yieldreport Weekly

Your Income Advantage

28th July to 1st August 2025

PART 1 – Equity & Bond Market Analysis

Weekly Overview

The global economic and financial landscape saw significant developments this week, notably driven by global trade negotiations, big tech earnings, and evolving U.S. policy direction under President Trump. Markets responded with strong equity rallies, led by optimism over tariff resolutions and confidence in AI-led growth stories.

Over the week, the S&P 500 fell about 1.6%, extending a broader sell-off driven by disappointing Labor data and new tariffs undercutting investor sentiment .

Most sectors posted losses, reflecting the shift in market tone:

In commodities, copper rose 4.05% and iron ore increased 1.37%, reflecting a resurgence in industrial optimism. Bond yields remained stable globally, although Japan's 10-year yield hit its highest level since 2008 due to renewed trade optimism. The U.S. dollar and gold were steady amid lingering safe-haven demand.

Tariff Negotiations: High Stakes Before August 1st

President Trump's updated global tariff framework is reshaping the trade landscape ahead of an August 1 deadline. Rates range from 15% for Japan and the EU to a high of 50% for Brazil. Countries like Mexico (30%), Canada (36%), and South Korea (25%) fall in between.

Japan's Historic Deal

Japan achieved a breakthrough with a 15% automotive tariff rate—the first country to receive a direct cut without quotas. In exchange, Japan pledged:

- $550B in U.S.-bound investments
- 100 Boeing aircraft purchases
- $17B annual defence spend with U.S. firms
- Major concessions on auto safety testing requirements

This deal gave Japanese automakers a competitive edge, as the sector had previously been the hardest to negotiate.

EU Agreement with Caveats

The EU also secured a 15% base tariff rate, but major sectoral disagreements remain unresolved—notably in steel, aluminium, and pharmaceuticals. Implementation risk remains high, as mixed messaging has emerged from both sides.

Strategic Negotiation Patterns

Emerging economies like Indonesia and the Philippines secured 19% rates by offering strategic cooperation. Treasury Secretary Bessent hinted that final rates may settle in the 10-20% range, with USMCA-style, sector-specific exemptions likely.

A pivotal week for the U.S. economy concluded with increasingly clear signs of weakening momentum. The headline event was July's labour market report showing a sharp slowdown: only 73,000 jobs were added, significantly below expectations and marking the weakest three-month average since 2010. May and June figures were also revised down by a combined 258,000, while the unemployment rate ticked up to 4.2%. These labour data jolted sentiment and triggered a re-pricing of rate-cut expectations—markets now see as much as an 80%–83% chance of a Fed rate cut by September.

Trade tensions escalated further with President Trump announcing sweeping new tariffs on goods from over 60 nations, raising rates to 10%–41% and creating renewed inflation, supply-chain pressures, and uncertainty. Political drama intensified when the Bureau of Labour Statistics commissioner was abruptly dismissed, sparking concerns over the independence of data reporting.

Financial markets reacted accordingly—stocks sank bonds and yields dropped sharply, and the dollar weakened amid elevated volatility. The yield on the 2-year Treasury fell by around 25 basis points, signalling deep concerns about growth.

Other economic indicators released earlier in July painted a cooling picture: CPI inflation (year-on-year) stood at 2.7% for June, wage growth remained modest and industrial and retail data pointed to slower household demand.

Markets rotated into safer fixed income assets amid growing economic headwinds. Short-term yields fell substantially on weak jobs data, while long-dated Treasuries dropped modestly. The Treasury's proactive issuance and liquidity strategies aim to mitigate stress as volatility rises. Expectations for Federal Reserve rate cuts this fall have solidified, anchoring bond market dynamics heading into Q3.

Overview of the US Equities Market

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Most sectors posted losses, reflecting the shift in market tone:

Consumer Discretionary and Information Technology—exposed to tech-heavy mega-caps like Amazon, Nvidia, and Meta—led the declines. Amazon slid ~8%, and key tech stocks dropped sharply, dragging both sectors lower.

Financials also softened as weak payrolls and tariffs clouded the economic outlook, increasing pressure on banks and payment firms.

Defensive sectors fared relatively better: Health Care, Consumer Staples, and Utilities outperformed their cyclical, benefiting from safe-haven flows amid increasing volatility and recession concerns. While week-specific figures aren't available, same sectors led gains in Q1 amid cautious sentiment.

Energy, often a laggard due to sensitivity to geopolitical shocks and tariff uncertainty, underperformed again—they posted modest gains earlier in 2025, but were weighed down in this week's risk-off environment.

In summary: growth sectors (tech, discretionary, financials) were hit hardest, while defensive areas provided relative stability in a turbulent week. Markets look wary, with investor attention shifting toward earnings and Fed expectations heading into September.

Earnings Reports

S&P 500 Q2 Earnings Recap (Week ending Aug 1, 2025)

As the busiest week of Q2 earnings season concluded, results showed an impressive string of surprises. Approximately 66% of index constituents had reported, with 82% beating EPS expectations and 79% beating on revenue—both above historical averages. The blended earnings growth rate reached 10.3% YoY, up from just 4.9% at the end of Q2, signalling strong upward revisions across sectors.

Tech, Communication & Discretionary drive gains: Information Technology clocked ≈21.1% EPS growth, led by Apple and Microsoft posting notable beats.

Communication Services soared, with over 40.7% growth, thanks to standout performances from Meta and Alphabet.

Consumer Discretionary shifted from negative territory to ~4.8% growth, buoyed by Amazon's strong EPS beat (~$1.68 vs. $1.33 est).

Financials & Healthcare also showed strength: Financials EPS growth rose to ~12.8%, fuelled by beats from JPMorgan, Allstate, Coinbase, Wells Fargo, and Citigroup.

Health Care posted ~3.9% earnings growth, with positive surprises from Bristol-Myers, Regeneron, and CVS driving momentum.

Energy, Materials & Utilities lagged: Energy remains the only sector with YoY earnings decline, while Materials dropped ~5%, and Utilities barely grew (~0.3%) after downward revisions.

Revenue growth also accelerated, rising to ≈6.0% YoY, the highest since Q3 2022. This was led by strong beats in Consumer Discretionary, Health Care, and IT sectors.

In short: solid earnings surprises from mega-cap tech, financials, and consumer names bolstered sentiment, while energy and defensive sectors offered little upside. Analysts now expect continued momentum into Q3, though attention remains on guidance from the largest AI and cloud players.

Big Tech Earnings: AI Winners vs. Legacy Laggards

Q2 2025 earnings showed a sharp bifurcation among tech giants, with AI monetization emerging as the key differentiator.

Google: AI Powerhouse

Alphabet delivered strong Q2 results:
- Revenue: $96.4B (+14% YoY)
- Cloud: $13.6B (+32%)
- EPS: $2.31 (vs. $2.18 expected)

However, its capex surged to $22.4B in Q2, driving its 2025 AI investment to $85B, mainly for data centres and Nvidia processors. Despite antitrust scrutiny, Google's AI ecosystem (especially Gemini adoption) is accelerating, making AI a central pillar of its growth strategy.

Tesla: Struggling with Transition

Tesla's Q2 was disappointing:
- Revenue: $22.5B (-12% YoY)
- Vehicle deliveries: Down 13.5%
- EPS: $0.40 (vs. $0.42 expected)

Revenue from regulatory credits dropped nearly 50%. New delivery bottlenecks emerged after OBBBA-related EV tax credit changes. While an affordable model is coming later in 2025, robotaxi deployment has been delayed until 2026, limiting near-term upside.

AI Execution Is Now Valuation Driver

This earnings season underscores that proven AI monetization—rather than future promises—determines market valuation. Google's gains contrasted with Tesla's declines, illustrating a fundamental shift in investor focus.

The NASDAQ 100's strength reflects institutional confidence in AI-led growth, with key firms trading above 50-day and 200-day moving averages.

Figure 1: Monthly Performance of Global Equity Markets

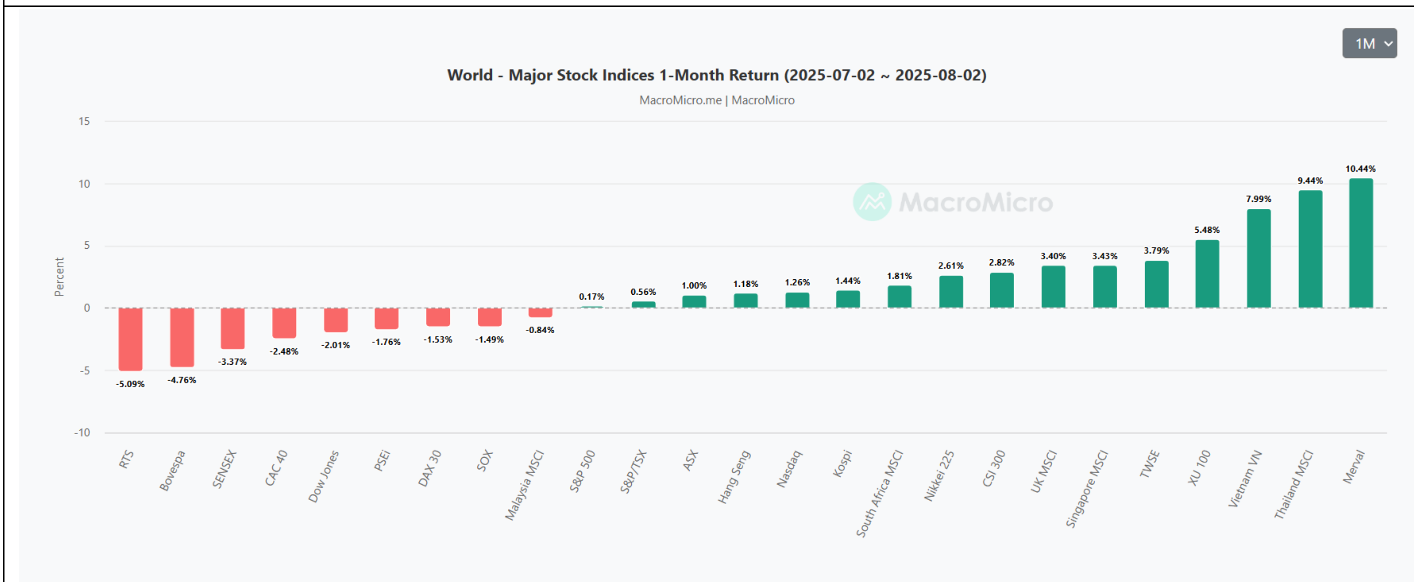


Figure: 1 shows the volatile week for equity markets and rising dispersion in country performance. Over the past week, the best performing global equity markets included Argentina (Merval Index), Thailand and Vietnam while the worst performance has been seen in Russia, Brazil, Sensex (India) and France. The influential S&P and Nasdaq indices closed flat to slightly higher, reversing some of the gain during the first few days of the week. Given the rich valuation of markets and last week's disappointing employment data, one can expect market volatility to continue to rise in the coming weeks. Investors are better off maintaining a well-diversified portfolio to sail safely through these volatile periods.

Overview of the US Treasuries Market

U.S. Treasury yields tumbled in response to a significantly weaker-than-expected July jobs report, intensifying market pressure on the Federal Reserve to begin cutting interest rates. Nonfarm payrolls rose by just 73,000 jobs, well below the 100,000 forecasts, while previous figures were drastically revised down: May's gain was slashed to 19,000 (from 144,000) and June's to 14,000 (from 147,000). Unemployment ticked up to 4.2%, further signalling softening labour market conditions.

These developments triggered the largest one-day fall in Treasury yields this year. The 2-year yield plunged 25 basis points to 3.702%, its biggest drop in over 12 months. The 10-year yield fell 14.2 basis points to 4.218%, the sharpest daily decline since April. Both maturities posted significant weekly losses, with the 10-year down 16.7 basis points on the week. The WSJ Dollar Index also dropped 0.7%, reflecting broad investor expectations for monetary easing.

Before the data release, some Fed governors (notably Waller and Bowman) had already expressed concern over labour market weakness. Their views gained traction after the jobs data confirmed deterioration. President Trump's reaction was politically charged, threatening to fire BLS head Erika McEntarfer, accusing her of manipulating job figures—a move that could stoke further institutional uncertainty.

Despite earlier expectations of a resilient labour market—especially amid inflation risks and rising tariffs—bond markets rapidly repriced Fed expectations. The report overshadowed recent tariff news, including Trump's new import duties (15% on South Korea, 50% on Brazil), and diminished investor confidence in near-term U.S. economic strength.

Looking ahead, next week is light on economic data and Fed commentary, giving markets room to digest these developments. The sharp move in yields signals a possible pivot in Fed policy path, with markets increasingly pricing in a September rate cut despite lingering inflation pressures.

The U.S. Treasury announced steady auction sizes from August through October with $58B in 3-year notes, $42B in 10-year, and $25B in 30-year bonds—aligned with expectations. It also expanded TIPS and T-bill issuance, and is doubling long-end buybacks to a quarterly maximum of $38B, aiming to support liquidity.
Analysts and forecasters now warn GDP growth may decelerate significantly—EY and BNP Paribas expect growth to slow to between 1–1.5% in 2025, with downside risks including tariffs, softer labour conditions, and weaker consumer spending.

In short: this week's labour weakness, renewed trade tensions, and political turbulence collectively pushed markets toward recession fears, raised rate-cut odds, and underscored hardening headwinds for U.S. growth.

Overview of the Australian Equities Market

The Australian equity market slumped on August 1, 2025, as global tariff fears and disappointing US economic data triggered a broad sell-off. The S&P/ASX 200 (XJO) fell 80.8 points, or 0.92%, to close at 8,662.0, just 0.13% above its session low and 0.93% below its high. The broader S&P/ASX 300 (XKO) saw decliners overwhelmingly outnumber advancers by 204 to 70, reflecting a risk-off mood. For the week, the XJO ended nearly flat, down 4.9 points (-0.06%), but 1.3% off its intraweek high.

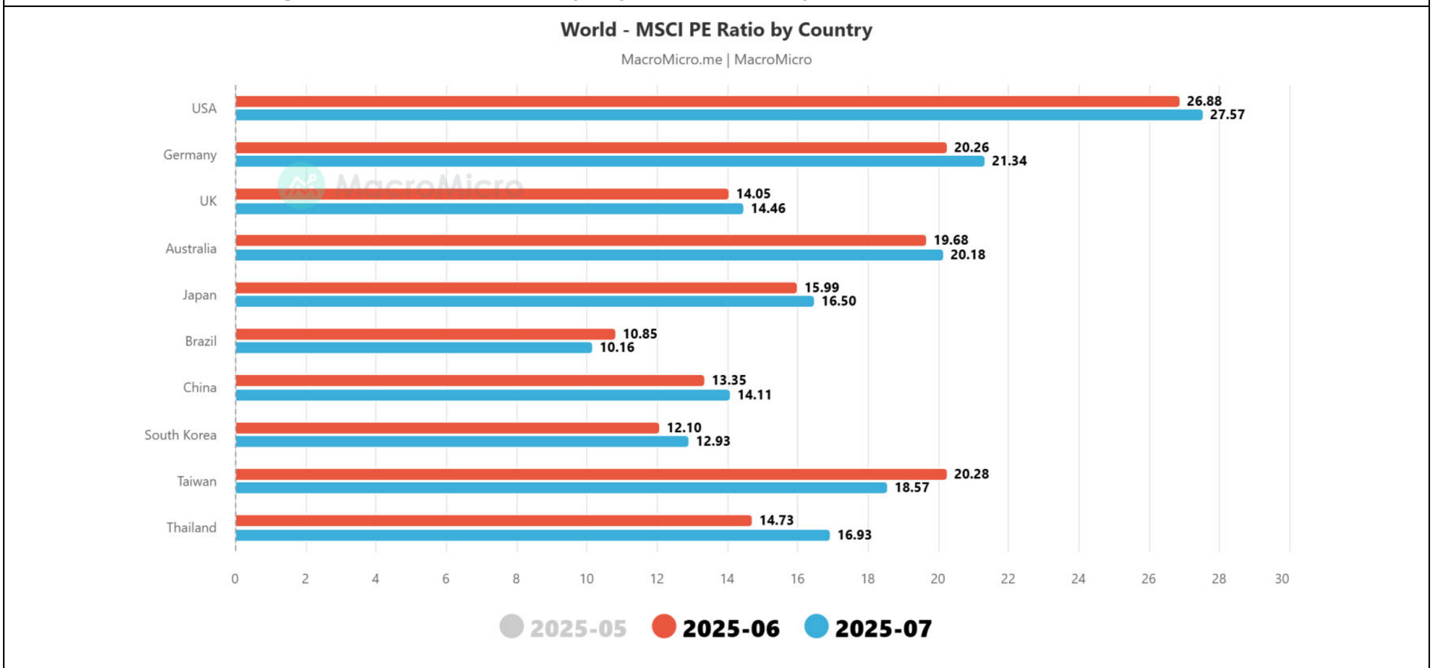
A combination of fresh US tariff announcements, higher-than-expected US inflation (Core PCE Price Index YY at 2.8% vs. 2.7% forecast), and a sharp reversal in global indices, particularly the Nasdaq (-0.52%), weighed heavily on sentiment. Information Technology (XIJ, -2.38%) and Health Care (XHJ, -1.92%) bore the brunt, with the latter hit by President Trump's social media pledge to pressure Big Pharma on US drug prices. Local healthcare stocks like Telix Pharmaceuticals (TLX, -4.3%), Nanosonics (NAN, -4.4%), and Polynovo (PNV, -4.3%) suffered, though Resmed (RMD, +1.0%) bucked the trend on strong Q4 earnings.

Utilities (XUJ, +0.70%) was the sole sector to gain, reflecting its defensive appeal. Resources (XJR, -0.22%) held up relatively well despite falling base metals prices, buoyed by a rebound in Mineral Resources (MIN, +4.4%) and gains in lithium and rare earth stocks like Pilbara Minerals (PLS, +4.1%) and Lynas Rare Earths (LYC, +3.2%). White House rhetoric on promoting US rare earth processing likely supported these names.

The AUD/USD edged up 0.11% to 0.6433, but remained near a two-month low, pressured by a strengthening US dollar. Australia's exemption from higher US tariffs (set at a baseline 10% vs. 60+ countries facing steeper levies) offered little relief amid global uncertainty. Investors awaited the US non-farm payrolls report, which disappointed at 73,000 jobs added (vs. 110,000 expected), potentially influencing Federal Reserve rate cut expectations for September.

AMP's Shane Oliver noted that July's strong 2.35% ASX 200 gain left valuations stretched, making markets vulnerable to corrections in August and September. However, he remains optimistic for year-end returns if global risks subside.

Figure: 2 – Australian Equity Market is Expensive on PE Basis Relative



Overview of the Australian Government Bond Market

Over the week leading to 1 August 2025, Australian government bond yields climbed modestly across most maturities. The 3-year yield rose by approximately 7 basis points to 3.39%, the 5-year yielded about 3.71%, and the 10-year closed around 4.30%, up 5 bps. The longer 15-year yield edged up to roughly 4.66%.

Economic surprises: June consumer spending and building approvals came in stronger than expected, reducing urgency for immediate rate cuts and pushing bond yields higher.

Inflation softening still supportive: Q2 CPI inflation eased into the 2–3 % target zone, reinforcing market expectations of a 25 bp RBA rate cut in August, though the tone shifted toward more gradual easing Australian Bond Exchange.

Global backdrop: Continued resilience in the US economy and hawkish Fed signals—combined with trade tensions—also supported bond yields at home.

Markets are fully pricing in an August RBA rate cut, and projecting a gradual easing trend into mid-2026, possibly guiding the cash rate down to around 3.1–3.3%.

Despite yield rises this week, expectations that disinflation trends will persist helped anchor sentiment, while economic strength tempered the magnitude of any rally.

In sum, Australian bond yields rose modestly this week, reflecting a balancing act between stronger domestic data weighing against the easing narrative, versus broadly cooling inflation emboldening markets to price in eventual RBA rate cuts.

The Australian credit market saw steady demand and tight spreads over the final week of July. In the primary market, issuance was led by Dyno Nobel (formerly Incitec Pivot), which launched a dual-tranche AUD 500 million senior deal (BBB/Baa2) on 29 July. The offer was more than eight times oversubscribed, allowing Dyno to price the 7-year and 10-year tranches at swaps+155bp and +170bp, well inside initial guidancekanganews.com. This robust interest – driven by Dyno's solid balance sheet and limited competing supply – highlights the strong appetite for high-grade corporate credit. (Transpower NZ also returned with both wholesale and retail Kangaroo bonds, reportedly drawing record retail demand.)

In the secondary market, major Australian investment-grade credits saw only modest yield moves. Global risk-on sentiment (especially progress on US trade deals) pushed government bond yields slightly higher, but corporate yields rose less; for example, New South Wales Treasuries ("TCorp bonds") 10-year yields increased by less than sovereigns, narrowing the corporate spread to about 60 basis points – an 18-month lowtcorp.nsw.gov.au. Overall, credit spreads were flat to tighter. Total return indices for Australian IG corporates were mildly positive over the week, as stable or slightly lower spreads offset the small rise in benchmark yields. Lower-grade Australian spreads also remained contained; globally, even CCC-rated corporate spreads have eased (US CCC spreads fell from ~10.5% in April to below 8% by late July).

Bank hybrid securities again delivered high income with little price volatility. YieldReport data show the average trading margin on major bank AT1 hybrids held around 3½% and running yields sat mostly in the high-6% to mid-7% rangeyieldreport.com.au. 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.

The Australian 3- and 10-year bond spreads moved slightly higher as market participants adjusted their short end rate expectations. In the US, the spread between 2- and 10-year bonds were stable over the week.

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

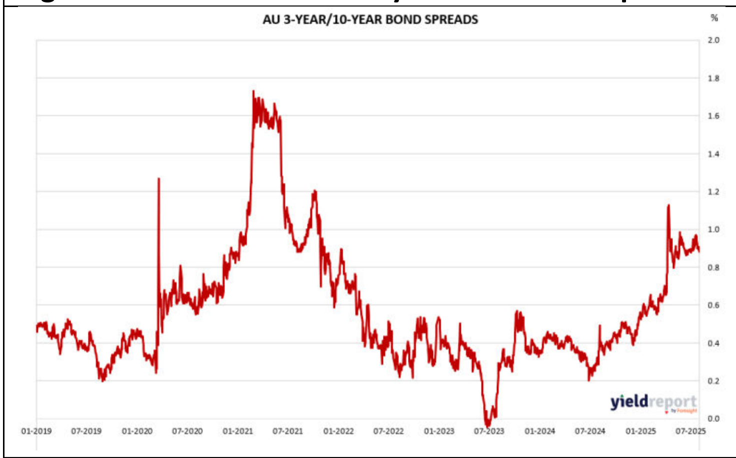
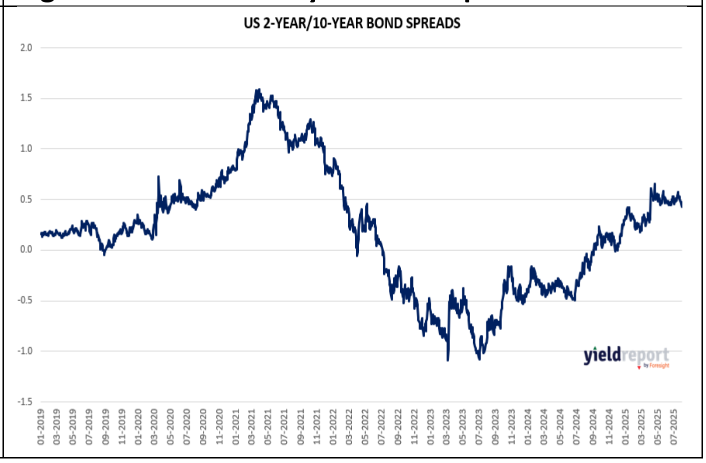


Figure 4: US 2 and 10-year Bond Spread



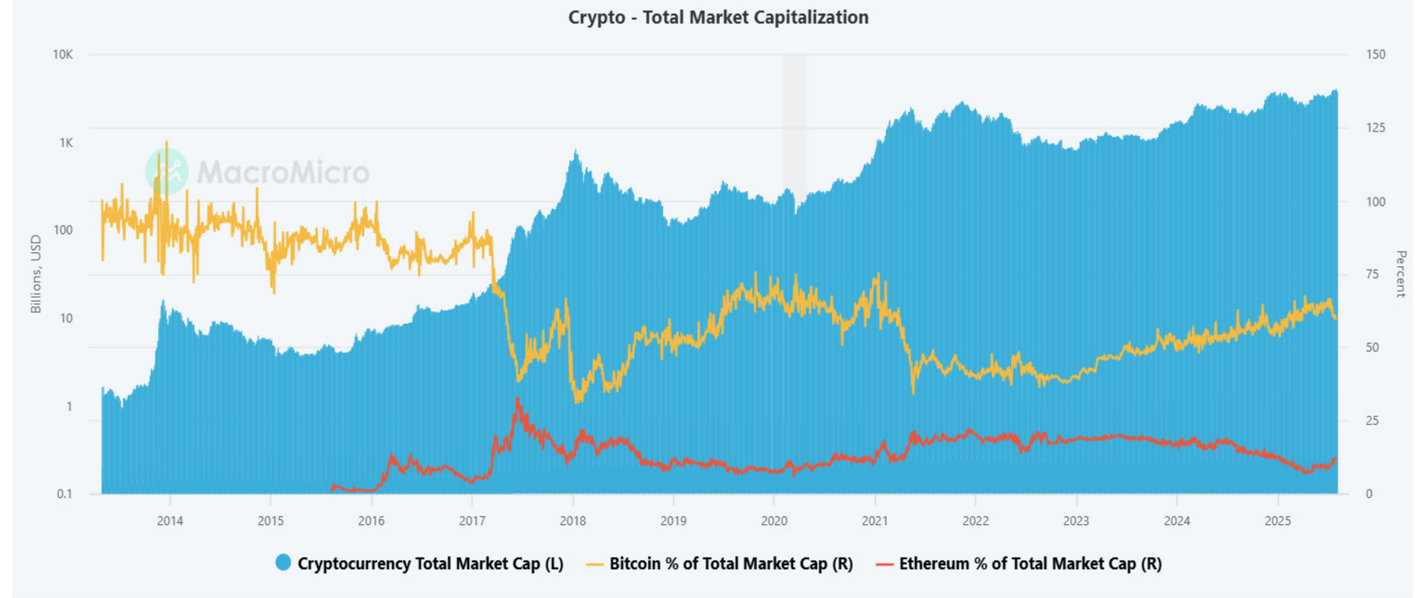
Market Summary Table

Name	Week Close	Week Change	Week High	Week Low
Cash Rate%	3.85			
3m BBSW %	3.7048	0.0148	3.7225	3.7048
Aust 3y Bond %*	3.434	-0.021	3.455	3.362
Aust 10y Bond %*	4.321	-0.034	4.355	4.262
Aust 30y Bond %*	5.027	-0.037	5.064	4.972
US 2y Bond %	3.949	0.028	3.951	3.875
US 10y Bond %	4.386	-0.026	4.42	4.328
US 30y Bond %	4.9153	-0.0359	4.965	4.868
iTraxx	67	0	71	67
$1AUD/US¢	64.29	-1.43	65.7	64.29

Chart of the week: The Rise and Rise of Crypto Currencies - Total Market Cap and Bitcoin/ Ethereum Share of the Total Market Cap

In the post Liberation day recovery phase of the global asset markets, investors in crypto currencies have pushed the total market cap of the crypto current ecosystem to record highs of USD3.8 trillion. The rise in the value of Bitcoin has been around 25% YTD, representing 61% of the total Crypto market cap. On the other hand, Ethereum has rallied 13.5% YTD, representing 11% of the total crypto market cap. Based on various sentiment indicators and technicals, the crypto assets appear to exhibit high level of optimism and bullishness. No doubt the regulatory developments in the US around crypto currency is providing strong tailwinds and driving significant flows into crypto linked ETFs in the US in particular, it remains to be seen if a healthy pull back prevails during a seasonally volatile period (August to September) for the equity market.

Figure 5: Crypto - Total Market Capitalization



Looking ahead: Major Economic Releases for the Week Ending 8 August

For the week ending August 8, 2025, Australia's economic releases include the S&P Global Services and Composite PMI Final, alongside trade data covering goods balance, imports, and exports. The PMI data is expected to reflect steady service sector activity, indicating moderate economic momentum. Trade figures may show a stable goods balance, with imports and exports reflecting cautious global demand. In the US, key releases include Factory Orders, International Trade, S&P Global Composite and Services PMI Final, ISM Non-Manufacturing PMI, and Initial Jobless Claims. Factory orders are likely to decline, signaling manufacturing weakness amid trade tensions. The trade deficit may narrow slightly, while PMI and ISM data could indicate stable service sector growth.

Major Economic Releases for the Week ending 8 Aug, 2025				
Date	**Country**	**Release**	**Consensus**	**Prior**
Monday, 04/08	United States	Factory Orders MM	-4.8	8.2
Monday, 04/08	Australia	S&P Global Svs PMI Final	n/a	53.8
Monday, 04/08	Australia	S&P Global Comp PMI Final	n/a	53.6
Tuesday, 05/08	United States	International Trade $	-61.6	-71.5
Tuesday, 05/08	United States	S&P Global Comp PMI Final	n/a	54.6
Tuesday, 05/08	United States	S&P Global Svcs PMI Final	n/a	55.2
Tuesday, 05/08	United States	ISM N-Mfg PMI	51.5	50.8
Thursday, 07/08	Australia	Balance on Goods	n/a	2238
Thursday, 07/08	Australia	Goods/Services Imports	n/a	3.8
Thursday, 07/08	Australia	Goods/Services Exports	n/a	-2.7
Thursday, 07/08	United States	Initial Jobless Clm	220	218

Source: Refinitiv

PART 2 – Investment Opportunity Review

Defensive Income – Cash

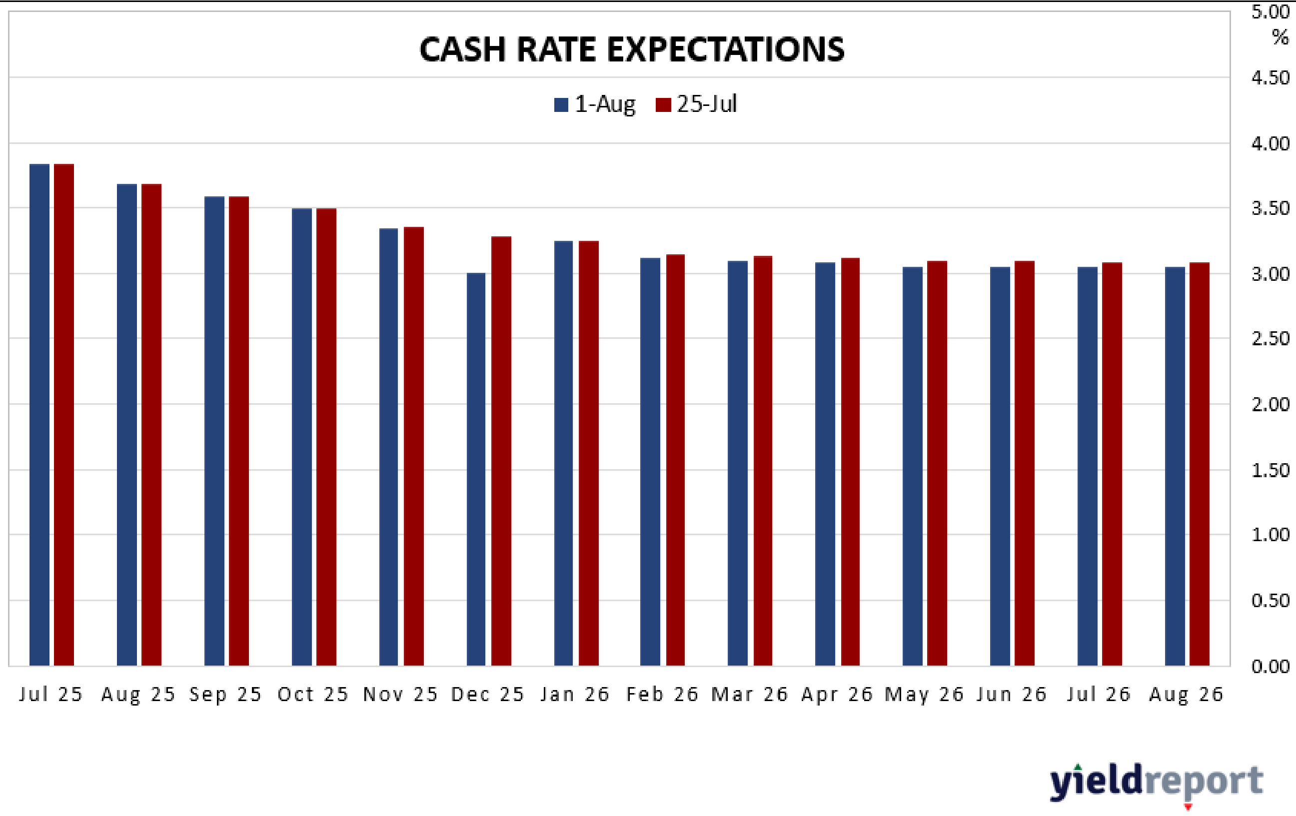
Inflation softening still supportive: Q2 CPI inflation eased into the 2–3 % target zone, reinforcing market expectations of a 25 bp RBA rate cut in August, though the tone shifted toward more gradual easing.

Markets are fully pricing in an August RBA rate cut, and projecting a gradual easing trend into mid-2026, possibly guiding the cash rate down to around 3.1–3.3%.

Despite yield rises this week, expectations that disinflation-trends persists helped anchor sentiment, while economic strength tempered the magnitude of any rally.

The first and second order effects of US tariffs are yet to be known, and it is understandable why the RBA is somewhat cautious in its monetary policy stance.

Figure 6: Swaps on RBA Rate Cuts



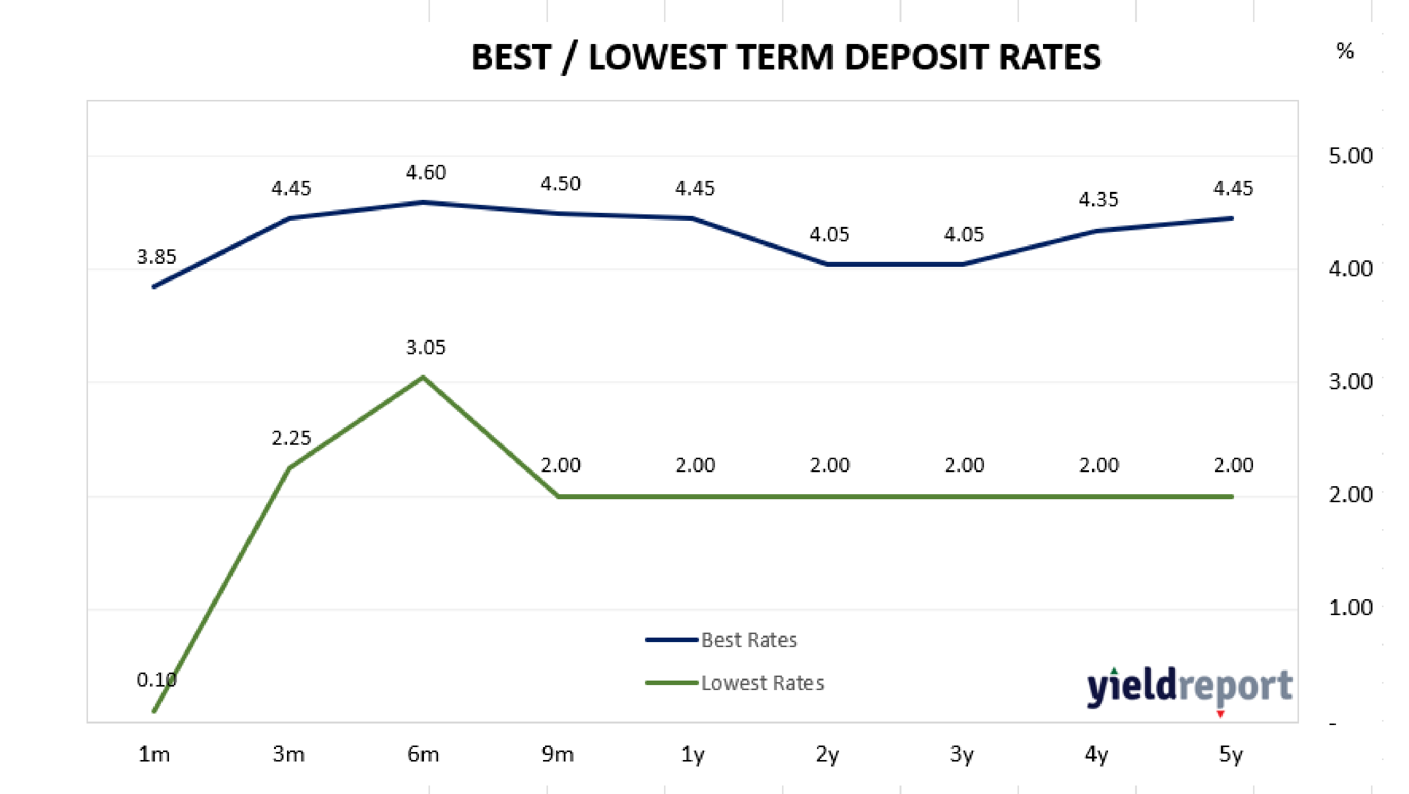
Defensive Income- Term Deposits

The movements in term deposit rates by major and non-major banks continue to show variability. Over the past week, ending August 1, 2025, there was 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.

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, 13 institutions now offer over 4%, up from 12 last week. In the 6-month category, 21 institutions exceed 4%, down from 22, reinforcing the 6-month term's competitiveness.

Figure 7: Highest Term Deposit Rate by Term



Defensive Income – Government Bonds

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The Australian 3- and 10-year bond spreads moved slightly higher as market participants adjusted their short end rate expectations. In the US, the spread between 2- and 10-year bonds were stable over the week.

Figure 8: Aust. 10 yr minus 3 yr Bond Spread

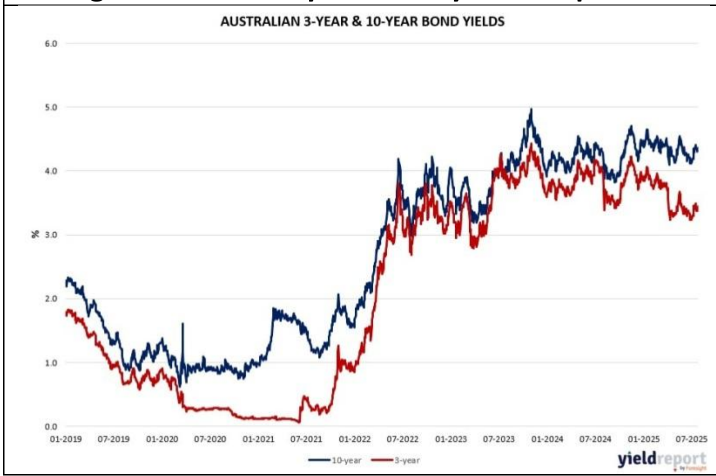


Figure 9: Aust & US Bond Yields Spread

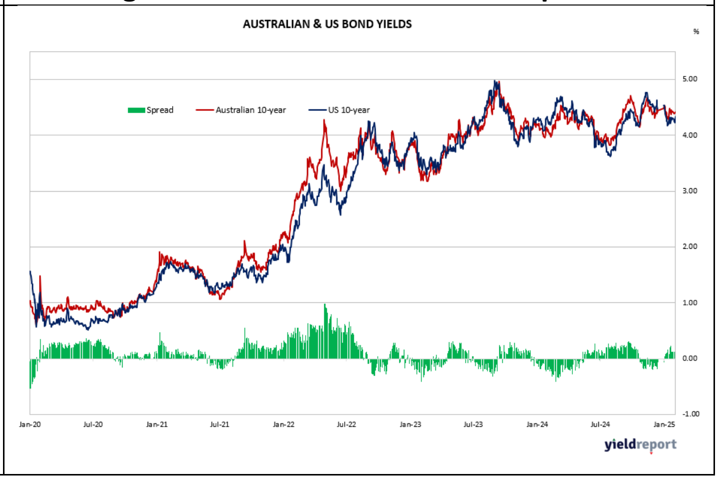
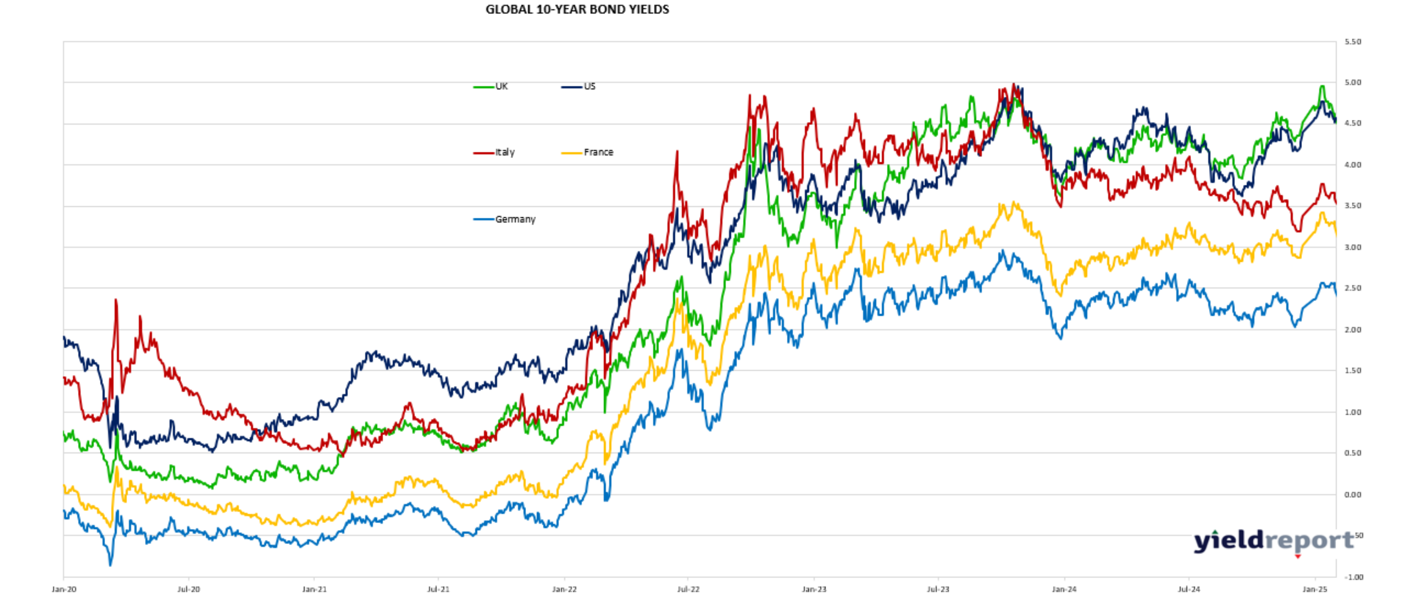


Figure 10: Global 10 yr Bond Yields



Bank & Corporate Hybrids

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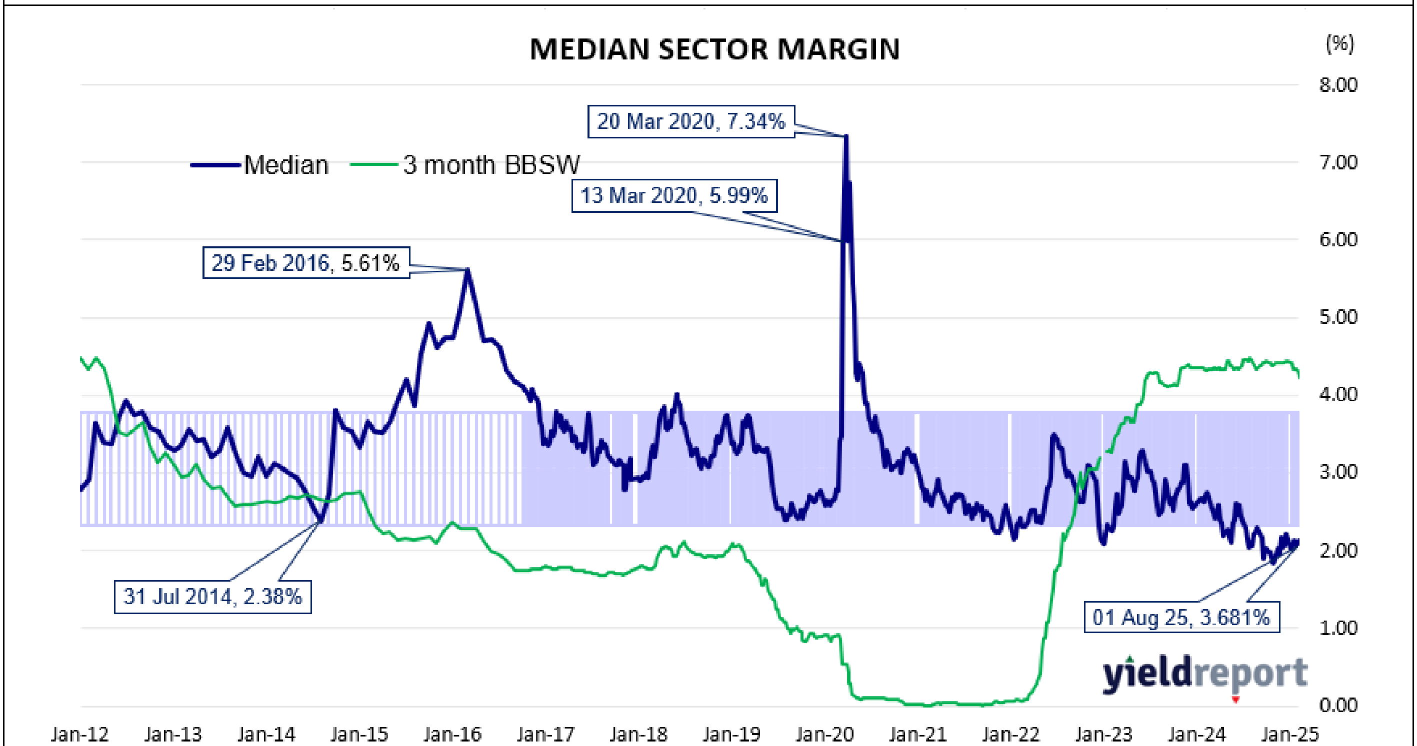
Figure 11: Hybrids: Median Sector Margin

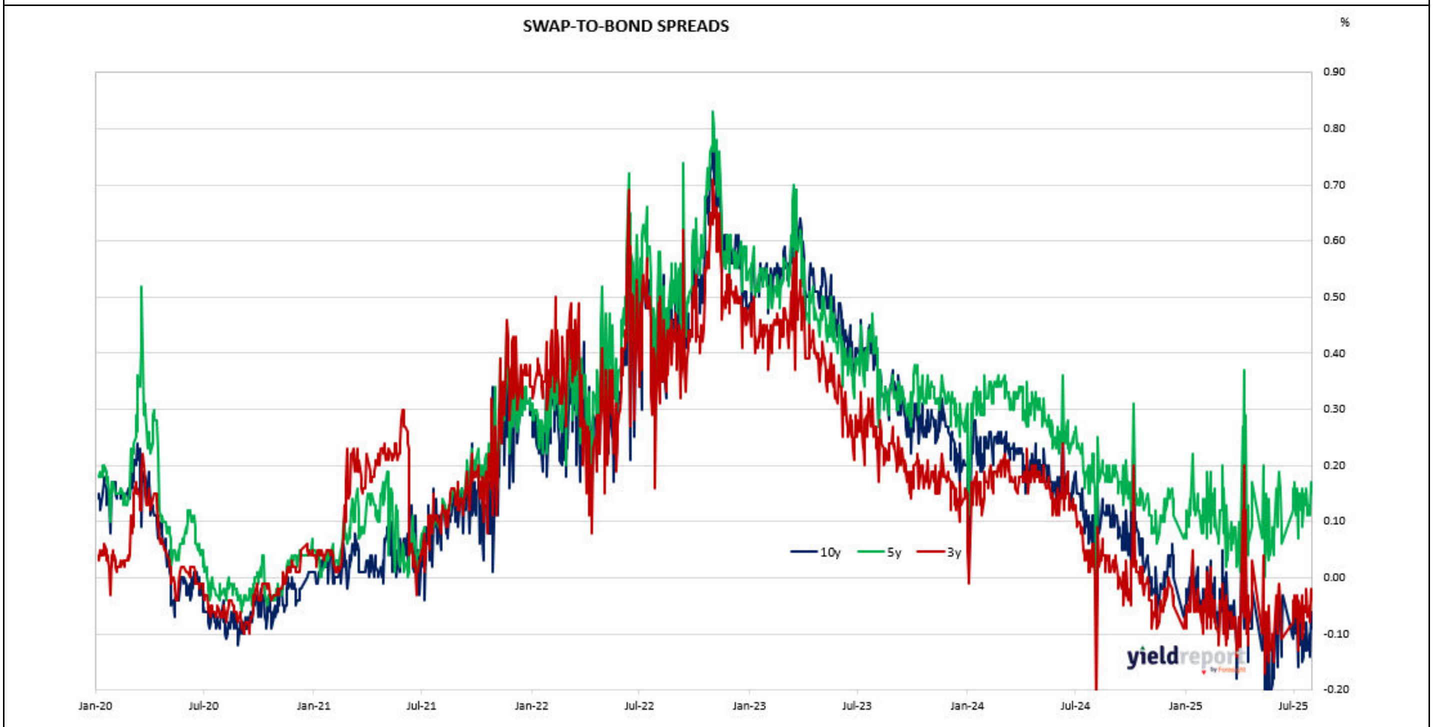


Bank Bill Swaps

The Bank Bill Swap Rate (BBSW) market remained stable this week, reflecting a balanced response to the RBA's decision to hold the cash rate at 3.85%, weak employment data in Australia and somewhat mixed macro data from the US. For the week ending July 25, 2025, the 1-month BBSW held at 3.67%, while the 3-month BBSW stayed at 3.68%, based on daily data trends. The 6-month BBSW dropped slightly to 3.78% from 3.77%, indicating a flat short-end yield curve amid tariff concerns, mixed macro and price data and market anticipation of an August rate cut.

The longer end of the swap rate curve steepened during the week with the 1-year swap rate down 2 basis points to 3.39%. The 3-year swap rate dropped 3 basis points to end the week at 3.38%. The 5-year swap rate dropped 2 basis points to 3.78%, reflecting investor expectations of revised cash rate path for Australia following RBA's surprise decision to pause rate cut earlier during the month and uncertainties around US tariffs.

Figure 12: Bank Bill Swaps



ETFS

ETF Flows & Investor Behaviour

- According to the Investment Company Institute, for the week ended July 23, ETF net issuance totalled $26.3 billion, with equity net inflows of about $5.6 billion, and bond ETFs gaining nearly $12.4 billion (etf.com, ICI).
- The following week's data (likely covering July 30) had not been released at that time, but monthly reports show June inflows of over $101 billion, lifting first-half 2025 ETF flows to roughly $545 billion (JPMorgan Asset Management).

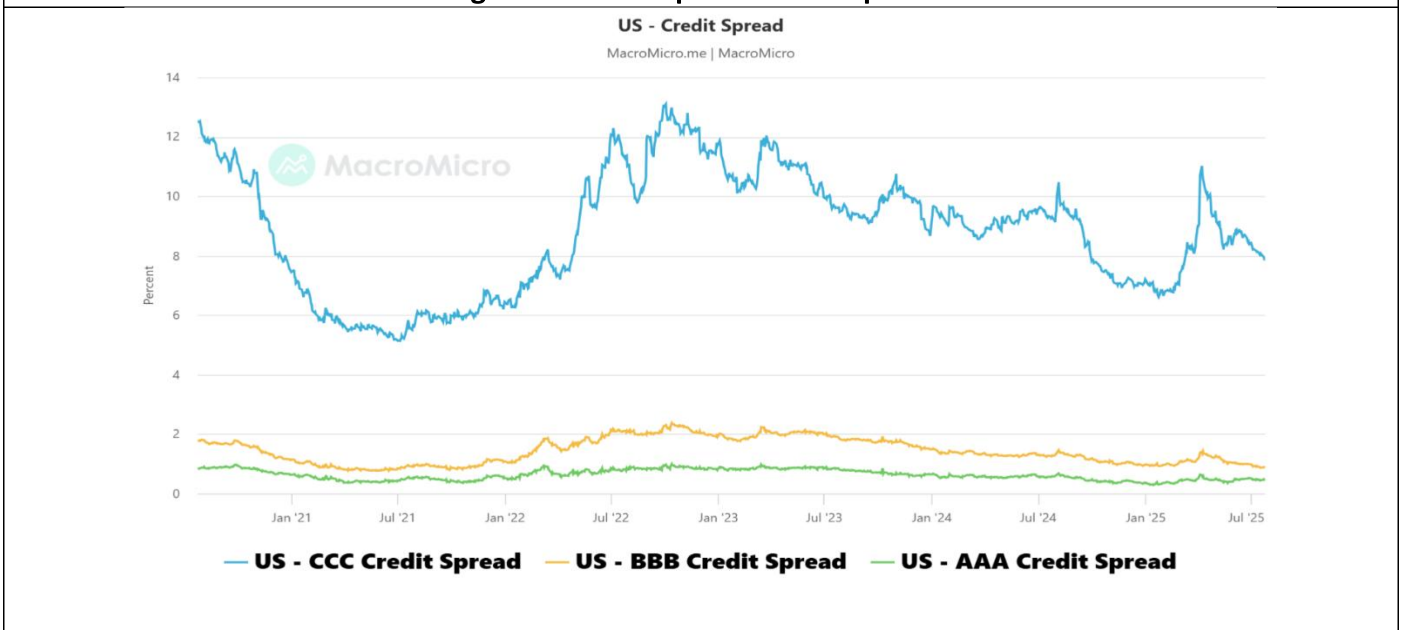
- Updated flash flows for July reveal $121 billion inflows, with fixed income ETFs taking in approximately $24 billion, and equities comprising the remaining bulk. This drove mid-year ETF assets to a record $11.8 trillion, with fixed income inflows reaching $210 billion YTD (SSGA).
- Notable investor rotation: U.S. equity ETF flows have eased, while non-U.S. equity ETFs took in about 30 percent of equity flows in July, up from ~19 percent of share in assets—indicating tactical overseas diversification (SSGA).
- Small cap equity ETFs saw continued weakness, with $6.6 billion in outflows in July, the seventh consecutive month of net redemptions, totalling ~$20 billion YTD (SSGA).

Corporate Bonds

The Australian credit market saw steady demand and tight spreads over the final week of July. In the primary market, issuance was led by Dyno Nobel (formerly Incitec Pivot), which launched a dual-tranche AUD 500 million senior deal (BBB/Baa2) on 29 July. The offer was more than eight times oversubscribed, allowing Dyno to price the 7-year and 10-year tranches at swaps+155bp and +170bp, well inside initial guidancekanganews.com. This robust interest – driven by Dyno's solid balance sheet and limited competing supply – highlights the strong appetite for high-grade corporate credit. (Transpower NZ also returned with both wholesale and retail Kangaroo bonds, reportedly drawing record retail demand.)

In the secondary market, major Australian investment-grade credits saw only modest yield moves. Global risk-on sentiment (especially progress on US trade deals) pushed government bond yields slightly higher, but corporate yields rose less; for example, New South Wales Treasuries ("TCorp bonds") 10-year yields increased by less than sovereigns, narrowing the corporate spread to about 60 basis points – an 18-month lowtcorp.nsw.gov.au. Overall, credit spreads were flat to tighter. Total return indices for Australian IG corporates were mildly positive over the week, as stable or slightly lower spreads offset the small rise in benchmark yields. Lower-grade Australian spreads also remained contained; globally, even CCC-rated corporate spreads have eased (US CCC spreads fell from ~10.5% in April to below 8% by late July).

Figure 13: US Corporate Bond Spreads



Listed Notes

This week's market pulse shows a mixed performance across ASX-listed floating rate notes, with a notable uptick in trading margins and yields for select securities, suggesting heightened demand and recalibrated risk premiums.

- **Centuria Capital (C2FHA)** stood out with the highest trading margin of **5.71%**, up **3.02%** from last week. The closing price of **101.5** reflects investor confidence, pushing the **running yield** to a striking **8.00%** — well above market average.
- **Australian Unity Series D (AYUHD)** posted a moderate increase, with its trading margin rising to **3.55%**, marking a **1.04%** weekly gain. Despite a relatively lower issue margin of **2.15%**, its **running yield** now sits at **5.93%**, appealing to yield-seeking investors.
- **Australian Unity Series E (AYUHE)** followed suit, albeit with a smaller weekly shift. The trading margin rose **0.82%** to **3.09%**, resulting in a **running yield** of **6.27%**, supported by a solid market price of **100.65** and a longer maturity horizon to **15-Dec-28**.

Overall, spreads widened slightly, offering investors more attractive entry points while reflecting mild risk reprising. Yield-focused portfolios may find value in hybrid structures with strong credit backing and steady market traction.

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