yieldreport Daily

Your Income Advantage

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Overview of the US Market

Bullish sentiment propelled US stocks higher on Tuesday, fuelled by optimism over a potential Vietnam trade deal and balanced remarks from Federal Reserve officials hinting at future rate cuts. Treasury yields edged up slightly, while the Australian dollar held steady against a backdrop of global yield stability.

The S&P 500 climbed 0.47% to 6,227.42, and the Nasdaq Composite surged 0.94% to 20,393.13, both marking new all-time highs. The gains reflect a robust rebound from earlier tariff-related volatility, with tech stocks leading the charge.

The US stock market saw significant activity on Tuesday, with BigBear.ai Holdings Inc. (BBAI) leading the gainers, surging 13.68% to close at $7.56 on an extraordinary volume of 374.6 million shares. The spike, driven by heightened interest in AI defense contracts, reflects optimism following recent leadership changes and government spending initiatives. NVIDIA Corp. (NVDA) also gained 2.58% to $157.25, bolstered by its dominance in AI chip demand, with 171.1 million shares traded, underscoring its market leadership.

Intel Corp. (INTC) bucked the trend, declining 4.25% to $21.88 on 138.2 million shares, as concerns over guidance and competition weighed on sentiment. Lucid Group Inc. (LCID) edged up 0.99% to $2.05 with 122.6 million shares, showing modest EV sector resilience, while Ford Motor Co. (F) rose 3.70% to $11.77 on 122.3 million shares, supported by positive production updates. The high volume suggests active repositioning, possibly tied to trade negotiation updates and the speculation about the Federal Reserve rate cut, with investors awaiting Friday's employment data.

Federal Reserve Vice Chair Michelle Bowman's comments late Tuesday supported a potential July rate cut if inflation stays contained, aligning with Trump's push for looser policy. This contrasts with Chair Jerome Powell's cautious stance from last week, keeping markets on edge as they await further data, including Friday's employment report.

Overview of the Australian Market

The Australian share market closed higher on Tuesday, with the S&P/ASX 200 rallying 56 points (+0.66%) to 8,597.75, topping its 11 June record to mark its sixth record high of the year. The All Ordinaries gained 0.65% to 8,828.69, reflecting broad-based strength as ten out of eleven sectors finished in positive territory.

The record move was fuelled by a significant bounce in Materials (+1.83%), which had been trading near two-month lows just seven sessions ago. Notable gainers included South32 (+5.0%), Fortescue (+3.8%), Rio Tinto (+2.0%), and BHP (+1.7%), driven by a rebound in iron ore prices. Real Estate (+1.77%) and Telcos (+1.08%) trailed the resource sector, with Scentre Group (+2.7%) breaking out to September 2024 highs, bolstered by growing expectations of rate cut.

The tech sector struggled, declining 0.73%, which aligns with a weak lead from Wall Street, where Megacap tech stocks finished broadly lower and the Nasdaq slipped 0.82%. The market's upward movement was supported by optimism over potential trade talks ahead of the July 9 deadline and an imminent Reserve Bank of Australia (RBA) rate cut, widely anticipated at the upcoming July 7–8 meeting.

Overview of the US Bond Market

The US Treasury yields rose modestly on Tuesday, with the benchmark 10-year note yielding 4.28%, up 4 basis points from Monday's 4.24%. The 30-year bond climbed to 4.80%, up 16 basis points, reflecting cautious investor sentiment amid shifting rate cut expectations.

The yield curve steepened slightly, with the 2-year note at 3.78%, up 15 basis points, and the 5-year at 3.86%, up 14 basis points. The moves followed Federal Reserve Vice Chair Bowman's comments supporting a possible July rate cut, though Chair Powell's recent testimony emphasized a measured approach due to tariff-related inflation risks. Money markets now price in a 60% chance of a July cut, up from 50% last week, with two cuts expected by year-end.

President Trump's ongoing review of Powell's successor, with his term ending in May 2026, added uncertainty, though no immediate changes are expected. Treasury Secretary Scott Bessent hinted at potential adjustments to bank capital requirements, which could boost Treasury demand and support yields.

Overview of the Australian Bond Market

The Australian government bond yields ticked higher on Tuesday, with the 10-year yield rising 7 basis points to 4.19%, reflecting cautious optimism ahead of the RBA's July meeting. The 2-year yield increased 6 basis points to 3.26%, while the 15-year yield climbed 6 basis points to 4.52%.

The uptick follows Monday's softer-than-expected May CPI data, reinforcing market expectations of a July rate cut from 3.85% to 3.60%, now priced at a 94% probability. Markets anticipate at least four cuts (100 basis points) by mid-2026, with three likely before Christmas. The Australian dollar held steady at 0.6586 US cents, supported by de-escalating Middle East tensions.

Credit spreads continued to tighten, with 5-year major bank senior spreads narrowing to +80 basis points and Tier 2 spreads at +160 basis points, driven by low supply expectations ahead of the financial year-end. Global yields remained subdued, with focus on Powell's testimony and potential RBA easing.

Australian Bank Hybrids

The ASX-listed hybrid market continues to offer robust income opportunities amid growing expectations of interest rate cuts in the second half of 2025. Yields on bank and financial institution-issued hybrids remain elevated, with short-term notes particularly attractive.

Yield Highlights
AMP Capital Notes (AMPPB) and Macquarie Bank Notes (MBLPC), both maturing in Dec 2025, are offering running yields of 8.21% and 8.39%, respectively—some of the highest across the sector.

Trading margins for quality bank hybrids like Westpac's WBCPH (3.20%) and NAB's NABPF (4.00%) suggest strong demand and moderate risk perception.

Despite maturity nearing, these hybrids are trading close to or slightly above par, signalling confidence in call/redemption outcomes.

Notable Trends

The average running yield across top-tier bank hybrids remains above 7%, maintaining appeal for income-focused investors amid easing inflation and bond yield compression.

Day-on-day price changes remain minimal (mostly under 0.1%), indicating a steady and liquid secondary market.

The trading margin on AMPPB (7.90%) still reflects some credit premium likely due to AMP's historical restructuring reputation, contrasting with more compressed spreads in major banks like NAB and WBC.

Strategic Takeaways

Investors seeking short-duration income can find compelling value in hybrids maturing in late 2025 to mid-2026, many of which yield 7.5%–8.5%.

Capital preservation and call certainty will play a crucial role in security selection over the next 6–12 months.

As the RBA tilts dovish, reinvestment risk may rise post-redemption, making current hybrid yields

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