



Your Income Advantage

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Overview of the US Market

The start of a busy week for Corporate America saw stocks giving up most of their gains, with traders looking for signs of resilience in earnings amid tariff risks. Treasury yields fell alongside the dollar.

While the S&P 500 closed above 6,300 for the first time, the gauge rose just 0.1%. Energy shares joined a decline in oil. Chipmakers almost erased their advance as Nvidia Corp. slipped. Fellow megacaps Tesla Inc. and Alphabet Inc. will kick off the group's earnings season this week. The stakes will again be high as investors look for updates on artificial-intelligence spending.

Investors also kept a close eye on tariff headlines. President Donald Trump may issue more unilateral tariff letters before Aug. 1, White House Press Secretary Karoline Leavitt said. More trade deals may also be reached before the deadline, she added.

Verizon's results headlined Monday's market action, with the telecom firm's stock rallying 4% after it raised its earnings forecast. Shares of Cleveland-Cliffs rose 12% after the steel producer posted a smaller-than-expected quarterly net loss and said it hired JPMorgan to explore the sale of plants, including three it recently idled in Illinois and Pennsylvania.

Strong earnings also helped power stocks to records last week, with tariff-driven market volatility boosting profits at banks and brokerages. Of the S&P 500 companies that had reported as of Friday, 83% posted higher-than-expected earnings per share, according to FactSet. This week, more than 100 companies in the index are reporting, with Alphabet and Tesla kicking off results from the Magnificent Seven.

Overview of the Australian Market

The ASX 200 slid 1.02% to 8,668.2 on Monday, July 21, 2025, as financials bore the brunt of valuation concerns, overshadowing gains in energy and materials sectors amid a choppy session. The Australian dollar edged up 0.08% to 0.6512, supported by steady US futures, with the S&P 500 up 0.13% to 6,343.25.

Financials (-2.26%) led the decline, with banks under pressure—Westpac fell 3.6%, Commonwealth Bank 2.5%, ANZ 2.5%, and National Australia Bank 2.4%—amid stretched valuations. AMP bucked the trend, surging 9.8% to \$1.69, a five-month high, after strong Q2 results and positive superannuation inflows. Materials (+0.32%) showed resilience, with Fortescue Metals up 1.7%, Rio Tinto 1.2%, and BHP 0.4% higher as iron ore futures jumped 3.3% to \$US104.10 on China's hydropower project news. Energy gained 1.19%, though breadth remained negative with only two sectors higher.

Takeover activity drew attention, with Insignia Financial dropping 5.8% amid ongoing \$3.4 billion talks with CC Capital, though no firm offer is assured. Markets now eye tomorrow's Australian PMI flash data and US existing home sales at midnight AEST.

Overview of the US Bond Market

Gains in Treasuries were led by longer maturities, with the 30-year yield down four basis points to 4.95%. The dollar slid against all of its developed-world peers. The yen climbed as Japan's Prime Minister Shigeru Ishiba said he would carry on as leader even as the ruling coalition lost its majority in the upper house election.

Treasury prices gained, pushing down the yield on 10-year notes to 4.37%, from 4.432% Friday. Investors are anticipating that the Federal Reserve will cut short-term interest rates by the fall, with futures markets showing a 58% chance of at least a quarter-point rate cut by the Fed's September meeting, according to CME Group.

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The potential ouster of Federal Reserve Chair Jerome Powell by President Donald Trump would drive the 30-year Treasury yield higher by more than half a percentage point, according to Deutsche Bank AG strategists.

On July 16, when headlines flashed across the wire that Trump was likely to fire Powell — a claim that Trump denied within an hour — US equities, the dollar and long-term US government bonds retreated sharply while short-term Treasuries rallied.

Based on the gyrations in Treasuries across the curve seen during that brief time period last week, the 30-year nominal Treasury yield could surge some 56 basis points, the Deutsche Bank strategists wrote — even as the front-end of the Treasury curve rallies on expectations of easier monetary policy in the short-term.

Meanwhile, Japanese government bonds are vulnerable to further selling when trading resumes Tuesday following a historic election defeat for Prime Minister Shigeru Ishiba.

Yields on longer-maturity JGBs of 20 to 40 years dipped slightly on Friday but have been in an acute uptrend over recent months. The moves in Japanese yields, which have flowed through global markets, reflect concerns among investors that the government is spending beyond its means.

While Ishiba hanging on as leader for now provides a measure of continuity for markets, he will also need to find ways to placate opposition lawmakers seeking tax cuts and households wanting relief from inflation. Any concessions to these pressures can be expected to quickly translate into higher bond yields. Japanese Prime Minister Shigeru Ishiba sought to buy time in office following a second election setback in less than a year. But whether he stays days, weeks or even months, Sunday's vote made clear that his Liberal Democratic Party needs an overhaul to stay relevant.

Ishiba on Monday vowed to remain in his job even though his LDP-led coalition finished Sunday running a government without a majority in both chambers of parliament for the first time since the party's founding seven decades ago. While it has ruled Japan for most of that period, younger voters are increasingly turning toward populist smaller parties as rising prices fuel discontent.

Overview of the Australian Bond Market

Australian government bond yields dipped slightly on Monday, July 21, 2025, with the 10-year yield falling 4 basis points to 4.30%, reflecting cautious sentiment ahead of key data releases. The 2-year yield eased 1 basis point to 3.31%, while the 15-year yield dropped 3 basis points to 4.65%, signalling a modest flattening of the yield curve.

The recent soft employment data, with unemployment at 4.3% and only 2,000 jobs added, continues to support an 85-basis point rate cut expectation over the next year, targeting 3.02% by mid-2026, with an August cut to 3.68% priced at 94%. Tomorrow's composite leading index and PMI flash data will provide fresh insights. The AUD's 0.08% rise to 0.6512 reflects trade optimism from Albanese's China visit, though global yields remain muted pending US data, including existing home sales tonight at midnight AEST.

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