Your Income Advantage

8th July 2025

Overview of the US Market

Mixed sentiment prevailed as stocks showed resilience amid the passage of the "One Big Beautiful Bill" and uncertainty around today's July 9 tariff deadline, now extended to August 1. Treasury yields edged higher, and the dollar remained stable. Oil prices rose slightly, although tensions in the Middle East have muted.

The S&P 500 dipped 0.07% to 6,225.52, and the Nasdaq Composite edged up 0.03% to 20,418.46, reflecting a cautious close. West Texas Intermediate crude climbed to $67.50 a barrel, supported by energy sector strength. In after-hours trading, BTCS Inc. surged, signalling speculative interest.

Energy stocks led gains, raising 2.72%, driven by stable oil price despite concerns in the Middle East. Tech stocks, including NVIDIA, up 1.11% on high volume, regained ground, buoyed by the OBBBA's tax cut extensions. Consumer staples fell 1.09%, with defensive names under pressure. The OBBBA, signed into law, extends 2017 tax cuts and adds deductions, boosting market optimism, though tariff uncertainty lingers with negotiations ongoing.

Middle East tensions have subsided, with the Israel-Iran ceasefire holding steady, reducing oil volatility risks. Market expectations currently price two rate cuts by year-end, with September favoured, reflecting caution amid fiscal and trade developments. Today's tariff deadline resolution, now shifted to August 1, could still influence sentiment as trade talks continue.

Overview of the Australian Market

The ASX 200 closed 1.4 points higher (+0.02%) at 8,591.4, defying expectations after the RBA's surprise decision to hold rates steady. With an 86% cut likelihood priced in, the market's late rally from session lows of -0.46% showcased resilience, partly fuelled by global optimism from the OBBBA.

Market breadth was balanced, with 102 S&P/ASX 200 constituents finishing lower. The big four banks led the rebound, with Commonwealth Bank up 0.8%, NAB up 0.6%, and ANZ up 0.2%. Wesfarmers added 0.5%, boosting late strength. Consumer staples faced selling pressure, with Woolworths down 1.4% and Coles down 1.7%, while utilities (-1.1%) and real estate (-0.5%) struggled amid rate hold reactions.

The RBA's hold, announced at 2:30 PM AEST yesterday, shifted focus to future cuts, with investors eyeing year-end easing.

Overview of the US Bond Market

Treasury yields ticked higher as the OBBBA's $3.3 trillion fiscal stimulus and tariff uncertainty influenced sentiment, with the 10-year note yielding 4.40%, up 0 basis points daily. The 30-year yield climbed to 4.92%, up 0 basis points, signalling long-term debt concerns.

The 2-year yield held at 3.89%, unchanged daily, while the 5-year rose to 3.97%, up 0 basis points. The yield curve steepened slightly, reflecting mixed views on rate cuts. Market expectations price two Fed cuts by year-end, with September favoured, amid fiscal expansion and trade uncertainties.

Treasury Secretary Scott Bessent's proposal to ease bank capital rules, boosting Treasury purchases, supported yields. Today's tariff deadline extension to August 1 offers temporary relief, but bond markets await further trade and fiscal clarity.

Overview of the Australian Bond Market

Australian government bond yields rose sharply, with the 10-year yield climbing 13 basis points to 4.31%, and the 15-year up 13 basis points to 4.65%, reacting to the RBA's unexpected rate hold at 3.85%. The 2-year yield surged 14 basis points to 3.39%, adjusting to short-term policy shifts.

Yesterday's RBA decision, announced at 2:30 PM AEST, defied the 86% cut expectation, prompting the yield spike. The market reassesses the easing cycle, with four cuts (100 basis points) still priced by mid-2026, though the timeline may shift.
Global yields were muted, with focus on the OBBBA's fiscal impact and today's tariff deadline resolution. The Australian dollar held at 0.6586 US cents, as markets balance RBA caution with global stimulus optimism.

Overview of the Australian Hybrids Market

The ASX-listed bank hybrid market continues to deliver robust income opportunities, with running yields averaging between 7% and 8.5% across major issuers. Investor appetite remains strong, particularly for short-dated hybrids maturing in late 2025 to mid-2026, where call certainty and capital preservation are key considerations.

Top performers include:

AMP Capital Notes (AMPPB): 8.21% yield, trading slightly above par.
Macquarie Bank Notes (MBLPC): 8.39% yield, reflecting strong demand.
Latitude (LFSPA): 9.02% yield, trading at a discount, offering value for risk-tolerant investors.

Trading margins for quality bank hybrids such as NABPF (4.51%) and WBCPH (3.20%) remain compressed, signalling low credit risk perception and confidence in redemption outcomes.

Day-on-day price movements are minimal—mostly under 0.1%—highlighting a stable and liquid secondary market.

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