



Your Income Advantage

18th August 2025



## Overview of the US Market

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Wall Street opened the week quietly as investors turned their focus to the Federal Reserve's annual Jackson Hole Symposium, where Chair Jerome Powell is expected to outline the central bank's policy framework.

Geopolitical developments also weighed, with President Trump signalling plans for a trilateral peace meeting with Russia and Ukraine. The S&P 500 hovered near record highs after weeks of strong gains, while traders braced for retail earnings from Walmart and Target to assess consumer resilience under Trump's tariff regime.

Corporate earnings have provided support for equities. The latest season delivered one of the strongest waves of upside surprises since 2021, with S&P 500 companies widely beating forecasts, aided by tariff workarounds and a weaker dollar. Analysts are raising profit estimates at the fastest pace in nearly four years, underpinning valuations despite concerns about elevated multiples.

In tech, **Palo Alto Networks** issued a stronger-than-expected annual forecast, highlighting growth potential in its AI-driven cyber security product bundles. Private equity firm **Thoma Bravo** is reportedly in talks to acquire HR software provider **Dayforce Inc.**, underscoring continued deal-making in enterprise technology. In healthcare, **Novo Nordisk** moved to cut Ozempic prices for cash-paying U.S. patients amid political scrutiny over drug costs. It also gained U.S. approval for **Wegovy** to treat a form of liver disease, ahead of rival Eli Lilly, strengthening its weight-loss drug dominance. Meanwhile, **Bayer AG** agreed to settle lawsuits tied to toxic chemical exposure at a Seattle-area school involving its Monsanto unit.

In consumer and leisure, **Starbucks** announced a uniform 2% pay raise for all salaried North American employees, shifting from manager-discretionary increases. Separately, investors agreed to take **Soho House** private in a \$2.7 billion buyout after weak public market performance.

In transport and energy, **Air Canada** withdrew its financial guidance following widespread cancellations from a flight attendants' strike, while **EDF** warned of nuclear output cuts due to shallow river levels.

Finally, **Hon Hai Precision** will run a U.S. factory for **SoftBank's Stargate** venture with OpenAI and Oracle, marking a major step in advanced tech manufacturing.

## Overview of the Australian Market

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Australia's share market notched a fresh record close on August 18, 2025, extending a streak of intraday highs amid easing tariff fears and positive earnings sentiment, though mixed sector performance highlighted ongoing rotations. The S&P/ASX 200 rose 0.23%, or 20.7 points, to 8,959.3, while the broader All Ordinaries gained 0.23% to 9,233.5. Advancers slightly outpaced decliners 145 to 125 on the S&P/ASX 300, reflecting cautious buying despite a choppy session.

8 of 11 sectors advanced, led by communication services (+1.39%) on REA Group's surge, information technology (+0.82%), and financials (+0.70%) buoyed by bank rebounds. Materials (-0.75%) and energy (-0.49%) lagged, with industrials -0.05%.

Financials recovered: NAB (+2.6% to \$40.23) on well-received quarterly update, CBA (+1.2% to \$170.19) snapping post-earnings losses, Westpac (+0.7%), though ANZ (-1.5%). Communication: REA Group (+4.5%) after CEO appointment. Materials mixed: lithium resilient—Pilbara Minerals (+3.2%), Liontown Resources (+6.5%), Mineral Resources (+1.3%) on GFEX futures +4%—offsetting iron ore dips (BHP -1.2%, Fortescue -0.6%, Rio Tinto -1.5%). The BlueScope Steel has gone (-3.0%) after profit plunge to \$84 million.

Standouts: Kaili Resources (+2900.0%) on REE drilling approval (not a typo), Apiam Animal Health (+44.9%) post-proposal, Beacon Minerals (+34.5%) on assays. Decliners: Audinate Group (-20.8%) on FY25 presentation, DigiCo REIT (-14.1%) after results, Aml3d (-11.1%) on annual report.

July wage growth at 0.8% quarterly (poll met), 3.4% yearly (slight surprise) and employment +24.5k (near poll), unemployment 4.2% align with RBA's post-3.60% cut path, Governor Bullock emphasizing data-dependency. The Aussie dollar went from +0.11% to 65.14 US cents. Capital.com's Kyle Rodda notes high bar for earnings justifying records, with BHP, CSL reporting tomorrow amid tariff fade and Wall St highs.

AMP's Shane Oliver views easing positive if recession-free, boosting profits over cash, but warns volatility from valuations and Trump's wars. A Journal of Financial Economics study underscores P/E spreads 75% driven by expected returns, not growth, highlighting discount rates/mispricing—relevant as ASX nears 9,000.

## Overview of the US Bond Market

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The U.S. Treasury market saw modest movement at the start of the week, with the **10-year yield rising two basis points to 4.34%**, extending gains triggered by last week's sharp jump in wholesale inflation, the biggest in three years. Trading volumes were subdued, while the dollar strengthened, oil edged higher, and gold fluctuated. In the UK, 30-year inflation-linked yields surged to their highest level since 1998, providing additional momentum to global bond markets.

Investor focus remains firmly on **Federal Reserve Chair Jerome Powell's upcoming speech at the Jackson Hole Symposium**. Markets are eager for confirmation that the Fed will cut interest rates in September, with interest-rate swaps showing an **80% probability of a 25-basis-point reduction** and two cuts fully priced in by year-end. Analysts warn that a non-committal stance from Powell could unsettle markets, which are currently trading as though easing is assured.

Jackson Hole has historically served as a stage for policy surprises. In 2022, Powell's hawkish message drove yields higher, while last year he signalled readiness to cut, triggering a sharp rally. Some traders are now betting on a larger **50-basis-point cut** in September, with option trades positioned to profit if markets price in deeper easing.

Political pressure is also influencing sentiment, with **President Trump and his administration urging lower borrowing costs** to counter tariff impacts. The next decisive signal will come from **August jobs data on September 5**, which could lock in expectations for rate cuts and shape whether easing starts modestly or more aggressively.

## Overview of the Australian Bond Market

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Australian government bond yields surged on August 18, 2025, as risk-on equity records and tariff truce extension diminished safe-haven demand, though monthly declines signal ongoing easing expectations. The 10-year yield jumped 8 basis points to 4.30%, 2-year +4 to 3.34%, 5-year +5 to 3.65%, 15-year +8 to 4.68%. Over the month, yields fell (10-year -3 basis points), reflecting RBA dovishness despite resilient data.

July labour figures (employment +24.5k near poll, unemployment 4.2%) and wages (3.4% yearly slight beat) support gradual cuts post-3.60%, with Bullock's "couple more" data-tied amid trade surplus strength. Global macro, including US-China 90-day extension and US retail +0.5% (met), industrial -0.1% (miss), influence sentiment.

Bond traders pared longs as Fed swaps hold ~60% for September 25 basis-point cut from 4.25%-4.5%, trade pacts easing uncertainty but sustaining higher-rates view, pressuring prices. Locally, yields rose on bank/earnings boosts, focus shifting to shorter tenors. Tomorrow's US housing starts (poll 1.29 million) could sway if weak, aiding bonds as hedges, though vigour caps rallies. Dealers expect stable auctions August-October per guidance, tariff clarity supporting diversification.

US, Russian, and Ukrainian officials, along with Presidents Trump and Zelenskyy, are in promising peace talks. A Trump-Putin call and plans for a trilateral meeting signal progress. Zelenskyy has secured long-term US support, and Russia is considering security concessions, aiming to de-escalate tensions and stabilize markets.

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