



yieldreport Weekly

Your Income Advantage

11th to 15th August 2025



PART 1 – Equity & Bond Market Analysis

Weekly Overview

The S&P 500 and the NASDAQ climbed around 1%, recording their second positive week in a row but failing to match the previous week's stronger gains. It was the sixth positive week out of the past eight for both indexes.

The Dow climbed 1.7% for the week but finished 0.2% shy of joining the S&P 500 and the NASDAQ in record territory. While the Dow has yet to breach the historic peak that it reached last December, the other two indexes have remained above their late 2024 peaks for the past seven weeks, pushing their records higher.

A U.S. small-cap stock benchmark rallied to gains of 3.0% and 2.0%, respectively, on Tuesday and Wednesday en-route to an overall weekly result that outperformed a large-cap index by a wide margin. The small-cap benchmark finished 3.1% higher for the week versus a 1.0% gain for its large-cap counterpart.

The most widely traded cryptocurrency rose modestly for the week overall after briefly surging to a record high. The price of Bitcoin topped the \$124,000 level on Thursday, but it fell back to around \$118,000 later in the day and was trading around \$117,000 on Friday afternoon. On a year-to-date basis, Bitcoin was up nearly 26%.

Bond market trading on Friday continued to support recently growing expectations that the U.S. Federal Reserve is likely to cut its benchmark interest rate at its two-day meeting ending September 17. Prices in rate futures markets implied that most investors were expecting this year's first quarter-point rate cut at next month's meeting, with the prospect of one or two further cuts in October and December, according to CME Group's FedWatch tool.

Investors and economists will turn their attention to the Rocky Mountain town of Jackson Hole, Wyoming, where the U.S. Federal Reserve will hold its annual three-day economic policy symposium beginning Thursday, August 21. Fed Chair Jerome Powell is among the featured speakers, with an address scheduled on Friday.

Two reports presented a mixed picture of elevated inflationary pressures at the consumer and wholesale levels. The Consumer Price Index showed that inflation held steady at a 2.7% annual rate in July, even as higher tariffs appeared to boost prices at faster rates for some categories of goods. While that consumer report was in line with expectations, producer prices reflecting business costs recorded a bigger-than-expected 3.3% increase—the sharpest rise in five months.

U.S. retailers recorded a 0.5% month-over-month sales gain in July, matching economists' consensus forecast but trailing the prior month's upwardly revised figure of 0.9%. A separate report on Friday showed a weakening of U.S. consumer sentiment for the first time in four months and an increase in consumers' inflation expectations.

Trump Tariffs – Chips and India

India's 50% tariff targets energy trade imbalances, with 35.8% of crude imports from Russia versus 3.5% from the U.S., while exempting refined oil, pharmaceuticals, and consumer electronics, protecting nearly 16% of U.S. exports and supporting Apple's supply chain as India became the top U.S. mobile phone supplier in April-May 2024. Limited U.S. trade exposure (4.3% of GDP) gives India negotiating resilience compared to Vietnam and Thailand. The Reserve Bank of India's rate stability preserves monetary flexibility, while the selective exemptions allow India to maintain export revenue, apply pressure on secondary sectors, and incentivize energy trade rebalancing without triggering widespread economic disruption.

Even though Trump left some wiggle room to strike a deal, his vitriolic comments about India are upending a decades-long push by the US to court the world's most-populous country as a counterweight to China.

On August 7, Trump announced sweeping 100% tariffs on semiconductor imports, paired with exemptions for firms investing in U.S. manufacturing. Apple pledged an additional \$100 billion, while Taiwan's TSMC, Wistron, Yageo, and Pegatron also qualified through U.S. facility commitments.

Companies showing intent without progress risk audits and back-tax liabilities, creating strong pressure for tangible deployment. In parallel, unprecedented revenue-sharing deals now require Nvidia and AMD to remit 15% of China-related chip sales to the U.S. government as export license conditions, potentially generating \$1 billion per quarter from Nvidia's H20 sales alone. Nvidia CEO Jensen Huang's White House meeting paved the way for this landmark arrangement, marking the first time firms must pay revenue percentages for trade privileges. The announcement coincided with India doubling chip tariffs to 50% and the August 12 China trade deadline, signalling coordinated global pressure tactics designed to reshape semiconductor supply chains and strengthen U.S. leverage in negotiations.

Despite massive investment pledges, U.S. semiconductor capacity remains highly constrained, with TSMC's expanded operations lifting domestic share from just 6% to 11% of global output. Even with Apple's \$600 billion and TSMC's \$100 billion commitments, self-sufficiency is decades away. Current production covers less than 12% of U.S. demand, and CHIPS Act projections fall short of closing the gap. Severe talent shortages, up to 77,000 engineers and 69,000 technicians, further limit progress. Trump's 100% tariff threat thus functions mainly as negotiation leverage, consistent with his past tactics. Exemptions for firms investing in U.S. capacity, coupled with Nvidia/AMD revenue-sharing, emphasize financial extraction over true reshoring.

Chinese chipmakers have little U.S. market presence, making Trump's 100% tariff threat more about extracting concessions from non-Chinese firms ahead of U.S.-China trade talks. The 15% revenue-sharing deal on Nvidia and AMD's China sales channels funds directly to Washington, with Nvidia's H20 chips alone potentially generating \$1 billion quarterly. This arrangement balances economic benefit with controlled Chinese AI access, limiting tech transfer without full prohibition. Beijing's criticism of H20 reflects concern over U.S. leverage. Trump's reversal of the H20 ban after Nvidia's White House meeting underscores tactical flexibility, preserving U.S. gains while keeping semiconductor ties as bargaining leverage.

The semiconductor tariff framework's success hinges on sustaining negotiation pressure without disrupting U.S. technology leadership or alliances. Revenue-sharing deals risk undermining national security rationales and allied cooperation, complicating future multilateral tech restrictions. Key focus areas include August 15 U.S.-Russia talks and India's potential engagement with China, which could affect Asia-Pacific strategic alignment.

Market attention on Modi's first China visit in seven years underscores tensions between economic leverage and alliance goals, especially amid the U.S.-India trade expansion target of \$500 billion by 2030. The policy's effectiveness relies on selective technology access to balance revenue generation with maintaining strategic tech control.

US GDP Momentum – Soft landing expected

The 3.0% annualized rebound in Q2 GDP is largely misleading, as it stems almost entirely from tariff-driven trade distortions rather than genuine domestic strength. Imports collapsed by -30.3%, reversing Q1's +37.9% surge, as businesses unwound earlier tariff-related stockpiling. This sharp drop narrowed the goods trade deficit to \$86 billion, back to 2023 levels, but the improvement reflects inventory adjustments rather than a healthier economy. Stripped of this volatility, core private sector momentum shows clear weakness.

Final sales to private domestic purchasers, consumption plus private investment excluding government and trade slowed to just 1.2% annualized growth, down from 1.9% in Q1. This marks the weakest pace since 2022 and highlights a significant deceleration in underlying activity. In short, the headline GDP figure overstates economic resilience, as the underlying trend points to weakening private demand and investment momentum masked by temporary trade distortions.

Consumer spending showed only modest improvement in Q2, with goods rising 2.2% annualized and services 1.1%. However, both remain well below prior-year levels, and services, the largest share of the economy expanded just 1.9% year-over-year, slipping beneath the 2% threshold. This slowdown is troubling because services usually provide stability during manufacturing downturns, suggesting weakness is now spreading across the broader economy. The concurrent softening in both goods and services indicates a demand-driven slowdown rather than a temporary, tariff-related supply disruption. Evidence from the San Francisco Fed supports this view, showing tariffs may temporarily support manufacturing but ultimately reduce consumer purchasing power, cooling services demand. For a services-dominated economy like the U.S., this dynamic has a net negative effect. Overall, the data signals a genuine deceleration in consumer activity, highlighting diminished underlying momentum rather than a short-lived adjustment to trade distortions.

The labour market reflects a fragile “three-low” equilibrium, low supply, low hiring, and low layoffs. Labor force participation has slipped to 62.2%, the lowest since 2022, while unemployment rose modestly to 4.2% as workforce contraction offsets weaker demand. Unlike typical recessions with mass layoffs, this gradual cooling suggests a slowdown that policy can manage. Governor Bowman notes firms remain reluctant to cut staff, recalling pandemic shortages, which helps buffer recession risks. Employment weakness is broad-based, but education and healthcare largely sustain payrolls. Overall, the data points to a managed slowdown rather than imminent collapse.

The difference between a managed slowdown and a pre-recession stall lies in timing of policy support. With the Fed set to begin cutting rates in September, monetary easing arrives before fragile labour conditions translate into mass layoffs. This proactive stance contrasts with past cycles where delayed action deepened downturns. Historical patterns show tariff-driven slowdowns can achieve soft landings if paired with accommodation. The current 125bps easing cycle offers far more support than the restrictive 2018 backdrop. Combined with gradual demand cooling, worker hoarding by businesses, and broad policy responsiveness, the base case remains a slowdown—not a slide into recession.

Overview of the US Equities Market

Wall Street traders sent stocks down from all-time highs as data showed mixed indications on how American consumers are feeling about the economy. Investors also kept a close eye on a face-to-face meeting between Donald Trump and Vladimir Putin.

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Trump greeted his Russian counterpart with a handshake in Alaska as they kicked off a highly anticipated summit, with the US leader looking to secure an end to the war in Ukraine. A joint press conference was planned for after their meeting.

Before that, economic data showed a broad-based advance in US retail sales, boosted by car sales and major online promotions. Later, a separate report showed consumer sentiment unexpectedly fell for the first time since April and inflation expectations rose.

Markets are still wholly convinced that officials will cut rates by 25 basis points in September and follow that up with at least one other cut in October or December, noted Paul Ashworth at Capital Economics. He says Powell will possibly caution that a modestly restrictive policy stance remains appropriate.

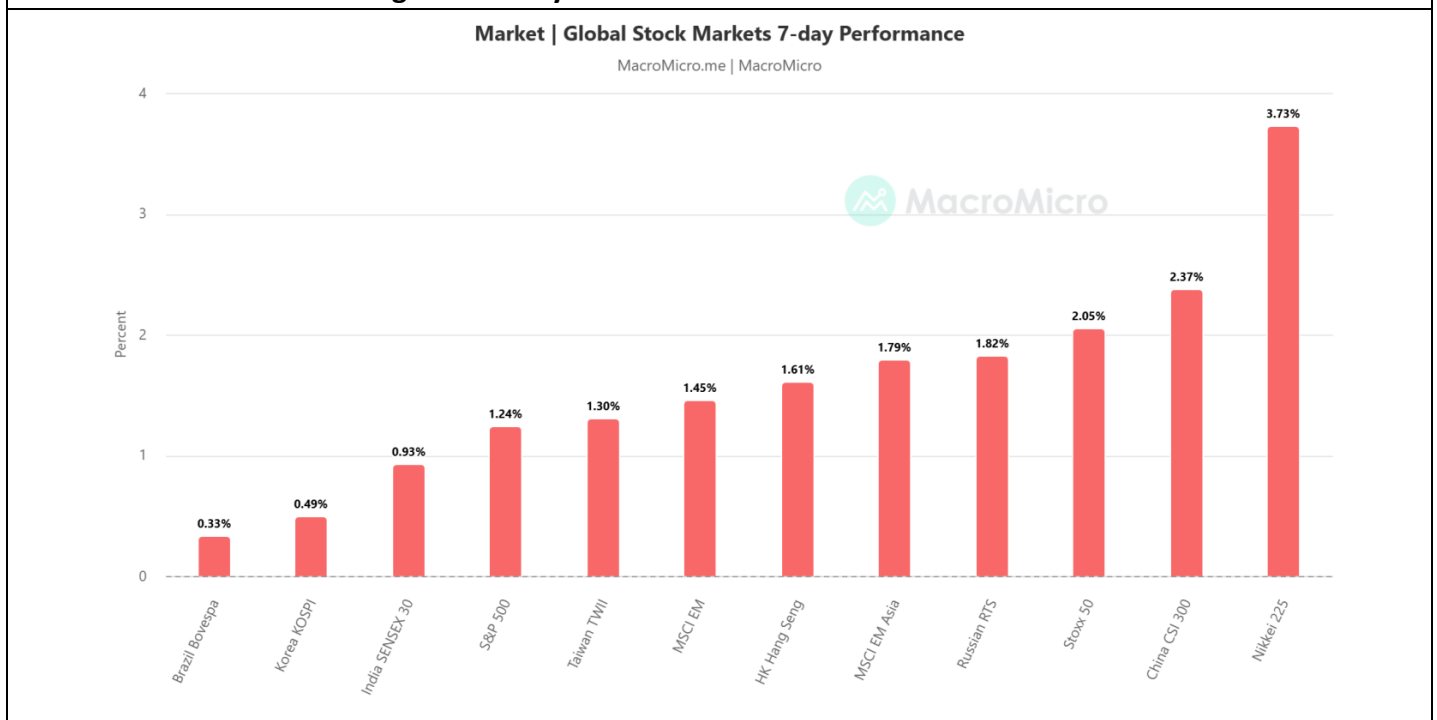
At Bank of America Corp., strategists led by Michael Hartnett say US stocks are set to decline in the event of dovish signals from the Fed in Jackson Hole as investors "buy rumour, sell fact."

Investors poured about \$21 billion into US equity funds in the week through Aug. 13, after redeeming nearly \$28 billion in the week prior, according to a BofA note citing EPFR Global data.

Retail investors are increasingly validated in the buy-the-dip approach, given the speed of the recovery from the recent selloff, potentially creating a self-fulfilling prophecy the next time the market experiences a minor selloff, according to Mark Hackett at Nationwide.

Over the past week, best stock market performance was noted in Japan (+3.7%) and China (+2.37%). EM beat DM and S&P500. Brazil, Korea and India all rallied but lagged the S&P500 performance.

Figure 1: 7-day Performance of Global Stock Markets



Overview of the US Treasuries and Other Fixed Income Markets

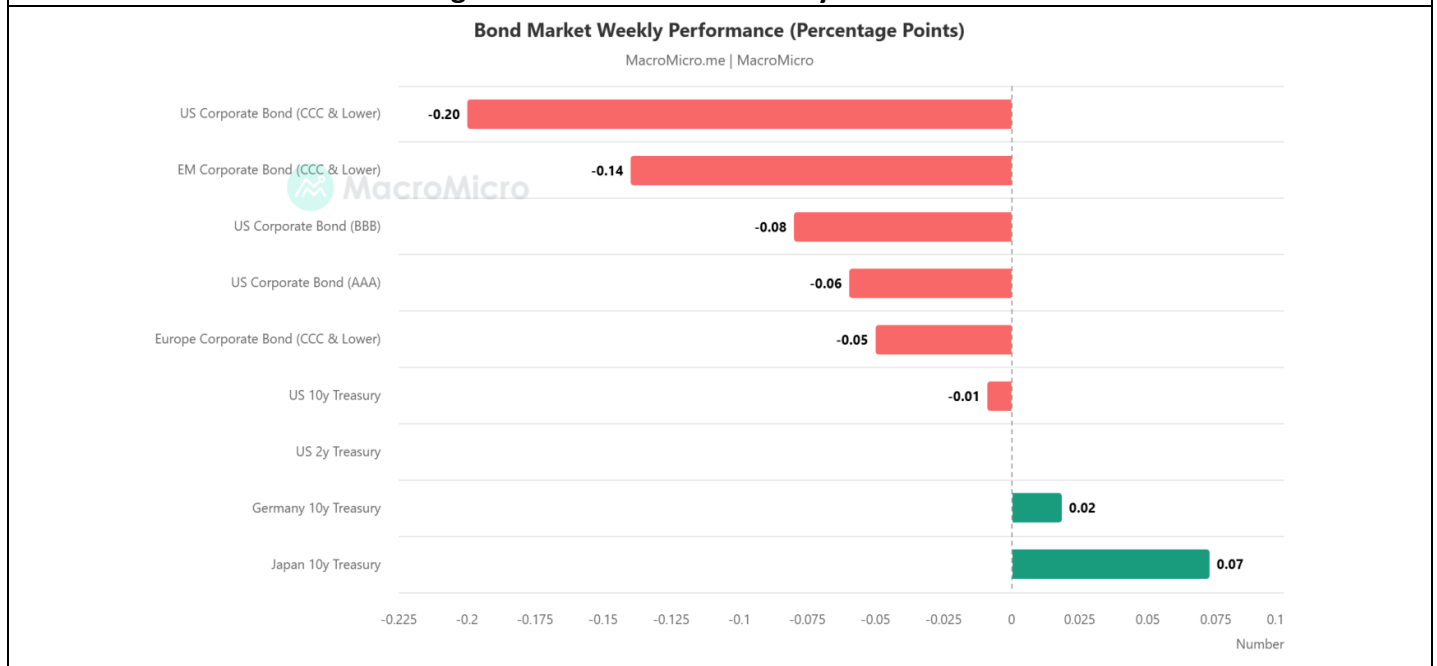
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Trump nominated Stephen Miran to fill Kugler's vacant Fed Board seat, adding a dovish voice aligned with pro-cut governors Waller and Bowman. Miran, a key Trump economic advisor and tariff policy architect, combines dovish leanings with experience using monetary policy to offset trade shocks, linking Trump's agenda with Fed independence. Bloomberg reports Waller, who dissented in July for immediate cuts, is now Trump's top Fed Chair pick, surpassing Warsh and Hassett. While Trump derides Powell as "Mr. Too Late," Powell has already shifted dovish, stressing employment risks and setting up September cuts based on fundamentals, not political pressure.

The 2026 Fed voting rotation removes two of the most hawkish voices, Schmid (Kansas City) and Musalem (St. Louis) and brings in a more dovish set of regional presidents: Hammack (Cleveland), Logan (Dallas), Paulson (Philadelphia), and Kashkari (Minneapolis). Kashkari, who recently pushed for two cuts in the dot plot, underscores the shift toward a neutral-to-dovish bias, softening the committee's stance even before any Trump-driven appointments take effect. At the same time, Waller's emergence as Trump's leading Fed Chair candidate offers strong political optics. His internal promotion would avoid credibility risks linked to outsider nominees like Warsh or Hassett, ensuring continuity, market stability, and alignment with Trump's push for easier monetary policy while preserving institutional legitimacy.

The alignment of Stephen Miran’s dovish appointment, Waller’s likely elevation to Fed Chair, and the 2026 voting rotation sets the stage for a 125bps easing cycle, 75bps in H2 2025 and 50bps in 2026. This sequencing enables steady policy accommodation across political transitions, with Waller’s internal promotion ensuring continuity from his current dissenting role to potential chairmanship, avoiding disruptions typical of outsider appointments. Unlike Trump’s first term, when rate hikes clashed with trade war pressures, the upcoming cycle positions monetary policy as a stabilizer against tariff impacts while preserving Fed independence. The rotation’s built-in dovish tilt, coupled with Trump’s preference for pro-cut nominees, guarantees accommodative momentum without resorting to controversial removals, protecting institutional credibility and avoiding constitutional risks over central bank autonomy.

Figure 2: Bond Market Weekly Performance



Following the passage of the One Big Beautiful Bill Act (OBBBA), the US debt ceiling was raised by \$5 trillion bringing total federal debt to \$36 trillion. This allows the Treasury to resume issuing debt after months of disruption.

According to updated Treasury estimates released on July 28, borrowing for the July–September quarter is now expected to reach \$1.01 trillion—almost twice the \$554 billion projected in April. The sharp increase is aimed at quickly restoring the Treasury General Account (TGA) to \$850 billion. For the October–December period, the Treasury plans to borrow an additional \$590 billion.

Heavy debt issuance after a debt ceiling increase isn’t new—we’ve seen this pattern many times. With a wave of supply coming in a short window, what does this mean for bond market and equity market liquidity?

Overview of the Australian Equities Market

The Australian share market closed the week at record highs, with the S&P/ASX200 surging 64.8 points (0.73%) to 8,938.6 and the broader All Ordinaries rising 63 points (0.69%) to 9,212.1, marking its best-ever close. The week delivered a 1.4% gain for the ASX200, supported by easing worst-case tariff fears, an RBA interest rate cut, strong Wall Street performance, and positive local earnings. Nine of 11 sectors finished higher, led by financials, mining, and energy.

The big four banks all closed in the green, with Westpac up over 8% in two days and CBA recovering post-earnings. Major miners including BHP, Fortescue, and Rio Tinto rose over 1.1% amid hopes of Chinese stimulus. Energy shares outperformed, boosted by Ampol's \$1.1 billion acquisition of EG Group's Australian assets, while Cochlear edged up 1% despite underwhelming profits. Gold miners benefited from a weaker Australian dollar, though Bitcoin fell over 4% after a recent record. The coming fortnight is set for high volatility as major companies like BHP, Woodside, Goodman Group, and CSL release results, while US-Russia talks in Alaska could add further market attention. The Aussie dollar ended slightly weaker at 65.07 US cents.

Reporting Season

The Australian company reporting season has begun in earnest, with investors closely watching earnings results that could set the tone for markets over the next two weeks. This period is particularly significant as it is the busiest fortnight of the year for corporate disclosures, with major companies across sectors releasing financial results. Key reporting names include BHP, Woodside, Goodman Group, CSL, Cochlear, and the big four banks, whose earnings and guidance are expected to influence broader market sentiment.

Early results have shown a mixed picture. Financials, including the major banks, have generally performed well, with Westpac rebounding strongly and CBA recovering after a post-earnings dip. Mining companies have benefitted from expectations of stimulus measures in China, lifting materials sector stocks. Energy companies, such as Ampol, have also attracted attention following strategic acquisitions, boosting sector performance. However, some companies, like Cochlear, have seen modest gains despite underwhelming profits, highlighting ongoing investor scrutiny of profitability versus expectations.

Sector performance during this reporting period reflects broader economic factors, including interest rate decisions, currency movements, and global commodity trends. Market analysts anticipate volatility as investors digest results, particularly around milestone levels for the S&P/ASX200. Overall, the reporting season is shaping up as a critical period for gauging corporate resilience, growth prospects, and investor sentiment across Australia's equity market.

This week, Australia's corporate earnings season showcased a mix of strong performances and cautious outlooks, influencing investor sentiment across the ASX.

Key Highlights:

Westpac reported a 14% rise in quarterly net profit to A\$1.9 billion, surpassing expectations and driving a 6.3% surge in its share price. This performance bolstered the broader financial sector, despite Commonwealth Bank's more modest results.

News.com.au

Telstra declared a 14% increase in adjusted operating earnings for FY25, totalling A\$8.61 billion, and announced a A\$1 billion share buyback. However, its earnings forecast for FY26 fell slightly below market expectations, leading to a 2% dip in its share price.

Reuters

Cochlear delivered a 1% gain in its share price, despite reporting a A\$392 million underlying net profit that underwhelmed investor expectations.

Amcor experienced a significant 9.7% decline in its share price due to weaker-than-expected performance in its North American operations.

Baby Bunting shares soared 40.5% following strong earnings growth and expansion plans, highlighting resilience in the consumer sector.

Overall, while the reporting season has delivered a mix of results, the ASX has reached record highs, fuelled by robust earnings in key sectors and investor optimism.

That said, we expect the following trends to continue over the reporting period.

Earnings decline led by ASX200 Resources profits are forecast to fall 1.7% in FY25, marking the second consecutive year of contraction. The resources sector is the primary drag, with mining and energy earnings expected to drop nearly 20%, driven by weaker commodity prices and global demand.

Tech and Communication Services are likely to outperform. In contrast, with technology and communication services as bright spots. Tech firms are projected to grow earnings by 30%, fuelled by digital transformation and AI adoption. Online classifieds and software providers are showing strong earnings momentum.

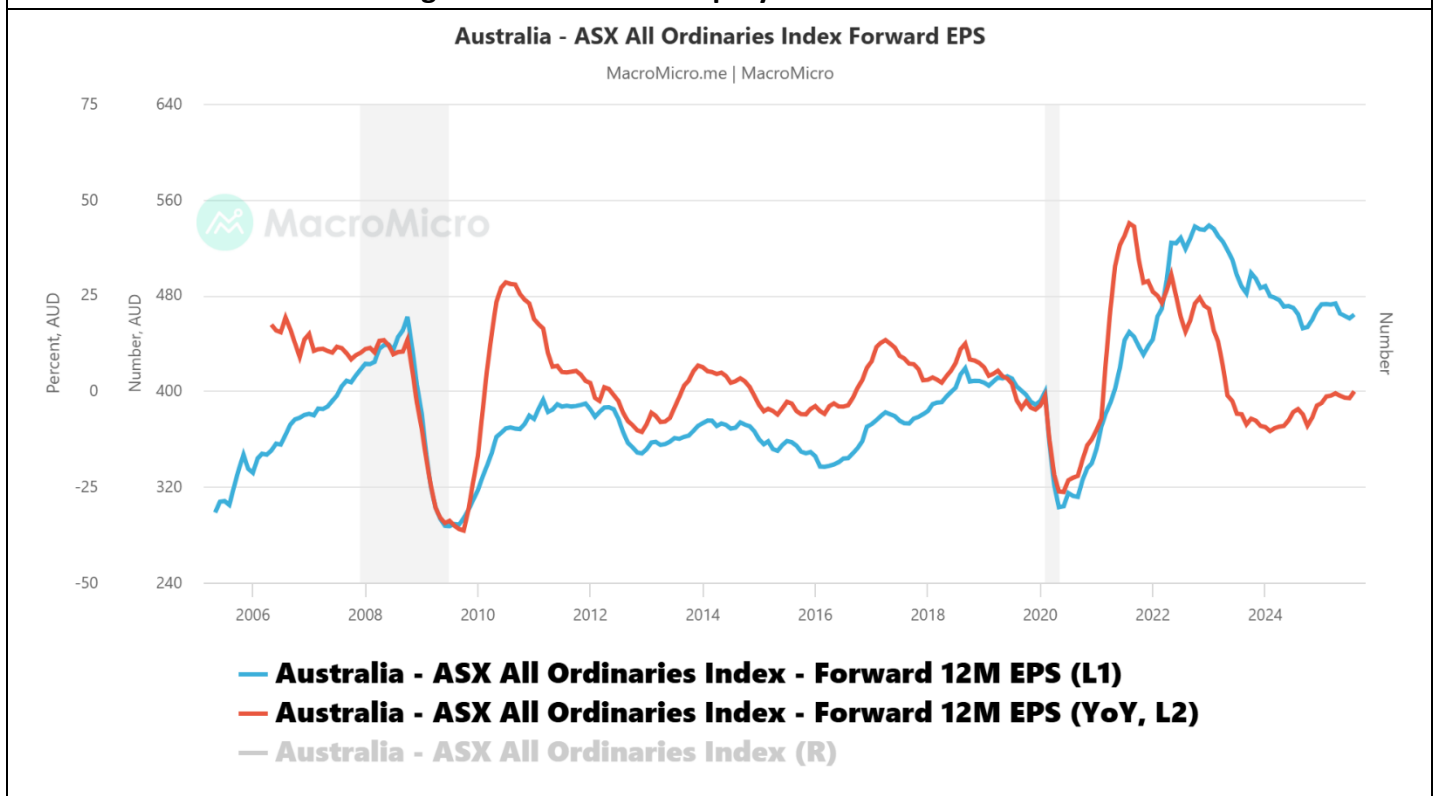
Valuation risks remain a concern as the ASX trades at a forward P/E of 19.5–20x, well above historical averages. This raises the stakes for companies to meet or exceed expectations. Any earnings miss could trigger sharp market price reactions (refer to Figure 3 below).

Margin pressures and cost out is likely to remain a key theme. Companies are grappling with rising input costs, wage inflation, and interest rate uncertainty. Those with pricing power or operational efficiency are better positioned to defend margins.

Despite real wage growth and tax cuts, consumer confidence remains fragile due to high mortgage and rent costs. Retailers like Wesfarmers and JB Hi-Fi have outperformed, but sustainability is questioned. US tariffs and China's sluggish recovery are impacting export-oriented sectors. While Australia is relatively insulated, firms with US exposure like Ansell and Breville face risks.

While FY25 may mark a low point, analysts expect earnings recovery in FY26, supported by potential rate cuts and improving global conditions.

Figure: 3 – Australian Equity Market EPS Growth



Overview of the Australian Government Bond Market

Last week, the Australian bond market experienced notable activity, influenced by domestic economic developments and global market trends

On August 12, the Reserve Bank of Australia (RBA) reduced the official cash rate by 25 basis points to 3.60%, marking the third rate cut of the year. This decision was driven by moderating inflation and a cooling labour market. Following the announcement, Australian government bond yields declined across the curve. The 10-year yield eased to 4.23%, down from 4.26% the previous day. Shorter-term yields also saw modest decreases, reflecting market expectations of continued accommodative monetary policy.

The Reserve Bank of Australia (RBA) reduced the official cash rate by 25 basis points to 3.60% on August 12, 2025—the third rate cut this year—citing several key factors:

Moderated Inflation: Underlying inflation has eased to 2.7% in the June quarter, aligning with the RBA's 2–3% target range.

Slowing Economic Growth: Economic expansion has slowed, with GDP growth at 1.3% year-on-year and a 0.2% increase in the first quarter of 2025.

Rising Unemployment: The unemployment rate has increased to 4.3%, indicating a cooling labor market.

Global Economic Uncertainty: While global trade tensions persist, Australia has not yet shown significant negative impacts from these challenges.

RBA Governor Michele Bullock emphasized that future rate decisions will depend on incoming economic data, with the possibility of further cuts if conditions warrant. This rate cut aims to stimulate economic activity while maintaining inflation within the target range. Economists anticipate that the RBA may implement additional rate cuts later in the year if economic conditions continue to support such measures.

The Reserve Bank of Australia's (RBA) August 2025 Statement on Monetary Policy provides a comprehensive assessment of the nation's economic conditions and outlook.

Global Economic Conditions:

The RBA anticipates a modest slowdown in global GDP growth during the latter half of 2025 and into 2026, influenced by higher tariffs and ongoing policy uncertainties. While U.S. growth is expected to decelerate, China's economy is projected to remain resilient, supported by fiscal and monetary stimulus measures. The risks of a widespread trade war have diminished, but uncertainties persist regarding the effects of trade policies on global activity and inflation.

Domestic Economic Conditions:

Domestically, the RBA has revised its GDP growth forecast for 2025 down to 1.7%, from the previous 2.1%, reflecting weaker-than-expected public demand and a lower outlook for productivity growth. The central bank attributes this productivity slowdown to factors such as weak wage growth, falling consumer spending, and reduced business profits. Consequently, the potential growth rate of the economy is now estimated at 2.0%, down from 2.25% previously.

Reuters

Inflation and Monetary Policy:

Inflation has moderated, with underlying inflation expected to remain around the midpoint of the RBA's 2–3% target range. The cash rate was reduced to 3.6% in August 2025, marking the third rate cut of the year. The RBA indicated that further rate cuts may be considered if economic conditions warrant.

Labor Market:

The unemployment rate is projected to remain stable at 4.3% over the forecast period. The labor market is expected to be close to full employment, though some tightness may persist. The RBA will continue to refine its assessment of full employment as more data becomes available.

Reserve Bank of Australia

Risks and Uncertainties:

The RBA acknowledges heightened uncertainty regarding both domestic and global economic conditions. The central bank remains vigilant and ready to adjust monetary policy as necessary to achieve its objectives of price stability and full employment.

In summary, the RBA's August 2025 Statement on Monetary Policy highlights a cautious economic outlook, with moderated inflation, slower economic growth, and ongoing uncertainties influencing monetary policy decisions.

In the corporate sector, the Commonwealth Bank of Australia (CBA) launched a \$5 billion bond issuance, attracting over \$8 billion in demand. The offering included both fixed and floating rate bonds with maturities of 3.25 and 5 years. The strong investor interest was attributed to a search for safe investment options amid market liquidity and strong equity valuations.

Looking ahead, the bond market remains attentive to upcoming economic data, particularly regarding inflation and employment figures. Analysts anticipate that the RBA may implement additional rate cuts later in the year if economic conditions continue to support such measures. The combination of lower rates and subdued inflation is expected to sustain investor interest in fixed-income securities.

In summary, the Australian bond market last week reflected a response to the RBA's rate cut and strong corporate bond issuance, with yields adjusting accordingly and investor sentiment remaining cautiously optimistic.

Figure 4: Australia 3 and 10-year Bond Yield Spread

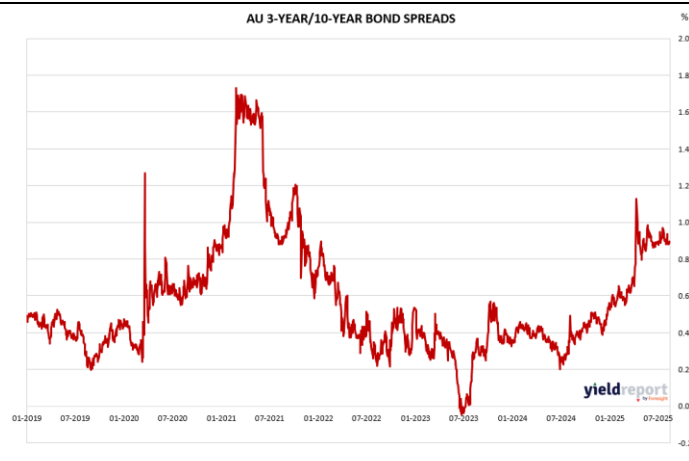
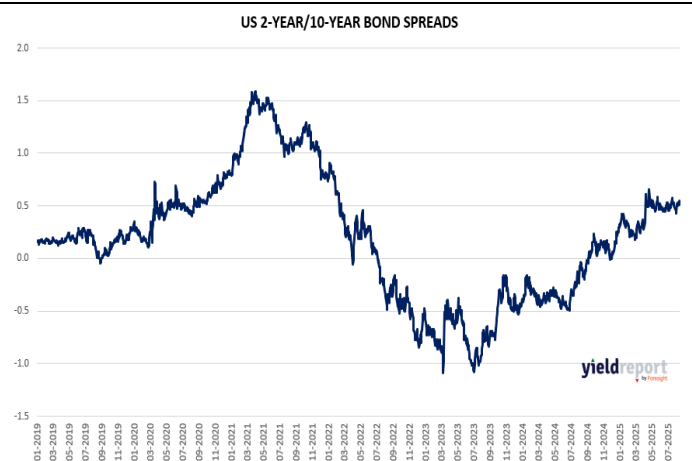


Figure 5: US 2 and 10-year Bond Spread

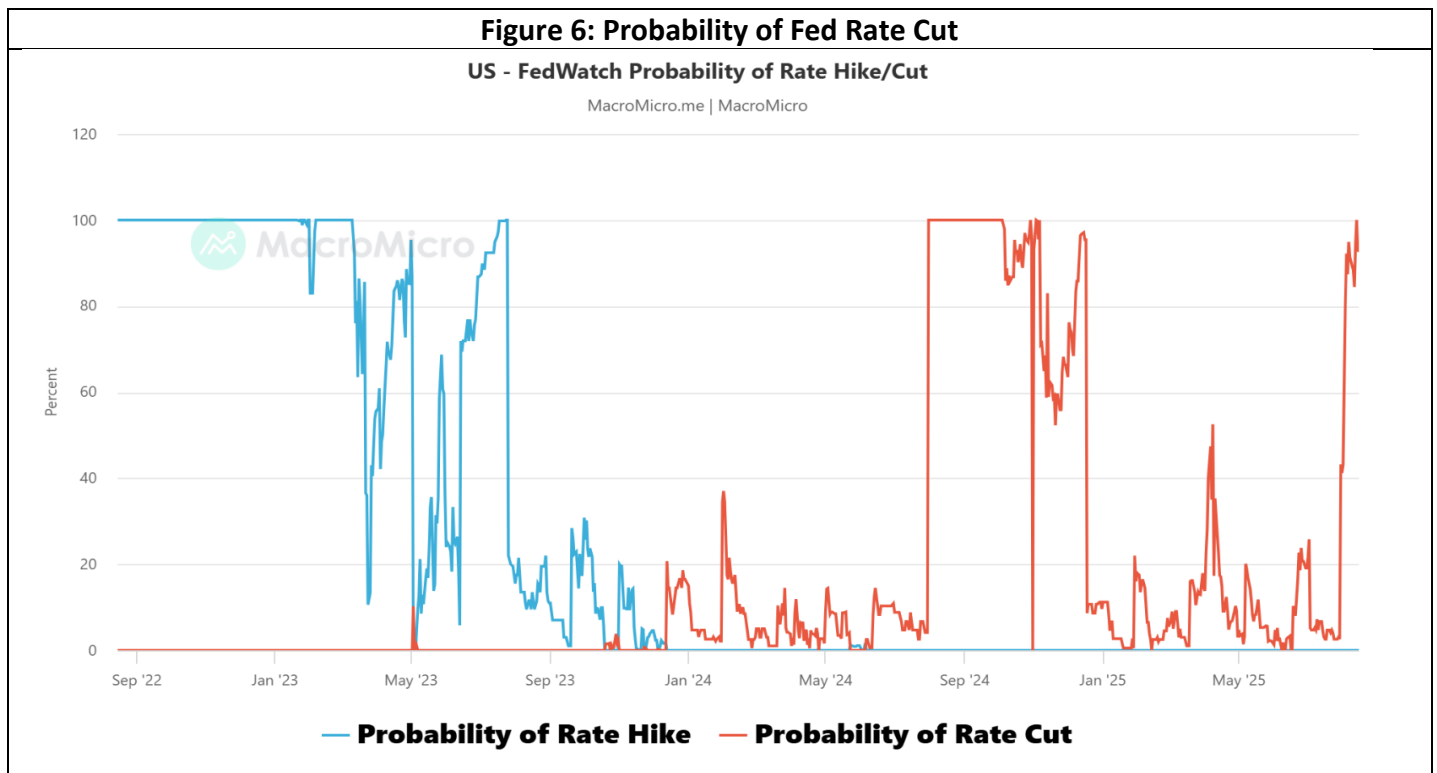


Market Summary Table

Name	Week Close	Week Change	Week High	Week Low
Cash Rate%	3.60%			
3m BBSW %	3.612	-0.0786	3.612	3.612
Aust 3y Bond %*	3.325	-0.052	3.377	3.322
Aust 10y Bond %*	4.23	-0.027	4.257	4.215
Aust 30y Bond %*	4.97	-0.006	4.976	4.946
US 2y Bond %	3.7233	-0.0163	3.754	3.687
US 10y Bond %	4.281	0.0271	4.293	4.24
US 30y Bond %	4.8725	0.0432	4.885	4.828
iTraxx	67	0	71	67
\$1AUD/US¢	65.1	-0.1	66.01	59.54

Chart of the week: Probability of Fed Rate Cut

The base case scenario of "economic slowdown enabling Fed rate cuts without falling into recession" remains intact, supported by businesses' reluctance to lay off workers, gradual rather than sudden demand deceleration, and policy makers' proactive rather than reactive stance on providing economic support. The current cash rate market expectations show the probability of rate cut to be almost 100%. Last weeks equity and bond market price action has been driven by these expectations.



Looking ahead: Major Economic Releases for the Week Ending 22 August

In Australia, the focus is on the S&P Global PMI Flash data for August. These releases for manufacturing, services, and composite sectors will offer an early glimpse into the health of the Australian economy at the start of the new quarter. The reports will be crucial for understanding business sentiment, particularly in light of recent economic developments and potential shifts in monetary policy. Any signs of a slowdown or contraction could bolster the case for a future interest rate cut by the Reserve Bank of Australia, while stronger than expected numbers might signal economic resilience.

In the United States, the week is packed with high-relevance data releases. Housing figures, including July's Housing Starts and Existing Home Sales, are expected to provide insights into the real estate market's resilience in the face of elevated mortgage rates. Additionally, the labor market will be in focus with the weekly Initial Jobless Claims, which serves as a timely gauge of layoffs and overall employment conditions. Finally, the Philly Fed Business Index and the S&P Global PMI Flash data for August will shed light on the state of the manufacturing and services sectors, providing crucial forward-looking indicators of economic activity and potential inflationary pressures. Together, these releases will help shape the market's expectations for the Federal Reserve's future policy decisions.

Major Economic Releases for the Week ending 22 Aug, 2025				
Date	Country	Release	Consensus	Prior
Tuesday, 19/08	United States	Housing Starts Number	1.295	1.321
Wednesday, 20/08	Australia	S&P Global Mfg PMI Flash	n/a	51.3
Wednesday, 20/08	Australia	S&P Global Svs PMI Flash	n/a	n/a
Wednesday, 20/08	Australia	S&P Global Comp PMI Flash	n/a	n/a
Thursday, 21/08	United States	Initial Jobless Clm	226	224
Thursday, 21/08	United States	Philly Fed Business Indx	6	15.9
Thursday, 21/08	United States	S&P Global Mfg PMI Flash	49.5	49.8
Thursday, 21/08	United States	S&P Global Svcs PMI Flash	53.7	n/a
Thursday, 21/08	United States	S&P Global Comp PMI Flash	n/a	n/a
Thursday, 21/08	United States	Existing Home Sales	3.91	3.93

Source: Refinitiv

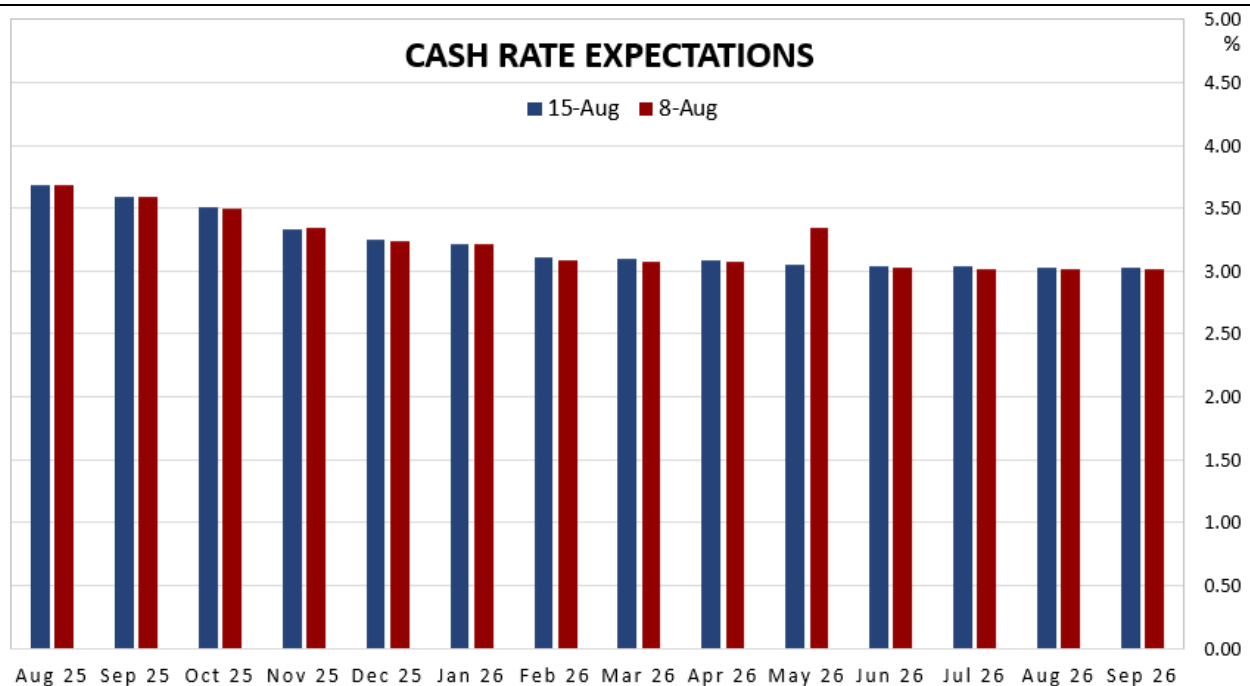
PART 2 – Investment Opportunity Review

Defensive Income – Cash

Last week, the Australian cash market was driven by the Reserve Bank of Australia's (RBA) monetary policy actions, domestic economic data, and strong corporate issuance. On August 12, the RBA cut the official cash rate by 25 basis points to 3.60%, marking the third reduction this year. The decision was driven by moderating inflation, which eased to 2.7% in the June quarter, a slowing economy with GDP growth at 1.3% year-on-year, and a cooling labor market reflected in a 4.3% unemployment rate. Following the announcement, government bond yields declined across the curve, with the 10-year yield easing to 4.23% and shorter-term yields also falling, signaling market expectations for continued accommodative policy.

Looking ahead, the cash market remains attentive to domestic economic indicators, particularly inflation and employment data. The RBA has signaled that further rate cuts could occur if economic conditions warrant, while inflation is expected to stay within the central bank's 2–3% target range. Global uncertainties, including trade tensions and slowing GDP growth in major economies, also continue to influence investor sentiment.

Figure 7: Market Expectation on Cash Rate



Defensive Income- Term Deposits

The movements in term deposit rates by major and non-major banks continue to show variability. Over the past week, ended August 15, 2025, there were a mix of up and down movements, though stability is notable in some terms.

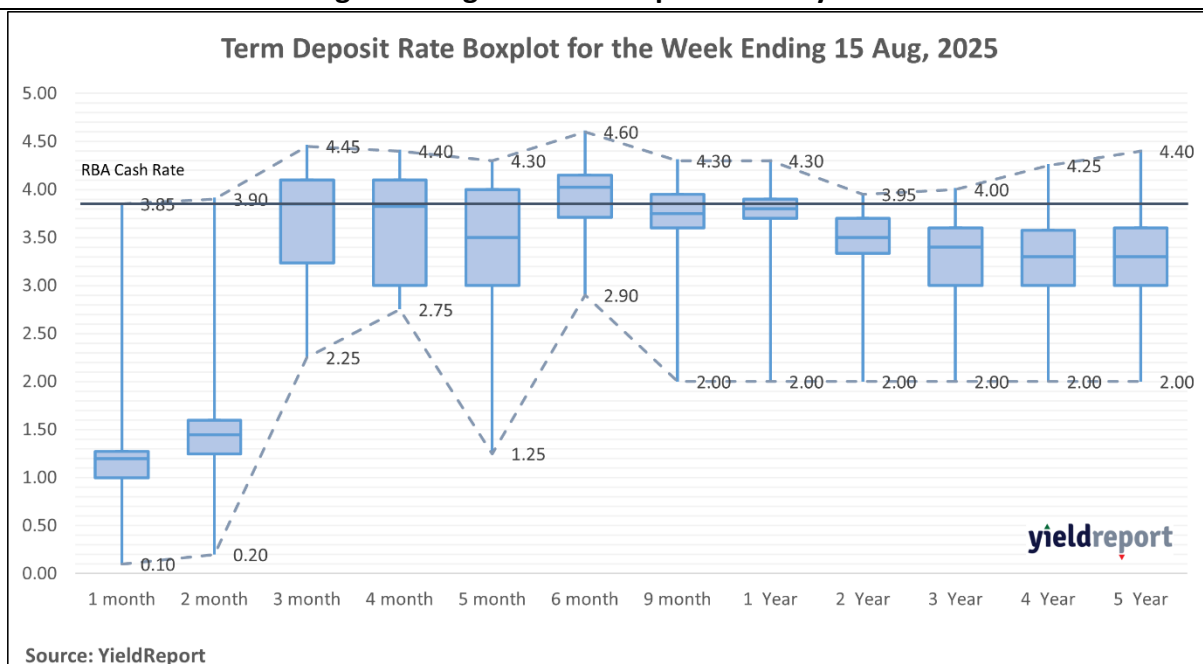
Our survey across 42 institutions indicates that the most contested term deposit term remains 6 months, followed by 3 months and 1 year, with sample sizes of 42 each.

This week the best rate with a 3-month term was 4.45%, steady from the week before, with in1bank offering the top rate. The median rate of 3.85% reflects a broad range from 2.25% to 4.45%.

This week the best rate within 6 months term was 4.60%, unchanged from last week, offered by Teachers Mutual Bank. The median rate of 4.03% shows a tight quartile spread of 0.44%, indicating consistency. Interestingly, the best 5-year rate held at 4.40%, led by Rabobank Australia, with Judo Bank at 4.35%. The median rate held at 3.30%, with a range from 2.00% to 4.40%.

Our analysis shows term deposits with rates above 4% are holding strong. In the 3-month category, 14 institutions now offer over 4%, unchanged from last week. In the 6-month category, 21 institutions exceed 4%, unchanged from last week, reinforcing the 6-month term's competitiveness.

Figure 8: Highest Term Deposit Rate by Term



Defensive Income – Government Bonds

Last week, the Australian bond market was driven by the Reserve Bank of Australia's (RBA) monetary policy actions, domestic economic data, and strong corporate issuance. On August 12, the RBA cut the official cash rate by 25 basis points to 3.60%, marking the third reduction this year. The decision was driven by moderated inflation, which eased to 2.7% in the June quarter, a slowing economy with GDP growth at 1.3% year-on-year, and a cooling labour market reflected in a 4.3% unemployment rate. Following the announcement, government bond yields declined across the curve, with the 10-year yield easing to 4.23% and shorter-term yields also falling, signalling market expectations for continued accommodative policy.

Corporate bond activity was robust, exemplified by the Commonwealth Bank of Australia's \$5 billion issuance, which drew over \$8 billion in investor demand. The offering included both fixed and floating rate bonds with maturities of 3.25 and 5 years, reflecting strong appetite for secure fixed-income instruments amid liquidity in the market and high equity valuations.

Looking ahead, the bond market remains attentive to domestic economic indicators, particularly inflation and employment data. The RBA has noted that further rate cuts could occur if economic conditions warrant, while inflation is expected to stay within the central bank's 2–3% target range. Global uncertainties, including trade tensions and slowing GDP growth in major economies, also continue to influence investor sentiment.

Overall, last week's market activity highlights investor responsiveness to monetary policy and economic developments. Bond yields adjusted lower following the rate cut, corporate issuance attracted strong demand, and the outlook remains cautiously optimistic, with expectations of sustained interest in fixed-income assets as the RBA balances support for growth with price stability.

Figure 9: Aust. 10 yr minus 3 yr Bond Spread

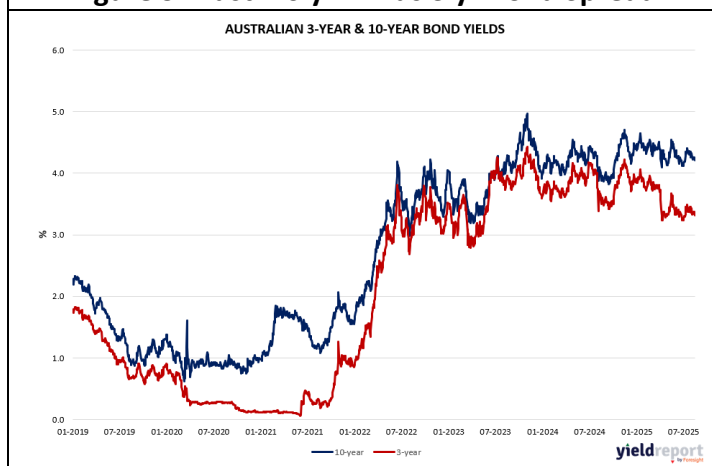


Figure 10: Aust & US Bond Yields Spread

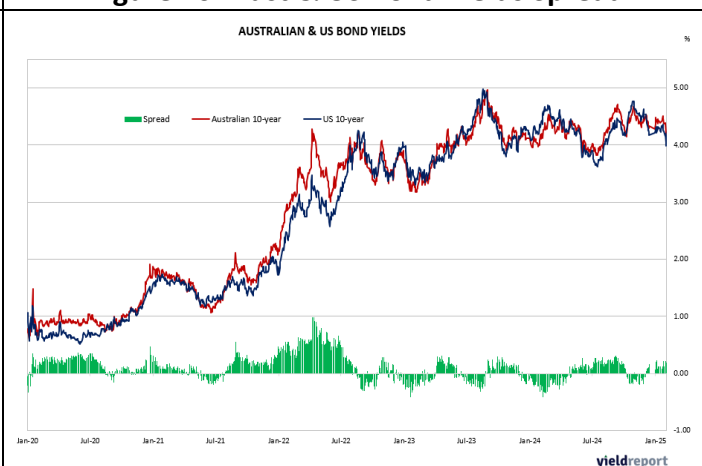
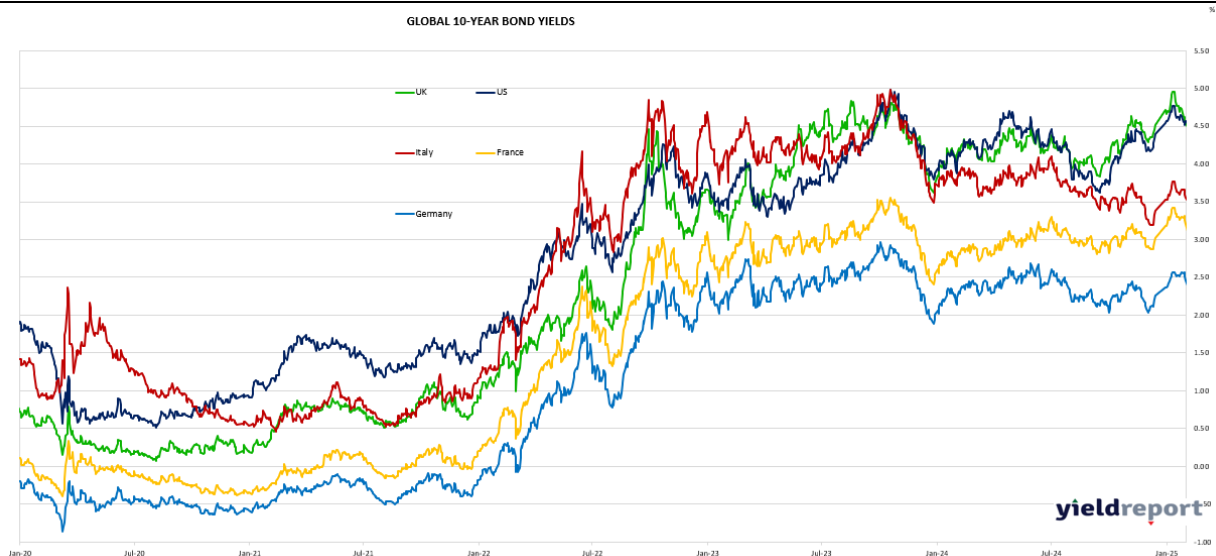


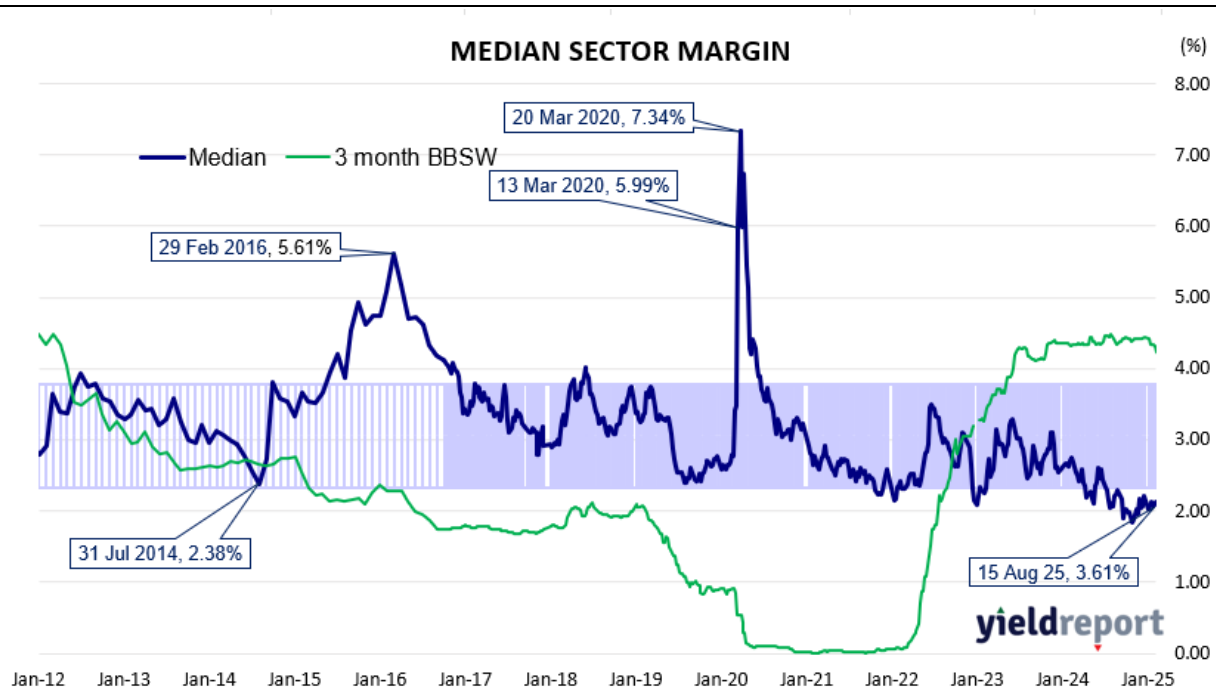
Figure 11: Global 10 yr Bond Yields



Bank & Corporate Hybrids

Bank hybrid securities again delivered high income with little price volatility. The YieldReport data shows the average trading margin 3.6% and running yields sat mostly in the between 6 and 7%. Key “capital note” issues remained in tight ranges (day-to-day price moves <0.1%), reflecting balanced demand. Notably, Westpac Capital Notes 5 (WBCPH) traded with a very wide margin (~40%) owing to its imminent call date. Overall, the average trading margin of hybrid securities is below long term average and demonstrates lower level compensation for the risk taken by investors. This type of tight spreads are also observed in the local and global corporate bond markets, particularly in the investment grade segment.

Figure 12: Hybrids: Median Sector Margin



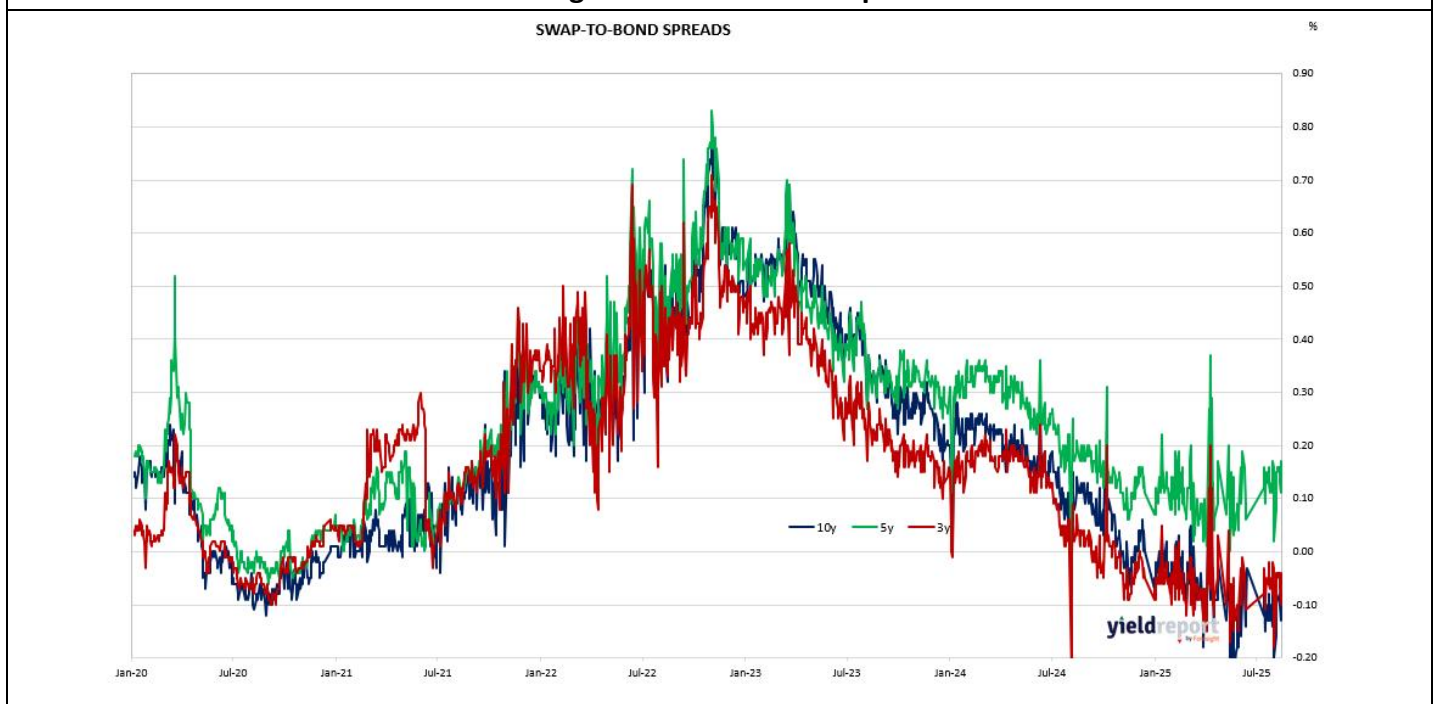
Bank Bill Swaps

The Bank Bill Swap Rate (BBSW) market moves reflected the RBA's decision to cut the cash rate by 0.25% to 3.6% on the back of improving inflation picture and weakening GDP growth prospects.

For the week ending 15th August 2025, the 1-month BBSW held at 3.56% (down 7 bps), while the 3-month BBSW closed at 3.61% (down 8bps), based on daily data trends. The 6-month BBSW dropped 10 basis points to 3.72%, reflecting a an easing short-end yield curve amid RBA rate cut by 0.25% and possibly further accommodative RBA stance in the coming months.

The longer end of the swap rate curve steepened during the week with the 1-year swap rate down 5 basis points to 3.29%. The 3-year swap rate dropped 4 basis points to end the week at 3.26%. The 5-year swap rate dropped 4 basis points to 3.66%, reflecting investor expectations of revised cash rate path for Australia following RBA's highly anticipated rate cut amid slowing domestic growth and uncertainties around US tariffs.

Figure 13: Bank Bill Swaps



ETFs

Investors funnelled nearly \$19 billion into U.S.-listed ETFs during the week ending August 8, bringing year-to-date inflows to over \$696 billion. Fixed income ETFs dominated, attracting \$15.3 billion—roughly seven times the \$2.2 billion that flowed into U.S. equity ETFs.

Equity markets saw mixed movement: the S&P 500 returned to its late-July record high without surpassing it, while the Nasdaq 100 reached fresh all-time highs. Bond rates remained steady amid growing expectations of a Federal Reserve rate cut in September, with the CME FedWatch Tool indicating over a 90% probability of a reduction.

Among individual ETFs, the Communication Services Select Sector SPDR Fund (XLC) led inflows with \$3.8 billion, driven by strong performances from Alphabet and Meta. The Vanguard S&P 500 ETF (VOO) followed with \$3.3 billion, while short-term bond ETFs such as iShares 0-3 Month Treasury Bond ETF (SGOV) and SPDR Bloomberg 1-3 Month T-Bill ETF (BIL) also saw significant inflows. Investment-grade and high-yield corporate bond ETFs like LQD and HYG added more than \$1 billion each.

Outflows were concentrated in some major equity and leveraged ETFs, with SPDR S&P 500 ETF Trust (SPY) seeing a \$11.3 billion withdrawal and Invesco QQQ Trust (QQQ) losing \$3.5 billion.

Overall, U.S. fixed income ETFs remain the standout beneficiaries of investor flows, reflecting strong demand for yield in anticipation of Fed rate cuts, while equity ETFs experienced mixed sentiment with selective sector and mega-cap stock interest.

Corporate Bonds

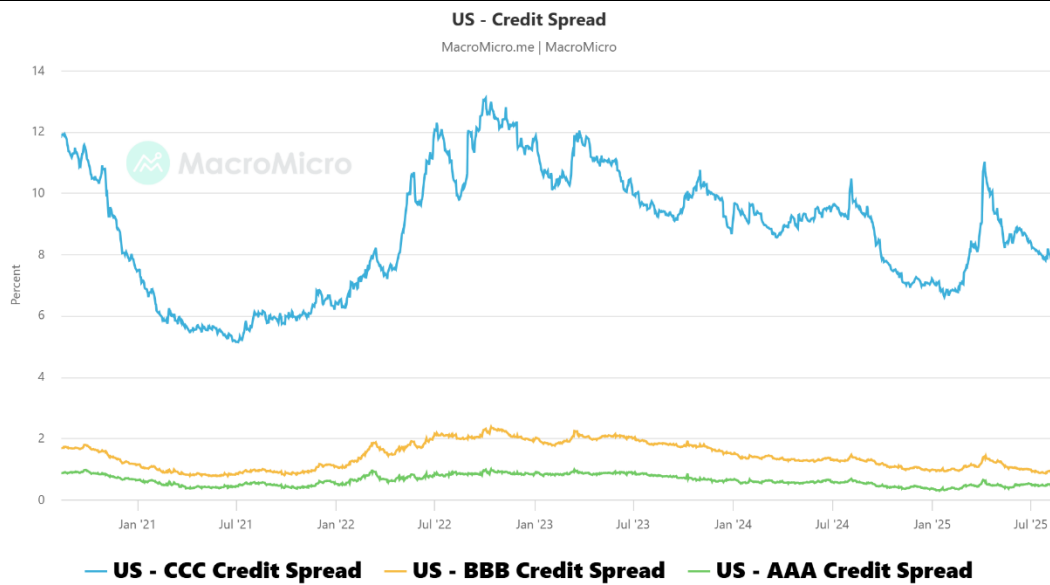
US corporate-bond valuations have surged to their highest level in nearly 30 years as investors rush to secure elevated yields amid expectations of Federal Reserve rate cuts next month. The extra yield, or spread, over Treasuries for investment-grade bonds fell to 73 basis points on Friday—the lowest since 1998—indicating bonds have become unusually expensive. Investors are prioritizing locking in current interest rates despite economic slowdown risks and ongoing trade tensions.

High-grade bond yields have averaged over 5% in the past three years after the Fed raised rates to combat post-pandemic inflation, attracting strong demand from institutional investors, pension funds, and insurers. Some previously cautious investors, scarred by the 2022 market rout, are now rushing in, driven by “FOMO” as opportunities to secure attractive yields diminish.

The surge in demand is fueling record inflows into investment-grade bond funds, according to JPMorgan strategists, particularly as rate cuts are increasingly priced in for upcoming Federal Open Market Committee meetings. Limited new issuance adds further support, as companies delay borrowing in anticipation of lower rates. With lower supply and compressed spreads, traders find it increasingly challenging to identify profitable trades, highlighting the intensity of the current market rally.

Overall, the combination of Fed expectations, strong fund inflows, and constrained supply has driven corporate bond valuations to historic highs, reflecting both investor confidence and heightened competition for yield.

Figure 14: US Corporate Bond Spreads



Listed Notes

The ASX-listed notes market remains relatively narrow, with only a handful of securities currently trading. The chart highlights the two Australian Unity bonds on issue: **AYUHD** and **AYUHE**.

- **AYUHD (Series D)** carries a margin of **+2.15% over BBSW**, with a first call date in **December 2026**. It is currently trading at a margin of **3.78%**, a modest tightening over the past week, with the price around **\$100.25** and a running yield of **5.87%**.
- **AYUHE (Series E)** offers a slightly higher issue margin of **+2.50%**, with a longer call date in **December 2028**. The trading margin has eased to **3.18%**, with the security priced at **\$100.65** and generating a running yield of **6.21%**.

Alongside the Australian Unity issues, **Centuria Capital's subordinated note (C2FHA)**, with maturity in April 2026, remains the highest-yielding listed note. It trades at a **5.27% margin** above BBSW, reflecting both its **higher credit risk profile** and the elevated 4.25% issue margin. The note is priced slightly above par at **\$102.14**, delivering a running yield close to **7.90%**.

Overall, spreads across listed notes have been relatively stable, with some mild tightening reflecting ongoing investor appetite for floating-rate securities in a higher-for-longer rate environment. The **shorter-dated AYUHD** continues to trade wider than AYUHE despite its closer maturity, indicating a market preference for the **additional spread offered by Centuria** and the **duration premium in AYUHE**.

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