yieldreport Daily

Your Income Advantage

15th August 2025

Overview of the US Market

Wall Street closed mixed on August 15, 2025, as investors digested a batch of economic data showing resilient consumer spending amid softer industrial output, while healthcare stocks provided a lift but tech and financials weighed on broader indexes. The Dow Jones Industrial Average eked out a small gain of 34.86 points, or 0.08%, to 44,946.12, while the Nasdaq Composite slipped 87.69 points, or 0.40%, to 21,622.98, and the S&P 500 fell 18.74 points, or 0.29%, to 6,449.80. Healthcare surged 1.65% on the day, buoyed by positive sentiment in biotech and pharma, while financials dropped 1.12% amid concerns over potential rate paths. Intel rose 2.93% on continued AI chip optimism, but NVIDIA dipped 0.86% as traders took profits after recent highs.

Retail sales rose 0.5% month-over-month in July, matching expectations and signalling steady consumer demand despite high borrowing costs, while industrial production unexpectedly fell 0.1%, highlighting manufacturing pressures. For the week ended August 15, the Morningstar US Market Index climbed 0.99%, with healthcare leading at 4.61% and communication services up 3.00%, though utilities lagged at -0.74%. Large-caps rose 0.87%, mid-caps 1.03%, and small-caps 2.31%, with value stocks outperforming growth at 1.93% versus 0.70%.

Treasury Secretary's comments on ongoing US-Russia talks in Alaska added a layer of geopolitical watchfulness, as markets await potential surprises that could influence trade dynamics. With the Fed's benchmark rate steady, attention turns to upcoming data like initial jobless claims on August 21, which could sway expectations for a September rate cut. Strategists at major banks remain bullish long-term, citing robust earnings and AI tailwinds, but caution on elevated valuations and tariff risks potentially capping near-term gains.

Overview of the Australian Market

The Australian market powered to a record close on August 15, 2025, extending its streak of intraday highs amid fading tariff fears, positive Wall Street cues, and solid local earnings, though some sectors like IT and staples edged lower. The S&P/ASX 200 surged 64.8 points, or 0.73%, to 8,938.6—its second straight weekly closing high and seventh in eight weeks—while the All Ordinaries added 63 points, or 0.69%, to 9,212.1. Energy and materials both climbed 1.14% on stimulus hopes from weak Chinese data and rising commodity prices, with financials up 1.05%. Ampol jumped 7.7% after announcing a $1.1 billion acquisition of EG Australia's service stations, and Liontown Resources gained 5.6% amid lithium sector strength.

Employment data released on August 14 showed a 24.5k job gain in July, slightly below the 25k forecast but with unemployment steady at 4.2%, reinforcing views of a resilient labour market post the RBA's recent rate cut to 3.6%. For the week, the ASX 200 rose 1.5%, shrugging off midday dips to hit session highs. Baby Bunting Group soared 40.5% on FY25 results, while WA1 Resources fell 12.3% on an institutional placement. 9 of 11 sectors advanced, with advancers outpacing decliners 195 to 75 in the ASX 300.

CommSec analysts noted enthusiasm from rate cut signals and earnings, but warned of nervousness near the 9,000 milestone as reporting season peaks next week with heavyweights like BHP and CSL. The AUD/USD firmed 0.18% to 0.6507, pressuring gold miners slightly despite bullion at $US3,390/oz.

Trend followers’ eye continued upside, though doubters cite valuations and global risks, underscoring the classic fear of missing out in a rising market.

Overview of the US Bond Market

Bond traders trimmed long positions in Treasuries over the past week, bracing for clarity on Fed rate cuts amid mixed economic signals, including July's steady retail sales but softer industrial production, which bolstered bets for easing while highlighting growth headwinds. A rally in shorter maturities gained traction, with 2-year yields dipping to 3.75% from 3.76% a month prior, though 10-year yields rose to 4.32% on the day, up 16 basis points monthly but 40 higher year-over-year. Oil prices eased 0.30% to $63.16/barrel, tempering inflation fears as gold fell 1.98% to $3,336.20.

The Core CPI data from August 12 showed a 0.3% monthly rise and 3.1% yearly, slightly above expectations, reinforcing the Fed's cautious stance on cuts, with markets pricing in about a 60% chance of a 25 basis-point move in September. JPMorgan's client survey revealed net longs at two-month lows, with asset managers paring positions by $23.5 million per basis point across tenors, while leveraged funds reduced shorts in the bond contract. Geopolitical talks, including US-Russia discussions in Alaska, add uncertainty, potentially influencing tariff extensions and debt auction sizes, which dealers expect to hold steady for August-October.

The resilience of consumer spending amid Trump's trade policies has supported higher-for-longer rate views, dissipating some uncertainty from recent EU and Japan deals, though elevated valuations suggest diversification. Countervailing factors, like labour market cooling from prior job openings data, cloud the medium-term outlook, with Fed Chair Powell possibly facing internal dissent for more support.

Overview of the Australian Bond Market

Australian bond yields ticked higher on August 15, reflecting tempered rate cut expectations after July employment data undershot slightly but wage growth on August 13 came in at 0.8% quarterly and 3.4% yearly, above forecasts and signalling persistent inflation pressures post the RBA's August cut to 3.6% from 3.85%. The 10-year yield raised 2 basis points to 4.23%, down 15 monthly but up 35 yearly, while the 2-year climbed 1 to 3.29%, and 15-year to 4.60%.

With core CPI steady and consumer confidence buoyed by the rate reduction, markets eye upcoming US data for global cues, though local earnings and stimulus hopes from China data support a bullish tilt. Dealers anticipate steady auction sizes, but geopolitical risks like tariff talks could spur volatility. The AUD's 0.18% gain versus the USD underscores currency strength, potentially capping yield declines as the RBA balances growth and prices.

Resilient labour metrics, despite the slight employment miss, bolster the case for gradual easing, with wage pressures dissipating some trade war uncertainty from recent pacts, though high valuations warrant caution on duration bets.

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