



yieldreport Weekly

Your Income Advantage

21st to 25th July 2025



PART 1 – Equity & Bond Market Analysis

Weekly Overview

The second half of 2025 presents investors with an unprecedented convergence of policy extremism, cyclical transitions, and structural transformation. Success requires moving beyond headline noise to focus on fundamental data that reveals how these forces interact within the real economy.

Trump's tariff strategy appears designed for maximum leverage without triggering broad economic damage. Manufacturing cycles show resilience, not recession. Inflation remains contained, and labour markets continue to anchor macro stability. This backdrop allows central banks to maintain a coordinated easing stance, supporting market liquidity. Meanwhile, the AI boom remains a powerful driver of long-term structural growth.

Rather than fearing policy uncertainty, investors need to focus on the economic adaptation mechanisms that we focus on below. Markets historically reward those who distinguish between temporary policy volatility and fundamental economic deterioration. In 2H 2025, these key issues provide that essential distinction, enabling investment decisions based on economic reality rather than political rhetoric.

Tariffs – Headwinds abate

Tariffs remain central in 2025, but the most extreme measures—like 100%+ rates on Chinese goods—are likely behind us. Trump's tariff strategy serves as targeted leverage to curb China's tech influence and bolster U.S. negotiating power. Future tariffs are expected to be more measured, sector-specific, and strategically moderated. Political and economic pressures, including midterm accountability and sensitivity to disruption, drive this shift. Corporate earnings show resilience, and inflation remains contained, supporting the view that extreme tariffs were temporary tactics. For investors, tariff uncertainty peaked in H1 2025, with greater policy clarity and moderation anticipated in H2, reducing risk and improving visibility.

Tradeable Goods sector slowdown

The manufacturing sector faces a dual challenge: a cyclical downturn compounded by tariff-driven supply chain disruptions. Success of Trump's trade strategy hinges on whether this convergence can be managed without broader economic fallout. So far, disciplined inventory management and AI-driven demand forecasting have offset traditional weaknesses. Despite front-loading ahead of tariffs, inventory levels remain controlled, with PMI and inventory-to-sales ratios showing no excess buildup. The critical test for H2 2025 is whether consumer demand can absorb existing inventory without triggering destocking. Sustained lean inventory practices will be key to avoiding amplified downturn effects and maintaining economic stability.

Price Stability and Noise

Despite tariff-related inflation concerns, recent data show inflation remains contained, with core PCE steady and energy prices now the main uncertainty. Oil acts as both an inflation driver and geopolitical signal; recent Middle East tensions highlight its volatility. Currently, oil's stability around \$65 per barrel and high base effects from H1 2025 suggest limited inflation pressure.

Applying the Taylor Rule, the Fed has room for two rate cuts at \$65 oil, and one to two cuts at \$75, consistent with recent guidance. However, a sustained spike above \$80 in H2 2025 would constrain Fed flexibility and risk renewed inflation fears.

Liquidity and Labour Market Support

The combination of labour market resilience and central bank accommodation provides crucial economic buffers against trade policy shocks. The labour market's continued stability represents the most important buffer against trade policy risks. Despite corporate earnings calls highlighting tariff concerns, actual employment data shows stability. Initial jobless claims remain within normal ranges, and job creation continues at a moderate but sustainable pace, providing consumers with spending power to absorb higher prices from tariffs without triggering demand destruction.

Central bank positioning has evolved to provide policy flexibility. The Federal Reserve's measured approach, combined with coordinated accommodation from global central banks, creates a monetary backdrop that can respond quickly if trade tensions escalate. Market-implied rate curves suggest investors expect this accommodative stance to continue, providing liquidity support for both economic activity and financial market stability.

AI Mega-trend

AI-driven demand is powering semiconductor performance, offsetting concerns from the broader manufacturing cycle. Unlike traditional manufacturing, which faces cyclical and policy pressures, semiconductors benefit from structural growth tied to AI infrastructure investment. Major chipmakers show exceptional inventory discipline, keeping inventory days near historic lows despite ramped-up production—signalling robust, sustainable demand. This multi-year AI build-out is relatively insulated from trade tensions and serves as a key economic growth engine. For investors, semiconductor inventory metrics offer a real-time gauge of AI momentum. Continued efficiency supports corporate earnings and broader economic resilience, reinforcing semiconductors' central role in the 2025 growth narrative.

Overview of the US Equities Market

The S&P 500 and the NASDAQ pushed their record levels higher for the fourth week out of the past five as those two indexes and the Dow on Friday closed more than 1% higher for the week. Since June 20, the S&P 500 has risen more than 7% while the NASDAQ has added almost 9%.

The Dow on Wednesday briefly climbed above the index's record closing high, but it couldn't sustain that level and ended the trading day 4 points below its historic peak. While the S&P 500 and the NASDAQ have continued to push their records higher in recent weeks, the Dow's closing level on Friday was 0.2% below the index's record closing level of 45,014 set on December 4, 2024.

Approaching the busiest stretch of earnings season, seven mega-cap stocks are again expected to generate an unusually big share of overall second-quarter earnings growth. In aggregate, the so-called Magnificent 7 stocks were forecast to report average growth of 14.1%, according to FactSet. Excluding those big tech firms, the S&P 500's other 493 stocks were expected to post much slower growth of 3.4%.

A market gauge that tracks investors' expectations of short-term U.S. stock volatility fell 9% for the week, extending a recent decline that's pushed the index to the lowest level in five months. The Cboe Volatility Index on Friday closed at 14.9, down from a recent high of 21.6 on June 17.

Ahead of an August 1 deadline set by the Trump administration, investors continued to closely track U.S. tariff negotiations with key trading partners. The administration announced progress toward deals with countries such as Japan and Indonesia, while negotiations continued with other partners such as the European Union, India, and Canada.

Figure 1: Weekly Performance of Global Equity Markets

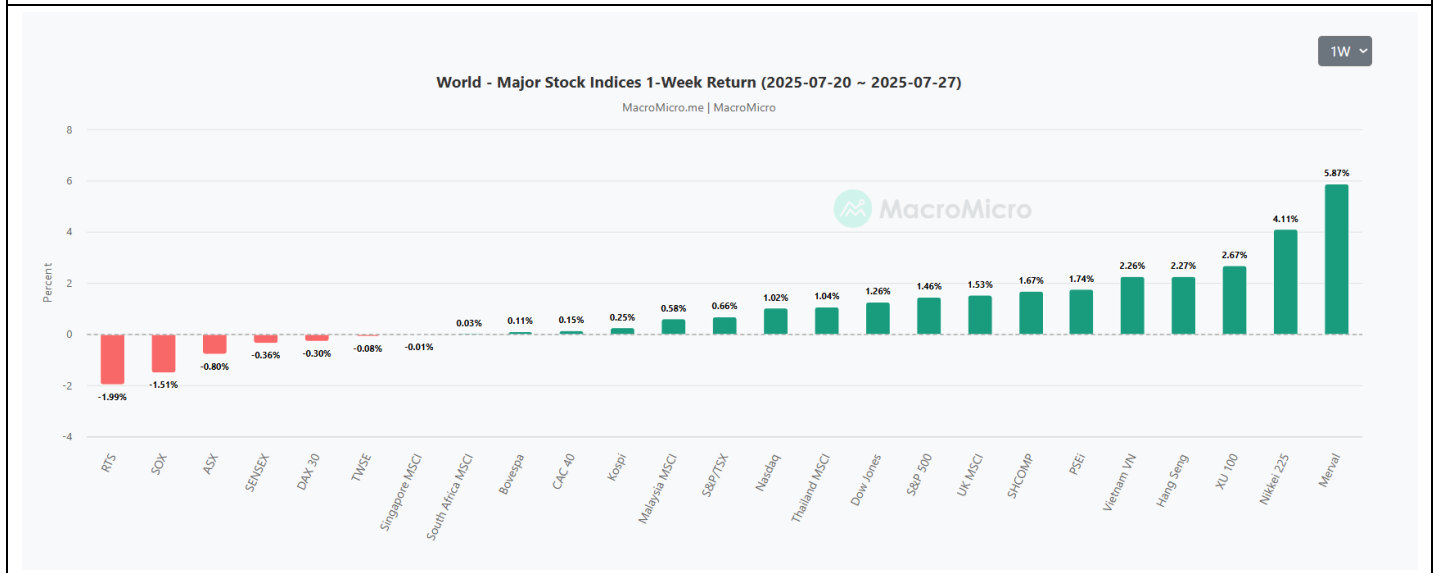


Figure 1 shows the broadening of the current bullish investor sentiment across global equity markets. Over the past week, the best performing global equity markets included Argentina (Merval Index), Japan, Hong Kong/China and Vietnam while the worst performance has been seen in Russia, ASX and Sensex (India). The influential S&P and Nasdaq indices produced over 1% return for the week, setting new records for the respective indices.

Overview of the US Treasuries Market

Last week, the US Treasury bond market experienced modest yield declines across most maturities, reflecting cautious investor sentiment amid mixed economic signals. The **10-year Treasury yield** fell by approximately **2 basis points to 4.388%**, while the **30-year yield** dropped **2.3 basis points to 4.926%**, indicating a slight shift toward safer assets.

Shorter-term yields also edged lower, with the **2-year yield** down **2.7 basis points to 3.821%**, suggesting tempered expectations for aggressive Federal Reserve rate cuts. The bond market responded to softer-than-expected economic data, including a dip in durable goods orders and signs of cooling inflation, which reinforced the view that the Fed may ease policy later this year.

Treasury Inflation-Protected Securities (TIPS) saw mixed movement, with the **5-year TIPS yield** declining to **1.45%**, while longer-dated TIPS rose slightly, reflecting uncertainty around long-term inflation expectations.

Overall, trading volumes remained steady, and the yield curve stayed inverted, signalling ongoing concerns about economic slowdown. Investors are closely watching upcoming data releases, including the Fed's interest rate decision and Q2 GDP figures, which could influence future yield movements.

The bond market's cautious tone underscores its role as a barometer for macroeconomic sentiment and monetary policy expectations.

Monthly reports on sales of existing homes and new homes both came in below analysts' forecasts as elevated mortgage rates and high prices continued to weigh on the U.S. housing market. Sales of existing homes fell 2.7% in June to 3.93 million while new home sales rose a below forecast 0.6% to 627,000.

Looking ahead, Wednesday's initial estimate of second-quarter GDP will show whether the U.S. economy rebounded in the spring from the first quarter's negative result. From January through March, GDP decreased at an annual rate of 0.5%, in part due to an increase in imports in advance of rising tariffs. It was the first quarterly contraction in GDP since the first quarter of 2022.

In addition to a GDP report and more quarterly earnings, the new week will bring a U.S. Federal Reserve policy meeting that concludes on Wednesday and a jobs report on Friday. The Fed is widely expected to keep interest rates unchanged; the jobs report will show how July's jobs growth compared with June's bigger-than-expected gain of 147,000 jobs.

Figure 2: Global Bond Yields – Weekly Perspective

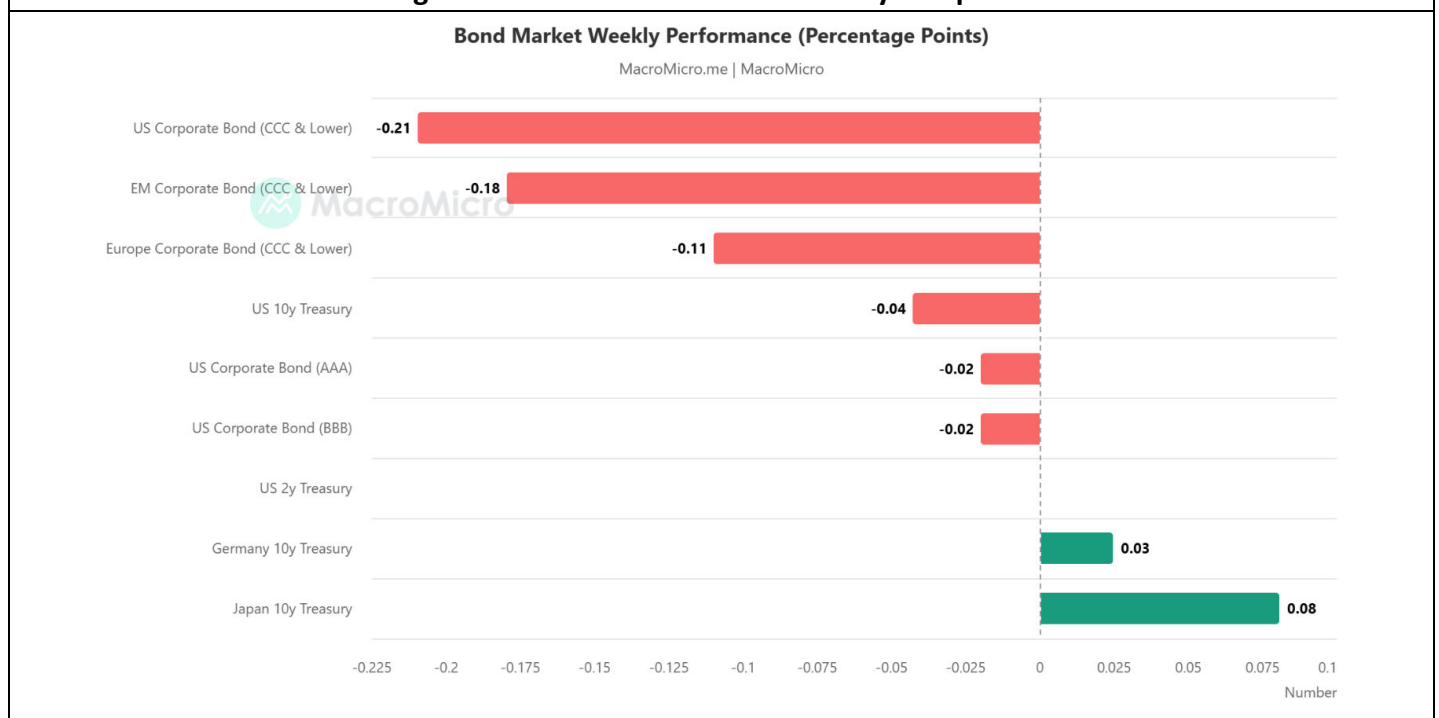


Figure 2 shows the rate moves over the past week across the broader fixed income opportunity set. In line with improving investor sentiment and risk appetite, the lower grade corporate bond spread moves shows investors buying these corporate papers while pushing prices up and yield down. As noted above, there was not a lot of action in the Government bond segments of the US market. Elsewhere, German and Japanese government bonds sold off slightly as yields rose. The German government bond most likely reflecting the ECB's decision to pause their monetary policy easing cycle pending uncertainty from US Tariffs.

Overview of the Australian Equities Market

The Australian share market ended the week lower, with the S&P/ASX200 falling 42.5 points (0.49%) to 8,666.9 on Friday, and the All Ordinaries down 0.5% to 8,934.3. Despite modest gains in US tech stocks overnight, the ASX200 posted a 1% weekly decline—its worst since early April—largely due to profit-taking after last week's record-setting 2.1% rise.

Market volatility is expected to persist amid upcoming inflation data and earnings season, with macroeconomic shifts and stock-specific events driving sharp movements. Still, the ASX200 remains on track for a fourth straight month of gains, up 1.5% since July began.

Interest rate expectations shifted following hawkish remarks from RBA Governor Michele Bullock. While two rate cuts are still priced in for August and November, the likelihood of a third cut has dropped from 65% to 25%.

Sector-wise, energy led gains, rising 1.8% thanks to Woodside's 3.7% jump. Financials and miners dragged the index down, with major banks and mining giants like BHP and Fortescue posting losses. Goldminers mostly declined, except Newmont, which surged 3.81% on strong earnings. KMD Brands rose 4.35% after appointing a new CFO.

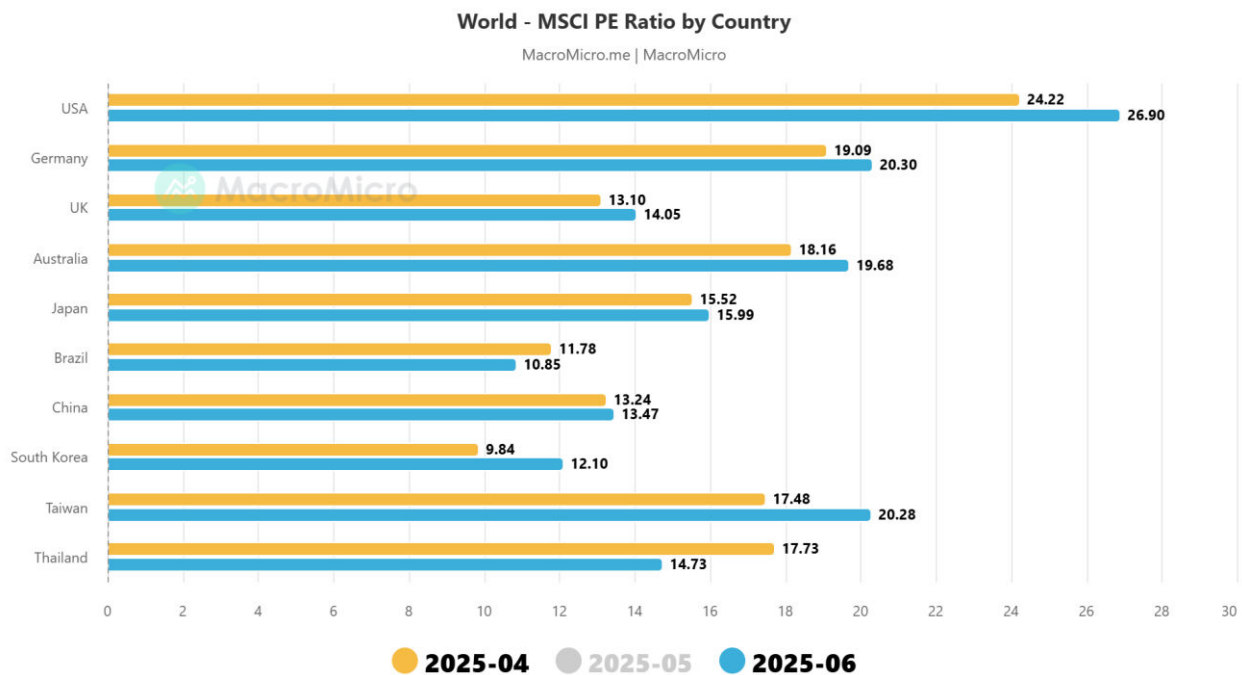
The Australian dollar weakened slightly to 65.81 US cents.

Figure 3 below shows the PE Ratio of the Australian share market relative to other markets. Relative to its history the market appears quite expensive at 19.6X PE. This loft valuation is in the same vicinity as larger Taiwan and German equity markets but less expensive than US.

Given the macro-economic momentum has been decelerating and earnings numbers for Australian corporates have been flat to falling, one needs to be careful about deploying more capital into the market.

While the RBA easing cycle has begun, which is supportive of the market and economy, the surprise inaction by the RBA earlier this month suggests that investors may be getting ahead of the reality in terms of any further rate relief from a hawkish central bank. Tariff related headwinds, while abating, is still a real risk for growth and inflation. As we enter into the seasonally volatile calendar period, some caution from investors may be warranted. Various sentiment indicators suggest bullish positioning by investors and any trend reversal will cause greater volatility in the coming months.

Figure 3 – Australian Equity Market is Expensive on PE Basis Relative



Overview of the Australian Government Bond Market

The Australian Government bond yields finished the week higher as investors adjusted their expectations based on RBA Governors speech and macro data that were released over the week.

The 1-year and 2-year government bonds yield increased by 8 basis points while the benchmark Australian 10-year Government bond yield moved slightly higher by 2 basis points to finish at 4.36 %, levels that were very close to where US 10-year bonds finished last week. The 30-year bonds also sold off with yield increasing 4 basis points to close at 5.06%.

This week's cash rate expectations by market participants were adjusted to signal a cautious market stance after the RBA left rates steady in its meeting earlier in the month, surprising many economists who predicted a rate cut by 25bps. The current cash rate sits at 3.85% compared to the cycle peak of 4.35% that was reached in September 2023. The first cut in the current cycle was delivered by the RBA on 19th February 2025.

The market is pricing in a 75-basis point cut over the next year, targeting a 3.1% cash rate by mid-2026, influenced by recent economic data including the CPI and US Fed Reserve decision to keep rates steady in the US. RBA does not appear to be concerned about the recent increase in Australian unemployment rate, citing tight labour market conditions. So while the market participants are focused on growth and employment concerns, the RBA is taking a more balanced approach to both growth and inflation given the uncertainty around tariff impact within the context of tight labour market.

The Bank Bill Swap Rate (BBSW) market remained steady this week, reflecting a balanced response to the RBA's decision to hold the cash rate at 3.85%, weak employment data in Australia and somewhat mixed macro data from the US. For the week ending July 25, 2025, the 1-month BBSW held at 3.70%, while the 3-month BBSW stayed at 3.69%, based on daily data trends. The 6-month BBSW dropped slightly to 3.75% from 3.76%, indicating a flat short-end yield curve amid tariff concerns, mixed macro and price data and market anticipation of an August rate cut.

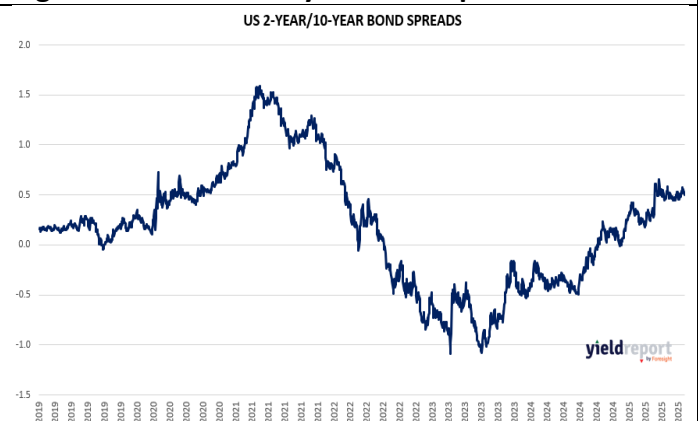
The longer end of the swap rate curve steepened during the week with the 1-year swap rate up 8 basis points to 3.41%. The 3-year swap rate increased 9 basis points to end the week at 3.41%. The 5-year swap rate increased 6 basis points to 3.80%, reflecting investor expectations of revised cash rate path for Australia following RBA's surprise decision to pause rate cut earlier during the month and uncertainties around US tariffs.

The Australian 3- and 10-year bond spreads moved slightly higher as market participants adjusted their short end rate expectations. In the US, the spread between 2- and 10-year bonds were stable over the week.

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



Figure 5: US 2 and 10-year Bond Spread



Market Summary Table

Name	Week Close	Week Change	Week High	Week Low
Cash Rate%	3.85			
3m BBSW %	3.69	-0.02	3.69	3.687
Aust 3y Bond %*	3.455	0.085	3.447	3.369
Aust 10y Bond %*	4.355	0.017	4.365	4.305
Aust 30y Bond %*	5.064	0.045	5.071	5.006
US 2y Bond %	3.921	0.048	3.925	3.831
US 10y Bond %	4.412	-0.024	4.410	4.336
US 30y Bond %	4.9512	-0.0519	4.949	4.903
iTraxx	67	0	71	67
\$1AUD/US¢	65.72	0.46	66.19	65.04

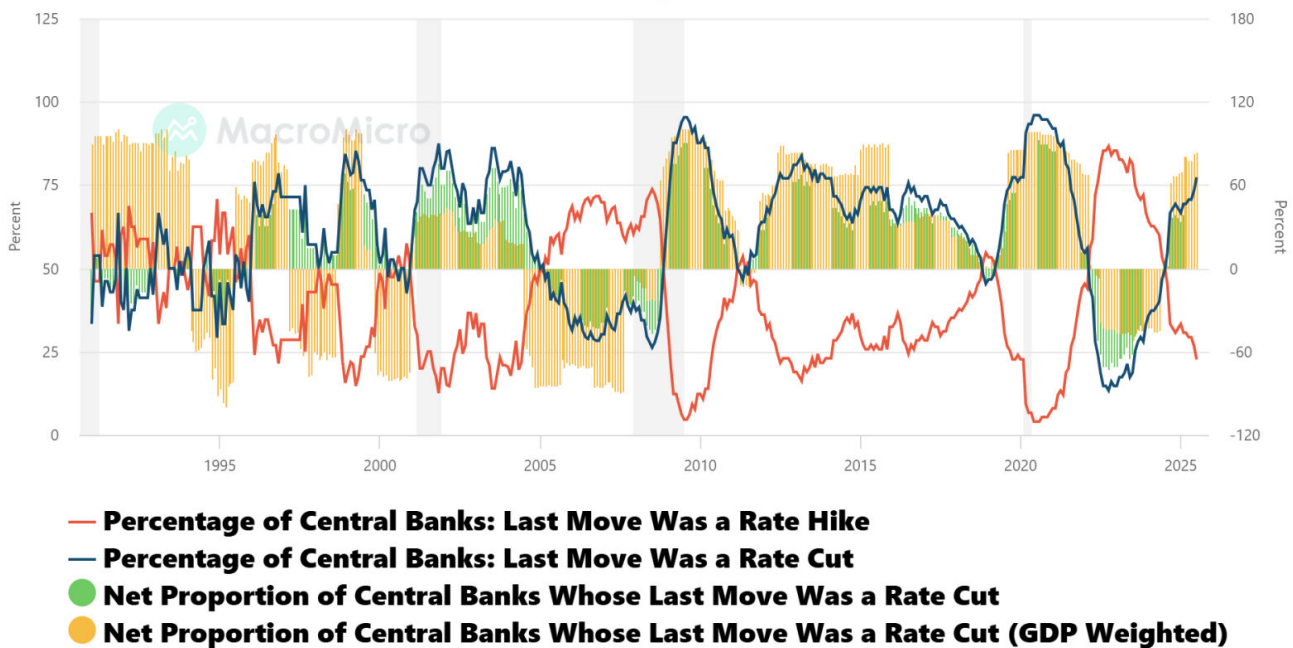
Chart of the week: Central Bank Policy Relief Provides Tailwinds for Risk-Seekers and Equity Rally

Headwinds from Trump's Tariff bump have caused notable loss of global economic growth momentum. At the same time, timely relieve from inflation threat (for now) and increased uncertainty from Tariff challenges have caused many central bankers to turn dovish and pivot their monetary policy from restrictive to somewhat accommodative. More than 60% of global Central Banks are now cutting rates although the speed and quantum of this reaction varies. This is reflected in the chart below. On a GDP weighted basis, the rate cut bias is also observable. This globally synchronised policy relief has improved global liquidity conditions and encouraged speculative investor behaviour, driving prices of all risk assets including Crypto currencies to record highs.

Figure 6: Proportion of Central Banks Cutting / Hiking Rates

World - Proportion of Central Banks Cutting/Hiking Rates

MacroMicro.me | MacroMicro



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

For the week ending August 1, 2025, Australia's economic releases focus on inflation and activity indicators. The CPI data for Q2 2025, including headline, weighted, and trimmed mean measures, is expected to show moderating inflation, potentially easing household cost pressures. Retail sales and building approvals may reflect steady consumer and construction activity, while the manufacturing PMI could indicate continued expansion. These trends might reconfirm that the Reserve Bank of Australia's "measured and gradual approach of easing" is plausible for the current situation, though risks from global trade disruptions and geopolitical conflicts persist.

In the US, key releases include Consumer Confidence, GDP Advance for Q2 2025, PCE price indices, Initial Jobless Claims, Non-Farm Payrolls, and manufacturing PMI. Consumer confidence is likely to remain stable, while GDP may show a rebound from Q1's contraction. Inflation measures are expected to indicate persistent but controlled pressures, and labor market data could reflect resilience despite trade tensions.

These indicators may prompt the Federal Reserve to hold rates steady, with potential for cuts if growth falters. As August 1 tariff deadline approaching, the potential trade deals to be announced this week should be essential to economic momentum.

Major Economic Releases for the Week ending 1 Aug, 2025				
Date	Country	Release	Consensus	Prior
Tuesday, 29/07	United States	Consumer Confidence	95.8	93
Wednesday, 30/07	Australia	Weighted CPI YY	2.1	2.1
Wednesday, 30/07	Australia	CPI SA MM	n/a	0
Wednesday, 30/07	Australia	CPI SA YY	n/a	2.1
Wednesday, 30/07	Australia	CPI QQ	0.8	0.9
Wednesday, 30/07	Australia	CPI YY	2.2	2.4
Wednesday, 30/07	Australia	RBA Weightd Medn CPI QQ	0.6	0.7
Wednesday, 30/07	Australia	RBA Weightd Medn CPI YY	2.7	3
Wednesday, 30/07	Australia	RBA Trimmed Mean CPI QQ	0.7	0.7
Wednesday, 30/07	Australia	RBA Trimmed Mean CPI YY	2.7	2.9
Wednesday, 30/07	United States	GDP Advance	2.4	-0.5
Wednesday, 30/07	United States	Fed Funds Tgt Rate	4.375	4.375
Wednesday, 30/07	United States	Fed Int On Excess Reserves	n/a	4.4
Thursday, 31/07	Australia	Building Approvals	2	3.2
Thursday, 31/07	Australia	Building Approval Total YY	n/a	8
Thursday, 31/07	Australia	Retail Sales MM Final	0.4	0.2
Thursday, 31/07	Australia	Retail Trade	0	0
Thursday, 31/07	United States	Consumption, Adjusted MM	0.4	-0.1
Thursday, 31/07	United States	Core PCE Price Index MM	0.3	0.2
Thursday, 31/07	United States	Core PCE Price Index YY	2.7	2.7
Thursday, 31/07	United States	PCE Price Index MM	0.3	0.1
Thursday, 31/07	United States	PCE Price Index YY	2.5	2.3
Thursday, 31/07	United States	Initial Jobless Clm	224	217
Thursday, 31/07	Australia	S&P Global Mfg PMI Final	n/a	51.6
Friday, 01/08	United States	Non-Farm Payrolls	110	147
Friday, 01/08	United States	Unemployment Rate	4.2	4.1
Friday, 01/08	United States	Average Earnings YY	3.8	3.7
Friday, 01/08	United States	S&P Global Mfg PMI Final	n/a	49.5

Source: Refinitiv

PART 2 – Investment Opportunity Review

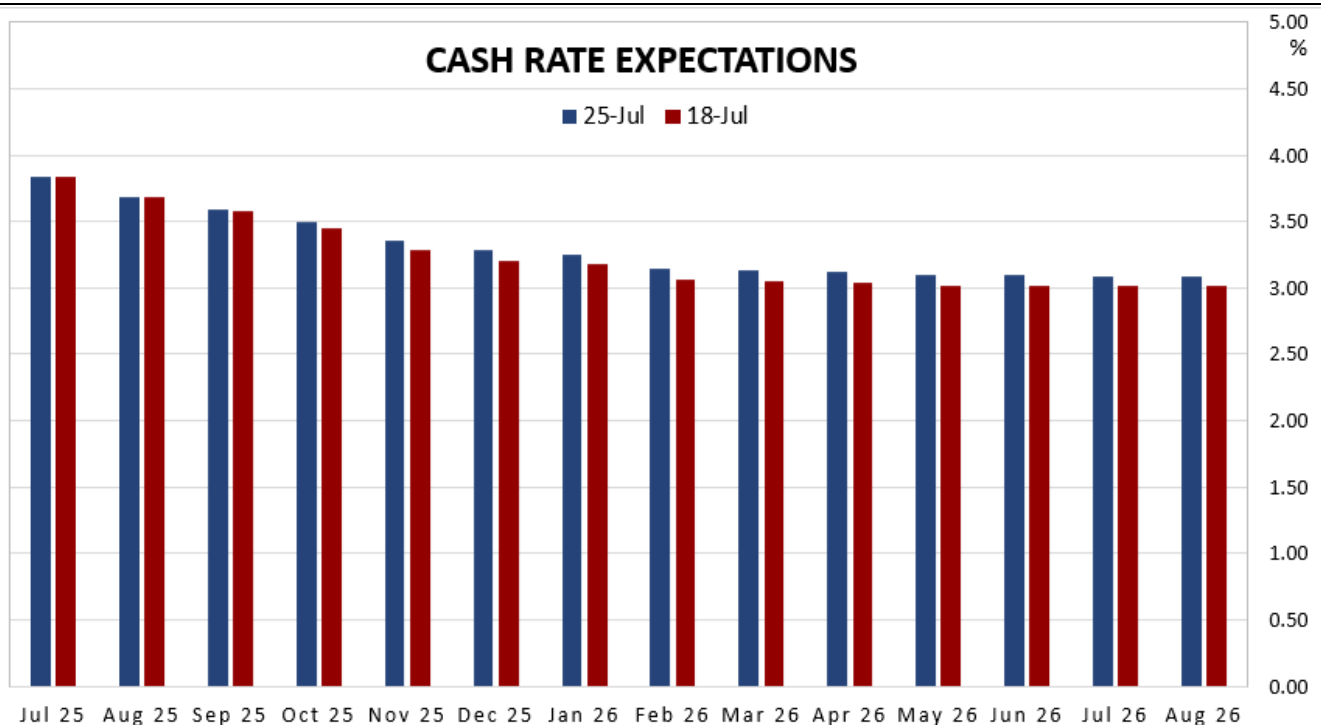
Defensive Income – Cash

This week's cash rate expectations signal a cautious market stance after the RBA left rates steady in its meeting earlier in the month, surprising many economists who predicted a rate cut by 25bps. The current cash rate sits at 3.85% compared to the cycle peak of 4.35% that was reached in September 2023. The first cut in the current cycle was delivered by the RBA on 19th February 2025.

The market is pricing in a 75-basis point cut over the next year, targeting a 3.1% cash rate by mid-2026, influenced by recent economic data including the CPI and US Fed Reserve decision to keep rates steady in the US. RBA does not appear to be concerned about the recent increase in Australian unemployment rate, sitting tight labour market conditions. So while the market participants are focused on growth and employment concerns, the RBA is taking a more balanced approach to both growth and inflation given the uncertainty around tariff impact within the context of tight labour market.

The first and second order effects of US tariffs are yet to be known, and it is understandable why the RBA is somewhat cautious in its monetary policy stance.

Figure 7: Swaps on RBA Rate Cuts



Defensive Income- Term Deposits

The movements in term deposit rates by major and non-major banks continue to show variability. Over the past week, ending July 25, 2025, there was a mix of up and down movements, though stability is notable in some terms. Our survey across 42 institutions indicates that the most contested term deposit term remains 6 months, followed by 3 months and 1 year, with sample sizes of 42, 42, and 41 respectively.

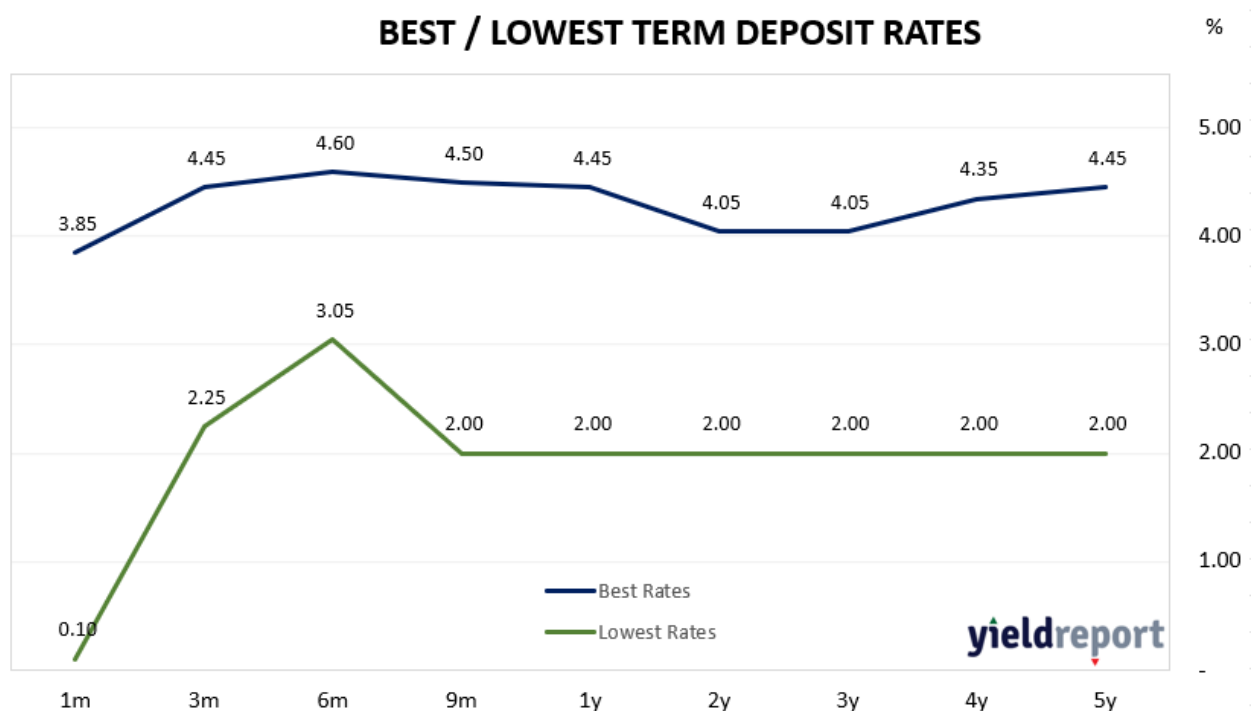
This week the best rate with a 3-month term was 4.45%, steady from the week before, with in1bank offering the top rate. The median rate of 3.85% reflects a broad range from 2.25% to 4.45%.

This week the best rate within 6 months term was 4.60%, unchanged from last week, offered by Teachers Mutual Bank. The median rate of 4.08% shows a tight quartile spread of 0.44%, indicating consistency.

Interestingly, the best 5-year rate held at 4.40%, led by Rabobank Australia, with Judo Bank at 4.35%. The median rate held at 3.35%, with a range from 2.00% to 4.40%.

Our analysis shows term deposits with rates above 4% are holding strong. In the 3-month category, 14 institutions now offer over 4%. In the 6-month category, 22 institutions exceed 4%, unchanged from last week, reinforcing the 6-month term's competitiveness.

Figure 8: Highest Term Deposit Rate by Term



Defensive Income – Government Bonds

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The 1-year and 2-year government bonds yield increased by 8 basis points while the benchmark Australian 10-year Government bond yield moved slightly higher by 2 basis points to finish at 4.36 %, levels that were very close to where US 10-year bonds finished last week. The 30-year bonds also sold off with yield increasing 4 basis points to close at 5.06%.

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The Australian 3- and 10-year bond spreads moved slightly higher as market participants adjusted their short end rate expectations. In the US, the spread between 2- and 10-year bonds were stable over the week.

Figure 9: Aust. 10 yr minus 3 yr Bond Spread

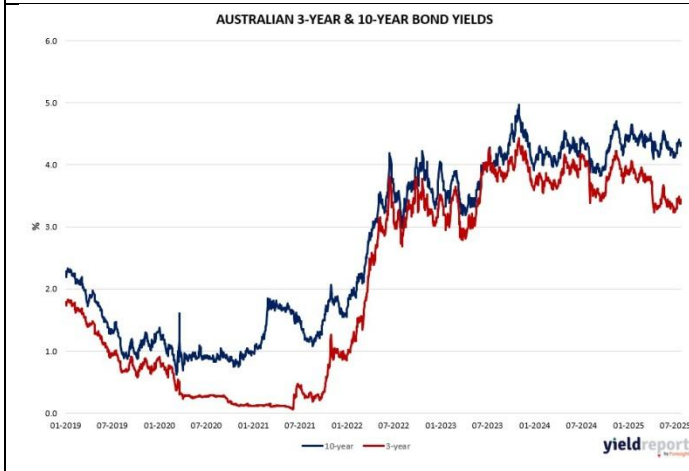


Figure 10: US 10 yr minus 2 yr Bond Spread

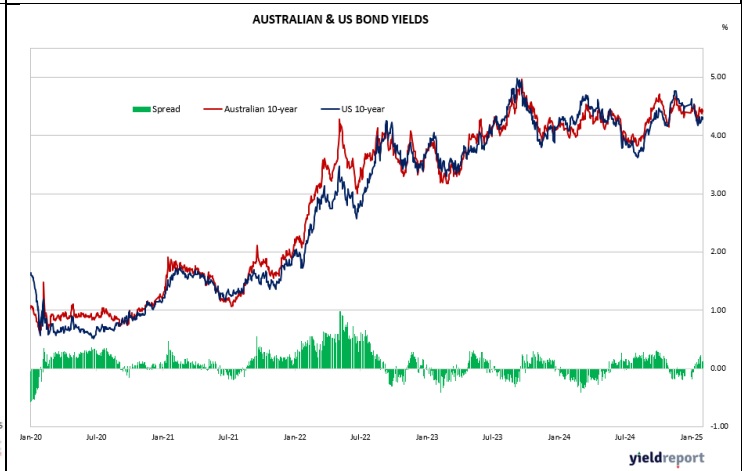
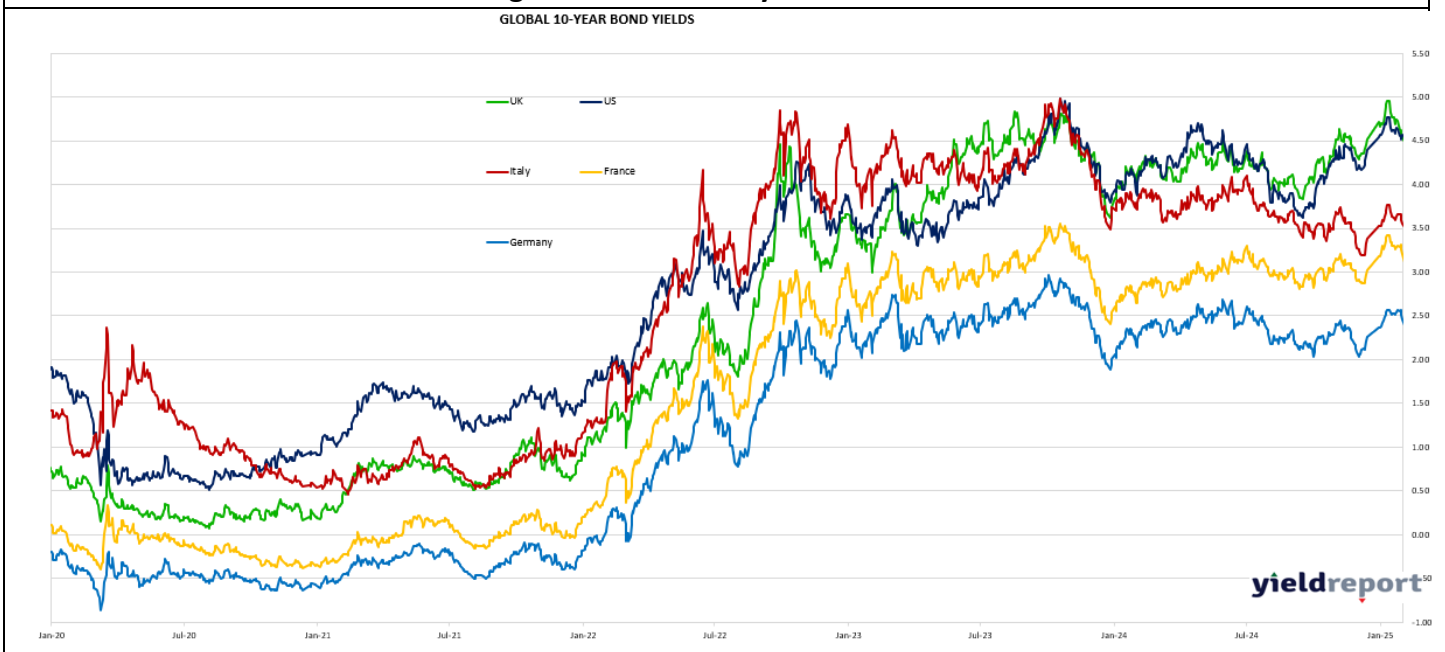


Figure 11: Global 10 yr Bond Yields

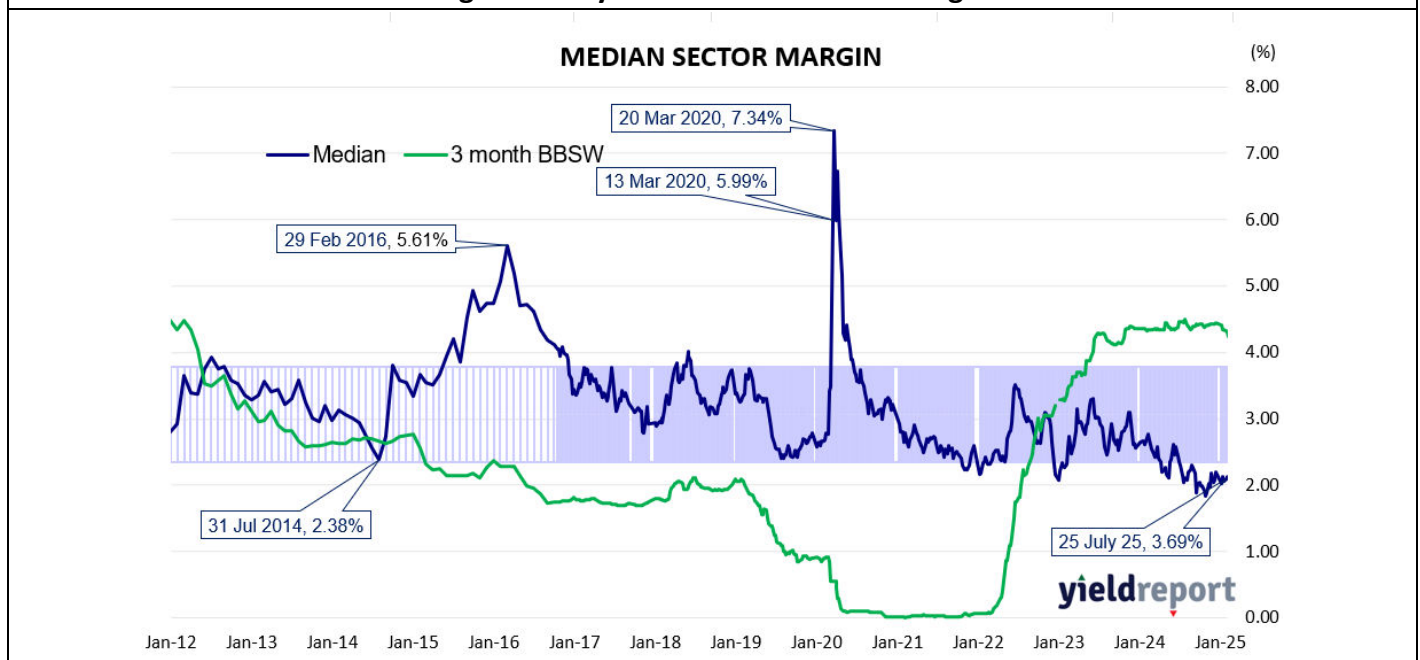


Bank & Corporate Hybrids

The ASX-listed hybrid market saw a stable week ending July 25, 2025, with trading margins holding firm amid mixed economic signals. The median trading margin across bank hybrids moved slightly higher at 3.69%, reflecting a market that remains cautious on rate 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. Focus remains on upcoming macro data in the US and Australia.

Figure 12: Hybrids: Median Sector Margin

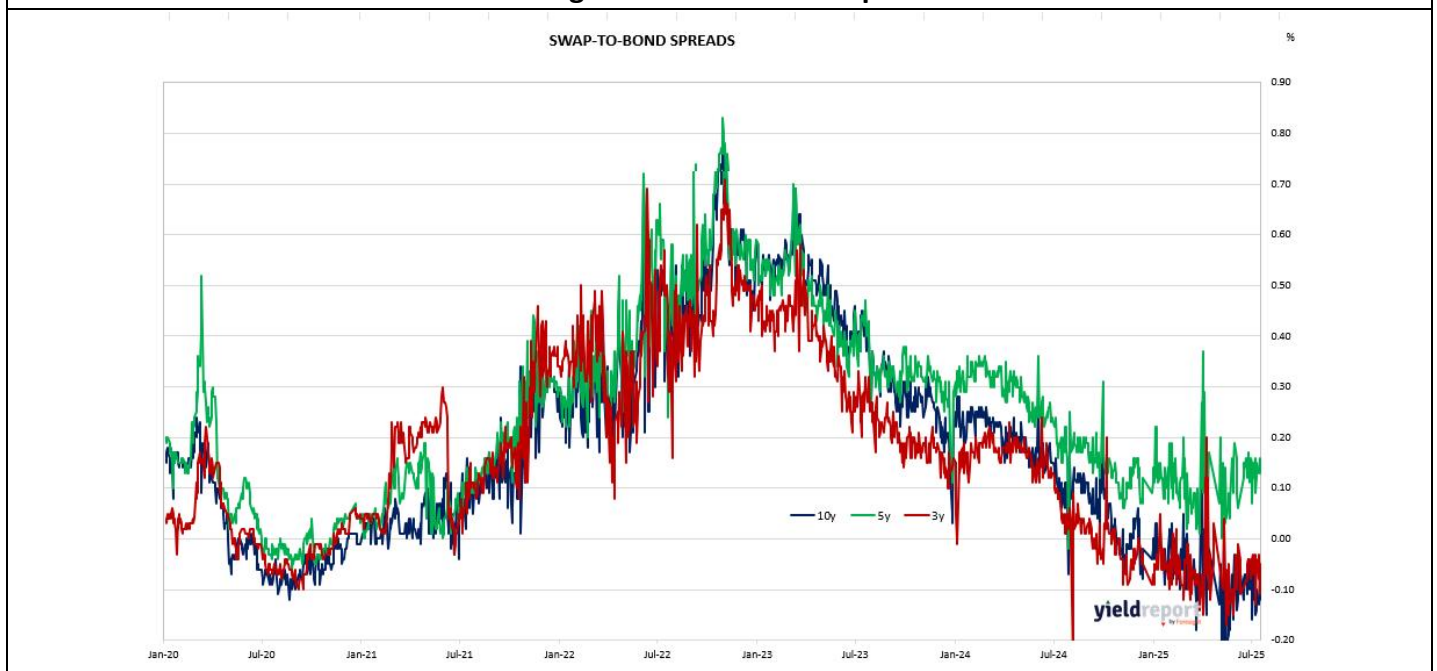


Bank Bill Swaps

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Figure 13: Bank Bill Swaps



ETFs

ETF investors poured \$19.2 billion into U.S.-listed funds during the week ending Friday, July 18, continuing a solid year for inflows. The latest data, which included strong flows into Bitcoin and Ethereum ETFs, brings year-to-date net inflows to \$613 billion, putting 2025 on track to potentially set a new annual record for the sector.

Equities were the biggest draw once again, with U.S. equity ETFs pulling in \$9.8 billion and international equity ETFs attracting another \$5.3 billion. Currency ETFs also saw a surge in demand, raking in \$5 billion. The table below shows the top 5 flows across the market.

Top 5 Inflows - USA * Last 7 Days		
Ticker	Fund Name	Flows (\$MM)
VOO	Vanguard S&P500 ETF	2,600.50
SPYG	SPDR Portfolio S&P500 ETF	1,596.40
IBIT	iShares Bitcoin Trust ETF	1,030.10
IEMG	iShares Core MSCI Emerging Markets ETF	977.1
XLF	Financial Select Sector SPDR Fund	740.5
Source: YieldReport, ETF.com		

Meanwhile, U.S. fixed-income ETFs posted outflows of \$627 million, marking a rare weekly setback after months of consistent inflows.

Topping the weekly inflow leader board was the SPDR S&P 500 ETF Trust (SPY), which gathered \$4.2 billion as the S&P 500 hovered near record highs.

Taking the No. 2 spot was the iShares Bitcoin Trust (IBIT) with \$3 billion of inflows. The ETF now boasts nearly \$20 billion in year-to-date inflows and \$88 billion in total assets under management, cementing its status as investors' preferred vehicle for crypto exposure.

Also making a splash was the iShares Ethereum Trust ETF (ETHA), which attracted \$1.5 billion in weekly inflows. The ETF has brought in \$4.5 billion in 2025 and sits at \$8.5 billion in AUM. The surge comes as Ether prices jumped to around \$3,800, driven by a mix of catch-up buying relative to Bitcoin and increased demand linked to the stablecoin ecosystem and Ether treasury firms.

Though Ether is still below its 2021 all-time high of \$4,800, investor interest appears to be ramping up.

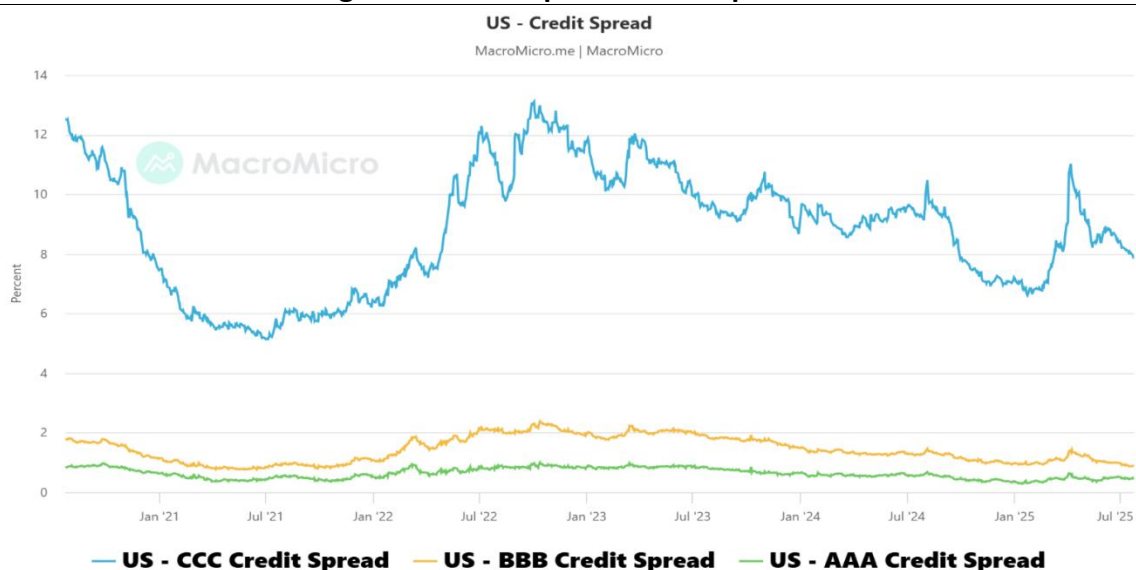
Among non-crypto ETFs, the standout was the Simplify Government Money Market ETF (SBIL), which pulled in \$1.2 billion despite launching just last week. The new fund adds to the growing line-up of ultra-short-duration ETFs that offer investors cash-like exposure.

Also in the top 10 were the iShares Broad USD High Yield Corporate Bond ETF (USHY) with \$576 million of inflows and the Technology Select Sector SPDR Fund (XLK) with \$543 million, reflecting continued interest in high-yield credit and large-cap tech.

Corporate Bonds

High risk CCC corporate bond spreads continue to decline in the US, reflecting higher investor risk appetite and positive sentiment around the US Company Reporting season. At the end of last week (25/7), CCC bond spreads settled just below 8% after reaching a cyclical peak in April 2025 of 10.5%. Higher grade spreads also compressed with AAA spreads settling at 0.46% at the end of last week, reflecting very little margin. The BBB spreads settled at 0.87% over the risk-free rate after peaking in April 2025 at 1.42%.

Figure 14: US Corporate Bond Spreads



Listed Notes

Yield-driven investors had reasons to be upbeat during the week of 21–25 July, as several ASX-listed floating rate notes showed notable momentum. Trading margins tightened, and running yields surged, offering strong relative returns—especially for those targeting short-to-medium maturities.

Centuria Capital's C2FHA note stood out as the week's top performer, boasting an impressive 8.02% running yield and a substantial +3.11% weekly margin change, closing at 101.25. The sharp margin increase and elevated yield signal growing demand for mid-tier credit exposure with shorter durations.

Australian Unity's AYUHD and AYUHE notes also showed consistent strength:

- AYUHD: Margin shift of +0.93%, closing at 100.25, with a 5.93% running yield
- AYUHE: Margin shift of +0.77%, closing at 100.65, delivering a 6.27% running yield

These movements reflect sustained demand among defensive investors, especially as inflation forecasts and rate expectations prompt more selective positioning.

Weekly LICs

The LIC market in July continued to reflect a clear divide between credit-focused trusts and smaller equity LICs. **MCP Master Trust (MXT)** remained the largest by market cap at **\$2.52 billion**, trading at a modest **2.54% premium to NTA** and offering a **running yield of 7.67%**, underscoring its appeal as a stable income generator. Similarly, **Perpetual Credit Income Trust (PCI)** and **Qualitas Real Estate Income Fund (QRI)** held firm with premiums of **5.88%** and **1.99%**, respectively, supported by strong investor demand for credit and real estate-backed income.

In contrast, equity LICs such as **Glennon Small Companies (GC1)** and **Acorn Capital Investment Fund (ACQ)** continued to trade at steep discounts of **-30.26%** and **-25.60%**, despite GC1 offering the highest running yield at **6.23%**. These discounts, coupled with low turnover, suggest persistent investor caution toward smaller-cap exposures.

Among the credit LICs, **KKR Credit Income Fund (KKC)**, **MCP Income Opportunities Trust (MOT)**, and **QRI** all delivered yields above **8%**, though KKC and MOT traded at slight discounts, indicating selective optimism. Meanwhile, **Katana Capital (KAT)** and **WAM Alternative Assets (WMA)** also traded below NTA, with discounts of **-5.99%** and **-16.60%**, respectively, reflecting mixed sentiment in alternative and diversified strategies.

Overall, July reinforced the trend: credit LICs continue to attract investor interest through consistent yield and scale, while smaller equity LICs faces valuation headwinds despite attractive income metrics.

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