



# yieldreport Weekly

Your Income Advantage

2<sup>nd</sup> June – 6<sup>th</sup> June 2025



## Weekly Overview

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**Cracks emerged in the US employment market this week.** On Thursday, **applications for US unemployment benefits** unexpectedly rose last week to the highest since October, adding to signs that the job market is cooling. Initial claims increased by 8,000 to 247,000 in the week ended May 31, a period that included Memorial Day. The median forecast in a survey of economists called for 235,000 applications. Weekly claims tend to be volatile and fluctuate even more around holidays. However, recent data and surveys pointed to a slowdown in economic activity and sustained gains in benefit filings in the coming weeks could be a sign that layoffs are on the rise. The four-week moving average of new applications, a metric that helps smooth out volatility, rose to 235,000, also the highest since October.

On Friday, the all-important **US nonfarm payrolls were released. Job growth moderated in May** and the prior months were revised lower, indicating employers are cautious about growth prospects as they weigh the Trump administration's economic policy. Nonfarm payrolls increased 139,000 last month after a combined 95,000 in downward revisions to the prior two months. The unemployment rate held at 4.2%, **while wage growth accelerated.** Employers have been 'hoarding labour' in the face of massive corrosive uncertainty. It costs money to fire workers, and we believe firms have been reluctant to lay off workers until they saw the extent of the Trump tariffs. Lessons were learnt during Covid.

**But dig deeper. Cracks in the façade of labour market resilience are now starting to show** and the longer the tariff uncertainty and government spending cuts continue the worse the labour market reports are bound to be. The advance in payrolls reflected strength at service providers, including health care and social assistance as well as leisure and hospitality. The latter is a seasonal market. **Furthermore, the household survey, showed a 254,000 increase in the number of people who went from employed to out of work during the month.** That was the biggest rise since the start of 2022.

## Overview of the US Equities Market

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Over the course of the week, the **S&P 500 index** gained 1.50%, the **Nasdaq 100** up 1.97%, and the **Dow Jones** up 1.17%. The **10-year treasury note** gained 10 bps to 4.51% and above the psychologically important 4.5% level. Markets were relatively calm until Thursday. The moves on Thursday and Friday may not have been significant, but the economic data was.

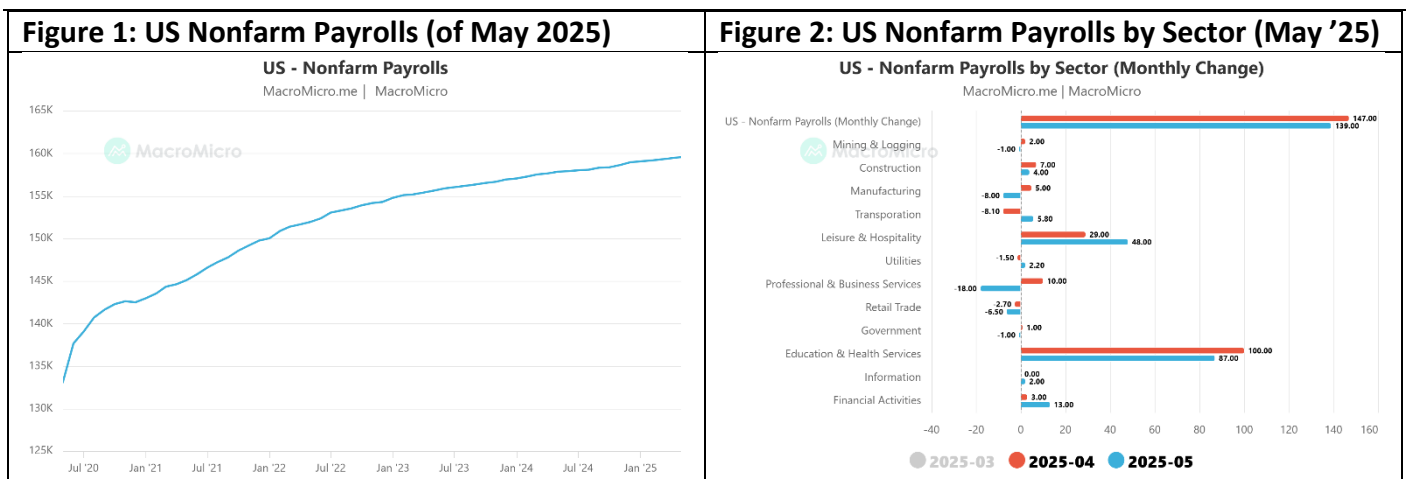
Most significantly, **Friday's all-important nonfarm payrolls data showed cracks in the façade of labour market resilience are now starting to show** and the longer the tariff uncertainty and government spending cuts continue the worse the labour market reports are bound to be. The advance in payrolls reflected strength at service providers, including health care and social assistance as well as leisure and hospitality (see Figure 2). The latter is a seasonal market, **so the read we'd say is not as solid as it may have appeared at a headline level.**

On that front, industries that are more exposed to tariffs flashed warning signs. Manufacturing payrolls dropped 8,000 last month, the most this year, while employment growth in transportation and warehousing rose slightly after declining in each of the prior two months. Employment at temporary-help agencies fell by the most since October.

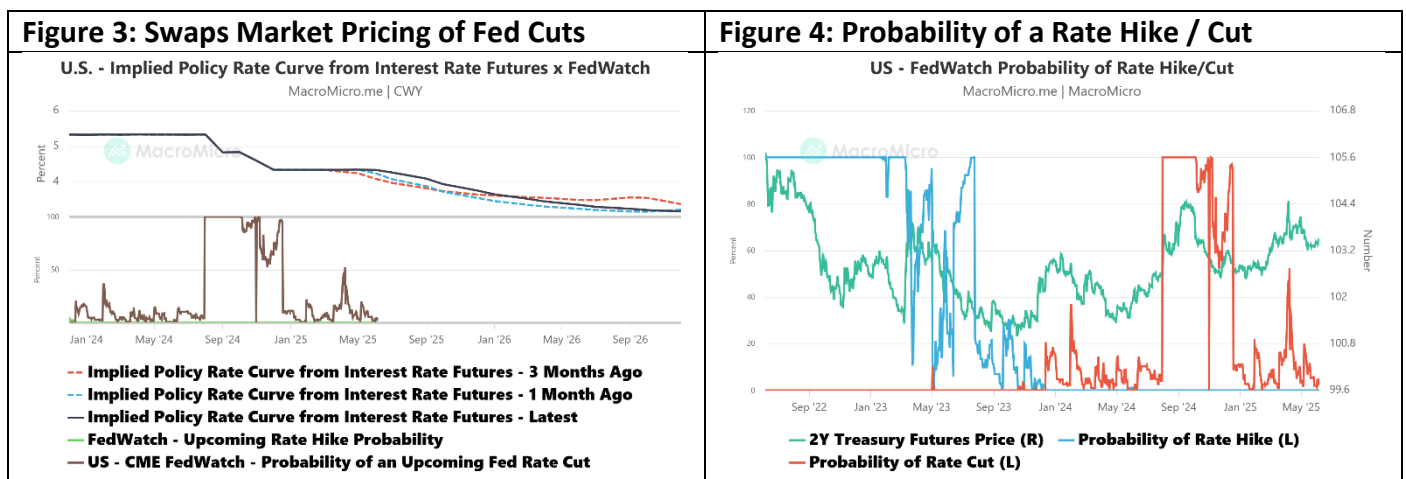
**Furthermore, the household survey, showed a 254,000 increase in the number of people who went from employed to out of work during the month.** That was the biggest rise since the start of 2022. Another major

question for economists and policymakers is the extent to which Trump's efforts to cut back on government spending will take a toll on employment. The federal government shed 22,000 jobs in May, the most since 2020. Economists contend that at least half a million US jobs could be on the line as federal spending cuts spread to contractors, universities and others who rely on public funding.

Cracks in employment and wage growth – **the Fed remains very much 'wait and see'**. Forget about Trump's exhortation for a 100-bps cut – they are not even thinking 25 bps currently. **And indeed, that is what the markets are reflecting.** Interest-rate swaps showed traders now see a roughly 70% chance of a 25-bps rate cut by September, compared with a probability of about 90% on Thursday. The amount of easing priced in for the year declined to about 43 bps, fewer than two quarter-point cuts.



Regarding figure 4, the CME FedWatch Tool forecasts the probability of a rate hike (or rate cut) at upcoming FOMC meetings, allowing market participants to gauge the likelihood of changes in interest rates and the direction of the Fed's monetary policy. You can see why the 2-year bond jumped 12 bps on Friday.



## Overview of the Australian Equities Market

Over the course of the week, the **S&P/ASX 200** gained **0.96%**.

The AFR ran an interesting article on the weekend, and on a topic, we are all too familiar with. The **ASX is dominated by 5 banks**. As was noted, **it's a stark contrast to the US share market, where innovative**

**technology companies take out the top seven positions:** Nvidia, Microsoft, Apple, Amazon, Alphabet, Meta and Broadcom. Productivity is booming in the tech-savvy US. See Figure 1.

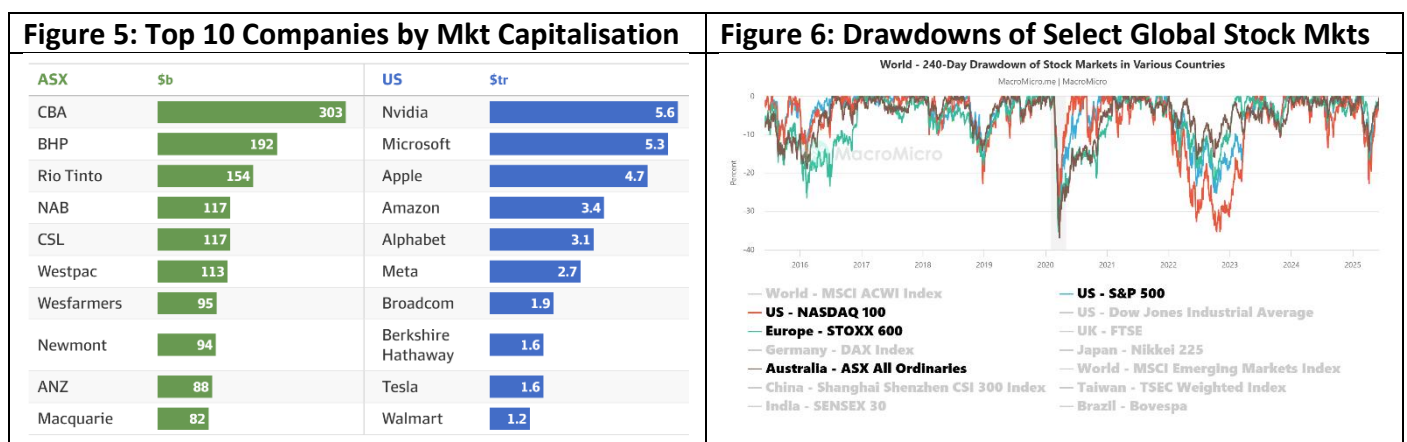
**While healthy banks are a positive, bank profits are earned from lending to a relatively unproductive asset class: residential property.** The national obsession with loading up on debt to build wealth from property is likely contributing to stagnant productivity, a lack of business dynamism and failure to produce more world-leading businesses.

**And there is a bigger problem. A growing pool of either actually constrained or home country biased ‘constrained’ money chasing a decreasing pool of ASX stocks (there’s a lack of ASX equitisation). CBA is the poster child.** The valuation metrics on a company with subdued profit growth is staggering. CBA is trading at circa 31 times and well above the 16.5 times long-term average. The tech giants like Nvidia, Microsoft, Meta, Apple and Google have carried international share markets to prosperity by growing their profits at double-digit rates. But as we sit here today, CBA’s 31 times valuation is on par with some of the so-called magnificent seven tech giants, namely Apple and Meta, but below that of Microsoft, Amazon and Nvidia. **And all those stocks are both Growth and Defensive – they have massive Moats and throw off huge amounts of cash.**

As we noted last week, as the Australian share market inches towards fresh highs **the rebound and levels are being driven more by technicals than fundamentals.** Just two years ago, the S&P/ASX 200 was trading on a 12-month forward price-to-earnings ratio of 14.6 times, smack bang in line with its long-term average. Since then, the outlook for corporate profits has deteriorated, dividends have fallen and bond yields have surged, while the cash rate is unchanged. Yet, the benchmark index is now trading on a forward PE of 18.3 times, and sits just 3% away from its February record.”

One view is that the resurgence has been largely driven by the **huge wave of buying by the superannuation funds, which are chasing a shrinking pool of stocks.** While that has recently worked in the share market’s favour, there is a warning that super funds are close to reaching their self-imposed limit on investing in the local stock market this year, potentially removing the largest buyer of Australian shares.

Regarding Figure 2, well, **the upside is the ASX has less Beta than the US markets,** and that typically translates into a lower drawdown profile.



Meanwhile, the **Australian dollar** recorded a 1% gain during the week after renewed weakness in the greenback overnight helped boost the local currency. The dollar held just above US65¢ on Friday afternoon after earlier hitting US65.37¢ – a six-month high. Which leads us on to the following below.

## Overview of the US Treasuries Market

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Over the week, Thursday and Friday were the big movers. It was all employment data driven and yield over both days moved up circa 14 bps. The 2-year got slammed on Friday, for reasons we will get into.

On Friday, treasuries slumped after stronger-than-expected US job and wage growth prompted traders to trim bets that the Federal Reserve will cut interest rates this year. The Friday selloff lifted yields across maturities by as much as 12 bps, led by shorter-dated tenors more sensitive to Fed rate changes. The benchmark **10-year note's** rate rose 12 bps to 4.51%, and yields across the spectrum once again exceeded 4%. Interest-rate swaps showed traders now see a roughly 70% chance of a quarter-point rate cut by September, compared with a probability of about 90% on Thursday. The amount of easing priced in for the year declined to about 43 bps, fewer than two quarter-point cuts. See Figure 11.

**US job growth moderated in May** and the prior months were revised lower, indicating employers are cautious about growth prospects as they weigh the Trump administration's economic policy. Nonfarm payrolls increased 139,000 last month after a combined 95,000 in downward revisions to the prior two months. The unemployment rate held at 4.2%, **while wage growth accelerated**. Employers have been 'hoarding labour' in the face of massive corrosive uncertainty. It costs money to fire workers, and we believe firms have been reluctant to lay off workers until they saw the extent of the Trump tariffs. Lessons were learnt during Covid.

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**Furthermore, the household survey, showed a 254,000 increase in the number of people who went from employed to out of work during the month.** That was the biggest rise since the start of 2022. Another major question for economists and policymakers is the extent to which Trump's efforts to cut back on government spending will take a toll on employment. The federal government shed 22,000 jobs in May, the most since 2020. Economists contend that at least half a million US jobs could be on the line as federal spending cuts spread to contractors, universities and others who rely on public funding.

Cracks in employment and wage growth – **the Fed remains very much 'wait and see'**. Forget about Trump's exhortation for a 100-bps cut – they are not even thinking 25 bps currently. **And indeed, that is what the markets are reflecting.**

Figure 9: US Nonfarm Payrolls (of May 2025)

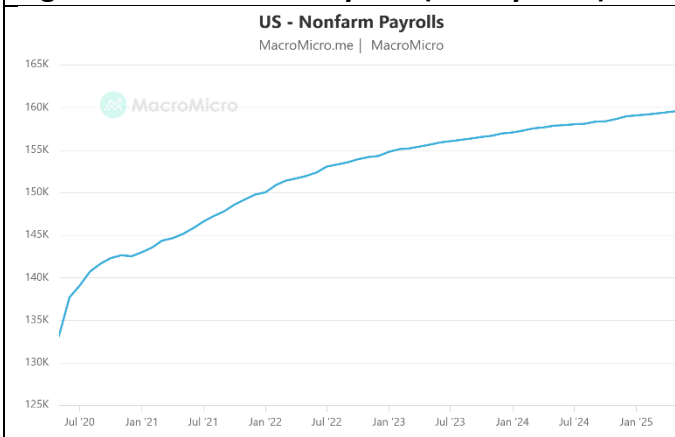
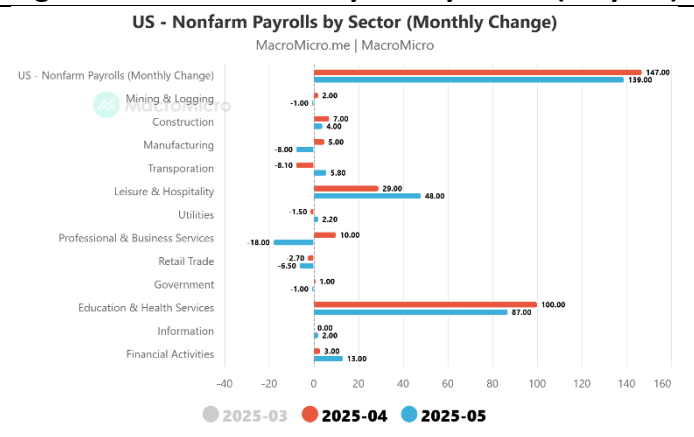


Figure 10: US Nonfarm Payrolls by Sector (May '25)



Regarding figure 12, the CME FedWatch Tool forecasts the probability of a rate hike (or rate cut) at upcoming FOMC meetings, allowing market participants to gauge the likelihood of changes in interest rates and the direction of the Fed's monetary policy. You can see why the 2-year bond jumped 12 bps on Friday.

Figure 11: Swaps Market Pricing of Fed Cuts

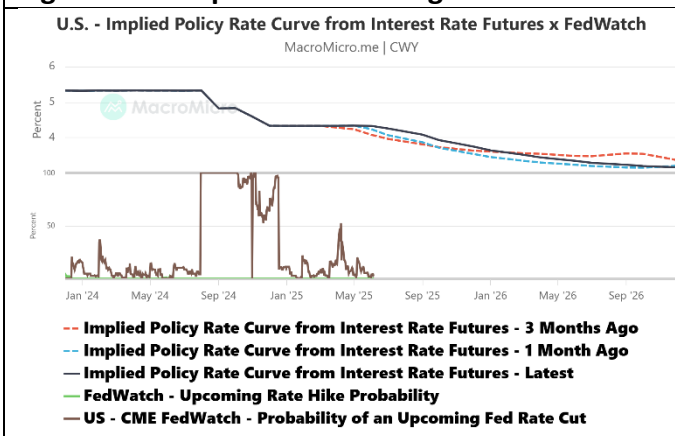
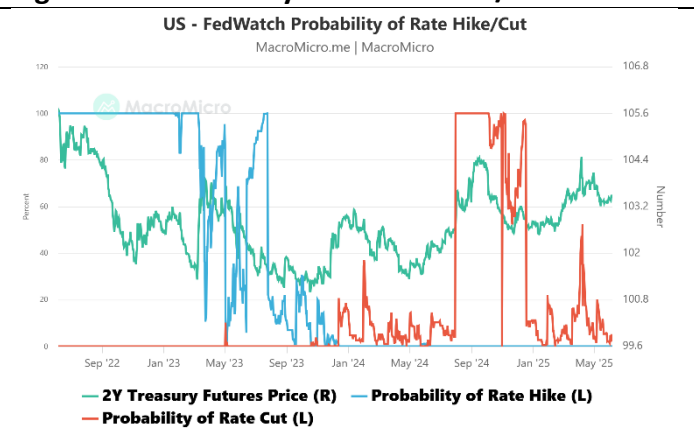


Figure 12: Probability of a Rate Hike / Cut



The good news – on Thursday **Japanese government bonds** rose after an auction of 30-year debt wasn't as bad as many investors had feared, with yields edging lower after the sale. Despite the relief, the bid-to-cover ratio of 2.92 points to a general lack of appetite for longer-maturity debt, and supply and demand concerns for super-long bonds remain. Several auctions of longer tenor Japanese bonds in recent weeks have met shaky demand, with the market flashing a warning that authorities in Tokyo may need to reconsider their issuance plans. The Ministry of Finance is set to meet with primary dealers on June 20, according to people familiar with the matter, just days after the Bank of Japan reviews its bond buying plans.

On that topic, the **US Treasury is set to sell \$22 billion of 30-year government bonds this Thursday**, which will be closely watched as a test of market sentiment amid investor pushback against long-term government debt. All longer dated auctions are being viewed through the lens of a test of market sentiment, and it feels like US Treasury 30 years are the most unloved bonds out there."

Figure 14 essentially depicts a story of a **deteriorating risk-return profile on longer-dated US Treasuries** given the ballooning debt reality.



Figure 13: Aust. & US 10-Yr Bond Spreads

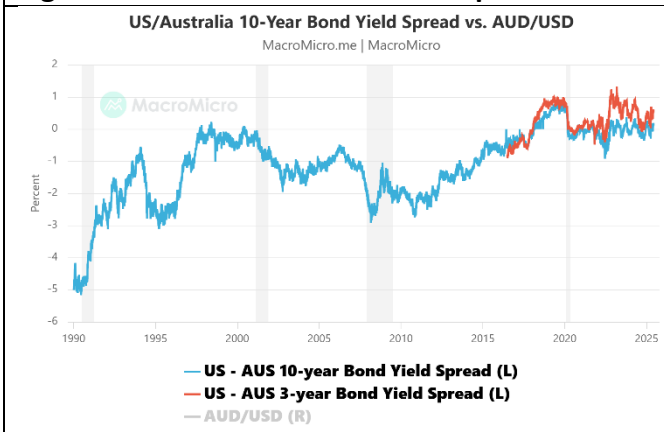
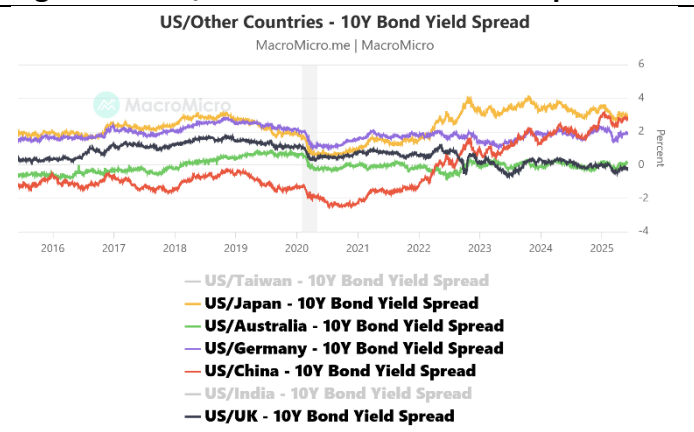


Figure 14: US / Other Global 10Yr Bond Spreads



## Overview of the Australian Government Bond Market

Over the course of the week the **Australian 10-year** gained 5 bps to 4.34%.

On Wednesday and on RBA speak, according to RBA Assistant Governor Sarah Hunter **it expects global trade uncertainty will weigh on the domestic economy and employment**, helping explain policymakers' surprise switch to a dovish stance last month. "The baseline forecast is for recent global developments to contribute to slower economic growth in Australia and a slightly weaker labor market,". Sarah Hunter added that the RBA expects the price of tradable goods will be "slightly dampened" too. The comments underscore the RBA's shift in focus to downside risks to growth from the Trump administration's tariff regime after it wrapped up a three-year campaign to rein in inflation. **Money markets are now pricing in three more RBA cuts this year.**

More broadly, **bonds in Australia are getting a lift** as questions about the appeal of US Treasuries send investors toward top-rated alternatives. Strategists and portfolio managers are re-examining whether Treasuries offer enough compensation, a rare challenge to the world's largest bond market after a recent ratings downgrade and fears that a proposed tax bill may hit foreign investors. And that is just the fiscal risk.

**Taiwanese insurers recently got crushed on FX moves.** They are making plans to back away from dollar assets, while Hong Kong pension funds have been told to draw up contingency plans for a further downgrade of the US. One large Taiwanese insurer has already begun building a small position in top-rated Australian and UK corporate bonds to diversify from US dollar-denominated assets. **And that is just a sliver of what Asia is thinking of when it comes to somewhat stepping away from US assets** – they are heavily exposed.

**All of the recent ructions in the US are adding to the appeal of the world's dwindling supply of AAA rated bonds.** The spread between Australian 30-year bonds and equivalent US Treasuries is around its narrowest level in a year, a sign that investors are putting more of their money into the Australian debt. The gap between the same maturity bonds from Singapore and the US is near a record discount. And, by the way, should we add the trajectory of easing – it will be well ahead in Australia vs. the US. **In Figure 1 below this is evident by the spread moving into the positive. In Figure 2, evident in the negative.**

**The technicals in Australian bonds were robust already, and leading to tight spreads.** Foreign investors in Australia's government bond market are set to face competition from local pension funds, whose demand for Aussie notes may outpace issuance. Only Singapore offers a comparable option in the SE Asian market. **This is a bigger topic we have been noting – how the private markets are leading to shrinkage in the public**

markets and how (passive) ETF and Super flows are compressing valuations in bonds and equities alike. On that basis taken in isolation, tight spreads are likely to persist.

Figure 15: US/Australia 10-year Bond Yield Spread

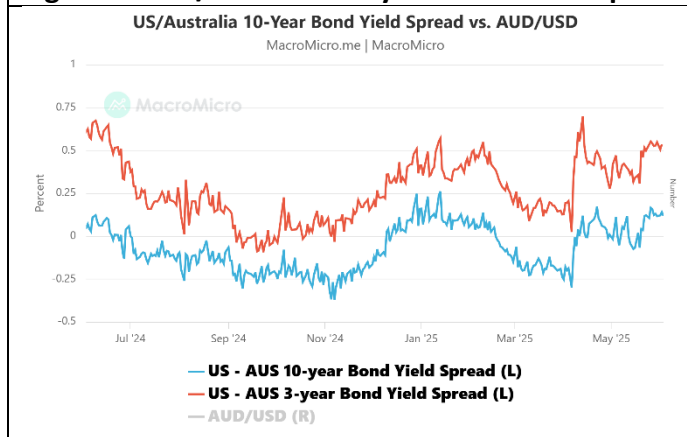


Figure 16: Australia 10-year Bond Spread vs US



On Thursday, weaker-than-expected GDP data reinforced the case for further monetary easing by the RBA. The Australian economy expanded by 1.3% in the first quarter, the same pace as in the previous quarter but lower than the expected 1.5% growth. The soft growth was attributed to declining public spending and weakened consumer demand and exports.

Figure 17: Australia Real GDP

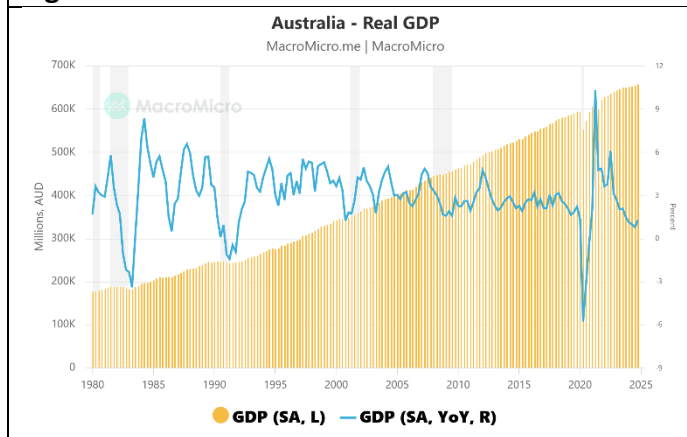
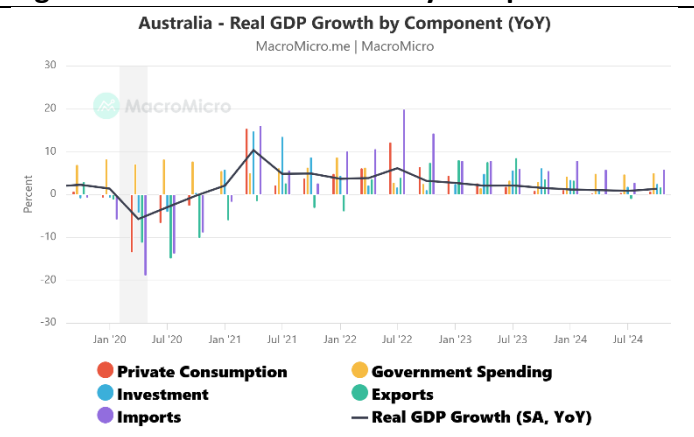


Figure 18: Australia Real GDP by Component



## Concluding Remarks

Friday nonfarm payrolls was the key data point last week. While the headline appeared to show labour market resilience, a deeper dive suggests that cracks may be starting to show. And we suspect to date that employers have been 'hoarding labour', awaiting greater certainty in what is a very uncertain environment.

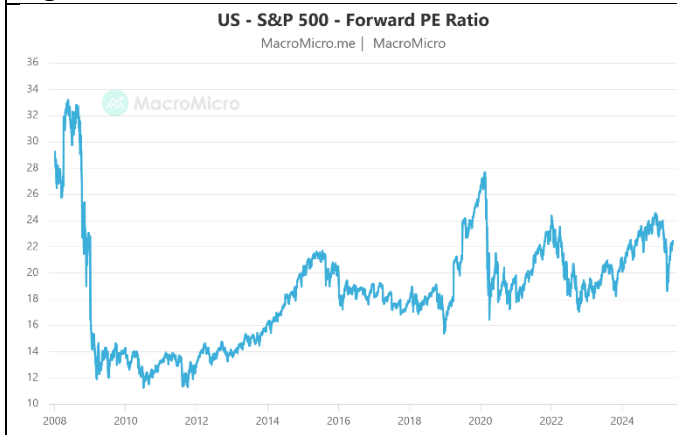
## Charts of the Week

The two charts below illustrate the US markets remain expensive and the equity risk premium is currently very tight. The rally has pushed the equity risk premium on the S&P 500 – the difference between the market's earnings yield (currently 3.54%) and the risk-free 10-year bond yield (currently 4.21%) to **-0.91%**, the lowest level since October 2009 (bar December 2024 – January 2025). Over the last ten years up until mid 2022, the equity risk premium was averaging a little over 2%. Investors are still expecting S&P 500 earnings will grow by between 9% and 10% in 2025, and between 13% and 14% across 2026 and 2027. That

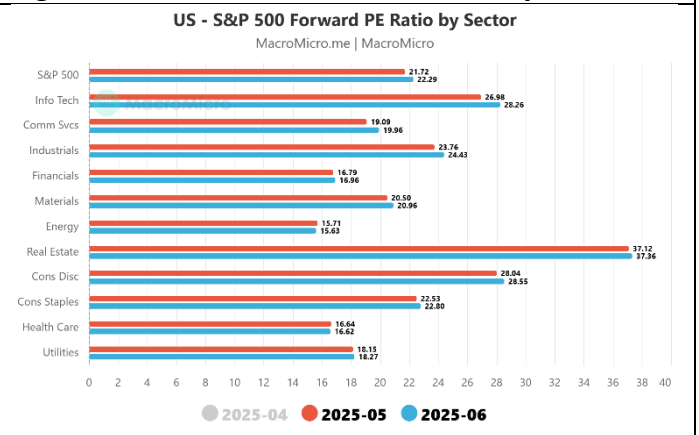


suggests that returns on equity and profit margins, already at historically high levels, will actually improve from here.

**Figure 19: S&P 500 Forward PE Ratio**



**Figure 20: S&P 500 Forward PE Ratio by Sector**



## Looking Ahead: Major Economic Releases for the Week Ended 13 June

Last week was dominated by US labour market data. **This week is dominated by the other side of the Fed mandate - inflation.** Additionally, and of course related to both prices and employment, is sentiment data, both in Australia and the US. **In Australia, the two key monthly sentiment indicators are out – the Westpac Consumer Sentiment and the NAB Business Survey.**

### Major Economic Releases for the Week ended 13 June, 2025

Date	Country	Release	Consensus	Prior
Monday, 9/6	US	Wholesale Inventories	n/a	n/a
Monday, 9/6	US	NY Fed Inflation Expectations May YoY	n/a	3.63%
Tuesday, 10/6	Australia	Westpac Consumer Sentiment June	n/a	92.1
Tuesday, 10/6	Australia	NAB Business Survey May	n/a	-1, 2
Tuesday, 10/6	US	NFIB Small Business Optimism May	n/a	95.8
Wed, 11/6	US	Consumer Price Index (NSA, YoY)	2.31%	2.39%
Thursday, 12/6	Australia	MI Consumer Inflation Expectations YoY	n/a	4.1%
Thursday, 12/6	US	Producer Price Index (NSA, YoY)	2.41%	3.39%
Friday, 13/6	US	Michigan Consumer Sentiment	52.2	53.3

Figure 21: US CPI

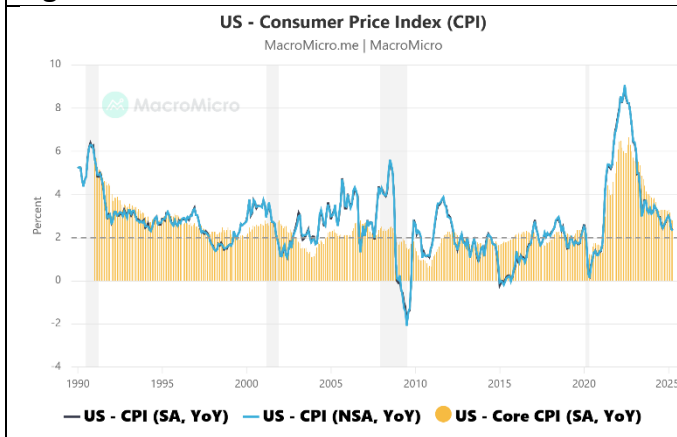
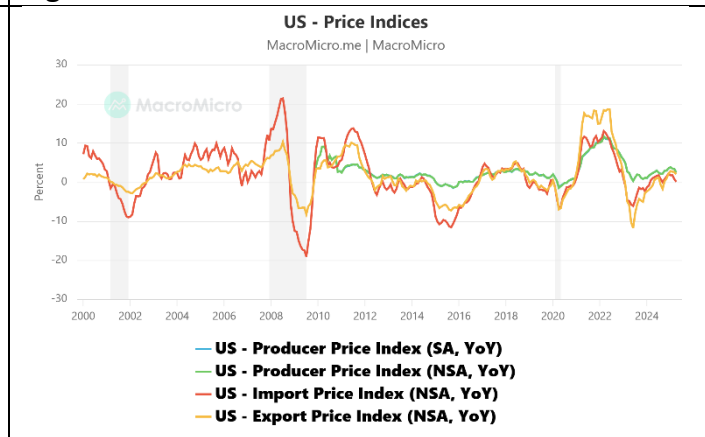


Figure 22: US PPI

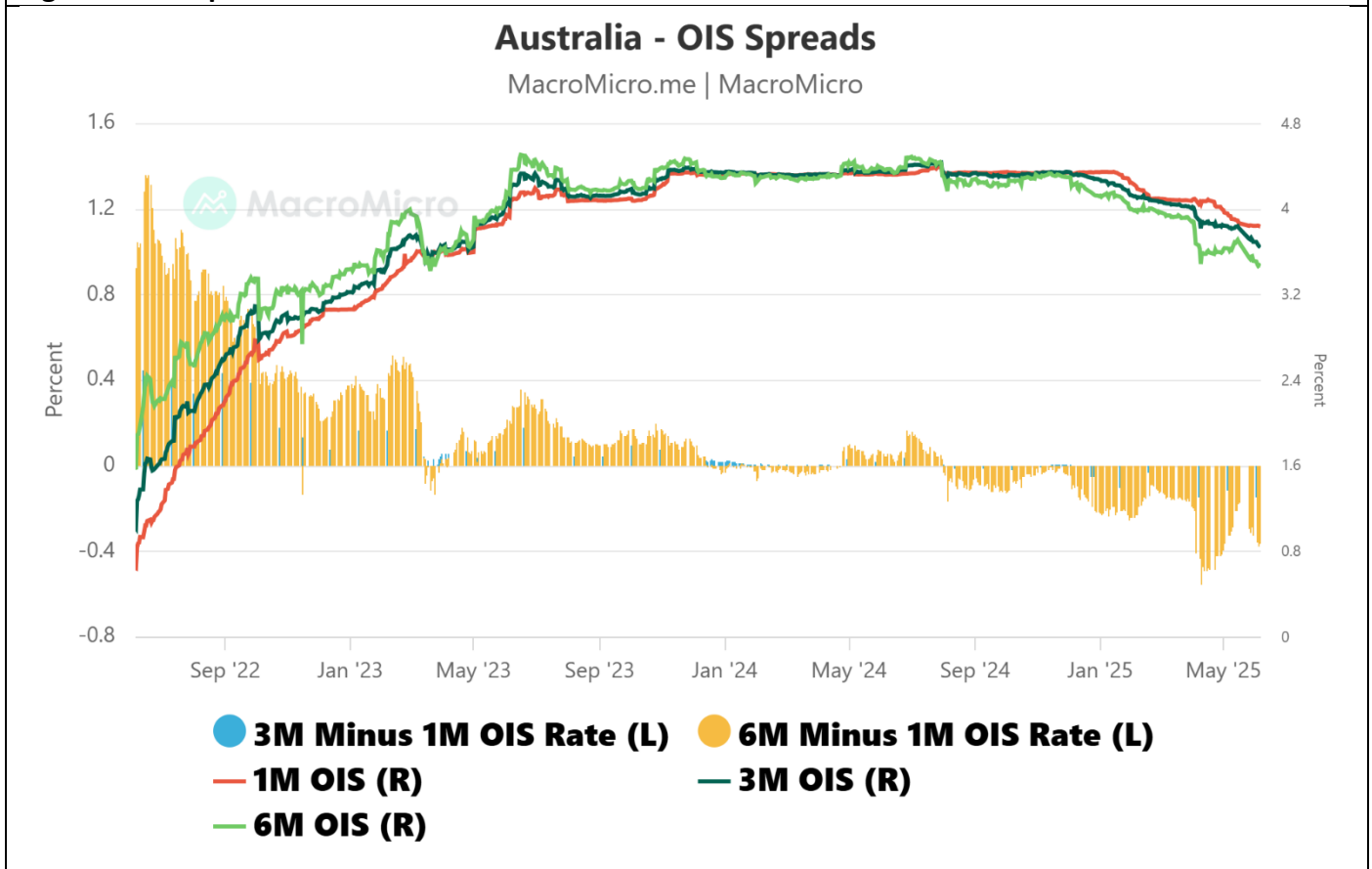


## Cash

As reported on Thursday, the Australian economy expanded by 1.3% in the first quarter, the same pace as in the previous quarter but lower than the expected 1.5% growth. The soft growth was attributed to declining public spending and weakened consumer demand and exports. The subdued growth—attributed to shrinking public spending, weaker consumer demand, and reduced exports—has reinforced expectations of further monetary easing by the RBA. **Markets are now implying an 82% probability of a rate cut in July, up from 77% prior to the data release.**

Additionally, PMI surveys indicated slowing expansion in the services and manufacturing sectors in May. The trade surplus also narrowed, reflecting a monthly decline in exports due to moderating overseas demand. These weakening economic indicators support the case for further monetary easing by the central bank, especially given the latest RBA minutes, which emphasized that future policy decisions will remain data-dependent.

Figure 23: Swaps on RBA Rate Cuts



## Term Deposits

**Major banks, ex-market leaders cut term deposit rates.** With CommBank, Macquarie, Heartland Bank and numerous others among the latest term deposit rate casualties, returns above 4.50% p.a. are becoming increasingly rare.

The last two weeks brought a **fresh round of TD rate reductions from the major banks**, not to mention a few ex-market leaders. When lenders cut home loan rates you can rest assured they will also move to reduce their cost of funding, so the onslaught shouldn't come as a surprise to even the most optimistic of term deposit enthusiasts. TD rates beginning with a 5 are now extinct. The benchmark for a quality return is becoming 4.50% p.a. with a few products that still crack this threshold after the latest cuts.

**CBA, NAB and Macquarie Bank** were the biggest names of this weeks round of term deposit rate cuts. Australia's biggest bank slashed basically its entire range to all now sit well below 4% p.a. - with the exception of its latest special offer rate of 4.10% p.a. for one year. That rate is available for a limited time, exclusively to existing retail or business banking customers, and is 0.30% lower than the one year rate at G&C Mutual Bank (4.40% p.a.).

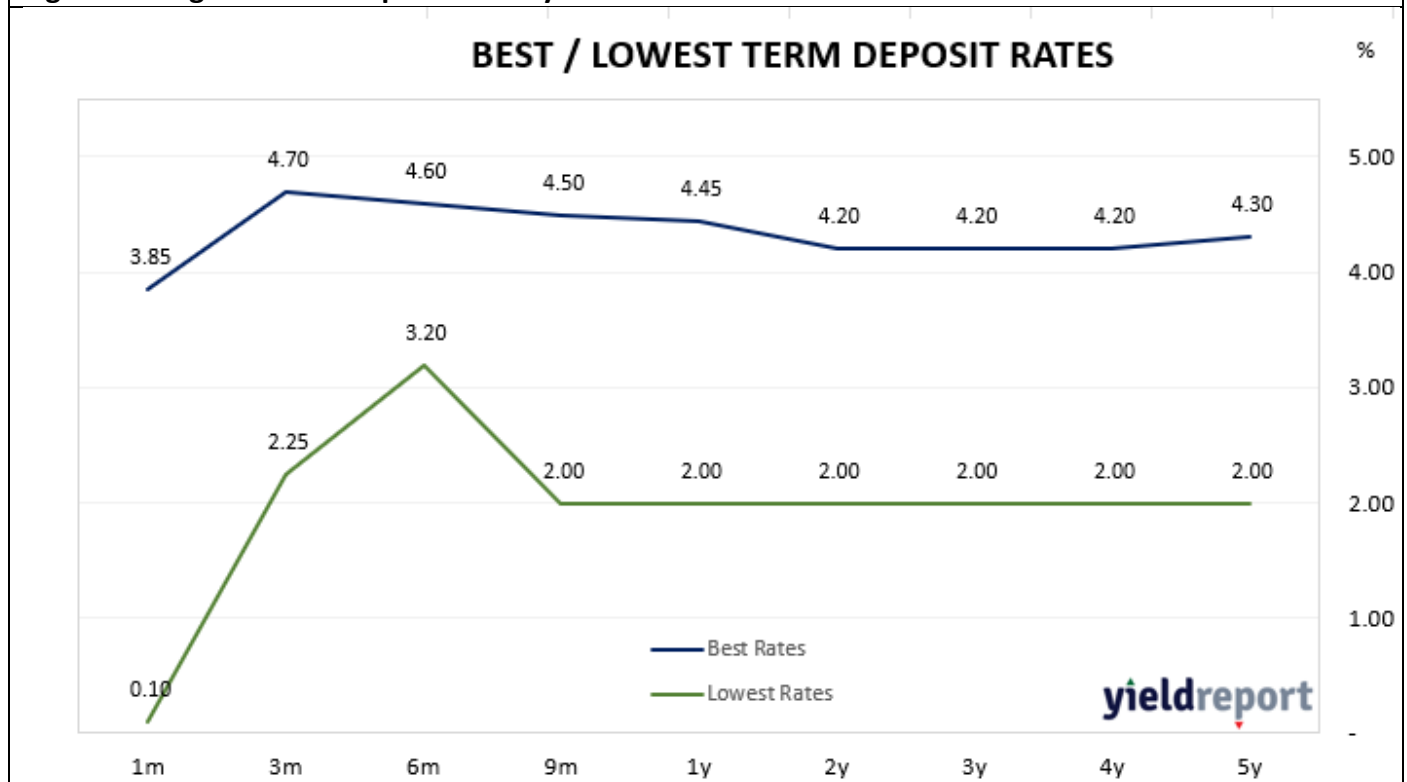
NAB went further, with its highest rate now just 4.00% p.a. for seven month terms after widespread cuts. At Macquarie, three, four, and six month rates were on the chopping block, taking its top rate down to 4.20% p.a. for three months.

Elsewhere, **Heartland Bank** cut its six month rate down to 4.55% p.a., nine month down to 4.40% p.a.. **Gateway Bank** was another ex-heavy hitter to cut, although the 0.05% cut still leaves its top products among the strongest on market, as we touched on above.

#### Other movers:

- Qudos Bank cut rates by up to 60 bps, leaving a new top rate of 4.15% p.a. for six month terms Community First Bank and;
- Police Bank also cut.

Figure 24: Highest Term Deposit Rate by Term



## Government / Treasuries Yield Curve

On Friday based on the nonfarm payroll data the 2-year jumped a large 12 basis points. But so did the long-end, such is the dislike for that part of heavily budget deficit effected curve. So, the term premium didn't really change this week.

As noted, the US Treasury is set to sell \$22 billion of 30-year government bonds on Thursday, which will be closely watched as a test of market sentiment amid investor pushback against long-term government debt. All the auctions will be viewed through the lens of a test of market sentiment. It may also be a key determinant of the yield curve over the course of the week.

The curve is **likely to steepen further over the next six to 18 months** because the front end will eventually follow the Fed cuts. In contrast, in the long end there is likely only a modest reduction from here because of the budget deficit issues and what appears to be a supply/demand mismatch. So, unless the treasury cuts back on long-end issuance, the curve can continue to steepen.

For those following the markets closely, it has been clear for all of 2025 that **bond managers are favouring the shorter end of the curve (0-3 year) or the belly of the curve (5-7 years)**. This weight of money, or movement out the long-end, in itself may prove self-reinforcing. And given the current risks at the long-end, higher yields are likely required to entice bond investors back to that part of the curve. All in all, **not great news for the real economy / main street** nor is it great news for the US government's interest expense payments.

Figure 25: US 10-year Term Premium

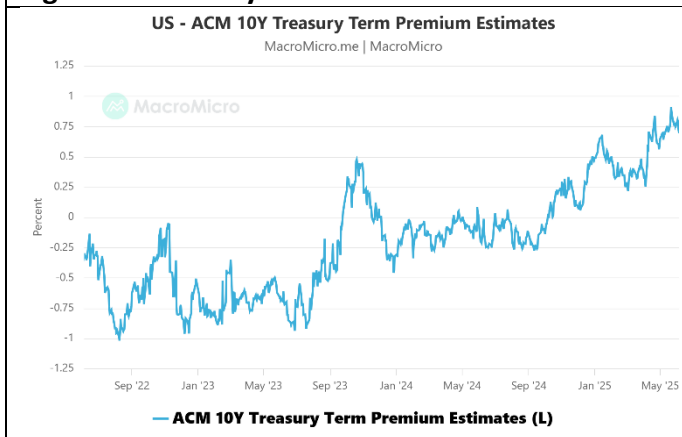


Figure 26: US Public Debt % of GDP

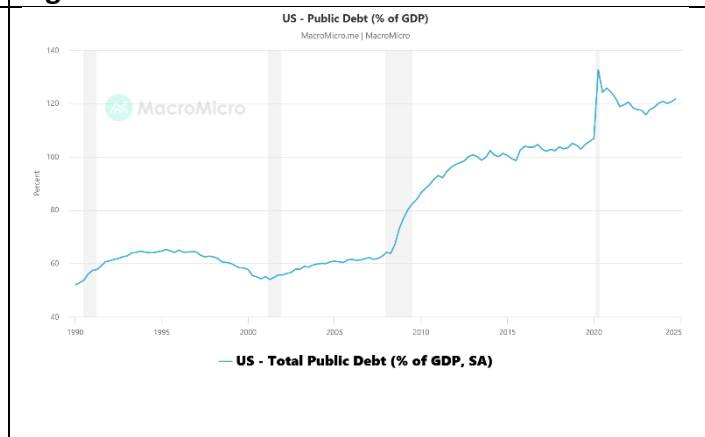
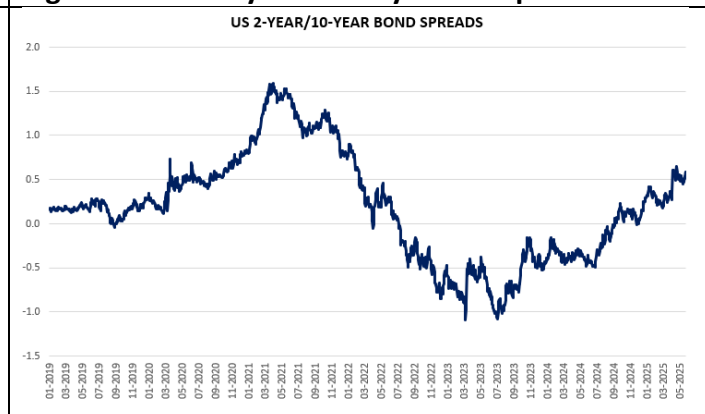


Figure 27: Aust. 10 yr minus 3 yr Bond Spread



Figure 28: US 10 yr minus 2 yr Bond Spread



## Corporate Bonds

Spreads generally compressed again this week, with the exception of CCC. In HY, B and BB were down 8 bps and 10 bps, respectively. CCC was up a very meaningful 45 bps. In IG, all ratings categories were effectively unchanged.

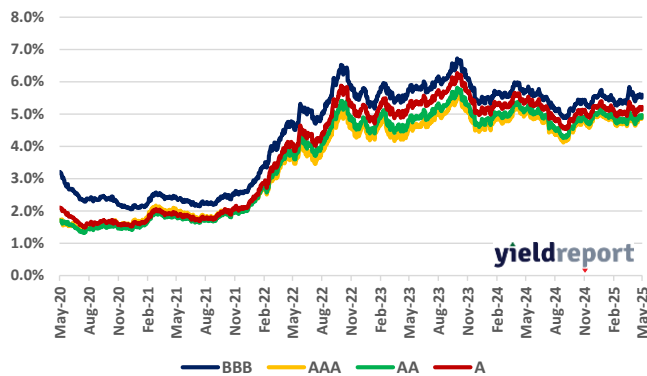
As we have noted, spreads are historically tight, and not insignificantly due to a demand / supply imbalance. But looking at the fundamentals, generally speaking at this point companies are in good shape, and if we look at US investment grade companies, as an example, we are not seeing any cracks in the facade as it relates to balance sheets. We are not seeing defaults pick up.

We know that on a fundamental basis **spreads are tighter than they should be**. For example, for B rated HY at circa 350 bps, that equates to a forward implied default rate of about 3.5% when the trailing 12-month default rate is closer to 4.5%. However, it is the technicals, with a structural excess demand and particularly in the HY market. And that does not look like changing anytime soon. For example, looking at the bond

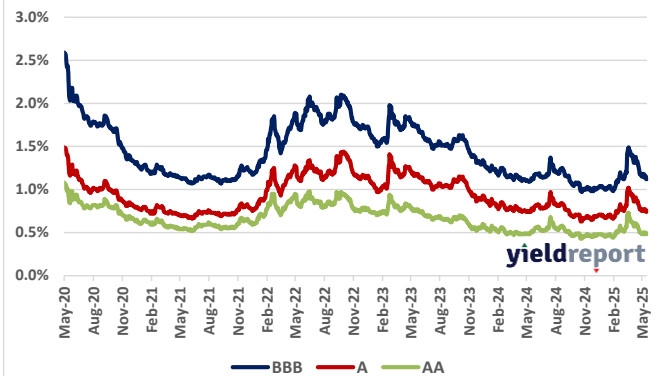
auctions this week in both the US and Europe, all issuance of note was characterised by very significant oversubscription. And this comes in a week that, for example, in Europe was the biggest on record.

**As we noted last week, there is a mountain of money going into new issuance.** In recent weeks, US and European companies have raced to issue debt looking to seize on the risk on mood in markets after the easing of US and China trade tensions.

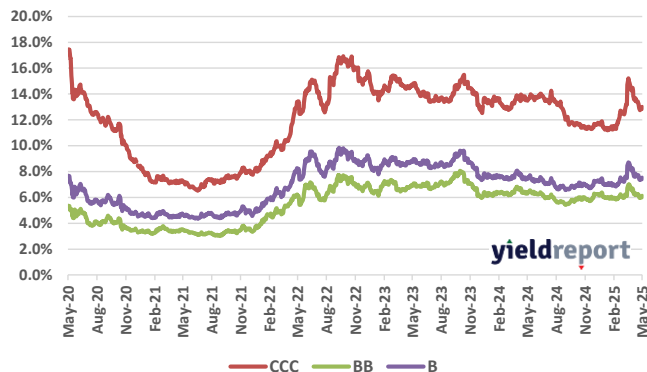
**Figure 29: US Investment Grade Bonds Effective Yields**



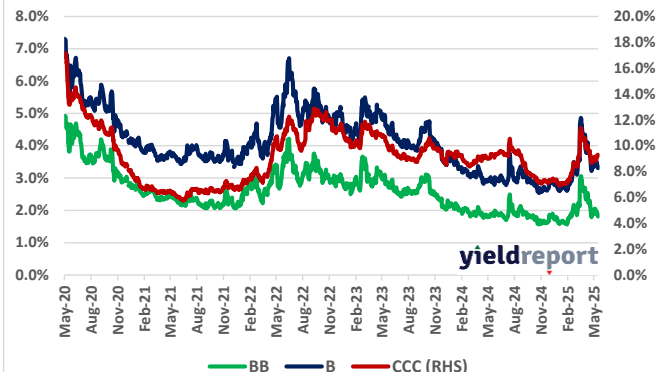
**Figure 30: US Investment Grade Bonds OAS Spreads**



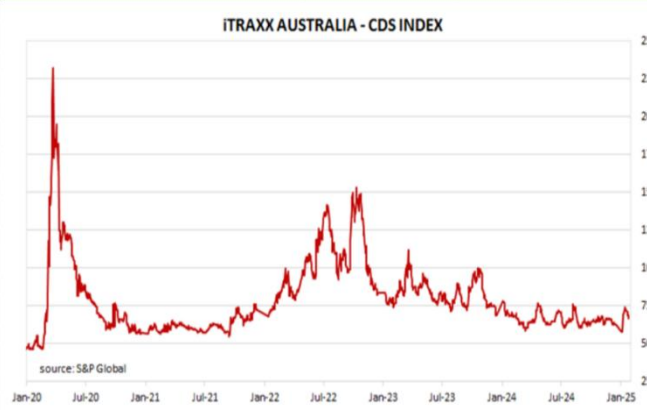
**Figure 31: US High Yield Bonds Effective Yields**



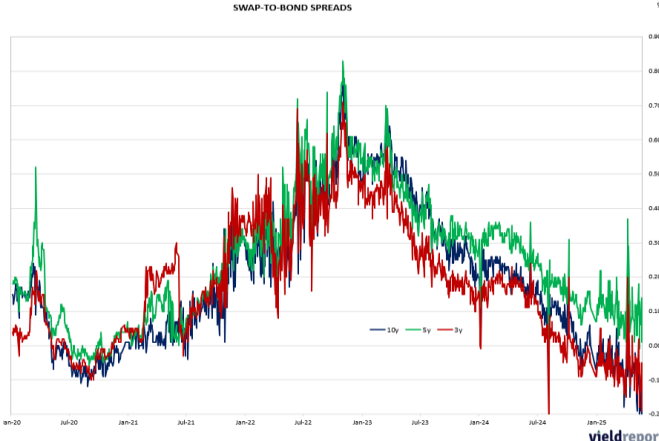
**Figure 32: US High Yield Bonds OAS Spreads**



**Figure 33: ITRAXX Australia - CDS Index**



**Figure 34: Australian Swap to Bond Spreads**





## Hybrids

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At the close of ASX trade on 3rd June, hybrid market movers made their mark. Suncorp's SUNPH led the charge with a 1.77% jump, catching eyes with strong momentum.

Macquarie's MQGPD wasn't far behind, rising 1.48% on the day. Westpac's WBCPH surged 1.43%, delivering standout trading margin of 10.71%. Bendigo's BENPH matched the move, also gaining 1.43%. Macquarie's MQGPE added 1.24%, rounding out a day of solid gains among capital notes. These hybrids were the stars of the day, rising fast and drawing fresh attention.

AMP's AMPPB took the biggest hit, falling 2.48% despite its solid 8.02% yield. Nufarm's NFNG bond yields 8.80%, trades at 88.25, and is up 0.40% today. Ramsay's RHCPA share yields 8.23%, trades at 105.83, and was up 0.07% on the day.

## ETFs – Domestic & Global

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The inclusion of global ETFs, specifically the US and Europe, is intended to provide two types of investor insights and that are ultimately pertinent to the Australian ETF market.

Firstly, inflows / outflows data and which clearly provides a strong signal regarding investor sentiment regarding asset classes, geographic preferences or otherwise, thematic / sector preferences, and finally fear and greed levels.

Secondly, new issue ETFs reflect 'real-time' investment theme investor sentiment. i.e, what's 'hot'. Additionally, the largest Australian ETF issues are all part of large international entities. And often what ETF is issued in their home markets and, to some degree, subsequently issued in Australia.

## Australian ETF News

**Schroders expands active ETF suite.** Schroders Australia has launched a new active ETF, bringing a listed version of its Global Core active strategy to market. Schroders listed the Schroder Global Core Fund - Active ETF (ASX: CORE) today, marking its fifth active ETF. The launch is a celebration of its Global Core active strategy celebrating 25 years in market. CORE is an actively managed, quantitative global equity strategy and is priced at 0.25% per annum with no performance fees. The portfolio typically holds about 400 global companies, derived from a universe of over 15,000. The underlying strategy has outperformed its benchmark in 20 of its 25 years.

**Betashares to expand into private credit ETFs.** Betashares expects its private asset business to launch by offering investors access to private credit products in the United States. While the details have yet to be finalised, Betashares said the first funds would be highly diversified and very cost-effective strategies. Interest from ASIC has not dulled demand for private credit, although some financial advisors have become wary. Last week, one of the sector's biggest players, Metrics Credit Partners, said it raised \$315 million for its flagship listed fund amid strong demand. **There is more than \$259 billion invested in ETFs listed in Australia, a 33% increase in the 12 months to April 30.** BetaShares has been the second-most popular ETF provider for the year to the end of April, accounting for about 27% of inflows.

**Australian ETF investors are allocating more money to bitcoin than gold** in a major rotation that points to growing acceptance of the world's largest cryptocurrency as a store of value and portfolio hedge amid the volatility of Donald Trump's trade war. **Australian bitcoin ETFs** attracted \$87.3 million last month, far exceeding the \$1.5 million that flowed into gold bullion ETFs. **Bitcoin ETFs in the US** attracted more than \$US9 billion in capital over the five weeks to May 29 including \$US6.35 billion flowing into BlackRock's Bitcoin Trust. That was its largest ever month of inflows. Here's the only sensible thing we know about **Bitcoin and gold: they are distinct asset classes. The two have a negative correlation in ETF flows – when money moves into one, it tends to flow out of the other. That's consistent with how investors position them; gold is a defensive, risk-off asset, and bitcoin is a high-conviction, risk-on bet.**

### US ETF Flows by Asset Class

The value of ETF flows data is relatively obvious – it highlights asset class inflows and outflows. As such, it illustrates investor asset class preferences at any given time. Relative to the ASX data, which is monthly, US data is available on both a more frequent and timelier basis. The data below is as at 6 June 2025.

Figure 35: One Week US ETF Flows (as 6 June)

Fixed Income, \$5,799M

Commodity, \$1,353M

Non-Tradition...

Figure 36: US ETF Flows by Asset Class (as 6 June)

Asset Class	1-week	1-month	3-month	YTD	1-year
Non-Traditional	\$249M	\$5,108M	\$33,305M	\$53,709M	\$103,723M
Multi-Asset	\$4M	\$353M	\$1,031M	\$1,410M	\$3,522M
Fixed Income	\$5,799M	\$35,090M	\$74,565M	\$158,825M	\$360,731M
Equity	-\$1,466M	\$42,084M	\$109,832M	\$222,307M	\$729,684M
Currency	-\$30M	-\$137M	\$962M	\$1,025M	\$1,031M
Cryptocurrency	-\$349M	\$4,412M	\$8,155M	\$9,999M	\$35,229M
Commodity	\$1,353M	\$554M	\$9,916M	\$16,198M	\$21,089M
Alternative	-\$15M	\$168M	\$275M	\$660M	\$1,650M

### US ETF Flows Focus

**US Long-end Treasuries ETFs - Retail Investors keep Piling in to take that Yield & Convexity.** The iShares 20+ Year Treasury Bond ETF (TLT) is one of the most popular options for investors seeking to establish exposure to long-dated Treasuries, an asset class that is light on credit risk but may offer attractive yields thanks to an extended duration and therefore material interest rate risk. For those looking to extend the duration of their portfolio and potentially enhance the current return offered, TLT can be a useful product.

**The retail trade has been clashing with the institutional trade pretty much all of 2025 and particularly since early April.** While insto investors have shunned the US treasuries long-end, TLT has taken in billions of dollars over the past couple of weeks. And for some this has been a widow maker trade. It feels like yields, long end yields in particular have just been on a roller coaster. So how do you explain just this off the charts demand still for long end bonds in particular, and from retail investors?

In short, there seems to be an insatiable demand when long bonds and the 10-year bond hits 5% and retail investors just keep hoovering them up. It's actually served to limit the 30-year moving meaningfully above 5.0%, or at least sustainably so.

But how can you explain this concept of buying TLT, yielding 5%, when you can get almost the same yield in a money market fund or the short end of the curve, specifically circa as high as 4.7%. Why bother with the duration risk? **Or is this a bet on the Fed? Yes, it's the latter. The long-end gives you convexity, the short-end doesn't. And at some point, the Fed will begin cutting rates.**

And furthermore, while the Insto market is focusing on the belly of the curve, 3- to 7-year, the retail investors are not. The attitude appears to be 'if I'm going to take risk, I want to take more risk'. Anyway, so far this year it has been a one-zero scoreline of retail investors (the 'dumb money') over institutional investors (the 'smart money'). **We can see the merit in the trade. To our mind, the probability of the 30-year yield being below 5% is higher than being above. You get a higher yield, and you get an extra kicker from the convexity when the Fed inevitably starts cutting again.**

### Global Select ETF Launches

New issue ETFs reflect 'real-time' investment theme investor sentiment. i.e, what's 'hot'. Additionally, the largest Australian ETF issues are all part of large international entities. And often what ETF is issued in their home markets and, to some degree, subsequently issued in Australia.

Regarding the table below, there are several distinct themes reflecting investor preferences currently:

- **German equities ETFs** – Germany has been running hot all of 2025. Initially it was a relative value play vs the US. Then it became a defense sector play as well as the major theme of a diversification away from the US.
- **Income related ETFs** – defensive, fixed income products, partly reflecting the more defensive or at least diversification of portfolios given a range of uncertainties, particularly in the US and in US equities.
- The Innovator Capital Management launched the Innovator Equity Managed 100 Buffer ETF is an interesting product. It is an actively managed solution that seeks to **provide 100% downside protection** through a one-year ladder options portfolio. It is reflective of many ETFs that have been issued over the circa last 4-6 weeks particularly in the US – equities exposure but with either downside preservation or downside protection.
- **Global / international equities ETFs**. Same theme – diversification away from the US.
- Franklin Templeton to **convert 10 Putnam Municipal Bond mutual funds to ETFs**. I wonder why. These is a very common dynamic these days.

Figure 32: Select ETF Launches, to May 30 <sup>th</sup> 2025
<b>Select European ETF Launches</b>
STOXX launches DAX Composite Indices
First Trust launches three ETFs on Deutsche Börse
Crédit Agricole and Solactive launch Solactive Constant Maturity Government Bond Index Family
Janus Henderson launches UCITS mortgage-backed securities ETF
Franklin Templeton to convert 10 Putnam Municipal Bond mutual funds to ETFs
<b>Select US ETF Launches</b>
Vontobel Asset Management, Inc. launched the Vontobel International Equity Active ETF
Lazard Asset Management converted the Lazard International Equity Advantage mutual fund into an ETF
Innovator Capital Management launched the Innovator Equity Managed 100 Buffer ETF
Russell Global Infrastructure Active ETF

## Listed Investment Companies & Trusts

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**L1 Capital mulls its Plan B amid Platinum merger diligence.** L1 Capital's Mark Landau and Raphael Lamm aren't leaving things to chance in their attempt to merge with the \$326 million Platinum Asset Management, the rapidly shrinking pioneer of global equities investing in Australia. L1 on Thursday announced the purchase of a 16.85% stake in Platinum Capital Limited. That's on top of L1's circa 19.99% effective stake acquired from founder Kerr Neilson in Platinum Asset Management about five weeks ago alongside the merger.

Phil King and Geoff Wilson have both tried (and failed), and it won't be surprising if the L1 duo test the same via their \$1.76 billion L1 Long Short Fund. Basically, if you can't – or don't want to – buy the whole thing, why not just buy the best bits?

The second, and the more probable reason for L1's shopping spree, would be that Landau and Lamm as battering down the hatches, closing off avenues for an interloper to storm in when it's got Platinum on the table and ready to deal.

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