yieldreport Daily

Your Income Advantage

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Overview of the US Market

A renewed wave of dip buying lifted stocks, with investors sifting through solid earnings amid bets the Federal Reserve will soon cut rates. Bonds saw small moves ahead of a heavy slate of US debt sales.

The rebound in risk appetite drove the S&P 500 up 1.5%, its biggest rally since May. Almost every major group in the US equity benchmark advanced, and about 85% of its companies closed higher. Tech megacaps, which bore the brunt of the recent selling, led gains on Monday. Nvidia Corp. and Meta Platforms Inc. climbed at least 3.5%. The Russell 2000 index of small firms added 2.1%.

Last Friday's weak employment data has bolstered hopes for interest-rate cuts from the Federal Reserve later this year. In the wake of Friday's jobs report, investors ramped up bets that central bankers will cut rates in September.

Investors will also parse earnings updates from companies including McDonald's, Disney and Uber later this week. About two-thirds of S&P 500 companies had reported quarterly results as of Friday. Of them, over 80% reported better-than-expected earnings per share, according to FactSet.

On the tariff front, President Donald Trump said he would be "substantially raising" the tariff on Indian exports to the US over the Asian nation's purchases of Russian oil, a move New Delhi slammed as unjustified in an escalating fight between the two major economies.

Meantime, the European Union is expecting Trump to announce executive actions this week to formalize the bloc's lower tariffs for cars and grant exemptions from levies for some industrial goods such as aviation parts, according to people familiar with the matter.

Corporate America continues to be one of the largest buyers of US stocks, showing confidence in their businesses despite unsettling tariff headlines.

July announced buybacks totalled a record-setting $165.63 billion, according to data compiled by Birinyi. Year-to-date announced buybacks now stands at $926.1 billion, the data showed.

Overview of the Australian Market

The Australian equity market stabilized on August 4, 2025, after Friday's global sell-off triggered by US tariff uncertainties and weak economic data. The S&P/ASX 200 (XJO) eked out a 1.7-point gain, or 0.02%, to close at 8,663.7, trading 0.38% above its session low but just 0.03% shy of its high. The broader S&P/ASX 300 (XKO) showed a near balance of sentiment, with advancers (135) nearly matching decliners (136). The All Ordinaries rose 0.06% to 8,922.0.

Friday's US market rout, driven by a dismal non-farm payrolls report (73,000 jobs added vs. 110,000 expected, with downward revisions to May and June), a PCE Price Index miss (2.8% vs. 2.7% expected), and President Trump's firing of the BLS commissioner, fuelled global risk-off sentiment. However, rising iron ore and gold prices provided a lifeline for Australian equities.

The Materials sector (XJR, +1.22%) led gains, with BHP (+0.9%), Fortescue (+1.4%), and gold miners like Northern Star (+5.6%) and Vault Minerals (+7.4%) shining. Consumer Staples (+1.15%) also supported the index, with Endeavour Group (+3%) buoyed by corporate news of its executive chair's departure.

Financials (-0.57%) and Energy (-0.57%) weighed on the index, with all big four banks declining, led by ANZ (-1.6%). Technology (XIJ, -0.42%) continued to slide, with WiseTech (-1.7%) hit by its $3.25 billion e2Open acquisition and Block (-4%) ahead of its earnings. Utilities (+0.58%) and Health Care (+0.17%) offered defensive support, though tariff fears lingered, particularly after Trump's scattergun trade policies reignited de-dollarization concerns. The AUD/USD rose 0.18% to 0.6483, bolstered by commodity strength but tempered by a strong US dollar.

Investors are eyeing the RBA's August 5 meeting, with expectations of a rate cut strengthened by the S&P Global Services PMI (54.1) and Composite PMI (53.8), signalling robust economic activity. However, global trade tensions and upcoming US data, including the ISM Non-Manufacturing PMI, could sway sentiment.

Overview of the US Bond Market

Action in the bond market was fairly muted as the US is set to auction $125 billion of new three-, 10- and 30-year debt this week. The dollar was little changed. Oil fell as traders took stock of OPEC+'s latest bumper supply increase while Donald Trump vowed to penalize India for buying Russian crude.

Treasury yields extend the decline triggered by Friday's disappointing jobs report, after June factory orders contract by 4.8%.

Odds of an interest rate cut by the Fed in September are priced at 90% on the CME's FedWatch tool. Economists surveyed by WSJ expect the U.S. trade deficit to shrink in June, in data due tomorrow. July services PMI is expected to move up.

The 10-year yield fell 0.021 percentage point to 4.197% and the two-year declined 0.022 p.p. to 3.680%, in both cases the lowest yield since April 30.

President Trump is expected to place an ally at the top of the agency in charge of measuring employment, after firing the BLS commissioner following below-forecast job creation in July and sharp downward revisions in May and June. Markets are pricing in 86% odds of a Fed cut in September, up from 63% a week ago, CME data show. June factory orders are expected to contract, in a WSJ survey.

The effective yield on AA-rated U.S. corporate bonds stood around 4.77% on August 4 near multi-month highs and well above the long-term average of 4.15%.

High-yield bond spreads remained compressed, signalling investor confidence reminiscent of early-2021 risk appetite.

Overview of the Australian Bond Market

Australian government bond yields fell sharply on August 4, 2025, as investors sought safe havens amid global trade and economic uncertainties. The Australia 2-Year Bond Yield dropped 14 basis points to 3.25%, the 5-Year Yield fell 14 basis points to 3.57%, the 10-Year Yield declined 12 basis points to 4.19%, and the 15-Year Yield shed 10 basis points to 4.57%.

The yield decline followed Friday's US market turmoil, sparked by a weak non-farm payrolls report (73,000 vs. 110,000 expected) and Trump's firing of the BLS commissioner, which eroded trust in US economic data. Higher US inflation (Core PCE YY at 2.8%) raised concerns that tariffs are driving prices, potentially constraining Federal Reserve rate cuts (89.1% chance of a September cut, up from 61.9%). In Australia, strong PMI data (Services PMI at 54.1) and expectations of an RBA rate cut cushioned the bond market, with traders increasing net long positions in 2-year and 5-year tenors as a hedge against global volatility.

Trump's tariff policies, including a 10% baseline levy and higher rates on over 60 countries, continued to stoke inflationary fears, though Australia's exemption provided some relief. The Australian Treasury is expected to maintain stable auction sizes for August-October, signalling confidence in debt issuance. Strategists from HSBC and Morgan Stanley suggest bond yields could stabilize if the RBA cuts rates as expected, but persistent US trade disruptions may keep longer-dated yields under pressure.

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