Oil prices remain significantly above levels before Israel's attacks began late last week, stoking worries around the risk of persistently higher inflation. Two-year yields edged up about two basis points to 3.97% as traders pared wagers on Fed easing, pricing in about 45 basis points of cuts by the end of the year, compared with 49 basis points on Friday.

Overview of the Australian Bond Market

Markets are leaning hard into a **July rate cut** and bond yields are telling the story loud and clear.

Australian 3-year yields jumped 6.9 bps to 3.362%, while the 10-year climbed 8.7 bps to 4.244%.
The 30-year yield? It surged +9.5 bps, hitting 4.96% - its highest in nearly two months.

Guess what? Rate cut odds now sit at 97%. Markets are almost certain the RBA will trim the cash rate to 3.6% at its July 7-8 meeting.

That confidence comes after last week's weak GDP print (+0.2%) and flat consumer spending data. And now, former RBA chief economist Luci Ellis is questioning whether the central bank has waited too long to ease.

With traders pricing in a move to 3.1% by year-end, the bond market is clearly bracing for a more dovish path.

So, while equities tread water, the bonds are marching—and they've got the data to back them.

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