



yieldreport Daily

Your Income Advantage

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Overview of the US Market

US stocks slipped and bond yields climbed as optimism over imminent Federal Reserve rate cuts lost steam ahead of a key inflation report. Markets had surged after Jerome Powell signalled a likely September cut at Jackson Hole, but doubts remain about the pace of easing given sticky inflation and labour market weakness.

The Fed's preferred inflation gauge, core PCE, is expected to rise 2.9% year-on-year, its fastest pace in five months, complicating policy decisions. Policymakers face the dilemma of balancing inflation still above target with slowing job growth, leaving investors uncertain about the trajectory of monetary policy.

The S&P 500 fell 0.4% with around 400 stocks declining, though Nvidia advanced before results and Alphabet hit a record high. The 10-year Treasury yield rose to 4.28%, while the dollar gained. Traders still see an 80% chance of a September cut and two reductions in total for 2025, but October and December remain data-dependent.

Analysts stressed the importance of distinguishing between a "dovish cut" and a "hawkish cut," with labour market risks viewed as more pressing than inflation at present. Leadership changes at the Fed could tilt policy more accommodative over time, though President Trump's decision on Powell's successor is months away.

Strategists expect Powell to push for easing unless labour data rebounds strongly or inflation accelerates. UBS anticipates four cuts through January 2026. Meanwhile, Fed officials are set to speak this week, offering more guidance on policy direction. Rate cuts are seen as supportive for bonds and small caps, which benefit from lower borrowing costs.

Beyond macro concerns, attention turns to Nvidia's earnings, a pivotal test for the AI-driven rally. With its stock up nearly 90% since April and accounting for 8% of the S&P 500, Nvidia's results could determine whether tech momentum continues or valuations face pressure. Analysts caution that Big Tech's dominance raises market concentration risks, though robust profitability justifies valuations.

Corporate headlines added to market chatter: Elon Musk sued Apple and OpenAI over AI competition; Buffett ruled out a railroad acquisition; Trump's administration blocked offshore wind projects and launched a tariff probe on furniture; Keurig Dr Pepper agreed to buy JDE Peet's for \$18.4 billion; and Nvidia, Puma, American Eagle, and others made notable stock moves.

Overall, markets are caught between optimism over Fed easing and concerns about inflation, labour market fragility, and heavy reliance on tech giants to sustain equity gains.

Overview of the Australian Market

Australia's share market edged to a new intraday high on August 25, 2025, but closed modestly higher as strong resource gains offset consumer and financial drags, resetting amid Fed Chair Powell's Jackson Hole speech signalling September cuts despite tariff pressures, with 89% odds per futures—potentially easing global volatility alongside promising US-Russia-Ukraine peace talks advancing a trilateral meeting.

The **S&P/ASX 200** rose 0.06%, or 5 points, to 8,972.4, while the broader **All Ordinaries** gained 0.12% to 9,245.0. Advancers outpaced decliners 193 to 87 on the **S&P/ASX 300**, showing resilience despite reversal from highs.

Six sectors advanced, led by **Materials** (+2.72%) on iron ore majors and broad commodity strength—gold, silver, uranium, lithium, critical minerals—and **Energy** (+1.12%). **Financials** -1.18%: banks soggy. The **Consumer Discretionary** -0.91%, **Consumer Staples** -0.78%. **Materials: BHP** (+2.7%), **Rio Tinto** (+1.0%) after Trump-backed US copper project. **Energy: uranium boost—Boss Energy** (+2.8%), **Paladin Energy** (+4.3%), **Deep Yellow** (+3.8%) after approvals.

Standouts: **Locksley Resources** (+42.2%) partnership, **Aussie Broadband** (+20.2%) FY25 results, **LTR Pharma** (+18.2%) update. Decliners: **IPD Group** (-27.8%) Q1 miss, **Skycity Entertainment Group** (-24.6%) raise, **James Hardie Industries** (-9.4%) continued reaction.

August PMIs expanded (Composite 54.9), aligning RBA easing post-3.60% cut. US jobless above poll, Philly miss, PMIs/Home Sales beat. Aussie +0.16% to 65.02 US cents. **IG Markets'** Tony Sycamore notes reset for valuations near highs, with BHP, Rio tomorrow.

AMP's Oliver sees easing positive sans recession, but volatility from valuations/Trump wars. FCC's push to abolish TV ownership caps, enabling Nexstar's \$6.2B Tegna deal vs. Big Tech, debated as congressional domain. Journal study: P/E 75% returns-driven, urging discount focus amid records.

Overview of the US Bond Market

Bond markets reacted to Federal Reserve Chair Powell's dovish pivot at Jackson Hole with markets interpreting it as a signal towards easier monetary policy. This triggered a flattening of the Treasury yield curve, while long-term yields, including those on 10-year notes, eased modestly. Investors continued to price in high odds for a September rate cut and further easing by year-end. Although bond yields slipped slightly, the move was subdued, suggesting that even with Powell's shift, long-term rates may not drop significantly. It reflects cautious optimism amid uncertainties around inflation and economic resilience.

The Federal Reserve's annual Jackson Hole symposium, typically a relaxed gathering for central bankers and economists, was unusually tense this year, underscoring the difficult policy challenges facing the US central bank. Chair Jerome Powell used his keynote speech to signal that an interest-rate cut is possible at the Fed's September meeting, but divisions among policymakers remain sharp. Powell acknowledged the "challenging situation," with inflation still above the Fed's 2% goal and labour market conditions weakening, creating conflicting policy signals.

Chicago Fed President Austan Goolsbee described the environment as one of “cross-currents,” with the toughest challenge being timing policy shifts at moments of transition. Powell highlighted uncertainty over whether tariffs will reignite inflation more persistently and called the current labour market dynamic of both falling demand and declining supply “curious.” While last year’s Jackson Hole gathering strongly favoured rate cuts, this year support is more fragmented, reflecting disagreements among officials about whether inflation or employment poses the greater risk. Two governors dissented in July when no cut was delivered, raising the possibility of more split votes if cuts begin in September.

The political backdrop added to the unease. President Donald Trump has escalated pressure on the Fed, seeking lower rates and threatening Fed officials directly. During Powell’s speech, Trump said he would fire Governor Lisa Cook if she didn’t resign over mortgage fraud allegations, intensifying scrutiny of the central bank’s independence. Security at the conference was heightened, and one Trump supporter was forcibly removed after confronting Cook. Powell’s term as chair ends in May, and Trump has indicated he will name new officials, including economic adviser Stephen Miran, which could tilt the Fed more toward his policy preferences.

Despite the political noise, much of the conference focused on substantive economic debates. Data show inflation stalled above target, with signs of broadening beyond tariff-affected goods, while job growth slowed over the summer. Yet unemployment remains low, leaving policymakers uncertain about the economy’s true trajectory. Many economists stressed the importance of relying on rigorous research and evidence, with Harvard professor Karen Dynan noting the value of grounding policy in expertise rather than political pressures.

Powell also introduced a new policy framework to replace the 2020 version that had emphasized persistently low inflation. The revised document re-centres the Fed’s dual mandate of maximum employment and price stability, removing language specific to the pre-pandemic era. Analysts said the shift clarified priorities and reaffirmed independence. Carolin Pflueger of the University of Chicago highlighted Powell’s emphasis on focusing solely on inflation and unemployment, which drew appreciation from conference attendees. Powell received a standing ovation from global policymakers, reflecting recognition of the Fed’s critical role beyond US borders.

International markets reacted immediately. The euro strengthened 1% against the dollar after Powell’s remarks, signalling potential challenges for euro-area inflation and growth. Maurice Obstfeld of the Peterson Institute noted that a US slowdown would likely spill over abroad, underscoring the global stakes of Fed decisions.

Overall, the Jackson Hole meeting revealed deep internal divisions, growing political pressures, and high uncertainty, leaving investors braced for a consequential September decision.

Overview of the Australian Bond Market

Australian government bond yields dipped on August 25, 2025, as market reset and Powell's dovish speech—citing shifting risks to jobs/growth, tariffs as one-time shift—ramped cut odds to 89% for September, blending with Ukraine talks' promise (Trump-Putin call, potential de-escalation easing energy risks). The 10-year yield fell 2 basis points to 4.29%, 2-year -1 to 3.34%, 5-year -2 to 3.65%, 15-year -1 to 4.67%. Monthly down (10-year -5 bp), reflecting easing bias despite PMIs.

August PMIs (Composite 54.9) support gradual cuts post-3.60%, Bullock data-tied amid trade surplus. The US jobless 235k (above poll), Philly -0.3 (miss), PMIs/Home Sales beat, China extension influence.

Traders added longs post-speech, Fed swaps ~89% September 25 bp from 4.25%-4.5%, pacts/summit progress sustaining higher-rates but PMIs affirm soft landing, bonds hedging volatility if Ukraine delays. Locally, yields eased on resource rotations, shorter focus. Tomorrow's US jobless (poll 230k) could sway if high, aiding bonds, though vigour caps. Dealers stable auctions August-October per guidance, talks/FCC deregulation aiding diversification.

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