yieldreport Daily

Your Income Advantage

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Overview of the US Market

The US market remained closed on Friday, July 4, 2025, in observance of Independence Day, with no trading activity reported. Investors are likely reflecting on recent gains amid ongoing trade talks and speculation about the Federal Reserve's rate cut. Treasury yields and the dollar remained steady in pre-market indications, while oil prices dipped slightly due to concerns about seasonal demand.

With markets shuttered, attention turns to the holiday-shortened week ahead, where the absence of fresh US data until Tuesday may keep volatility low. The S&P 500 and Nasdaq, which closed at 6,279.35 and 20,601.10 respectively on Thursday, are poised near record highs, supported by tech resilience. Traders remain focused on Middle East ceasefire developments, with the Israel-Iran truce holding firm under Trump's mediation, though risks persist if energy infrastructure is targeted.

Oil prices nudged lower to around $67 per barrel, reflecting a cautious outlook as the holiday weekend begins. Federal Reserve Chair Jerome Powell's recent cautious stance on rate cuts, contrasted by Vice Chair Michelle Bowman's openness to a July move, continues to shape expectations. Money markets still price a 65% chance of a July cut, with the focus shifting to Tuesday's reopened trading and upcoming economic data.

Overview of the Australian Market

The S&P/ASX 200 eked out a modest 0.08% gain to 8,603.0 on Friday, marking its eighth record high of the year, while the All Ordinaries rose 0.09% to 8,841.9. Smaller indices also advanced, with the Small Ords up 0.10% to 3,264.1, All Tech gaining 0.28% to 4,055.5, and Emerging Companies climbing 0.47% to 2,332.0, reflecting broad-based support.

The session highlighted a mixed performance, with the ASX 200 Materials Index (-0.97%) pulling back after a 4.9% rally over the prior two sessions, slipping below its 200-day moving average—a key technical threshold reclaimed on Thursday. The decline was led by volatility in major miners, though breadth remained solid, with 122 S&P/ASX 200 constituents (61%) closing higher. VanEck's Australian Equal-weight ETF outperformed the benchmark by 10 basis points.

Financials ticked up 0.14%, as gains in ANZ (+3.84% weekly), Westpac (-0.80% weekly), and NAB (-0.28% weekly) offset a sharp 1.0% drop in Commonwealth Bank, which fell 3.97% for the week to a two-week low—its worst weekly performance since early March. Retail and defensive sectors like Real Estate, Health Care, and Staples delivered solid gains, while riskier names like Zip (-0.9%) and Droneshield (-4.8%) traded choppily. Recent IPOs, Virgin (-2.6%) and Gemlife (-5.7%) have also struggled.

Overview of the US Bond Market

With US markets closed for Independence Day, Treasury yields showed little movement in pre-market trading on Friday. The benchmark 10-year note, which closed at 4.35% on Thursday, and the 30-year bond at 4.86%, is expected to remain stable until Tuesday's reopening, barring global shocks.

The yield curve's recent steepening, with the 2-year note at 3.88% and 5-year at 3.94%, reflects ongoing debates over a July rate cut, with a 65% probability priced in. Federal Reserve vice Chair Bowman's support for a potential cut contrasts with Chair Powell's caution on tariff-driven inflation risks. President Trump's review of Powell's successor and Treasury Secretary Bessent's bank capital relief proposal continue to stir speculation.

Overview of the Australian Bond Market

Australian government bond yields rose modestly on Friday, with the 10-year yield ticking up 1 basis point to 4.19%, the 2-year yield increasing 2 basis points to 3.27%, and the 15-year yield holding steady at 4.52%. The 5-year yield edged up 1 basis point to 3.59%, which reflects the cautious sentiment.

The moves follow the softer May CPI data, solidifying expectations of a July rate cut from 3.85% to 3.60%, with a 94% probability priced in by swap markets. At least four cuts (100 basis points) are anticipated by mid-2026, with three likely before Christmas. The Australian dollar remained stable at 0.6586 US cents, supported by a quiet global yield environment.

Credit spreads tightened further, with 5-year major bank senior spreads at +80 basis points and Tier 2 spreads at +160 basis points, aided by low supply ahead of EOFY.

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