yieldreport Weekly

Your Income Advantage

14th to 18th July 2025

PART 1 – Equity & Bond Market Analysis

Weekly Overview

The S&P 500 and Nasdaq composite rose to new highs last week after corporate earnings reports and economic data signalled that the U.S. is still powering through President Trump's trade war headwinds.

Bumper bank profits showed that businesses and consumers kept opening their purses last quarter. Record earnings for the world's largest chip maker, Taiwan Semiconductor Manufacturing, propelled potentially tariff-sensitive semiconductor stocks higher. A University of Michigan survey suggested consumer sentiment is rebounding slightly in July, while inflation expectations are declining.

The upbeat data at a moment of economic uncertainty helped the S&P 500 gain 0.6% this week. The tech-heavy Nasdaq rose 1.5%, while the Dow Jones Industrial Average edged 0.1% lower.

The 10-year Treasury yield finished the week slightly higher, settling at 4.432% after rising to 4.5% during the week.

Treasury yields come down from sharp increases triggered by signs that tariffs boosted June's inflation, ending the week, little changed. Renewed speculation about a potential early dismissal of Fed Chair Powell also swung bond markets this week. A decline on yields today, mostly in the short end, was linked to Governor Waller's call for an interest rate cut this month, in a likely dissention for the July 30 rate decision. Markets price in a Fed hold and data due next week are unlikely to change that. The two-year bond yields declined slightly (0.037) to finish the week at 3.876%.

Rumours and debate over the future of US trade policy again filled global headlines this week, the most significant discussion being around a mooted industry tariff for pharmaceutical imports which would start at a low rate but could rise to as much as 200%. US data meanwhile offered an update on the impact of tariffs on consumer inflation to date. The pull-forward of imports ahead of tariff implementation, the modest 10% tariff rate for most nations during the 90-day negotiation period and soft consumer demand all arguably limited pass through in June. Still, in the CPI detail there is clear evidence of firms beginning to pass higher costs on, where possible.

Within core goods, inflation for household furnishings, apparel and recreation items all lifted noticeably, respectively to 1.0%, 0.4% and 0.4%. Used and new vehicles (-0.7% and -0.3%) were the counterpoint, likely weighed down by weak demand – durables consumption having declined at a near 4% annualised pace in Q1 GDP and the Atlanta Fed's now cast for Q2 GDP consistent with further weakness in total consumption.

The Australian share market has finished last week at a record high for the third time this week, with every sector gaining ground in the exchange's biggest rally in three months.

The benchmark S&P/ASX200 index on Friday gained 118.2 points, or 1.37 per cent, to 8,757.2, while the broader All Ordinaries rose 116 points, or 1.3 per cent, to 9,006.

The gains were the ASX200's biggest since a 4.5 per cent rally on April 10 and the first time it has crossed 8,700. For the week the index rose 3.4 per cent, its best weekly performance since a 3.4 per cent gain in mid-December.

The Australian labour market added 2000 jobs in June, missing to the downside of consensus estimates at 20,000. As a result, the unemployment rate increased 21 bps to 4.3% from last month's 4.1% level. Underemployment ticked to 6%.

Overview of the US Equities Market

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Still, there are warning signs ahead as investors enter the midst of earnings season next week. Economists fear that the trade-war boost to prices in June's inflation report is set to continue. At the same time, Trump's threat to fire Federal Reserve Chair Jerome Powell holds the potential to wreak havoc across global markets. This is likely to keep volatility and uncertainty high.

Reports this week of Trump's shake-up threat sparked a momentary pivot by investors to snap up gold futures—seen as a haven in times of financial stress—as well as a selloff in the U.S. dollar and long-dated Treasury's. Those moves quickly moderated after the president denied such a plan.

On Friday, U.S. stocks wavered despite another round of strong earnings reports. The S&P 500 pulled back slightly from Thursday's record, while the Nasdaq eked out a small gain for its fifth-straight all-time high.

The best-performing sectors were utilities, up 1.64%, and industrials, up 1.2%. The worst-performing sectors were energy, down 3.31%, and healthcare, down 2.43%.

Large-cap stocks rose 0.69%, mid-cap stocks rose 0.75%, and small-cap stocks rose 0.23%. Growth stocks gained 1.78%, blend stocks rose 0.52%, and value stocks lost 0.89%.

In corporate news, Netflix, which lifted its annual forecasts late Thursday, dropped 5.1% Friday. American Express slid 2.3% and Post-it Note maker 3M fell 3.7%, even after posting better-than-expected results. The companies were the two worst-performing stocks in the Dow.

Utilities were among the standouts in Friday's subdued trading. Shares of Talen Energy soared 24% after the company said it is purchasing two natural-gas-fired plants. Constellation Energy and Vistra, which are also independent power producers, both rose 4% or more.

As trade-war uncertainty rattled markets in recent months, the resulting volatility has been a boon to banks and brokerage firms. Shares of Interactive Brokers rose 7.8% Friday after it reported double-digit trading volume growth last quarter, while surging trading activity boosted Charles Schwab profits and pushed its stock 2.9% higher.
Results from the Magnificent Seven tech giants will kick off next week.

Meanwhile, Wall Street is looking ahead to the Aug. 1 tariff-pause expiration and related drama. President Trump backed away from threats to fire Federal Reserve Chair Jerome Powell this week but continues to say rates should be lower.

On Friday, Fed governor Christopher Waller said he would accept the top job at the central bank, if offered. Powell's term as chair ends next year. Waller has pushed for an interest-rate cut this month, a move that aligns with Trump's demands for looser policy. Investors see only a marginal chance of an imminent cut, however.

New survey data from the University of Michigan showed consumer sentiment continued to recover this month, reaching a five-month high, though the mood remains considerably worse than it was at the end of last year.

Next week, earnings season will continue to ramp up. Results from the Magnificent Seven tech giants will kick off Wednesday with reports from Alphabet and Tesla.

Figure 1 : Weekly Performance of Global Equity Markets

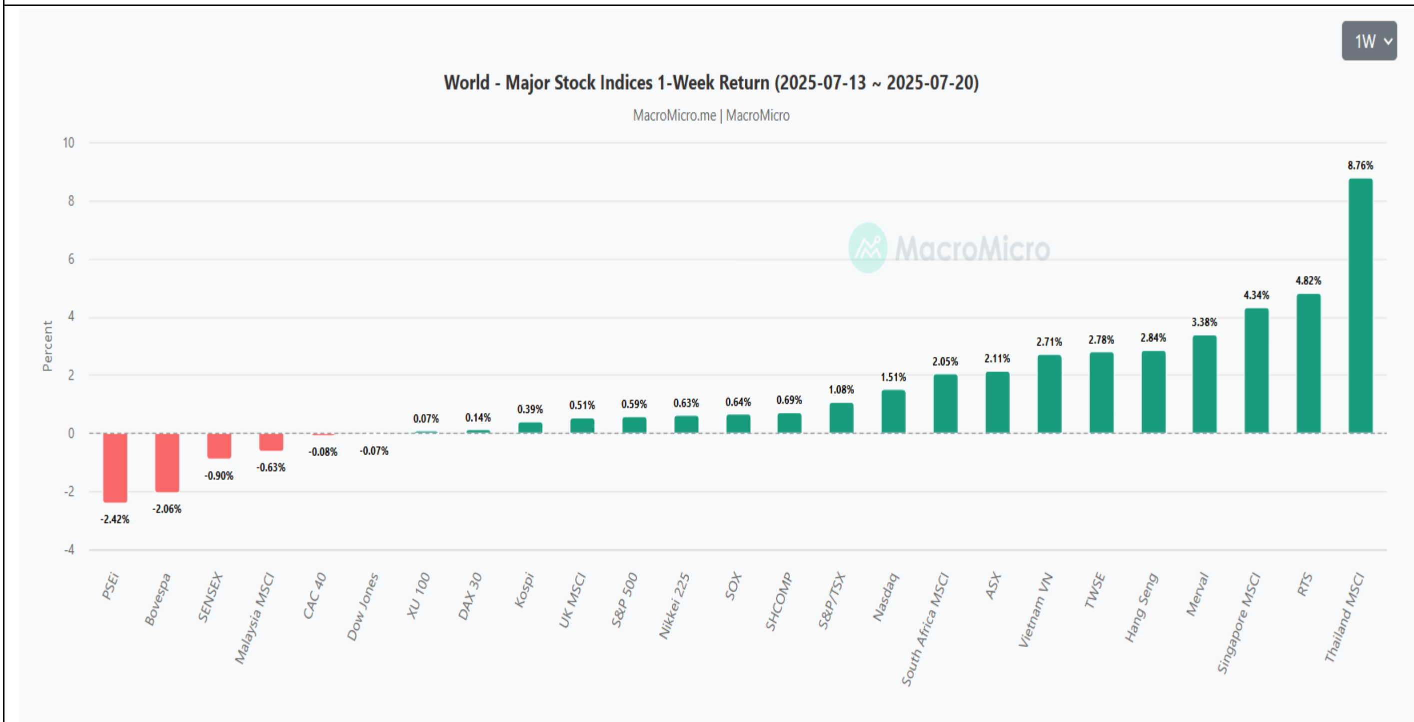

Figure 1 shows the broadness of the current bullish investor sentiment across global equity markets. Over the past week, the best performing global equity markets included Thailand, Russia and Singapore (Most EM markets) while the worst performance has been seen in Brazil, India and Malaysia. The ASX All Ords performance was noteworthy - higher the S&P500, Nasdaq and European stock markets.

Overview of the US Treasuries Market

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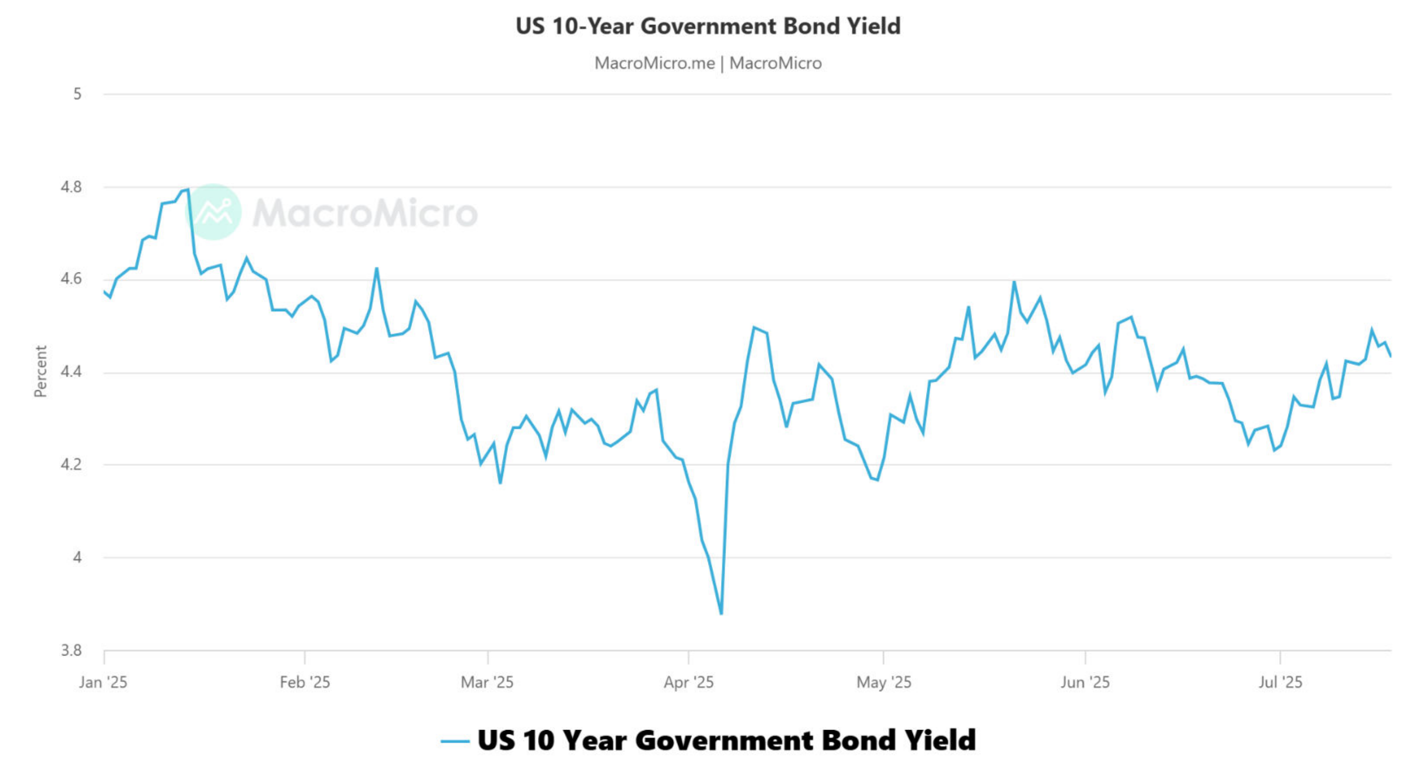
The odds of a cut in September rose to 58% from 51% yesterday, according to CME data.

The benchmark 10 year US Treasury Government bond yield remain little changed year to date. Over the past week, the 10 year rates finished flat around 4.43% after rising to as high as 4.5% in the middle of the week.

Figure 2: US 10 Year Bond Yields – YTD Perspective



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Within core goods, inflation for household furnishings, apparel and recreation items all lifted noticeably, respectively to 1.0%, 0.4% and 0.4%. Used and new vehicles (-0.7% and -0.3%) were the counterpoint, likely weighed down by weak demand – durables consumption having declined at a near 4% annualised pace in Q1 GDP and the Atlanta Fed's now cast for Q2 GDP consistent with further weakness in total consumption.

While hard to distinguish, the 0.3% gain for food was also likely supported by tariffs given the proportion of US food imported from Mexico and Canada and it's comparatively short shelf life. Helpfully for the overall consumer inflation view and expectations is that shelter inflation continues to decelerate, registering a 0.2% gain in June, equivalent to a 2.5% annualised rate compared to the 3.8% growth between June 2024 and June 2025.

Based on producer price inflation, which decelerated from 3.2%yr to 2.6%yr after a flat result in June, and the fact that tariff increases have been delayed until at least 1 August, the impact of tariffs on inflation is likely to remain modest in the very near term. Still, with business margins coming under pressure and firms needing to invest to maintain capacity let alone expand it, it is inevitable that price increases at the wholesale level will feed through to end users. The alternative is to cut other costs, which would most likely mean a reduction in hours worked and wages growth.

In the July edition of Beige Book, respondents referenced "modest to pronounced input cost pressures related to tariffs, especially for raw materials used in manufacturing and construction" and that "Many firms passed on at least a portion of cost increases to consumers through price hikes or surcharges, although some held off raising prices because of customers' growing price sensitivity, resulting in compressed profit margins". Economic activity was said to have increased "slightly" and employment "very slightly".

In the meantime, the growing fears that Japan's upcoming parliamentary election will strain its fiscal position sent yields on long-dated government bonds sharply higher.

Markets are fretting the Upper House election on July 20 could strip the ruling coalition of its majority and spur an increase in fiscal spending, one that might be financed by more bond issuance.

The 20-year yield on Japanese government debt rose 4.5 basis points to 2.650% early on Tuesday, its highest since November 1999, according to data provider Quick. The 30-year yield raised 4.0 basis points to a record high of 3.195%, while the 10-year yield raised 2.5 basis points to 1.595%, the highest since October 2008.

Market participants seem to be bracing for election scenarios that could have a major impact on the Japanese government bond market, such as consumption-tax cuts, Ataru Okumura, senior Japan rates strategist at SMBC Nikko Securities, said in a commentary.

Overview of the Australian Equities Market

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The broad-based rally further supports positive sentiment that is currently building on all risk markets. All 11 sectors finished in positive territory, with a mix of defensives, cyclical and growth stocks leading the market.

Materials sector surged as BHP rallied 3.0% to $40.29 after delivering record production in FY25 across key commodities, including 8% copper production growth to 2.01 million tonnes and iron ore output reaching 263 million tonnes. Though the gains might've been more had it not reported blowout capex for its Jansen potash project.

The ASX 200 Healthcare Index hit a five-month high after CSL gained 3.6% to $257.38 for a weekly gain of 7%, its best since December 2021, after UBS reaffirmed its buy rating with a $310 price target. Mesoblast soared 34.7% to $2.41 following strong early sales of its FDA-approved therapy Ryoncil.

Mesoblast rallied 34.6 per cent to $2.41 after the Melbourne biotech company announced it had made $US13.2 million in sales, following the launch of its stem-cell treatment for a complication of bone marrow transplants in children in March.

The big four banks finished on the green, with CBA rising 0.9 per cent to $182.46, Westpac adding 18 per cent to $34.31, ANZ advancing 1.2 per cent to $30.82 and NAB growing 1.3 per cent to $39.19.

Looking beyond last week and month, the figure 3 shows the growth trajectory of the Australian share market. Investors have been well rewarded for staying invested in the market despite various risks and macro-headwinds including Trump Tariff Bump. Ultimately though, the bullish expectations of investors have to be supported by earnings growth which remains in doldrums domestically.

Figure 3 – 3-year Perspective of the All Ords Index

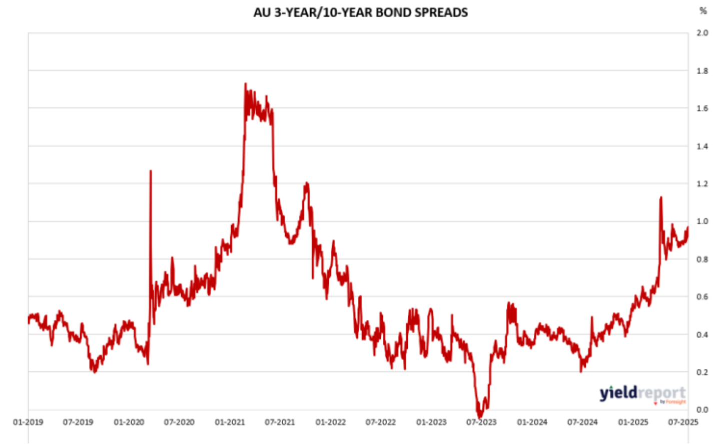
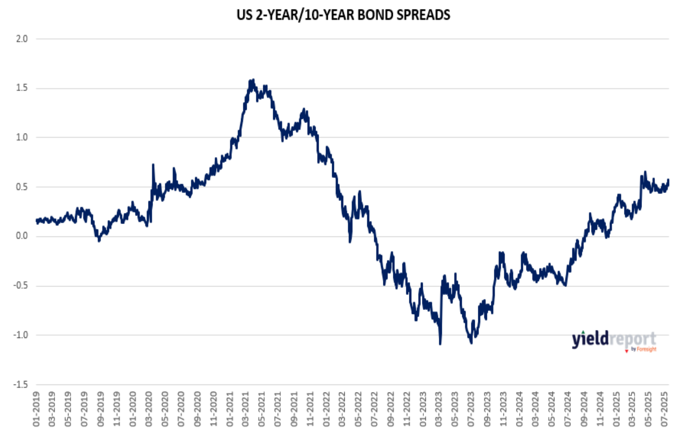
Overview of the Australian Government Bond Market

The Australian labour market added 2000 jobs in June, missing to the downside of consensus estimates (20,000). As a result, the unemployment rate increased 21 bps to 4.3% from last month's 4.1% level. The participation rate rose 10 bps to 67.1% while the employment-to-population ratio was relatively steady around 64.2%.

The ABS noted "the trend unemployment rate has risen to 4.2 per cent, after remaining at 4.1 per cent over the previous three months." The unemployment rate is now where the RBA forecast it would be for the June quarter, and the RBA expect the rate to remain steady around here for the foreseeable future with leading indicators supportive of this expectation.

On the back of this data, Australian government bonds rallied strongly with rate cut expectations firming further. Three-year government bond yields fell 9 bps while the ten-year government bond yields dropped 6 bps immediately after the data was released; holding most of these gains into the days close. The Futures Market is pricing in a near 100% probability of an August rate cut by RBA, and then another cut in November, down to 3.35%. The data release last week gives the RBA flexibility to cut, however inflation is arguably more a focus at this stage given the cross-currents from Trump Tariffs. The next inflation data is June quarter CPI, which is scheduled for July 30th, well ahead of the next RBA meeting (August 12th).

Over the week, the biggest move across the curve was seen in the 2-year Government bond yield which dropped 7 bps after the employment data. The 1-year Bond yield moved down 4bps while the 10 year and 30-year bond yields were relatively flat.

Figure 4: Australia 3 and 10-year Bond Yield Spread	Figure 5: US 2 and 10-year Bond Spread
	

Looking Ahead: Major Economic Releases for the Week Ending 18 July

For the week ending July 25, 2025, Australia's economic releases include the Composite Leading Index and S&P Global PMI data for manufacturing, services, and composite sectors. The PMI data may indicate modest expansion in manufacturing but persistent softness in services, reflecting uneven recovery. Easing inflation could prompt the Reserve Bank of Australia to consider rate cuts in late 2025 to stimulate growth, though risks from US tariffs and rising energy costs remain.

In the US, Initial Jobless Claims, S&P Global PMI data, and Durable Goods orders are in focus. Jobless claims are likely to remain stable, suggesting labor market resilience despite trade tensions. PMI data for manufacturing and services may show slight moderation, indicating a cooling economy. Durable Goods orders are expected to decline sharply, reflecting manufacturing challenges amid tariff uncertainties.

Major Economic Releases for the Week ending 25 Jul, 2025				
Date	**Country**	**Release**	**Consensus**	**Prior**
Wednesday, 23/07	Australia	Composite Leading Idx MM	n/a	-0.06
Wednesday, 23/07	Australia	S&P Global Mfg PMI Flash	n/a	50.6
Wednesday, 23/07	Australia	S&P Global Svs PMI Flash	n/a	n/a
Wednesday, 23/07	Australia	S&P Global Comp PMI Flash	n/a	n/a
Thursday, 24/07	United States	Initial Jobless Clm	228	221
Thursday, 24/07	United States	S&P Global Mfg PMI Flash	52.5	52.9
Thursday, 24/07	United States	S&P Global Svcs PMI Flash	53	52.9
Thursday, 24/07	United States	S&P Global Comp PMI Flash	n/a	52.9
Friday, 25/07	United States	Durable Goods	-10.5	16.4

Source: Refinitiv

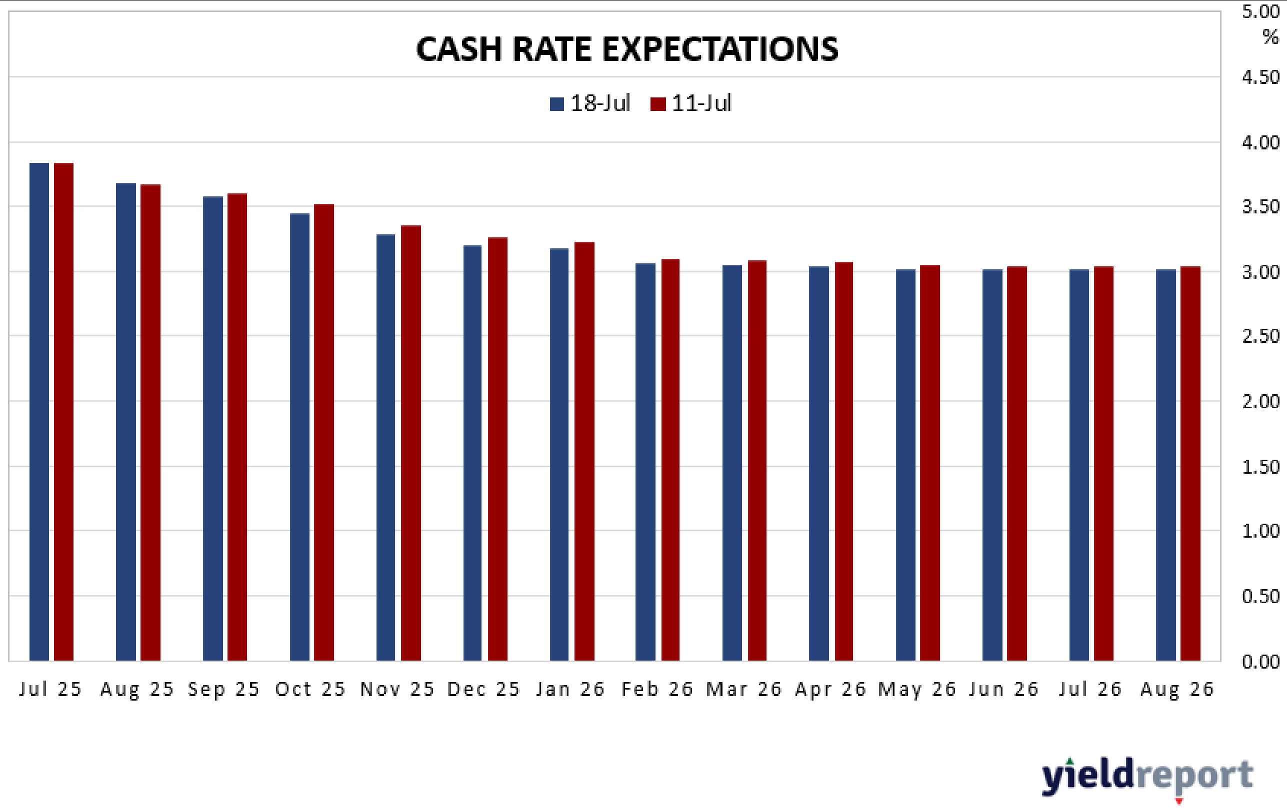
PART 2 – Investment Opportunity Review

Defensive Income - Cash

This week's steady cash rate expectations signal a cautious market stance. The market is pricing in an 85-basis point cut over the next year, targeting a 3.02% cash rate by mid-2026, influenced by recent soft employment data showing a 4.3% unemployment rate. Investors are leaning toward cash equivalents, reflecting a defensive posture amid tariff uncertainties from Trump's 30% threat on EU and Mexico goods set for August 1.

Swap rates showed slight declines, with the 1-year rate dropping 5.25 basis points to 3.3308% and the 3-month BBSW holding steady around 3.71% from the prior week. The 10-year swap rate has edged up 0.68 basis points to 4.244%, suggesting a gradual yield curve adjustment. No major shifts are evident—investors remain in a wait-and-see mode, with focus on next week's PMI data.

Figure 6: Swaps on RBA Rate Cuts



Defensive Income- Term Deposits

The movements in term deposit rates by major and non-major banks continue to show a mix of stability and slight adjustments. Over the past week, changes were minimal, with a balance of small increases and decreases.

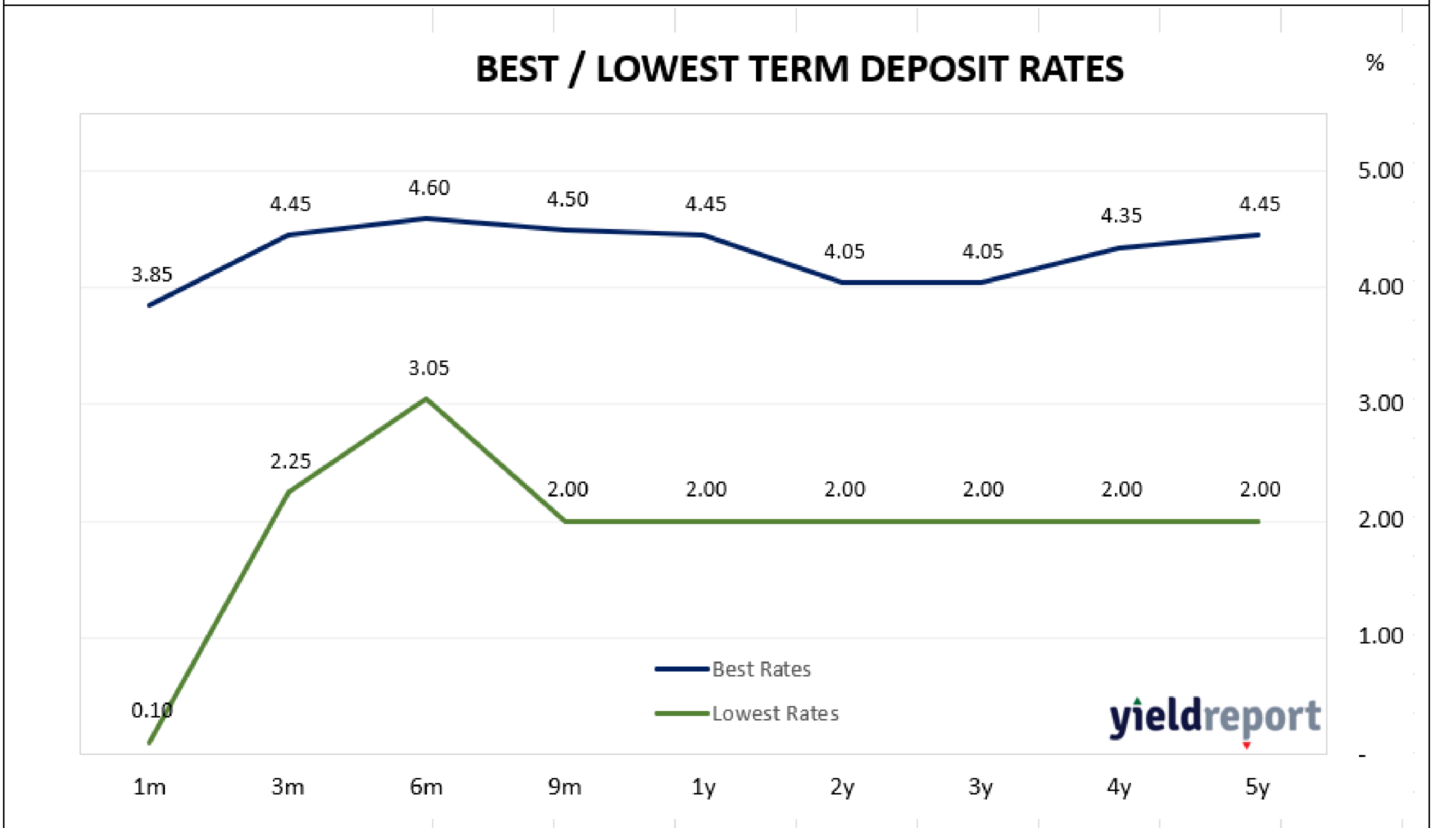
Our survey across 42 institutions indicates that the most contested term deposit term remains 6 months, followed by 3 months and 5 years.
This week the best rate with a 3-month term was 4.45%, unchanged from the week before. Both in1bank and Teachers Mutual are offering the best rates in the 3-month category.

This week the best rate within the 6-month term was 4.60%, steady from the week prior. The 6-month term continues to be the best offered rate with a median of 4.10%, unchanged from last week.

Interestingly, the best 5-year rate remained steady this week at 4.35%, compared to 4.40% in the week prior. This best 5-year rate is offered by Rabobank Australia. The median rate for the 5-year term across the 43 banks/non-banks held steady at 3.30%.

Our analysis also shows that the term deposit offerings across the market with greater than 4% rates continue to hold firm or improve slightly. In the 3-month category, we now observe 11 institutions offering greater than 4% rates, consistent with the prior week. In the 6-month category, we now observe 21 institutions offering rates greater than 4%, also unchanged from the previous week. This underscores why the 6-month category remains the most contested segment of the term deposit market.

Figure 7: Highest Term Deposit Rate by Term



Defensive Income – Government Bonds

For the week ending July 18, 2025, the Australian government bond market recorded steady performance, reflecting domestic economic shifts and global influences, including recent US data. The benchmark 10-year yield held at 4.338%, a slight dip from 4.357% the previous day, while the 2-month BBSW eased to 3.7202% from 3.7175%. The 15-year yield remained stable at 4.68%, and the 5-month BBSW ticked up to 3.74% from 3.765%.

Swap rates showed minor adjustments, with the 3-month BBSW steady at 3.71% and the 6-month up to 3.7637% from 3.8017%, signalling cautious market sentiment. The soft employment data from July 17, with unemployment rising to 4.3% and only 2,000 jobs added, has bolstered a 94% probability of an August rate cut to 3.68%, with expectations of 75-100 basis points of cuts by mid-2026, targeting around 3.02%.

The AU-US 10-year yield spread narrowed to -0.08% from -0.05%, as the US 10-year yield fell to 4.4235% from 4.455%, influenced by softer US import prices and retail sales data. Markets remain attuned to next week's US housing starts data, expected to shape global yield trends.

Figure 8: Aust. 10 yr minus 3 yr Bond Spread

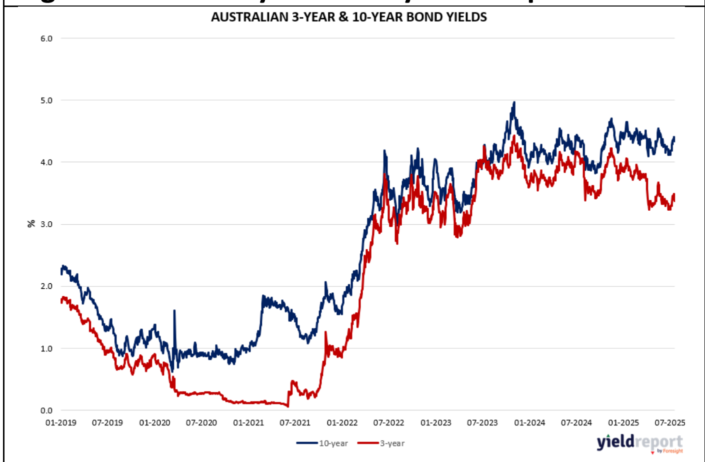


Figure 9: US 10 yr minus 2 yr Bond Spread

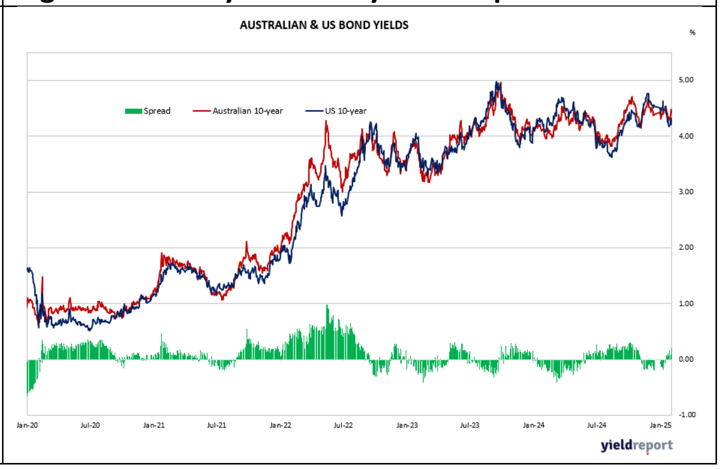
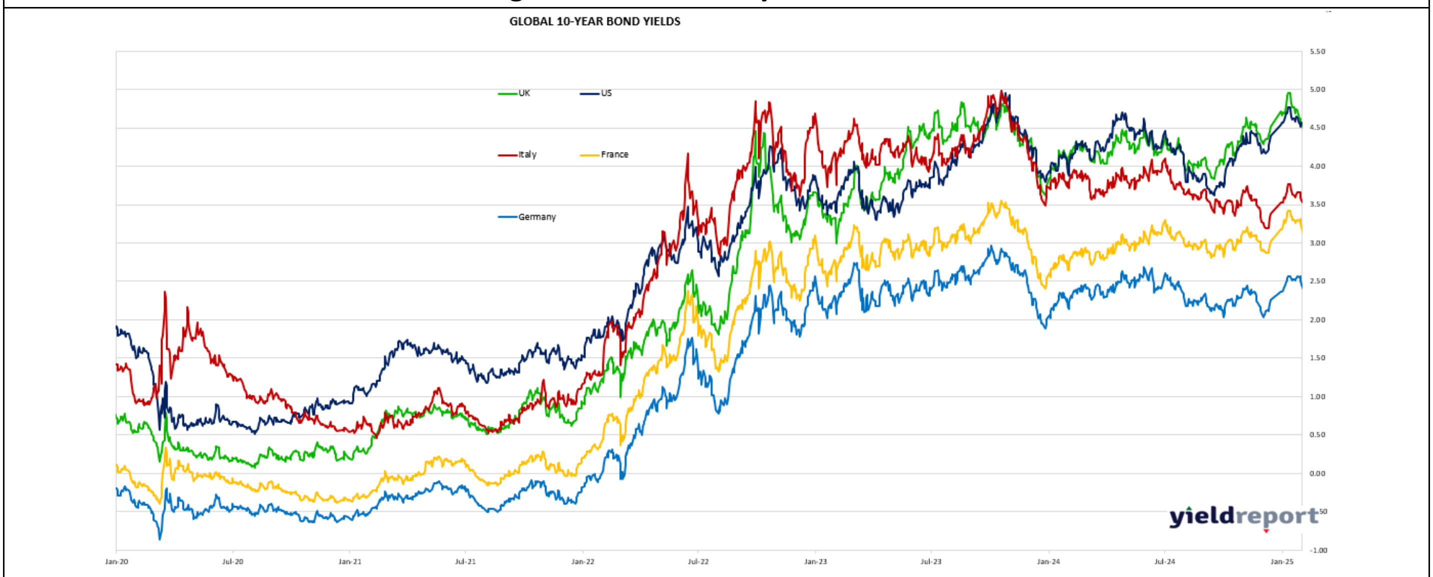


Figure 10: Global 10 yr Bond Yields

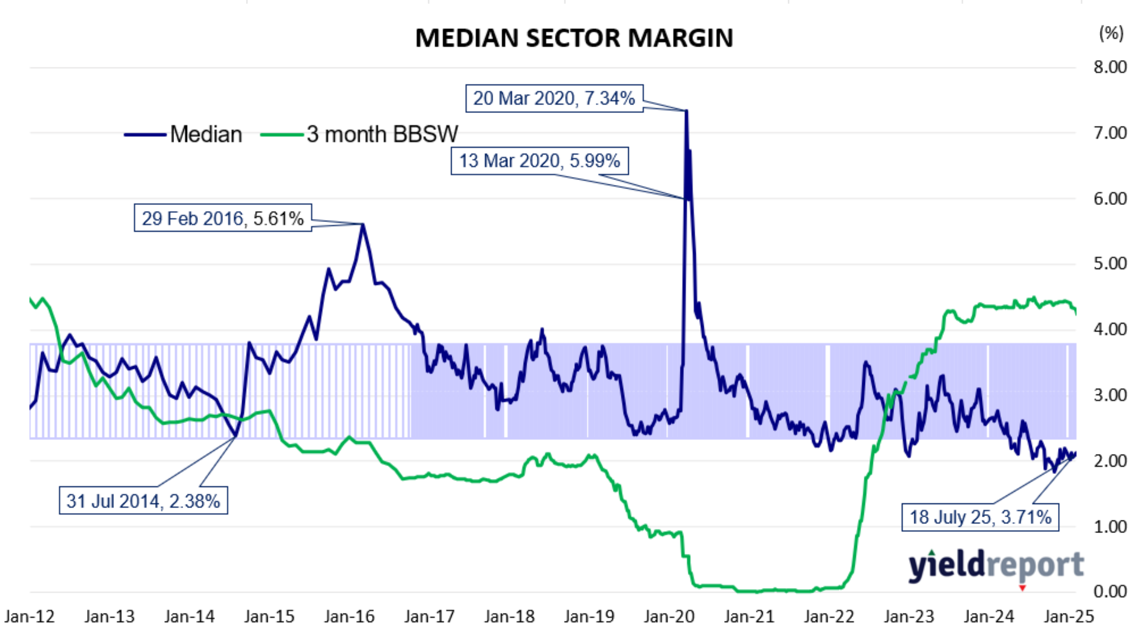


Bank & Corporate Hybrids

The ASX-listed hybrid market saw a stable week ending July 18, 2025, with trading margins holding firm amid mixed economic signals. The median trading margin across bank hybrids remained at 3.30%, consistent with last week's levels, reflecting a market adapting to stable monetary policy expectations following the RBA's recent hold at 3.85%.

With the RBA's August cut probability at 94%, hybrid margins are aligning with pre-pandemic norms, suggesting investor confidence despite tariff uncertainties from Trump's 30% threat on EU and Mexico goods. Focus remains on upcoming US data and Albanese's China visit outcomes.

Figure 11: Hybrids: Median Sector Margin

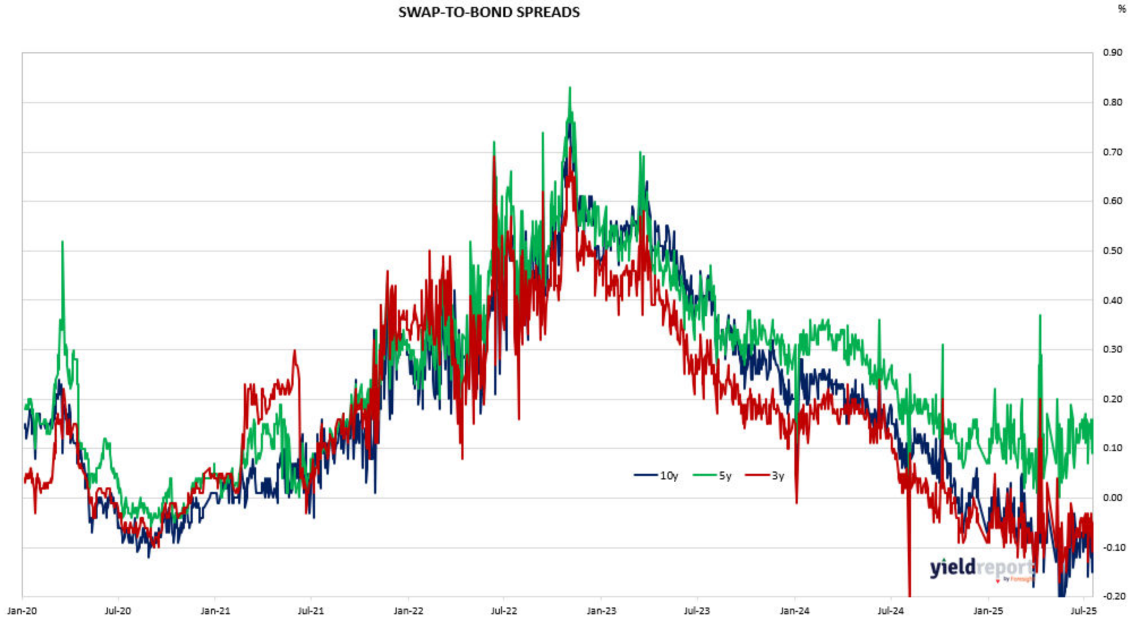


Bank Bill Swaps

The Bank Bill Swap Rate (BBSW) market remained stable this week, reflecting a balanced response to the RBA's decision to hold the cash rate at 3.85% and ongoing global economic signals. For the week ending July 18, 2025, the 1-month BBSW held at 3.77%, while the 3-month BBSW stayed at 3.71%, based on daily data trends. The 6-month BBSW rose slightly to 3.7637% from 3.8017%, indicating a modest steepening of the short-end yield curve amid tariff concerns and market anticipation of an August rate cut.

This stability, with the 1-year swap rate down 5.25 basis points to 3.3308%, aligns with a market pricing of an 85-basis point rate cut over the next year, targeting 3.02% by mid-2026, as noted in recent swap rate movements. The 5-year swap rate dipped 2.54 basis points to 3.7476%, reflecting cautious optimism. Investors are adopting a wait-and-see approach, with attention on the August 1 tariff deadline and next week's economic releases

Figure 12: Bank Bill Swaps



ETFS

Investors allocated an estimated $14.8 billion into Australian-listed ETFs for the week ending July 18, 2025, as the ASX 200 rose 1.37% and bond yields stabilized, reflecting cautious optimism amid the RBA's steady cash rate and tariff discussions. Year-to-date inflows have reached approximately $290 billion, marking 2025 as a robust year for ETF adoption, though growth is tapering compared to earlier highs.

Leading the inflows was the BetaShares Australian High Interest Cash ETF (AAA.AXW), attracting $2.3 billion despite a 0.03% price rise to 50.19, underscoring cash's safe-haven appeal amid rate cut speculation. The BetaShares Australian Investment Grade Corporate Bond ETF (CRED.AXW) followed with $1.8 billion, up 0.06% to 23.55, driven by its 4.73% yield. The VanEck Vectors Australian Subordinated Debt ETF (SUBD.AXW) added $1.4 billion, gaining 0.05% to 25.16, supported by a 5.92% yield.

On the outflows side, the BetaShares Global Government Bond 20+ Year ETF – Currency Hedged (GGOV.AXW) led with $1.1 billion in redemptions, down 0.19% to 12.79, as investors shifted from long-duration bonds. The Vanguard Australian Government Bond Index ETF (VGB.AXW) shed $0.9 billion, falling 0.14% to 46.96, while the BetaShares Australian Government Bond ETF (AGVT.AXW) lost $0.7 billion, down 0.06% to 42.23, indicating a preference for higher-yield assets. The market's focus now shifts to the August 1 tariff deadline and upcoming US data.

About YieldReport - Your Income Advantage

YieldReport is Australia's leading online investor platform on interest rate markets and yield investments. YieldReport provides research, data, advice, news review and insights on what's shaping the yield curve and fixed income markets. It also provides a great source of reference for pricing and performance data on yield focused investment opportunities including cash, term deposits, government and semi-government bonds, managed funds, ETFs, corporate bonds, floating rate notes and hybrids. YieldReport insights and analyses are designed to help anyone capital allocation or investment selection – whether it be their own or whether they sit on a finance committee, board etc. – to make informed decisions about where interest rates are going and to have access to the best rates and latest performance data available on yield-oriented investments.

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