yieldreport Daily

Your Income Advantage

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Overview of the US Market

Investors drove US stocks to reach all-time highs while setting aside recent geopolitical fears amid hopes that a resumption of Federal Reserve rate cuts will fuel the outlook for Corporate America. Treasury yields fell alongside the dollar.

A nearly $10 trillion surge in the S&P 500 from the edge of a bear market pushed the gauge briefly above its February. 19 closing peak of 6,144.15. The benchmark ended just shy of that mark at 6,141.02. Big tech led gains. A closely watched gauge of stock volatility - the VIX - slid to 16.59 after topping 52 at the height of April's tariff-fuelled turmoil.

As the US stock market nears a fresh all-time high, retail investors are piling into equities. The group purchased a net $3.2 billion of stocks in the five-day period through Wednesday's close, according to data compiled by JPMorgan Chase & Co.

The Invesco S&P 500 High Beta ETF, an exchange-traded fund that tracks highly volatile stocks, is on track for its best quarter since 2020 relative to the Invesco S&P 500 Low Volatility ETF. Meanwhile, a Goldman Sachs gauge of stocks with weak balance sheets is on track for the best month relative to the S&P 500 since September.

Large-cap technology behemoths have been the primary drivers of the market over the past two years. They had a brief hiccup earlier this year when the rise of Chinese artificial intelligence startup DeepSeek raised concerns about who will dominate AI, still tech giants are back in the driver's seat, leading the sharp recovery in the S&P 500 since the tariff selloff.

Bloomberg's gauge of the US dollar dropped to the lowest level in three years after the *Wall Street Journal* reported US President Donald Trump may reveal chairman Jerome Powell's replacement by September or October. Traders are viewing the news as a signal that early rate cuts are becoming more likely, given that Trump has repeatedly pressured Powell to lower borrowing costs.

Overview of the Australian Market

Australian shares edged lower on Thursday as investors took profits from technology stocks and bought back into beaten-up lithium miners ahead of the end of the financial year.

The benchmark S&P/ASX 200 fell 8.4 points, or 0.1 per cent, to 8550.8, with seven out of 11 sectors in the red. The broader All Ordinaries index shed 6.3 points to 8773.6.

The focus of investors is returning to Donald Trump's trade war, with July 9 the next deadline for countries including Australia to strike a deal with the US following the mercurial American president's April 9 declaration of a 90-day pause on his reciprocal tariffs.

Most of the ASX's 11 sectors weren't making big moves on Thursday either. The exception was technology, which dropped 2.1 per cent amid a big fall for its second-biggest component, Xero. The New Zealand-based cloud accounting platform dropped 5.3 per cent to a four-week low of $184 after completing a $1.85 billion capital raising to help fund its $3.9 billion acquisition of US payments firm Melio.

Fellow tech stocks **Life360** and **TechnologyOne** shed 1.8 per cent and 1.1 per cent to $30.84 and $39.98, respectively.

The iron ore giants had a quiet day, with BHP flat at $36.12, Rio Tinto edging 0.1 per cent lower at $104.19 and Fortescue rising 0.3 per cent to $14.93.

In the financial sector, the big four banks finished mixed. ANZ gained 2.2 per cent to $29.74 and Westpac rose 0.1 per cent to $34.57, while NAB dipped 0.4 per cent to $39.89 and Commonwealth Bank dropped 0.4 per cent to $190.71 after closing at an all-time high on Wednesday.

Gold edged higher to $US333.98 an ounce as the US dollar dipped and traders weighed a truce in the Middle East. Still, miners of the precious metal were mostly lower, with **Northern Star** down 2.3 per cent to $18.84 and **Regis Resources** dropping 1.5 per cent to $4.49.

Copper also extended gains for a fifth session after Goldman Sachs said it expected the price to rise to a 2025 peak of around US$10,050 a tonne in August as supplies outside the US tighten.

Overview of the US Bond Market

The dollar fell and US Treasuries rallied after a report that President Donald Trump is considering naming Federal Reserve Chair Jerome Powell's successor well before the incumbent's term is scheduled to end next May.

The Wall Street Journal said Trump may reveal his pick to run the Fed by September or October. The report follows weeks of lobbying by the president for Powell to lower borrowing costs.

Investors and analysts reckon Powell's replacement will most likely share the president's dovish bias, prompting speculation that interest rates could eventually fall faster and deeper than markets are currently pricing. An early selection could also confuse markets by forcing them to monitor the monetary policy commentaries of Powell and his replacement.

A rally in short-dated Treasuries gathered pace as a raft of economic data on balance favoured wagers on as many as three Fed cuts this year. Traders continued to expect officials to slash rates in SeptembeSr, with two cuts fully priced in by year-end. A third cut is about half priced in. The greenback hit its lowest since 2022.

Bets on lower interest rates are also weighing on the dollar, which weakened against all of its Group-of-10 peers. The Bloomberg's Dollar Spot Index slumped 0.6% to the weakest level in over three years. Commerzbank forecasts the euro could climb to $1.18 in the coming days if policymakers continue to shift to favour earlier rate cuts.

US consumer spending grew in the first quarter at the weakest pace since the onset of the pandemic, on a sharp deceleration in outlays for a variety of services.

Spending on services contributed 0.3 percentage points to gross domestic product in the first three months of the year, the least since the second quarter of 2020, according to Bureau of Economic Analysis figures published Thursday. That was down sharply from a previously reported 0.79 point boost.

Overall consumer spending increased at a 0.5% pace, instead of the previously reported 1.2%. GDP declined at a downwardly revised 0.5% annualised rate in the first quarter as a result.

Demand for U.S. durable goods jumped 16.4% in the month of May, reaching its highest level in 11 years, according to data from the Commerce Department.

The increase, however, comes because transport equipment new orders soared 48%, despite a continuing, wider slowdown in business investment.

The durable-goods market encompasses all goods made to last at least three years, such as automobiles, planes and electronic equipment. In the past month, orders for nondefense aircraft parts more than doubled amidst a flurry of new Boeing contracts.

Overview of the Australian Bond Market

The Australian bond market experienced modest movements, reflecting broader economic and geopolitical dynamics.

Bloomberg AusBond Composite 0+ Yr Index rose by 0.16%, indicating a slight uptick in bond prices. Short-term yields declined, with the Three-month bank bills falling by 15 basis points to 3.73%. Six-month bank bills dropped 11 basis points to 3.77%. Government bond yields showed mixed movements. The three-year bonds rose slightly by 1 basis point to 3.33%. Ten-year bonds increased by 9 basis points to 4.26%

The bond market's mild gains came amid global uncertainty, including trade tensions and geopolitical developments.

The RBA’s cautious tone surprised markets, despite the expected rate cut. Inflation appears to be stabilising, and the labour market remains resilient, with unemployment steady at 4.1%. As of late June 2025, market expectations for the Reserve Bank of Australia (RBA) cash rate are clearly tilted toward further easing, driven by soft economic data and moderating inflation.

Financial markets are pricing in a 90% probability of another 25 basis point cut to 3.60% at the July 7–8 RBA meeting. Markets anticipate two more 25 bp cuts by the end of 2025, bringing the cash rate to 3.10%. A final cut to 2.85% is expected in early 2026, which would mark the terminal rate for this easing cycle.

Drivers behind these expectations include:

- Weak GDP growth: Q1 GDP came in at just 0.2% quarterly and 1.3% annually, below RBA forecasts.
- Subdued consumer and business sentiment.
- Disinflation trend: May CPI printed at 2.1%, below expectations.
- Stable unemployment at 4.1%, with no signs of wage pressures.

In the meantime, CBA expects a cut to 3.60% in July, followed by another to 3.35% in August. Westpac, NAB, and ANZ have also revised their forecasts to reflect earlier and deeper cuts.

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