yieldreport Daily

Your Income Advantage

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Overview of the US Market

On July 31, 2025, U.S. stock markets closed lower, reversing early gains amid pressure on health care stocks. The S&P 500 fell 0.4% to 6,339.39, while the Dow Jones Industrial Average dropped 0.7% to 44,130.98. The Nasdaq Composite slipped marginally by 0.1%, ending at 21,122.45, and the Russell 2000 declined 0.9%, closing at 2,211.65.

The downturn was largely driven by a White House initiative urging major pharmaceutical companies to reduce drug prices within 60 days, which weighed heavily on health care stocks. Despite the broader market decline, Meta Platforms surged after reporting earnings that exceeded Wall Street expectations, fuelled by aggressive investments in artificial intelligence.

For the week, the S&P 500 and Dow were down 0.8% and 1.7%, respectively, while the Nasdaq edged up 0.1%. Year-to-date, the S&P 500 has gained 7.8%, the Dow is up 3.7%, and the Nasdaq leads with a 9.4% increase. In contrast, the Russell 2000 has declined 0.8% in 2025.

The US equity market sector performance was mixed, with notable divergence across industries:

• **Health Care** was the weakest performer, dragged down by a White House directive urging pharmaceutical companies to cut drug prices within 60 days. This policy pressure led to broad declines in major health care stocks.

• **Technology** showed strength, particularly due to **Meta Platforms**, which surged after beating earnings expectations and highlighting aggressive AI investments.

• **Financials** continued their strong run, supported by robust earnings and positive growth estimates.

• **Consumer Staples** was the only sector to post negative returns for the month, reflecting weaker demand and margin pressures.

• Other sectors like **Industrials**, **Energy**, and **Consumer Discretionary** posted modest gains, buoyed by resilient corporate earnings and optimism around trade negotiations.

Overall, 10 out of 11 S&P 500 sectors delivered positive returns in July, with the broader market showing signs of resilience despite policy headwinds and investor caution. The S&P 500 notched multiple record highs during the month, though momentum slowed toward the end as investors weighed tariff risks and awaited further earnings results

During the session, several major U.S. companies released earnings reports, offering a snapshot of corporate health amid macroeconomic uncertainty:

Big Tech Highlights

• **Apple (AAPL)** and **Amazon (AMZN)** reported earnings after market close. While exact figures weren't disclosed, both were expected to post strong revenue: Apple at **$89.17B** and Amazon at **$162.11B**.

• **Meta Platforms** had previously reported better-than-expected results, driven by AI investments.

Health & Pharma

• **AbbVie (ABBV)** and **CVS Health (CVS)** were among the key health care firms reporting. CVS was forecasted to generate **$94.51B** in revenue.

• **Bristol-Myers Squibb (BMY)** and **Biogen (BIIB)** also released earnings, reflecting mixed performance amid regulatory pressures.

Finance & Payments

• **Mastercard (MA)** posted strong results, with forecasted EPS of **$4.03** and revenue of **$7.93B**.

• **Cigna (CI)** reported robust earnings, expected to hit **$62.66B** in revenue.

Energy & Industrials

• **Shell (SHEL)** and **Chevron (CVX)** were among energy giants reporting, with Shell forecasted at **$62.52B** in revenue.

• **Toyota (TM)** and **First Solar (FSLR)** also featured, reflecting global industrial trends.

Overview of the Australian Market

The Australian equity market closed lower on July 31, 2025, as a sharp sell-off in resources weighed on broader indices. The S&P/ASX 200 (XJO) shed 13.6 points to finish at 8,742.8, down 0.16%, trading 0.48% above its session low but just 0.16% shy of its high. The broader S&P/ASX 300 (XKO) reflected a cautious mood, with decliners outpacing advancers by 142 to 127.

The market's performance was shaped by a reversal in the recent rally for Resources (XJR, -2.56%) and Energy (XEJ, -0.46%), which had gained traction in July but faltered this week. The XJR's 2.2% drop today, marked by a long black candle, signalled renewed investor caution, driven by softer commodity prices, including iron ore and base metals. Meanwhile, Technology (XIJ, +1.34%) and Consumer Discretionary (XDJ, +1.11%) led gains, continuing a rotation trend observed before the month-long July rally in resources. Standout performers included Life360 (360, +3.2%, +149.0% over 1 year) and Aristocrat Leisure (ALL, +2.4%), buoyed by strong tech sentiment and positive US futures (Nasdaq, +1.32%).

Financials (XFJ, +0.47%) also held firm, with National Australia Bank (NAB, +1.1%) and Suncorp Group (SUN, +1.0%) among the blue-chip winners, supported by expectations of RBA rate cuts following Wednesday's softer inflation data. The Q2 2025 CPI of 2.1% and RBA Trimmed Mean CPI of 2.7% kept markets optimistic about an August rate cut. However, today's stronger-than-expected economic releases, including Building Approvals (+11.9% vs. 2% expected) and Retail Sales (+1.2% vs. 0.4% expected), tempered some enthusiasm, hinting at economic resilience that could delay aggressive easing.

Global trade concerns lingered, with US-China trade talks yielding no major breakthroughs and Trump's proposed 20-25% tariffs on India adding uncertainty for Australian exporters. The AUD/USD rose 0.56% to 0.6469, reflecting cautious optimism but also sensitivity to global risk sentiment.

Overview of the US Bond Market

The yield on 10-year Treasuries was little changed at 4.36%. The dollar rose for a sixth straight day. The yen slid as comments from Bank of Japan Governor Kazuo Ueda were seen as less hawkish than expected.

In the run-up to jobs data, the Fed's preferred measure of underlying inflation accelerated in June to one of the fastest paces this year while consumer spending barely rose, underscoring the duelling forces dividing policymakers over the path of rates.

The core personal consumption expenditures price index rose 0.3% from May. It advanced 2.8% on an annual basis, a pickup from June 2024 that underscores limited progress on taming inflation in the past year. The data also showed inflation-adjusted consumer spending edged up last month.

Separate data Thursday showed initial applications for unemployment insurance were little changed last week. Another report showed labour cost growth rose 3.6% from a year ago, matching the lowest since 2021, and reassuring Fed officials that the job market isn't a source of inflationary pressure.
President Donald Trump will sign an executive order on Thursday imposing new tariff rates on trading partners that take effect Friday, the White House said.

The signing will take place "at some point this afternoon or later this evening," White House Press Secretary Karoline Leavitt told reporters during a news briefing, adding that "Aug. 1, the reciprocal rates will be going into effect."

Trump has struck deals with major trading partners, such as the European Union, the UK, Japan and South Korea, and unilaterally set rates on others, including India and Brazil. The president initially announced tariffs on almost every country in April, but paused them twice to allow more time for negotiations.

The president earlier Thursday continued Mexico's current tariff rates for another 90 days to allow more time for trade negotiations, even after saying a day earlier that the Aug. 1 deadline "WILL NOT BE EXTENDED." Levies on Mexican exports were due to rise from 25% to 30% starting Friday.

Overview of the Australian Bond Market

Australian government bond yields edged higher on July 31, 2025, as robust economic data tempered expectations for immediate RBA rate cuts. The Australia 2-Year Bond Yield raised 7 basis points to 3.39%, the 5-Year Yield increased 6 basis points to 3.71%, and the 10-Year Yield climbed 5 basis points to 4.30%. The 15-Year Yield saw a modest 4 basis-point rise to 4.66%.

The uptick in yields followed stronger-than-expected Australian economic indicators, including June Building Approvals surging 11.9% (vs. 2% forecast) and Retail Sales rising 1.2% month-on-month (vs. 0.4% expected). These figures suggested economic strength, reducing the urgency for aggressive RBA easing despite Wednesday's benign inflation data (Q2 CPI at 2.1%).
Markets still price in a high likelihood of an August rate cut, but swap contracts now reflect a more gradual easing path, with some analysts revising expectations to three cuts by mid-2026.

Global macro dynamics also influenced bond markets. The US Federal Reserve's decision to hold rates at 4.375% and stronger US GDP growth (3% vs. 2.4% expected) underscored global economic resilience, supporting a bearish tilt in bond prices. Ongoing US-China trade talks and Trump's tariff threats against India and Russia added inflationary risks, capping bond demand. Locally, bond traders increased net long positions in 10-year and 15-year tenors, anticipating yields may stabilize if RBA policy remains data-dependent.

The Australian Treasury is expected to maintain steady auction sizes for the August-to-October period, aligning with prior guidance. Investors are closely watching the RBA's August meeting for signals on the pace of monetary easing, with strategists from HSBC and UBS noting that Australia's economic resilience could keep yields elevated in the near term.

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