yieldreport Daily

Your Income Advantage

10th June 2025

Overview of the US Market

Wall Street investors closely monitoring trade discussions between the US and China drove stocks higher as Commerce Secretary Howard Lutnick said negotiations went really, really well. Equities briefly hit session highs after Lutnick's remarks, with the S&P 500 trading less than 2% away from a record. Tesla Inc. led gains in megacaps (+6%). Any materially positive or negative trade talk headlines out of London where US and Chinese negotiations remain underway could meaningfully move markets along with the focus turning to tomorrow's May CPI release.

The **S&P 500** rose 0.5%. The **Nasdaq 100** rose 0.6%. The **Dow Jones Industrial Average** rose 0.2%. The **Magnificent 7** rose 0.9%. The **Russell 2000 Index** rose 0.6%

The **Wednesday CPI release** is expected to show US consumers probably saw slightly faster inflation in May, notably for merchandise, as companies gradually pass along higher import duties. Prices of goods and services, excluding volatile food and energy costs, rose 0.3% in May, the most in four months.

Overview of the Australian Market

The **S&P/ASX 200** rose 0.4% on Tuesday, hovering near four-month highs, as high-level talks between the US and China revived hopes for a tariff truce. Treasury Secretary Scott Bessent led the US delegation in meetings with Chinese Vice Premier He Lifeng and his team, focusing on rare earth shipments and the potential easing of export restrictions. The discussions, described by both countries as "productive," are scheduled to continue on Tuesday.

Domestically, the two key sentiment surveys were released. The **Westpac-Melbourne Institute Consumer Sentiment Index** rose 0.5% month-on-month to 92.6 in June—its fourth gain this year—supported by the May rate cut and signs of easing inflation.

The **NAB Monthly Business Survey for May** showed that business conditions eased again in May to 0 index points. Conditions have fallen steadily over late 2024 and early 2025; in trend terms the series has eased from around average at +6 index points in September 2024 (to +2 index points currently). The decline in business conditions in recent quarters has narrowed the gap between business confidence and business conditions; it will be hard for confidence to lift sustainably if conditions deteriorate further. Business confidence improved again in May, though trend confidence remains below the long run average.

Figure 1: WBC Consumer Sentiment - June

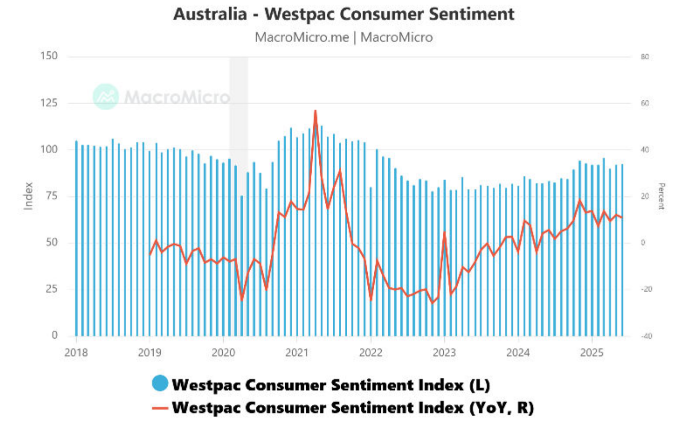
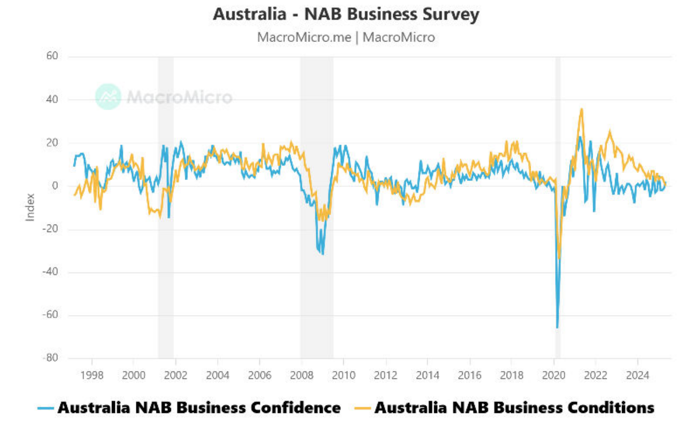


Figure 2: NAB Monthly Business Survey - May



On the corporate front, Rio Tinto Limited gained 0.4% after seeking government aid to keep its majority-owned Tomago aluminium smelter running amid soaring energy costs. Other notable gainers included Block, Inc. (3.1%), Woodside Energy Group (1.5%), and Goodman Group (1.3%).

Overview of the US Bond Market

The **yield on the US 10-year Treasury note** held steady at 4.47% on Tuesday, extending Monday's retreat as investors assessed the first of this week's key Treasury auctions. The $58 billion sale of 3-year notes cleared at a high yield of 3.972%, just above the when-issued level, implying a modest tail and signalling steady, if subdued, demand. The bid-to-cover ratio of 2.52 was below recent averages, while indirect bids, at roughly 67%, remained firm suggesting continued foreign support for shorter-term US debt despite rising geopolitical and fiscal concerns. That's the first in a trio of offerings that will culminate in Thursday's sale of 30-year debt.

Still, with inflation data and longer-duration auctions approaching, the curve remains sensitive to supply pressures and questions over fiscal credibility, especially ahead of Thursday's 30-year bond sale, seen as a gauge of investor appetite for US debt. Although solid demand has prevented a spike in yields, lingering concerns over inflation, trade tensions, and elevated issuance continue to support a higher-for-longer rate outlook.

Market participants are also looking ahead to key US economic data, **with CPI tomorrow and the PPI report due later this** which is expected to provide fresh insight into inflationary pressures and the broader economic impact of the ongoing trade dispute. The combination of the May inflation figures and upcoming Treasury supply will provide investors tradable events and add to the market's collective understanding of the early fallout from the trade war as well as demand for US debt in the current environment.

Figure 1: US CPI Picking Up on Tariffs Spillover

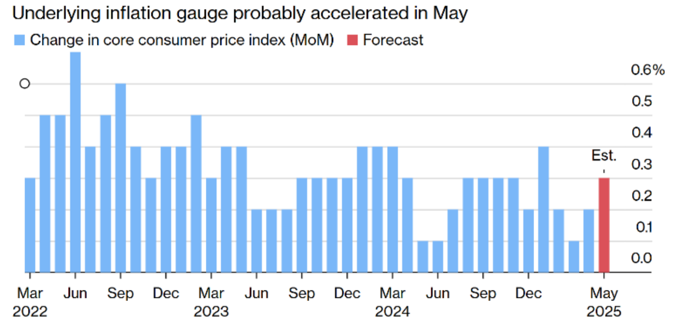
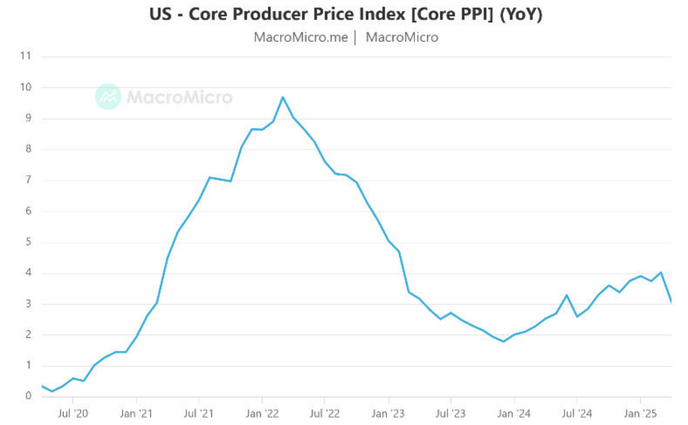


Figure 2: US Core PPI (YoY)



Overview of the Australian Bond Market

Australia's 10-year government bond yield edged lower to around 4.31%, as fresh economic data reinforced expectations of a dovish stance from the Reserve Bank. Recent figures showed that business activity stagnated in May as consumers remained cautious despite an interest rate cut. Consumer sentiment also improved only slightly amid growing concerns about the economic outlook. This followed a soft GDP report last week, raising doubts about whether the RBA has kept policy too tight for too long.

Markets are now pricing in a 75% chance of another rate cut in July, with total easing of 87 basis points expected by mid-next year. Meanwhile, market risk sentiment improved, supported by optimism over easing US-China tensions. Despite no major breakthroughs so far, the positive tone after the first day of negotiations helped ease concerns about risks to Australia's export-reliant economy.

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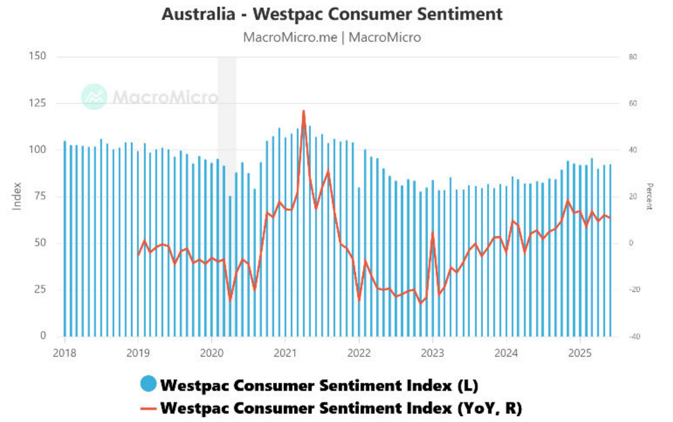

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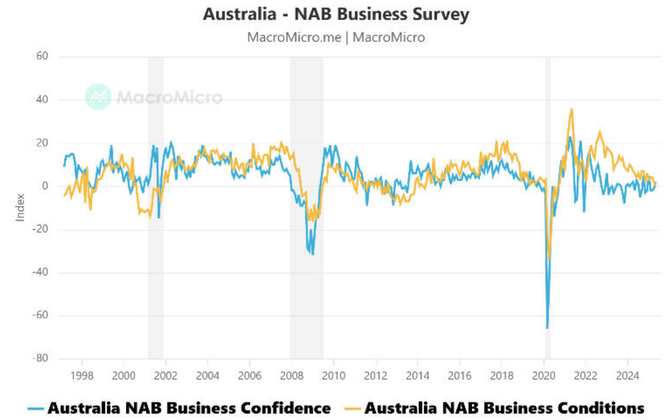
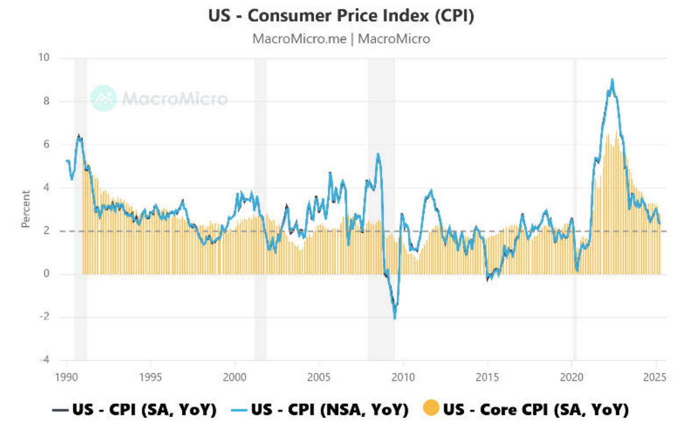
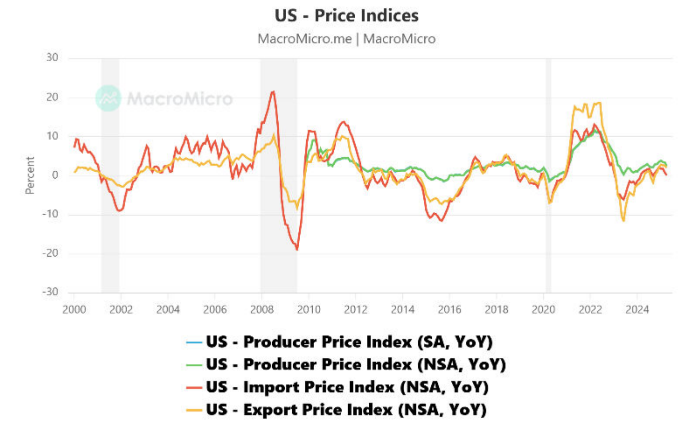


Looking Ahead: Major Economic Releases for the Week Ended 13 June

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
	

ETFs -Domestic & Global

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.

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 timely basis. The data below is as at 6 June 2025.

Figure 1: One Week US ETF Flows (as 6 June)

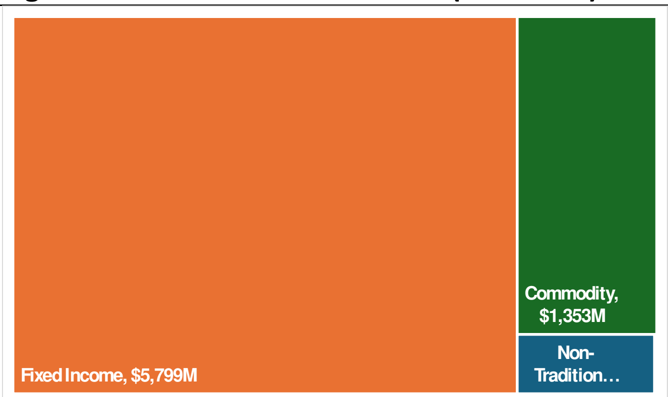


Figure 2: US ETF Flows by Asset Class (as 6 June)

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

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:

- **Fixed Income – Go Active, Not Passive** – The release of the JPMAM fixed income ETF is reflective of how fixed income should be done – active management not passive. By 2030, JPMAM forecasts that the global fixed income ETF market will grow to USD6 trillion (33% growth from 2024 year-end), with active fixed income ETFs expected to be a key driver for the overall ETF industry.
- **European Defense ETFs** – this sector has been a tear this year and which includes a host of ETF launches. Such ETFs provide an opportunity to tap into the growing European defense sector, which is expected to benefit from increased government spending on defense and security.
- The Invesco Global Enhanced Equity UCITS ETF is **a factor based strategy**, a strategy that we believe Australian investors do not pay enough attention to. For example, in the US 1Q25, outperformance was all largely factor-based.

Figure 3: Select ETF Launches, for May 22nd to 28th 2025
Select European ETF Launches
J.P. Morgan Asset Management launches Global IG Corporate Bond Active UCITS ETF
BNP Paribas Asset Management launches Europe defense ETF
Global X ETFs Europe launches Global X Europe Focused Defense Tech UCITS ETF
Invesco launches ETF with systematic active approach for outperforming global equities
Select US ETF Launches
Tidal ETFs launched the Alpha Brands Consumption Leaders ETF
Simplify Asset Management launched the Simplify Kayne Anderson Energy and Infrastructure Credit ETF

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