



Your Income Advantage

21st August 2025



Overview of the US Market

U.S. stocks staged a late-session rebound Wednesday after a week-long selloff in technology shares, though indices still closed lower as investors braced for Federal Reserve Chair Jerome Powell's upcoming Jackson Hole speech. The S&P 500 fell 0.2% and the Nasdaq 100 slid 0.6% after earlier dropping almost 2%, marking the fourth straight loss for both indices. Mega-cap tech stocks once again led declines, with the "Magnificent Seven" index down 1.1%, heightening concerns that weakness in the sector could spill over into the broader market.

Despite the selling pressure, many sectors outside of tech advanced, suggesting selective dip-buying. Analysts cautioned, however, that the market's heavy reliance on big tech makes sustained rotation difficult. JPMorgan's Andrew Tyler said Powell's remarks could shift sentiment, while Oaktree's Howard Marks warned equities are in the "early days" of a bubble. The Fed's latest minutes reinforced inflation as the key risk, though traders continued to price in a September rate cut. Evercore's Marco Casiraghi noted the minutes were "stale" given softer July jobs data, but emphasized the Fed remains positioned to respond quickly.

Bond markets rallied modestly, with the 10-year Treasury yield down two basis points to 4.28%. The dollar was little changed, the yen strengthened, and oil rose 1.4% to \$63.21 a barrel. Gold advanced 1% to \$3,348.66 an ounce, while Bitcoin gained 0.6%.

Corporate news also drove activity. Target appointed Michael Fiddelke as CEO to revive weak sales, while TJX raised earnings guidance on strong demand. Microsoft limited Chinese firms' access to cyber security updates, Alphabet launched new AI-powered gadgets, and Lowe's agreed to acquire Foundation Building Materials for \$8.8 billion. Estée Lauder warned on profits, Guess? Announced a go-private deal, and Novo Nordisk imposed a global hiring freeze.

Overall, sentiment remains fragile: investors are balancing earnings resilience with lofty valuations, weaker jobs growth, and Fed uncertainty. Markets now look to upcoming PMI data and Powell's Jackson Hole remarks as potential catalysts.

Overview of the Australian Market

Australia's share market smashed through 9,000 points for the first time on August 21, 2025, closing at a record high as all sectors advanced amid strong earnings beats and easing global tensions, including promising US-Russia-Ukraine peace talks in Alaska that advanced with Trump's Putin call and potential trilateral meeting, raising hopes for de-escalation and reduced energy volatility. The **S&P/ASX 200** surged 1.13%, or 101.1 points, to 9,019.1—up 1.4% weekly—while the broader **All Ordinaries** rose 1.16% to 9,284.2. Advancers dominated decliners on the **S&P/ASX 300**, underscoring bullish momentum.

All 11 sectors gained, led by **Industrials** (+3.43%) on **Brambles** (+13.2%) buyback and profit beat, **Consumer Staples** (+2.14%) broadly, and **Consumer Discretionary** (+2.05%) paced by **Super Retail** (+12.3%) record sales. **Materials** +0.80%: **BHP** (+0.7%), **Rio Tinto** (+1.0%) backed by Trump's US copper project support. **Energy** +1.56%: **Ampol** (+7.7%) on acquisition. **Health Care** +0.87%: **Pro Medicus** strong despite sector moderation.

Standouts: **Artrya** (+37.7%) on FDA clearance, **Redox** (+23.8%) FY25 results, **Radiopharm Theranostics** (+22.4%) webinar. Decliners: **WA1 Resources** (-19.5%) placement, **Temple & Webster** (-11.7%) downgrade, **Amtcor** (-9.7%) Q4 miss.

August PMIs expanded: Manufacturing 52.9 (up from 51.3), Services 55.1, Composite 54.9, affirming growth post-RBA 3.60% cut. US Philly Fed missed at -0.3 (vs. poll 7), but PMIs beat: Manufacturing 53.3 (vs. 49.5), Services 55.4 (vs. 54.2), and Home Sales 4.01M (vs. 3.92M). Aussie dollar -0.25% to 64.17 US cents.

Overview of the US Bond Market

Money markets priced in about a 70% chance of a Federal Reserve rate cut in September, down from more than 90% a week earlier, as stronger U.S. economic data tempered expectations for easing. The adjustment came ahead of Fed Chair Jerome Powell's highly anticipated Jackson Hole speech on Friday, where investors hope for policy clarity.

Several Fed officials struck a hawkish tone. Cleveland Fed President Beth Hammack said she wouldn't support a cut if voting immediately, while Atlanta's Raphael Bostic reiterated his view of only one cut this year. Kansas City's Jeffrey Schmid emphasized inflation remains the bigger risk, and Chicago's Austan Goolsbee warned against reading too much into one "dangerous" inflation data point despite recent improvements.

Recent data has complicated the Fed's outlook. Jobless claims rose, pointing to labour market cooling, but manufacturing PMIs surprised on the upside, expanding at the fastest pace since 2022. This resilience prompted traders to scale back rate-cut bets. Analysts highlighted the Fed's dilemma: inflation remains above target while labour market conditions weaken.

eToro's Bret Kenwell noted the Fed faces "pressures to cut as inflation rises and jobs slow," pulling policy in opposite directions. BNP Paribas's Calvin Tse said markets may be surprised hawkishly if Powell sticks to July's reaction framework, signalling patience. Plante Moran's Jim Baird cautioned that cutting too soon risks fuelling inflation expectations, while moving too slowly risks a deeper labour slowdown.

Meanwhile, political pressures intensified. The Justice Department signalled a potential probe into Fed Governor Lisa Cook over alleged mortgage irregularities, while Trump allies renewed calls for her removal. In global markets, oil rose after a U.S. trade official warned of additional tariffs on India over Russian crude imports.

Overview of the Australian Bond Market

Australian government bond yields rose on August 21, 2025, as equity highs and PMI expansion reduced safe-haven appeal, though monthly declines reflect RBA easing path amid global de-escalation hopes from Ukraine talks' progress—Trump's Putin dialogue and potential concessions easing commodity risks. The 10-year yield climbed 3 basis points to 4.30% (+1 daily per data), 2-year +2 to 3.35%, 5-year +2 to 3.67%, 15-year +2 to 4.69%. Monthly down (10-year -1 bp), dovish despite data.

August PMIs (Composite 54.9) support gradual cuts post-3.60%, Bullock data-tied with "couple more" possible amid trade surplus. US PMIs beat (Manufacturing 53.3 vs. poll 49.5), Philly Fed miss (-0.3 vs. 7), Home Sales beat (4.01M vs. 3.92M), China extension influence.

Traders trimmed longs on records, Fed swaps ~60% September 25 bp from 4.25%-4.5%, pacts/peace hopes sustaining higher-rates but PMIs affirm soft landing, bonds hedging volatility if Ukraine deal delays. Locally, yields firmed on sector gains, shorter focus. Tomorrow's US jobless (poll 225k), Philly could sway if weak, aiding bonds, though vigour caps. Dealers stable auctions August-October per guidance, summit aiding diversification.

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