



Your Income Advantage

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## Overview of the US Market

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Wall Street traders kept piling into bets that the Federal Reserve will soon be able to cut interest rates, with stocks hitting all-time highs and Treasury yields falling alongside the dollar.

All major US equity indexes climbed more than 1%, with the S&P 500 and the Nasdaq 100 hitting all-time highs. The Russell 2000 of smaller firms jumped 3%. While an initial rally in Treasuries faded, money markets priced in an about 90% chance of a Fed reduction next month. Two-year yields, more sensitive to imminent policy moves, slid four basis points to 3.73%.

Underlying US inflation accelerated to the strongest since the start of the year, but a tepid rise in goods prices tempered concerns about tariff-driven pressures.

About 420 shares in the S&P 500 rose. While the index only eked out a gain amid weakness in most megacaps, Apple Inc. and Amazon.com Inc. rallied. The Russell 2000 of small firms jumped 2%. The Dow Jones Industrial Average added 1%. In late hours, Cisco Systems Inc. gave a lukewarm outlook. Two-year yields dropped five basis points to 3.68%.

Fed policymakers last month kept their benchmark at a target range of 4.25% to 4.5%. Bessent said officials might have cut rates if they'd been aware of the revised data on the labour market that came out a couple of days after the latest meeting.

The S&P 500 closed at a record high Wednesday, and companies that went public in the U.S. this year are up 25% on average from their IPO prices as of Aug. 12, according to Dealogic. The IPO classes of each of the last five years all trade more than 20% below their IPO prices on average, Dealogic data show.

The strong IPO market has other companies that had delayed their offerings dusting them off again. Ticketing marketplace StubHub and buy-now-pay-later company Klarna are both preparing for the Fall debuts, according to people familiar with the matter.

## Overview of the Australian Market

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Australia's share market retreated on August 13, 2025, as a sharp post-earnings drop in Commonwealth Bank overshadowed gains in resources and broader market breadth, highlighting an ongoing sector rotation. The S&P/ASX 200 fell 0.61%, or 53.7 points, to 8,827.1, while the broader All Ordinaries declined 0.52% to 9,103.1. Despite the benchmark's slide, advancers outnumbered decliners 150 to 114 on the S&P/ASX 300, signalling underlying resilience amid selective selling.

The 8 of 11 sectors rose, led by materials (+0.97%) on iron ore strength and gold miner rallies, health care (+0.95%), and consumer staples (+0.89%). Financials plunged 2.60%, dragging the index, with utilities down 2.77% on AGL's slump. In financials, CBA tumbled 5.4% to \$169.12 after its \$10 billion full-year cash profit missed lofty expectations, pulling NAB (-2.6% to \$38.16) and Westpac (-2.1% to \$33.90) lower, though ANZ dipped just 0.2% to \$31.87. Materials countered with BHP (+1.1% to \$41.73), Rio Tinto (+1.0% to \$117.84), and Fortescue (+1.4% to \$19.93), while gold stocks shone—Evolution Mining surged 3.9% on doubled profits amid high metal prices.

Top performers included Orbital Corporation (+22.2%) responding to a price query, Benz Mining (+19.8%) on drilling acceleration, and Lindian Resources (+16.2%) extending gains from a mining license expansion. Rebounds featured Avita Medical (+13.8%) after an equity raise and Chrysos Corporation (+13.3%) on trading updates. Decliners were led by Bravura Solutions (-16.5%) on FY25 results and board changes, AGL (-13.1%) after a 21% profit drop to \$640 million, and Beach Energy (-7.5%) amid energy sector weakness. Lithium stocks cooled post-rally, with Pilbara Minerals (-6.6%) and Sayona Mining (-6.9%) pulling back, though many retained strong multi-day gains.

Wage data released on August 13 showed quarterly growth at 0.8% (in line with polls) and yearly at 3.4% (slightly above the 3.3% expected), aligning with RBA forecasts and posing "no risk" to medium-term inflation per Westpac senior economist Justin Smirk, following yesterday's 25 basis-point cut to 3.60%. The Aussie dollar rose 0.19% to 65.42 US cents. Overnight US CPI met expectations (core monthly at 0.3%), easing tariff pass-through fears, while a 90-day US-China truce extension supported sentiment.

AMP's Shane Oliver sees RBA easing as equity-positive if recession-free, enhancing profits and attractiveness over cash, but cautions volatility from valuations and Trump's trade wars. Investors await Westpac's update on August 14 and NAB's on August 18 for banking cues, plus tomorrow's July employment data (poll +25k jobs, 4.2% unemployment), which could shape further rate expectations.

## Overview of the US Bond Market

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US Treasuries rallied the most in nearly two weeks after traders have boosted bets that the Federal Reserve will cut interest rates at its next meeting.

The Tuesday's inflation report, largely seen as benign by investors, and a chorus of US officials calling for lower borrowing costs bolstered the case for a reduction in September.

Interest-rates swaps now fully price in a quarter-point move next month, with some traders piling into bets on it being 50 basis points. The benchmark 10-year yield ended the session five basis points lower at 4.24%.

The rally showed how market sentiment has shifted dramatically from two weeks ago, when expectations for a September cut were less than 50%. That started to change in the aftermath of a weak payrolls report — culminating in the firing of the Bureau of Labour Statistics commissioner — which intensified President Donald Trump's campaign to force the Fed to bring borrowing costs down.

Treasury Secretary Scott Bessent added to that call on Wednesday, urging policymakers to use the September meeting to kick off a cutting cycle. "We could go into a series of rate cuts here, starting with a 50 basis point rate cut in September," Bessent said in a television interview on Bloomberg Surveillance Wednesday. "We should probably be 150, 175 basis points lower."

## Overview of the Australian Bond Market

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Australian government bond yields declined across the curve on August 13, 2025, as inline wage data reinforced RBA easing bets post-cut, though longer ends tempered amid global tariff watchfulness. The 2-year yield dropped 5 basis points to 3.28%, the 5-year fell 4 basis points to 3.58%, the 10-year decreased 4 basis points to 4.20%, and the 15-year eased 3 basis points to 4.56%. Monthly, yields have fallen (10-year down 12 basis points), reflecting dovish momentum despite sticky annual wage growth at 3.4% (0.1% surprise).

Q2 wage figures, released today at 0.8% quarterly (as polled), support the RBA's view of inflation returning to target without wage spirals, per Governor Bullock's data-dependent stance noting potential for "a couple" more cuts. June's strong trade surplus (AUD 5,365 million) and July's solid PMIs (Composite at 53.8) underscore resilience, potentially limiting deeper yield drops, while US-China truce extension (90 days) and inline US CPI (headline yearly 2.7%, slightly below poll) influence cross-border flows.

Bond traders eye US resilience in Trump's trade war, with Fed swaps holding ~60% odds for a September 25 basis-point cut from 4.25%-4.5%, bolstered by EU/Japan deals reducing uncertainty and favouring higher-rates-longer, pressuring prices. Locally, net long positions likely grew post-wage data, with focus on shorter tenors amid equity rotations from banks to resources. Upcoming August 14 employment (poll 4.2% unemployment) could sway if it signals cooling labour, supporting bonds as hedges against volatility, though economic vigour may cap rallies. Dealers expect stable auction sizes for August-October per guidance, with tariff clarity aiding diversification.

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