yieldreport Daily

Your Income Advantage

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Overview of the US Market

The S&P 500 hit all-time highs on news reports the EU and the US are progressing toward an agreement Trade tensions, weaker-than-expected housing data and a mixed bag of earnings results didn't keep the S&P 500 and Nasdaq composite from hitting new records on Thursday.

Following a 28% surge from its April lows, the S&P 500 eked out a gain while notching its 10th record in 19 trading days.
The tech-heavy Nasdaq gained 0.2% to hit its 12th record of July, already the most in a calendar month since August 2020. The Dow Jones Industrial Average slipped about 316 points, or 0.7%, to 44693.91.

Google's parent AI optimism fuelled a rally in companies like Nvidia Corp., which hit a fresh peak. Tesla Inc. sank 8.2% as Elon Musk warned of difficult times ahead. In late hours, Intel Corp. gave an upbeat sales forecast as personal-computer demand picked up.

Earnings results remained a primary driver of stock moves. American Airlines' shares fell 9.6% after the company lowered its profit outlook compared with January, citing weaker travel demand, and Southwest Airlines slipped 11% after its revenue fell.

Chipotle retreated 13% when the burrito chain reported a same-store sales decline for the latest quarter and said its consumer outlook remains volatile.

A fall in shares of IBM and UnitedHealth weighed on the Dow industrials. The health conglomerate lost 4.8% after it said it was responding to requests from criminal and civil investigators at the Justice Department. IBM late Wednesday said it posted higher sales and profit, bolstered by growth in its cloud software sales. Shares fell 7.6%.

The S&P 500's record-setting spree may be stoking concerns about inflated share prices and a revival of meme-stock froth, but JPMorgan Chase & Co.'s trading desk isn't concerned. Rather, it expects the rally in US equities to keep going.

At 26 times PE, the S&P500 is trading well above its long term average multiple. Currently the market is expecting 14% EPS for the index company. So far the earnings surprises have been highly supportive of the tech names that dominate the index these days. The forthcoming earnings report will continue to drive sentiment however at this points investors are less worried about the lofty valuations and more about the earnings and price momentum.

Overview of the Australian Market

The S&P/ASX 200 finished lower despite gains by some sectors, as selling pressure and mixed corporate results weighed on sentiment.

The broad index fell 0.32% to 8,709.4, retreating from recent highs. The All Ordinaries dropped 22.0 points, or 0.24%, to 8,979.4, while the All Tech Index slid 0.80% to 4,187.5, reflecting tech weakness. The Australian dollar strengthened 0.33% to 0.6624, supported by positive US futures, with the Nasdaq up 0.32% to 23,385.5.

Investors processed corporate updates on Thursday, with some signalling tariff-related challenges ahead of the August 1 deadline. Bapcor crashed 28% to $3.65—it's lowest since the pandemic—after a weak earnings report, $50 million write-downs, and three director resignations. Fortescue surged 4.3% to five-month highs after exceeding Q4 iron ore shipment estimates at 55.2Mt. Macquarie fell 5% following CFO Alex Harvey's departure announcement, despite a solid Q1.

Health care shone, with CSL up 1.5%, Cochlear 0.9%, and ResMed 0.4%, pushing the sector up 1.04% and 8.5% for the month. Gold miners retreated, with Westgold down 4.8% and Capricorn Metals 3.4%, amid optimism over a potential US-EU trade deal. The market lingered near record levels, with materials holding steady as Fortescue, BHP, and Rio Tinto posted solid quarterlies. Focus shifts to today's US durable goods data, following yesterday's PMI releases.

Overview of the US Bond Market

US Government Bonds dropped for a second day, with 10-year yields rising three basis points to 4.41%. Traders slightly pared bets on US rate cuts, projecting less than two reductions this year.

Donald Trump and Federal Reserve Chairman Jerome Powell traded barbs over the central bank's renovation project during a tour of the construction site, with the US president also using their interaction to again push for lower interest rates.

Recent US economic data has been mixed. The Labor Department said that initial jobless claims declined last week, continuing to show that layoffs have remained constrained. New home sales struggled to gain pace in June, inching slightly higher albeit below economists' projections. That added to signs of weakness in the housing market.
Investors are watching the data for signs that the trade war is weakening the U.S. economy and consumers. The European Central Bank held interest rates steady at 2% on Thursday, pausing an aggressive rate-cutting campaign to await more clarity on the fallout from President Trump's tariffs.

Overview of the Australian Bond Market

Australian 10-year Treasuries rose for a fourth day as the market absorbed yesterday's PMI data, with the yield climbing 7 basis points to 4.36%. The 2-year yield surged 8 basis points to 3.42%, reflecting short-term rate sensitivity, while the 5-year yield raised 8 basis points to 3.76%. The 15-year yield increased 5 basis points to 4.72%, supported by a steeper yield curve amid global trade optimism.

Yields have risen over the past month, with the 10-year up 21 basis points, driven by robust PMI figures—composite at 53.6, services at 55.2, and manufacturing at 49.5—indicating a 27-month high in business activity. RBA Governor Michele Bullock's measured rate-cut approach, suggesting cut at least two more times this year, remains intact, though the back-to-back September cut following an almost 100% probability August cut seems unlikely. The AUD's 0.33% gain to 0.6624 reflects trade deal hopes, including the US-Japan pact and potential US-EU agreement.

Interest-rate swaps show a slight steepening, with yields reacting to yesterday's US PMI miss (composite 54.6) and new home sales at 0.627 million, below forecasts. Today's US durable goods data could shift sentiment, especially with the August 1 tariff deadline nearing. The market remains cautious, balancing domestic strength with global uncertainties.

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