Your Income Advantage

19th August 2025

Overview of the US Market

Wall Street closed mixed on August 19, 2025, as a surge in housing starts bolstered sentiment but tech selloffs amid valuation concerns weighed, with the Nasdaq snapping a streak amid broader market caution. The S&P 500 fell 0.59% to 6,411.37, the Nasdaq Composite dropped 1.46% to 21,314.95, and the Dow Jones Industrial Average rose 0.02%, or 10.45 points, to 44,922.27. Consumer staples led with a 1.00% gain, followed by real estate (+1.80%) and health care (+0.62%), while information technology lagged at -1.88%, communication services -1.15%, and industrials +0.19%.

Large-cap stocks declined mid-caps flat, small-caps edged up. Growth fell 1.20%, blend -0.59%, value +0.02%. Actives included Opendoor Technologies (-4.23% to $3.62), Intel (+6.97% to $25.31), NVIDIA (-3.50% to $175.64), Palantir Technologies (-9.35% to $157.75), and Laser Photonics (+59.35% to $3.92).

July housing starts surprised at 1.428 million (above 1.29 million polls), signalling construction strength despite rates, countering industrial weakness. Investors watch tomorrow's Philly Fed Index (poll 7) and S&P Global PMIs for manufacturing/services. FCC Chair Brendan Carr's push to abolish TV ownership caps—potentially enabling Nexstar's $6.2 billion Tegna acquisition—sparks debate, with opponents claiming Congress must decide, amid Trump's media deregulation favouring broadcasters vs. Big Tech.

Treasury Secretary Scott Bessent highlighted ongoing tariff truce talks with China, noting a 90-day extension option under Trump, though muted reactions underscore deal fatigue. A Journal of Financial Economics study notes P/E spreads 75% driven by expected returns over growth, emphasizing discount rates/mispricing—timely as high multiples prompt diversification.

With Fed at 4.25%-4.5%, autumn cut signals sought as Powell faces labour dissent. HSBC, Morgan Stanley, UBS strategists bullish on earnings, tariffs, AI. Goldman's chief warns tariffs erode prices despite pacts, urging diversification amid recession dodge and valuations.

Overview of the Australian Market

Australia's share market slipped from records on August 19, 2025, as CSL's sharp post-earnings plunge dragged health care amid broader earnings scrutiny, though financials and tech provided offsets in a mixed session. The S&P/ASX 200 fell 0.70%, or 63.1 points, to 8,896.2—the steepest drop since August 1—while All Ordinaries declined 0.65% to 9,173.8. Decliners edged advancers 139 to 129 on S&P/ASX 300.

Seven sectors rose, led by communication services (+0.72%), information technology (+0.57%), and financials (+0.37%). Health care crashed -8.73%, energy -2.20%, and industrials -0.84%. Health: CSL (-16.9% to $227.79) on job cuts/vaccine spin-off despite solid results. Energy: Woodside (-2.8%) profit drop, Santos/Whitehaven lower. Financials: NAB (+2.7% to $40.23) on update, CBA (+1.2% to $170.19) rebound, though ANZ -1.5%. Communication: Seek (+8.0%) revenue boost. Materials +0.34%: BHP (+1.6%) on $US9 billion profit.

Gainers: Dateline Resources (+12.5%) on breccia targets, Centuria Capital (+10.0%) FY25 results, Macmahon (+9.7%). Losers: Strike Energy (-12.5%) on impairment, Minerals 260 (-7.7%), Falcon Metals (-7.7%) pullback.

July data (wages 3.4% yearly slight beat, employment +24.5k) aligns RBA easing post-3.60% cut. The Aussie flat is at 64.92 US cents. Ord Minnett's David Lane notes volatility from earnings reactions, high bar for records with BHP, CSL tomorrow.

The AMP's Oliver is easing bullish sans recession, volatility from valuations/Trump wars. Journal study: P/E 75% returns-driven, urging discount focus as ASX corrects.

Overview of the US Bond Market

Bond traders trimmed Treasuries as yields dipped slightly on housing surge, bracing for PMIs amid media deregulation debates and truce extensions. The 10-year yield fell to 4.31% (down 1 basis point), 2-year to 3.75% (flat), 30-year to 4.91% (-1 bp). Shorter maturities steady as oil held, gold dipped amid Ukraine talks progress—Trump's Putin call and potential Zelenskyy meeting raise de-escalation hopes, possibly easing energy volatility.

July housing 1.428 million (beat poll) counters industrial miss, bolstering growth view post-CPI/PPI. FCC's TV cap abolition push, enabling mergers like Nexstar-Tegna, highlights deregulation under Trump, potentially impacting media bonds via consolidation.

JPMorgan survey net longs at low, caution persists, swaps ~60% September 25 bp cut, half-point year-end. Powell resists Trump easing amid dissent, yields down weekly. Trade war resilience via EU/Japan, China extension favors higher-rates-longer, though PMIs could affirm soft landing, bonds hedging volatility from stalled Ukraine summit if no quick resolution.

Cash surveys to August 18: fewer longs, more shorts, and net low. CFTC August 15: asset managers added net longs $8 million per basis point in shorter, leveraged trimmed 10-year shorts $2 million.

Dealers unchanged auctions August-October per guidance, 10-year +$1 billion recent.

Overview of the Australian Bond Market

Australian yields rose sharply on August 19, 2025, as equity dip and earnings volatility spurred safe-haven outflows, though monthly gains limited amid dovish RBA path. 10-year up 8 basis points to 4.32% (+5 daily per data), 2-year +4 to 3.36%, 5-year +5 to 3.68%, 15-year +8 to 4.69%. Monthly up slightly (10-year -2 bp), reflecting caution despite resilience.

July labor/wages support gradual cuts post-3.60%, Bullock data-tied with trade surplus boost. Global, US housing beat (1.428M vs. poll), China extension, Ukraine summit promise (Trump-Putin call, potential trilateral) ease energy risks if de-escalation holds.

Traders added longs post-dip, Fed swaps ~60% September 25 bp from 4.25%-4.5%, pacts sustaining higher-rates, pressuring prices. Locally, yields firmed on bank rebounds, shorter focus. Tomorrow's AU/US PMIs could sway if soft, aiding bonds as hedges, though vigour caps. Dealers stable auctions August-October per guidance, summit progress aiding diversification.

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YieldReport – Interest Rates &Yield Investment Data & Research
Level 2, Suite 208
33 Lexington Drive
Bella Vista NSW 2153

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