yieldreport Daily

Your Income Advantage

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## *Overview of the US Market*

The S&P 500 and the NASDAQ pushed their record levels higher for the fourth week out of the past five as those two indexes and the Dow on Friday closed more than 1% higher for the week. Since June 20, the S&P 500 has risen more than 7% while the NASDAQ has added almost 9%.

The Dow on Wednesday briefly climbed above the index's record closing high, but it couldn't sustain that level and ended the trading day 4 points below its historic peak. While the S&P 500 and the NASDAQ have continued to push their records higher in recent weeks, the Dow's closing level on Friday was 0.2% below the index's record closing level of 45,014 set on December 4, 2024.

Approaching the busiest stretch of earnings season, seven mega-cap stocks are again expected to generate an unusually big share of overall second-quarter earnings growth. In aggregate, the so-called Magnificent 7 stocks were forecast to report average growth of 14.1%, according to FactSet. Excluding those big tech firms, the S&P 500's other 493 stocks were expected to post much slower growth of 3.4%.

A market gauge that tracks investors' expectations of short-term U.S. stock volatility fell 9% for the week, extending a recent decline that's pushed the index to the lowest level in five months. The Cboe Volatility Index on Friday closed at 14.9, down from a recent high of 21.6 on June 17.

Ahead of an August 1 deadline set by the Trump administration, investors continued to closely track U.S. tariff negotiations with key trading partners. The administration announced progress toward deals with countries such as Japan and Indonesia, while negotiations continued with other partners such as the European Union, India, and Canada.

## *Overview of the Australian Market*

The S&P/ASX 200 finished lower despite gains in energy, as weakness in materials and financials dragged sentiment.

The broad index fell 0.49% to 8,666.9, capping a week down 1.0%. The All Ordinaries dropped 45.1 points, or 0.50%, to 8,934.3, while the Small Ords slid 0.68% to 3,355.5. The Australian dollar weakened 0.14% to 0.6581, pressured by softer iron ore prices, though US futures rose, with the S&P 500 up 0.19% to 6,413.75.

Investors digested corporate updates on Friday, with some reflecting tariff concerns ahead of the August 1 deadline. Materials led declines, with Fortescue down 3.4%, BHP 1.9%, and Rio Tinto 0.8% as Singapore iron ore futures slipped, easing month-to-date gains to 8.0%. Energy surged 1.80%, with Woodside Energy up 3.7% after a strong June quarter report and robust FY26 guidance.

Financials fell 0.45%, with the Big Four Banks dropping 0.3% to 0.8%, nearing June 3 lows amid banking sector weakness. Gold miners retreated, led by Pantoro (-5.1%), Bellevue Gold (-4.4%), and Genesis Minerals (-4.1%), as gold prices dipped to $US3,356 an ounce, though Newmont rose 3.8% on better-than-expected Q2 earnings. Defence stocks like Droneshield tumbled 10%, while lithium names were mixed despite a 37% monthly surge in Chinese futures.

## *Overview of the US Bond Market*

On Friday, the US Treasury bond market experienced modest yield declines across most maturities, reflecting cautious investor sentiment amid mixed economic signals. The **10-year Treasury yield** fell by approximately **2 basis points to 4.388%**, while the **30-year yield** dropped **2.3 basis points to 4.926%**, indicating a slight shift toward safer assets.

Shorter-term yields also edged lower, with the **2-year yield** down **2.7 basis points to 3.821%**, suggesting tempered expectations for aggressive Federal Reserve rate cuts. The bond market responded to softer-than-expected economic data, including a dip in durable goods orders and signs of cooling inflation, which reinforced the view that the Fed may ease policy later this year.

Treasury Inflation-Protected Securities (TIPS) saw mixed movement, with the **5-year TIPS yield** declining to **1.45%**, while longer-dated TIPS rose slightly, reflecting uncertainty around long-term inflation expectations.

Overall, trading volumes remained steady, and the yield curve stayed inverted, signalling ongoing concerns about economic slowdown. Investors are closely watching upcoming data releases, including the Fed's interest rate decision and Q2 GDP figures, which could influence future yield movements.

The bond market's cautious tone underscores its role as a barometer for macroeconomic sentiment and monetary policy expectations.

Monthly reports on sales of existing homes and new homes both came in below analysts' forecasts as elevated mortgage rates and high prices continued to weigh on the U.S. housing market. Sales of existing homes fell 2.7% in June to 3.93 million while new home sales rose a below forecast 0.6% to 627,000.

Looking ahead, Wednesday's initial estimate of second-quarter GDP will show whether the U.S. economy rebounded in the spring from the first quarter's negative result. From January through March, GDP decreased at an annual rate of 0.5%, in part due to an increase in imports in advance of rising tariffs. It was the first quarterly contraction in GDP since the first quarter of 2022.

In addition to a GDP report and more quarterly earnings, the new week will bring a U.S. Federal Reserve policy meeting that concludes on Wednesday and a jobs report on Friday. The Fed is widely expected to keep interest rates unchanged; the jobs report will show how July's jobs growth compared with June's bigger-than-expected gain of 147,000 jobs.

## *Overview of the Australian Bond Market*

Australian 10-year Treasuries dipped slightly as the market absorbed Friday's weak close, with the yield falling 1 basis point to 4.34%. The 2-year yield rose 1 basis point to 3.41%, while the 5-year yield held steady at 3.74%. The 15-year yield eased 1 basis point to 4.70%, reflecting cautious sentiment amid global trade tensions.

Yields have risen over the past month, with the 10-year up 22 basis points, supported by solid PMI data (composite 53.6, services 55.2) but tempered by a -0.03% composite leading index. The RBA's measured and gradual rate-cut path, forms expectation on an almost sure cut in August and another cut later this year, targeting 3.35% in early 2026. The AUD's 0.14% drop to 0.6581 signals trade uncertainty.

Interest-rate swaps show a flattish curve, with yields reacting to US durable goods beating expectations at -9.3% and new home sales at 0.627 million. The August 1 tariff deadline will be pivotal, with markets balancing domestic resilience against global risks.

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