yieldreport Daily

Your Income Advantage

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Overview of the US Market

Wall Street's bulls drove stocks to all-time highs at the end of a solid quarter amid hopes the US is moving closer to reaching concrete deals with its top trading partners. Bets the Federal Reserve will resume rate cuts powered the best first-half stretch for Treasuries in five years. The dollar saw its longest monthly slide since 2017. Following a roughly 25% surge from its April lows, the S&P 500 notched its best quarter since December 2023. The US equity benchmark topped the 6,200 milestone on Monday, with technology shares leading the charge. Apple Inc. climbed the most among megacaps. Oracle Corp. jumped on a cloud-services deal worth $30 billion a year. Big banks gained after passing the Fed's annual stress test, setting the stage for payouts.

Just days ahead of the jobs report, bonds rose. Treasury Secretary Scott Bessent indicated it wouldn't make sense to ramp up sales of longer-term debt given where yields are, though he held out hope that rates across maturities will drop as inflation slows. Goldman Sachs Group Inc. projects a Fed cut in September as the inflationary effects of tariffs "look a bit smaller" than expected.

A relative sense of calm prevailed at the end of a first half that saw wild swings lashing markets across the board amid President Donald Trump's fast-evolving trade war, world conflicts, recession jitters as well as concerns about a ballooning deficit that could threaten America's status as a safe haven.

With Trump's July 9 trade deadline fast approaching, the European Union is willing to accept an accord that includes a 10% universal tariff on many of the bloc's exports, but seeks key exemptions. Trump threatened to impose a fresh tariff level on Japan, while his top economic adviser said the White House aims to finalize deals with partners after the July 4 holiday.

The June employment report, due on Thursday given the July 4 holiday on Friday, is forecast to show growth in the workforce easing to about 110,000 new jobs from 139,000 the prior month, according to economists surveyed by Bloomberg. The unemployment rate is seen nudging up to 4.3%.

Overview of the Australian Market

The Australian share market finished higher to round out 2025 financial year with a respectable double-digit gain for the financial year, while its quarterly performance was the best since 2020. The benchmark S&P/ASX200 index on Monday finished up 28.1 points, or 0.33 per cent, to 8,542.3, while the broader All Ordinaries gained 29.4 points, or 0.34 per cent, to 8,773.0.

For the year, the ASX200 climbed 10.2 per cent over the course of the financial year - or just over 14 per cent total return including dividends. The benchmark index also rose 1.3 per cent during the month of June and 8.9 per cent for the June quarter - making the second quarter its best since a 13.3 per cent gain in the fourth quarter of 2020. The ASX200 is also up 4.7 per cent calendar year to date, 6.4 per cent including dividends. Seven of the ASX's 11 sectors finished higher on Monday, with materials, utilities and property lower and energy basically flat. Health care was the biggest mover, rising 1.6 per cent as CSL added 2.2 per cent, Pro Medicus climbed 1.6 per cent and Regis Healthcare gained 2.8 per cent.

The big four banks were mixed, with CBA down 0.3 per cent to $184.75 and NAB up 0.3 per cent to $39.36, while ANZ and Westpac both dipped 0.1 per cent, to $29.16 and $33.86, respectively. The material sector dropped 0.8 per cent after a strong performance on Friday, with BHP falling 2.1 per cent to $36.75, Fortescue declining 1.2 per cent to $15.28 and Rio Tinto retreating 1.7 per cent to $107.13. James Hardie rose 7.6 per cent to $41.70 after shareholders in US-based AZEK Corporation approved its $US8.75 billion ($A14 billion) acquisition by James Hardie. The Star fell 6.9 per cent to 13.5 cents as its Hong Kong joint venture partners threatened to walk away from a deal to purchase Star's half-stake in Brisbane's Wharf casino and hotel complex.

Overview of the US Bond Market

The U.S. Treasury yields exhibited mixed movements on June 30, 2025. The 10-year Treasury yield eased to 4.28%, reflecting investor caution ahead of a central bank summit in Portugal, where Federal Reserve Chairman Jerome Powell is expected to speak. Conversely, the 2-year Treasury yield rose slightly to 3.76%, indicating short-term rate expectations. The Bloomberg Dollar Spot Index declined by 0.4%, reaching a three-year low, amid speculation that President Donald Trump may announce a replacement for Federal Reserve Chair Jerome Powell by October.

Overview of the Australian Bond Market

The Australian bond market experienced modest movements on June 30, 2025. The 10-year yield rose to 4.18%, up by 0.04 percentage points from the previous session. The Bloomberg AusBond Composite 0+ Yr Index rose by 0.16%, indicating a slight uptick in bond prices.

Short-term yields declined, with three-month bank bills falling by 15 basis points to 3.73%, and six-month bank bills dropping 11 basis points to 3.77%. Government bond yields showed mixed movements; the three-year bonds rose slightly by 1 basis point to 3.33%, while ten-year bonds increased by 9 basis points to 4.26%.

The Reserve Bank of Australia's cautious tone surprised markets, despite the expected rate cut. Inflation appears to be stabilizing, and the labor market remains resilient, with unemployment steady at 4.1%. As of late June 2025, market expectations for the RBA cash rate are clearly tilted toward further easing, driven by soft economic data and moderating inflation.

Australian Bank Hybrids

As the financial year closed, the Australian bank hybrid market remained resilient, offering investors a broad spectrum of yield opportunities amid a shifting regulatory landscape.

Performance Snapshot Running yields across ASX-listed bank hybrids ranged from 6.13% (NABPK, Mar 2032) to a market-leading 9.38% (JDOPA, Feb 2029). Short-dated securities maturing in late 2025 and early 2026 continued to deliver strong income, with yields between 7% and 8.5%, while mid-term notes (2027–2029) generally offered 6.5% to 7.8%.

Top Yielders Judo Capital (JDOPA) stood out with the highest yield at 9.38%, trading at a premium (~112), and reflecting investor appetite for its elevated margin.

Latitude (LFSPA) followed closely with a 9.03% yield, though its steep 11.57% trading margin and discounted price (~96.5) suggest a higher risk profile.
Macquarie Bank (MBLPC) offered a compelling 8.40% yield on a shorter maturity (Dec 2025), appealing to income-focused investors seeking near-term returns.

Market Trends Trading margins were largely concentrated between 2% and 5%, indicating stable risk premiums across most issuers. Notably, Latitude's outlier margin underscores market caution around credit quality. Meanwhile, day-to-day price movements were modest, with most hybrids posting changes under 0.1%, reflecting subdued volatility.

Looking Ahead with APRA's phased withdrawal of Additional Tier 1 hybrids by 2032, investors are gradually repositioning portfolios. While hybrids remain attractive for their yield and franking benefits, the market is expected to evolve toward alternative income instruments over the coming years.

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