



Your Income Advantage

14th August 2025



## Overview of the US Market

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Wall Street ended mixed on August 14, 2025, as hotter-than-expected producer price inflation data tempered rate-cut enthusiasm, though the S&P 500 eked out a slight gain to notch another closing record. The S&P 500 rose 0.03% to 6,468.54, the Nasdaq Composite dipped 0.01% to 21,710.67, and the Dow Jones Industrial Average slipped 0.02%, or 11.01 points, to 44,911.26. The Morningstar US Market Index was flat. Communication services led with a 0.42% advance, followed by consumer discretionary (+0.45%) and financials (+0.55%), while materials (-0.81%), real estate (-0.72%), and utilities (-0.71%) lagged.

Large-cap stocks showed resilience amid the choppy session, with growth and value styles nearly even. Of US-listed companies, gains were narrow, reflecting caution after July's Producer Price Index for machine manufacturing rose to 191.4 (up from 190.7, implying stronger-than-anticipated inflation pressures). Actives highlighted Opendoor Technologies (+25.62% to \$3.04) on real estate tech buzz, TeraWulf (+59.52% to \$8.71) amid crypto mining hype, Intel (+7.38% to \$23.86), NVIDIA (+0.24% to \$182.02), and Amcor (-11.87% to \$8.76) on packaging sector woes.

Investors digested the PPI surprise, which cooled bets on aggressive Fed easing despite inline July CPI (core monthly at 0.3%), and a 90-day US-China tariff truce extension. July initial jobless claims fell to 224k (better than 228k poll), signalling labour strength. Attention turns to tomorrow's August 15 retail sales (poll +0.5% monthly) and industrial production (poll flat), which could sway September cut odds.

Treasury Secretary Scott Bessent noted ongoing tariff talks, emphasizing Trump's final say on extensions amid resilient US economy. A recent study in the Journal of Financial Economics by Delao, Han, and Myers found that differences in stock P/E ratios are 75% driven by expected future returns rather than earnings growth, challenging growth-focused narratives and highlighting discount rates or mispricing as key drivers—relevant amid current high valuations.

With the Fed rate at 4.25%-4.5%, markets seek easing signals, as Chair Powell may face dissent for labour support. Strategists at HSBC, Morgan Stanley, and UBS maintain bullish views, citing earnings strength, tariff clarity, and AI boosts, forecasting advances into 2026. Goldman's chief equity strategist warns tariffs could erode prices despite deals, advising diversification given recession dodge and elevated multiples.

## Overview of the Australian Market

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Australia's share market advanced on August 14, 2025, touching a fresh intraday record before easing, as banking rebounds offset resource dips amid post-RBA cut optimism. The S&P/ASX 200 rose 0.53%, or 46.7 points, to 8,873.8—7 points shy of Tuesday's closing high—while the All Ordinaries gained 0.51% to 9,149.1. Advancers outpaced decliners 166 to 107 on the S&P/ASX 300, reflecting broad support.

Eight of 11 sectors climbed, led by utilities (+3.51%) on Origin Energy's surge, financials (+1.29%), and consumer discretionary (+0.84%). Communication services fell 0.93%, materials dipped 0.45% on iron ore at US\$102/t (-1.6%), and energy slipped 0.23%. Financials rebounded: Westpac (+6.3%) after a strong Q3 update, ANZ (+1.7%), NAB (+1.7%), and Macquarie higher, though CBA (-1.1%). Materials mixed: Rio Tinto (-3.7%), Fortescue (-1.7%), but gold miners up—Evolution Mining (+3.9%) on doubled profits.

Standouts: Waratah Minerals (+22.0%) on placement momentum, Dateline Resources (+21.2%) extending REE gains, and Metal Powder Works (+17.1%). Pro Medicus (+6.2%) on 40% profit lift to \$115.2 million, Temple & Webster (+8.7%) post-results. Decliners: Victory Metals (-10.0%) pullback, Lontown Resources (-9.1%) on SPP and lithium futures dip (later recovered).

July employment rose 24.5k (near 25k poll), unemployment held at 4.2% (as expected), aligning with RBA's post-3.60% cut view. The Aussie dollar edged up 0.04% to 65.48 US cents. Bitcoin hit US\$124,000 on ETF inflows and Trump retirement fund policy.

AMP's Shane Oliver views easing as bullish if recession-avoided, boosting profits vs. cash, but flags volatility from valuations and tariffs. A Journal of Financial Economics study notes P/E spreads 75% from return expectations, not growth, urging focus on discounts/mispricing. Watch tomorrow's US retail sales for global cues.

## **Overview of the US Bond Market**

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Bond traders boosted Treasury wagers amid inflation jitters, as yields climbed following hot PPI data, signalling caution on Fed cuts. The 10-year yield has rose to 4.28% (up implied daily), the 2-year to 3.73% (-3 bp monthly adjustment), and the 30-year to 4.87% (+ implied). Shorter maturities saw buying on labour resilience, while longer ends reflected persistent pricing pressures.

A successful auction cycle supported sentiment, but yields firmed as oil steadied and gold held near \$3,410/oz, amid US-Russia Ukraine tensions and Trump's levy threats. On economics, July jobless claims at 224k (below poll) and PPI surge underscored inflation risks, countering CPI's soft landing cues.

JPMorgan's Treasury survey likely showed net longs expanding post-PPI, indicating hedging, with swaps at ~60% for September 25 basis-point cut and half-point easing by year-end. This amid Powell's resistance to Trump easing pressure and potential dissent, as yields rose weekly. US trade war endurance, via EU/Japan pacts and China truce extension bolsters higher-rates-longer, though services PMI strength aids bonds as growth buffers.

Cash surveys to August 13 revealed more longs and fewer shorts since mid-July, net longs at a high. CFTC through August 12 showed asset managers adding net longs by \$12 million per basis point in shorter tenors, while leveraged funds increased shorts in 30-year by \$2 million.

Dealers foresee steady coupon sizes for August-October per guidance, with 10-year up \$1 billion from recent.

## Overview of the Australian Bond Market

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Australian government bond yields rose on August 14, 2025, as solid jobs data tempered easing bets post-RBA cut, with longer maturities reflecting inflation vigilance. The 10-year yield climbed 2 basis points to 4.24%, 2-year up 2 basis points to 3.32%, 5-year +2 basis points to 3.62%, and 15-year +4 basis points to 4.61%. Monthly, yields declined (10-year -13 basis points), signalling dovish lean despite wage/employment alignment.

July's 24.5k job gain (close to poll) and 4.2% unemployment (as expected) support RBA's cautious stance, with Bullock noting data-driven "couple" more cuts possible amid June trade surplus strength. Global factors, like US-China truce extension and PPI surprise (up sharply), add caution, with US 10-year at 4.28%.

Traders monitor Fed path, swaps ~60% for September 25 basis-point cut from 4.25%-4.5%, as trade pacts ease uncertainty but sustain higher-rates view. Locally, net longs may have moderated on jobs resilience, focused on shorter ends amid bank rebounds. Tomorrow's US retail sales (poll +0.5%) could influence if signalling consumer strength, bolstering bonds as hedges, though vigour caps falls. Dealers expect unchanged auctions August-October per guidance, with tariff clarity aiding diversification.

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