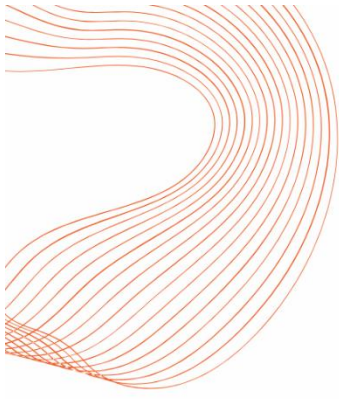




yieldreport Weekly

Your Income Advantage

4th to 8th August 2025



PART 1 – Equity & Bond Market Analysis

Weekly Overview

US stocks logged their best week since June, driven by a big-tech rally that pushed the Nasdaq 100 to record highs and lifted the S&P 500 near 6,400. Apple surged on optimism over a \$100 billion domestic manufacturing plan, while Fannie Mae and Freddie Mac jumped on reports of potential share sales. International markets outperformed US equities for the first time since 2022, aided by Trump's tariffs and reforms abroad, with Germany up 21%, Spain 26%, and Mexico 18% year-to-date.

The MSCI World ex-US index has gained 18% versus 7.8% for the S&P 500, narrowing a historic valuation gap. Despite gains, US stocks saw \$28 billion in outflows, while money market funds attracted \$107 billion. Investor sentiment leans toward a "Goldilocks" economy with lower rates supporting equities. Meta tapped Pimco and Blue Owl for \$29 billion in AI data center financing, underscoring the global race for AI infrastructure. Bonds fell; gold was volatile.

US Treasury yields edged higher, with the 10-year at 4.28% and two-year at 3.70%, as markets focused on heavy debt issuance ahead. The dollar slipped 0.2% on expectations Trump's Fed nominee will back lower rates. The July FOMC's rare 9 to 2 split revealed growing urgency for cuts, with dissenters Bowman and Waller citing labour market weakness. Powell signalled a dovish shift, noting H1 growth "moderated" to 1.2% from 2.5%, and warning payroll revisions could show near-zero private job growth. July payrolls rose just 73K—far below expectations—while May and June saw 258K in downward revisions, the steepest since 2020. Core domestic demand slowed to 1.2% as housing and commercial real estate softened. Markets now price in 75bps of cuts in late 2025 and 50bps in 2026, supported by a more dovish 2026 FOMC lineup. With tariffs, slowing growth, and labour fragility, the Fed appears poised to prioritize employment over inflation risks.

Trump Tariffs Take effect

The Trump administration announced final reciprocal tariff rates on August 1st, ranging from 10% to 41% and taking effect August 7th, with the framework following a trade balance logic where surplus economies face 10% baseline tariffs while deficit economies start at 15%. Key exemptions remain in place for Section 232 products including semiconductors, automobiles, and pharmaceuticals, while trans-shipment evasion triggers automatic 40% punitive tariffs across all affected goods.

Canada faced immediate tariff escalation from 25% to 35% effective August 1st under fentanyl-related measures, while Mexico received a 90-day negotiation extension, demonstrating the administration's willingness to use both punitive and accommodative approaches simultaneously. The framework includes transition clauses allowing goods shipped before August 7th to clear customs under previous rates until October 5th, 2025, providing operational buffer periods for affected trade flows.

The stunning escalation in tensions between India and US led Trump to impose a 50% tariff on Indian exports to the US, half of which includes a penalty for purchases of Russian oil. 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.

With reciprocal tariffs now operational and creating potential fragilities in US financial relationships globally, the Trump administration is simultaneously implementing complementary measures to cement dollar and Treasury dominance through regulatory innovation. The GENIUS Act passed July 18th links stablecoins directly to US Treasuries, potentially unlocking \$1-2 trillion in new Treasury demand, while proposed Supplementary Leverage Ratio changes could create another \$1 trillion in Treasury holding capacity.

The administration's broader strategy extends beyond trade policy to encompass technological leadership through America's AI Action Plan with 90 federal initiatives announced July 23rd and four proposed nuclear revival programs. This framework reflects recognition that "Computing Power = Energy = National Power" in the emerging global competition, positioning tariff policy as one component within a comprehensive approach to maintaining US financial and technological hegemony amid evolving challenges from China and emerging technologies like Deepseek.

US and Russian officials are working toward an agreement on territories for a planned summit meeting between Donald Trump and Vladimir Putin as early as next week, Bloomberg News reported, citing people familiar with the matter.

Elsewhere, the Trump administration is preparing to sell stock in mortgage giants Fannie Mae and Freddie Mac in an offering it believes could raise around \$30 billion and kick off later this year, according to people familiar with the matter.

The plans being discussed by some administration officials could value the companies at roughly \$500 billion or more combined and involve selling between 5% and 15% of their stock, some of the people said. Still up for debate is whether the mortgage giants would IPO as one company or two separate entities.

Fannie and Freddie, which bundle and sell mortgages, have been under government control since the 2008 financial crisis and rely on a government-backed guarantee to protect investors from losses. Shares of the firms, which currently trade on over-the-counter markets, each rose roughly 20% after The Wall Street Journal reported on the offering plans.

Overview of the US Equities Market

Stocks saw their best week since June, with a rally in big tech driving the Nasdaq 100 to all-time highs. Also buoying sentiment were hopes the US and Russia will reach a deal to halt the war in Ukraine. Bonds fell. Gold whipsawed.

The S&P 500 approached 6,400, closing on the brink of a record. Apple Inc. saw its best week since 2020 amid optimism that plans to spend an additional \$100 billion on domestic manufacturing may help the company avoid tariffs. Fannie Mae and Freddie Mac soared on reports the US is preparing to sell shares in an offering that could start as early as this year.

Equities glided higher in a week heavy with tariff updates but light on market turbulence, leaving all three U.S. indexes in the green.

Among the stocks that hit 52-week highs on Friday - Palantir, Robinhood, General Electric, Cisco, Barrick Mining, Newmont and Kinross Gold.

US President Donald Trump's tariffs are giving international stocks a serious lift and at the same time helping to end the S&P 500 Index's run of global dominance, at least for now.

International stock markets are on pace to outperform the broad US equities benchmark this year, the first time they've done that since 2022, and the first time in a rising market since 2009. Fears that tariffs and trade uncertainty will have an outsized impact on Corporate America's earnings growth are the primary culprit.

The MSCI World Index excluding the US is clobbering the S&P 500 in 2025, jumping 18% thus far versus a more modest 7.8% gain in the S&P 500. You can see why in the individual performances. Mexico's key stock market index is up 18% this year, Canada's is up 12%, Germany's 21%, Spain's 26%, Brazil's 14%, and the UK's 11%.

It's a sharp reversal from years of soaring gains for US equities, spurred most recently by mega-cap technology companies and the promise of artificial intelligence, and relatively sluggish performances by their global peers. This has left stocks in markets outside of the US relatively cheap.

The valuation gap between US and international markets is "historically wide," and investors are largely over-invested in the US and under-invested in other markets, according to Basinger. That trend has been reversing this year, and it could accelerate as Trump's tariffs come into effect this month, while trading partners in Canada, Europe, Japan and elsewhere embark on investor-friendly reforms and boost domestic growth, he said.

Despite the solid rebound, nearly \$28 billion was redeemed from US stocks in the week through Aug. 6, while money market funds attracted about \$107 billion, according to a Bank of America Corp. note from citing EPFR Global data.

On the macro front, BofA's Michael Hartnett said a majority of the bank's clients are betting on a "Goldilocks" outcome, which implies an economy that's running neither too hot nor too cold. He said investors expect a scenario where lower rates would fuel a rally in equities.

Meta Platforms Inc. has selected Pacific Investment Management Co. and Blue Owl Capital Inc. to lead a \$29 billion financing for its data centre expansion in rural Louisiana as the race for artificial intelligence infrastructure heats up, according to people with knowledge of the matter.

Figure 1: 7-day Performance of Global Stock Markets

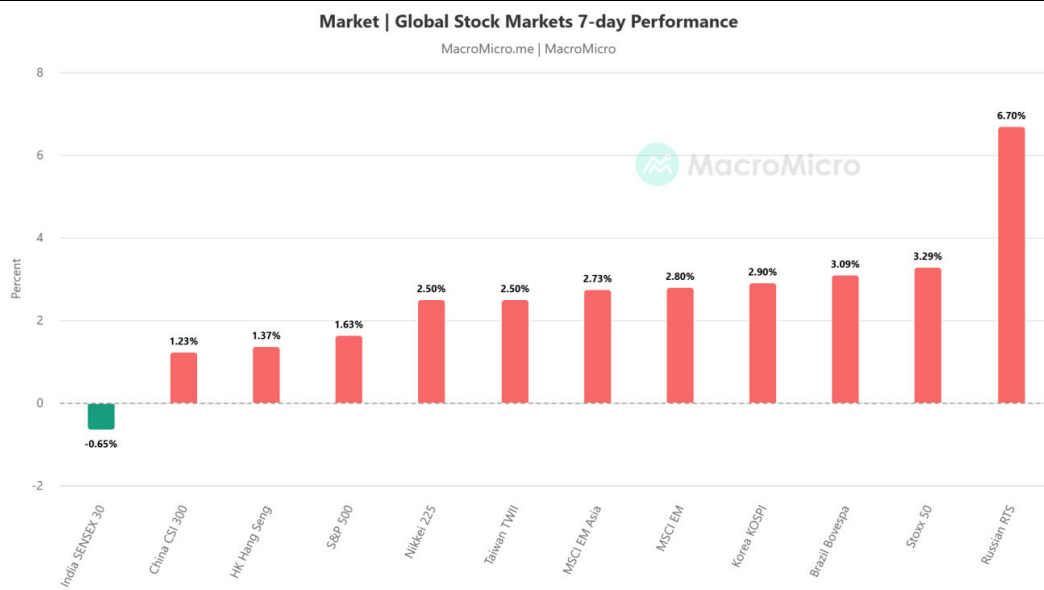


Figure: 1 shows a positive week for equity markets and rising dispersion in country performance. Over the past week, the best performing global equity markets included Russia, Europe Stoxx 50 and Brazil while the worst performance was reported by India and China. The MSCI Asia and EM Indices beat US and Japan equity indices.

Earnings

This week marked the tail end of the peak Q2 2025 earnings season for the S&P 500, with 90% of companies having reported results. The index posted a blended earnings growth rate of 11.8%, up from 10.3% last week and 4.9% at the quarter's end 1. This represents the third consecutive quarter of double-digit earnings growth. Revenue growth also accelerated to 6.3%, the highest since Q3 2022 1.

Approximately 81 to 82% of companies beat EPS estimates, surpassing both 5- and 10-year averages 1 2. The "Magnificent 7" tech giants—Microsoft, Meta, Apple, and Amazon were key drivers, with strong performances in cloud, AI, and digital advertising 2 3. Meta and Microsoft led sector gains, while Apple and Amazon beat estimates but saw cautious investor reactions due to tariff concerns and guidance.

Sector-wise, Communication Services, Information Technology, and Financials led earnings growth, while Energy and Materials lagged, with Energy posting a 25% YoY earnings decline due to falling oil prices 1 3. Health Care also showed strength, with standout performances from Fortrea and Medpace.

Despite strong earnings, macroeconomic concerns particularly a weak jobs report and rising tariffs dampened market sentiment. The S&P 500 retreated from all-time highs, and the forward P/E ratio rose to 22.1, above historical averages, signalling elevated valuations.

Looking ahead, analysts expect 7.2% and 7.0% earnings growth for Q3 and Q4 respectively, with full-year 2025 growth projected at 10.3% 1. However, tariff uncertainties and economic softness may pose risks to future quarters.

Overview of the US Treasuries and Other Fixed Income Markets

The yield on 10-year Treasuries rose three basis points to 4.28%. The dollar barely budged. Oil fluctuated. The Trump administration suggested it would issue a new policy clarifying that imports of gold bars should not face tariffs.

The dollar fell as investors expect Trump's Fed-board nominee Miran to align with the President's push for lower interest rates. The DXY dollar index against a basket of major currencies was recently down 0.2% to 98.196 after reaching a 10-day low of 97.945 Thursday

Two- and 10-year U.S. Treasury yields edged higher, with focus shifting to this week's debt supply. On Tuesday, the Treasury will auction \$58 billion in three-year notes, alongside \$50 billion in 52-week and \$85 billion in six-week Treasury bills. After Tuesday's auctions, the Treasury will also sell 10-year notes on Wednesday and 30-year bonds on Thursday. The two-year Treasury yield was last up 2.3 basis points to 3.702%; the 10-year Treasury yield has risen to 0.8 basis point and the 30-year was flat, according to Tradeweb. Bond market watchers are pricing in nearly 90% odds of a September rate cut and additional easing by year-end.

The July FOMC meeting saw a rare 9:2 vote to keep rates at 4.25–4.50%, with Bowman and Waller dissenting in favour of an immediate 25bp cut—the first dissent of 2025 and a sign of shifting Fed consensus. The statement dropped references to “diminished” uncertainty and noted that H1 growth had “moderated” instead of continuing at a “solid pace,” signalling a dovish tilt. Powell's press conference reinforced this shift, stressing risks to a weakening labour market and describing employment as “solid” rather than robust. He warned payroll revisions could show private sector job growth near zero, underscoring concerns of accelerating weakness.

Powell's remark that H1 2025 growth has “moderated” is backed by GDP slowing from 2.5% in 2024 to 1.2% in early 2025, with final sales to private domestic purchasers at their weakest since 2022. Interest-rate-sensitive sectors, notably housing and commercial real estate, are visibly softening. While Q2 GDP rebounded to 3.0% QoQ annualized (from -0.5%), year-on-year growth held at 2%, aided mainly by a sharp 30.3% drop in imports—reversing prior tariff-driven front-loading—and a narrowing goods trade deficit to \$86B. Stripping out trade and inventories, core domestic demand slowed to 1.2% from 1.9%. Consumer spending picked up modestly in Q2, with goods up 2.2% and services up 1.1%, but both remain below 2024 trends. Services, the largest share of consumption, grew just 1.9% YoY, pointing to a cooling demand backdrop. This broad deceleration helps explain dissenting Fed members' calls for immediate rate cuts to counter mounting economic headwinds.

Markets view the Fed's recent dovish signals—highlighted by dissenting votes, Powell's emphasis on labour market risks, and next year's more dovish FOMC rotation—as an indication that rate cuts are likely ahead. While Powell stressed the need for “more clarity” before acting, his message suggests a shift toward prioritizing employment concerns over inflation risks. The 2026 voting lineup will see hawkish members Schmid and Musalem lose their votes, and Governor Kugler, also considered hawkish, has resigned. Potential successors to Powell, such as Kevin Warsh, Kevin Hassett, and Christopher Waller, all favour rate cuts, reinforcing the prospect of a softer policy stance. Rate futures now anticipate 75bps of cuts in the second half of 2025, followed by another 50bps in 2026. This evolving composition and rhetoric suggest the Fed is positioning for a sustained easing cycle aimed at cushioning the economy against mounting labour market and growth risks.

Trump has been criticizing Powell all year for not cutting rates, building on disappointment with the Fed chief that emerged during his first term as president shortly after he elevated Powell to the Fed chair role.

Since the Federal Reserve's decision last month to hold interest rates steady, a shift appears underway at the U.S. central bank, with several Fed officials sounding increasingly uneasy about the labour market and signalling their openness to, if not impatience for, a rate cut as soon as September.

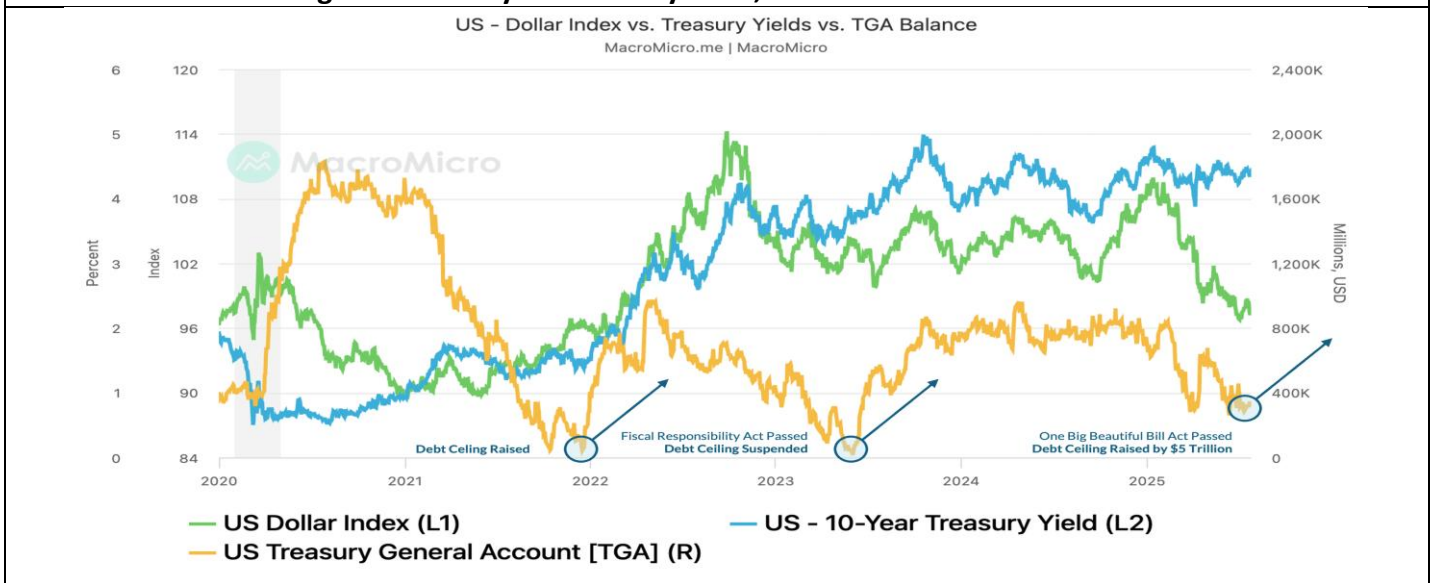
Labour market worries were at the heart of arguments put forward by Fed Governor Christopher Waller and Vice Chair Michelle Bowman when they dissented from the Fed's July 30 decision to leave short-term borrowing costs in the 4.25%-4.50% range, where they have been since December. The 9-2 majority signed off on a statement that characterized labour market conditions as solid.

July payrolls rose just 73K, 34% below expectations, marking the weakest monthly gain since October 2024 and highlighting a sharp labour market slowdown. This figure missed the 110K consensus and extends a trend of falling job creation, with the three-month average dropping to 35K—down 77% from the 150K+ pace linked to healthy labour conditions. Adding to concerns, the Bureau of Labour Statistics issued massive 258K downward revisions to May and June, the largest since May 2020, exposing prior overstatements of labour strength.

These adjustments reveal that what initially looked like steady gains was, in fact, persistent deterioration. The scale of revisions raises questions over data reliability and suggests potential methodological issues in capturing real-time labour dynamics. Together, the weak July figure and severe historical adjustments signal a labour market losing momentum at an accelerating pace, reinforcing concerns that employment conditions could weaken further without policy support.

There's still plenty of data to digest before the Fed's next policy-setting meeting September 16-17, including a read on consumer prices next week that will help shape policymakers' assessments of whether the Trump administration's new higher tariffs will mean persistently higher inflation, as hawks fear, or just a temporary bump, as doves have argued.

Figure 2: US 10 year Treasury Yield, USD Index and TGA Balance



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

Local investors are preparing for a faster pace of corporate results as reporting season gathers momentum, with the RBA expected to cut rates on Tuesday.

Reporting season continues to gather pace with results from, among others, JB Hi-Fi on Monday, Life360 Inc on Tuesday and AGL Energy, CBA, Computershare and IAG on Wednesday. On Thursday, there's Suncorp Group, ASX, Origin Energy and Telstra Group. On Friday, Cochlear and Mirvac.

Beyond the profitability and health of corporate Australia, the RBA policy meeting on Tuesday is in focus. The bank is widely expected to cut its key rate by 25 basis points to 3.60 per cent. Recent soft jobs data out of Australia and tariff related headwinds have increased market expectation of a cut that will push the cash rate into neutral territory and provide some buffer against any further cyclical slowdown. The recent soft jobs data and consumption data out of the US will also likely weigh on the RBA board's consideration. Investors are also expecting the RBA to convey a less dovish tone given the fine balance the board is looking to engineer between cyclical growth concerns and possible inflation impulse from tariff related headwinds.

Looking ahead, the NAB monthly business survey is set for release on Tuesday, second-quarter wage price index on Wednesday and the July labour force survey on Thursday. The market expects the unemployment rate to stay at 4.3 per cent with the part rate holding steady.

Reporting Season

This week marked the kick-off of the August 2025 ASX reporting season, with a flurry of full-year and half-year results from major Australian listed companies. The reporting period covers financial performance up to June 30, 2025, and includes updates from over 200 ASX-listed firms.

The August 2025 ASX reporting season is unfolding against a backdrop of high market valuations, soft earnings expectations, and macroeconomic uncertainty.

Among the early reporters, REA Group posted strong digital advertising revenue growth, while QBE Insurance delivered a solid half-year result, benefiting from premium increases and lower catastrophe claims. AMP and Credit Corp also reported, with Credit Corp showing resilience in collections and lending margins despite macroeconomic headwinds. A range of market and regulatory headwinds weighed on AMP results.

Nick Scali impressed with robust furniture sales and margin expansion, while Avita Medical and Light & Wonder released quarterly updates showing mixed performance in their respective sectors. News Corp reported stable earnings, supported by digital subscriptions and cost controls.

The REIT sector was active, with Charter Hall, Centuria, and BWP Trust releasing results that reflected cautious optimism amid rising interest rates and softening property valuations. The REIT sector is likely to benefit from the highly expected rate cut next week. Meanwhile, Block Inc. posted its Q2 results, highlighting continued growth in its Australian operations.

Investor sentiment was generally positive, though cautious, as companies navigated inflationary pressures, interest rate uncertainty, and global economic softness. Dividend announcements were mixed, with some firms maintaining payouts and others opting for capital preservation.

Looking ahead, we see results from JB Hi-Fi, Beach Energy, AGL, and Commonwealth Bank, among others, which are expected to provide further insight into consumer demand, energy pricing, and banking sector health.

Overall, we expect the following trends 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%, fueled by digital transformation and AI adoption. Online classifieds and software providers are showing strong earnings momentum.

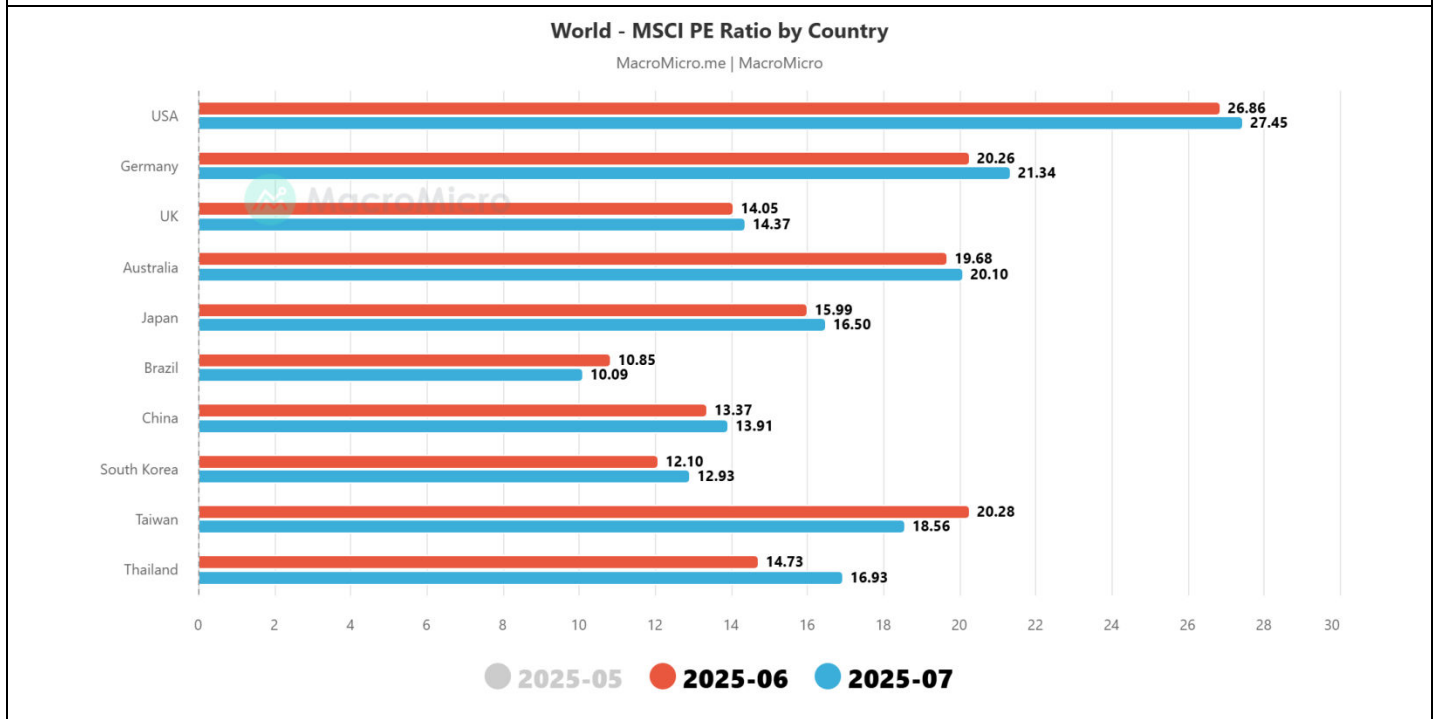
Valuation risks remain a concern as the ASX trades at a forward P/E of 19.5–20x, well above historical averages. This raises the stakes for companies to meet or exceed expectations. Any earnings miss could trigger sharp market price reactions (refer to Figure 3 below).

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 is Expensive on PE Basis Relative



Overview of the Australian Government Bond Market

Over the week leading to 8 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 guidance [kanganews.com](https://www.kanganews.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 low [tcorp.nsw.gov.au](https://www.tcorp.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% range [yieldreport.com.au](https://www.yieldreport.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 4: Australia 3 and 10-year Bond Yield Spread

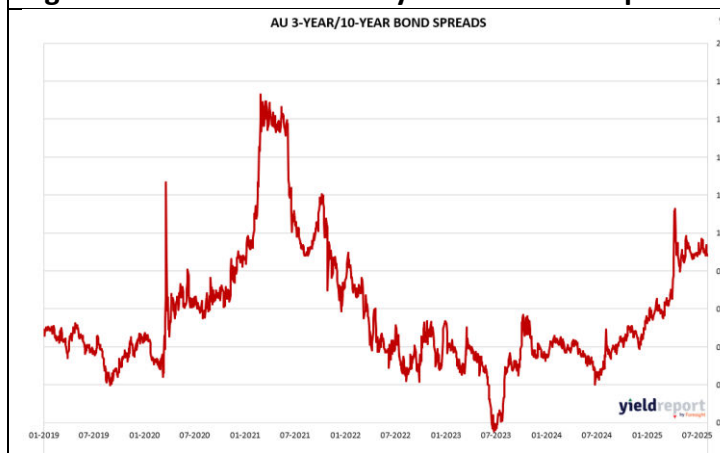
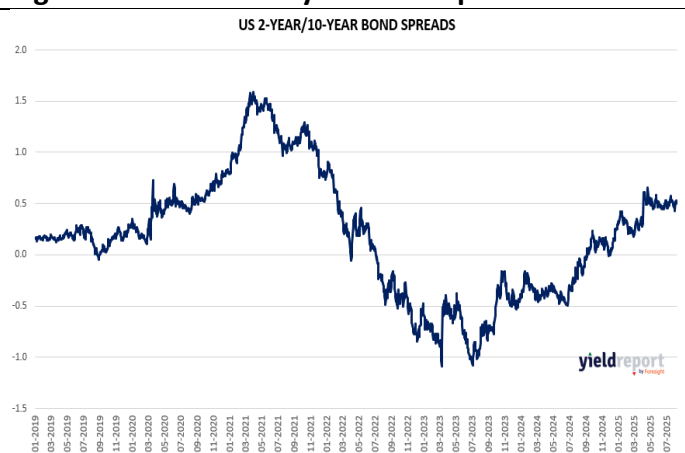


Figure 5: US 2 and 10-year Bond Spread



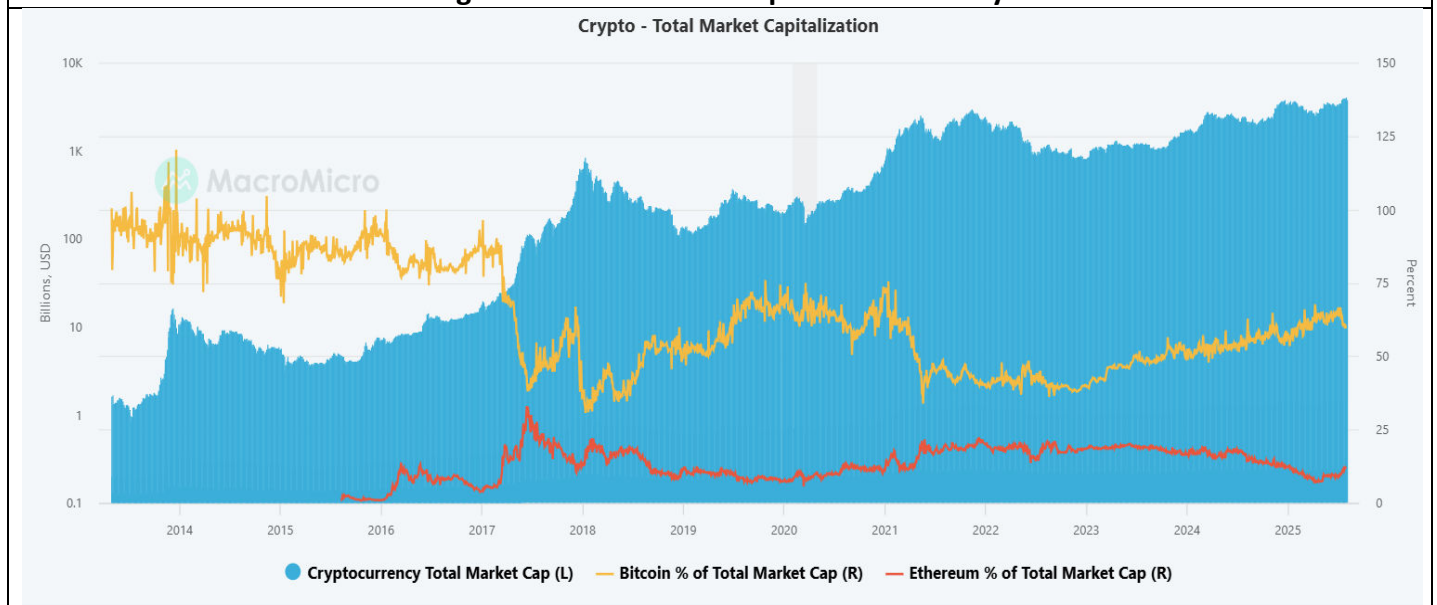
Market Summary Table

Name	Week Close	Week Change	Week High	Week Low
Cash Rate%	3.85			
3m BBSW %	3.6906	-0.0142	3.6906	3.6623
Aust 3y Bond %*	3.377	-0.057	3.434	3.33
Aust 10y Bond %*	4.257	-0.064	4.321	4.228
Aust 30y Bond %*	4.976	-0.051	5.027	4.963
US 2y Bond %	3.7396	-0.2094	3.7396	3.681
US 10y Bond %	4.2539	-0.1321	4.2539	4.196
US 30y Bond %	4.8293	-0.086	4.8293	4.769
iTraxx	67	0	71	67
\$1AUD/US¢	65.2	0.91	65.36	64.52

Chart of the week: VIX and Credit Spread Seasonality

Volatility (VIX) and credit spreads are at lows, but historical seasonality from August to November suggests caution. This period often sees risk assets decline and defensive assets like treasuries and gold rise. Since April's tariff tantrum, volatility and spreads have compressed, yet we're entering a season where they typically widen. Risks remain: elevated valuations, speculative appetite, inflation concerns, Fed tensions, and geopolitics. While seasonality alone shouldn't drive decisions, it's a useful lens—especially given mirrored patterns in risk and defensive assets. Additionally, expect potential US dollar weakness and crude oil strength in the coming months.

Figure 6: VIX and Credit Spread Seasonality



Looking ahead: Major Economic Releases for the Week Ending 15 August

For the week ending August 15, 2025, Australian economic data will be in the spotlight, with the RBA Cash Rate expected to see a reduction, signalling potential easing to support growth amid moderating inflation. The Wage Price Index is anticipated to show further softening on both quarterly and annual bases, while Employment data may reflect a modest gain in jobs with the Unemployment Rate remaining stable, suggesting labor market resilience despite external pressures.

In the United States, Core CPI and headline CPI measures are expected to indicate slightly firmer inflationary trends year-over-year, though month-on-month changes appear mixed. Initial Jobless Claims are likely to hold steady, pointing to a robust labor market, while Retail Sales may soften marginally and Industrial Production could flatten out. These releases could reinforce the Federal Reserve's cautious stance on rates, balancing inflation control with growth support, though ongoing global trade uncertainties, including tariff policies, may pose risks to both economies.

Major Economic Releases for the Week ending 15 Aug, 2025				
Date	Country	Release	Consensus	Prior
Tuesday, 12/08	Australia	RBA Cash Rate	3.6	3.85
Tuesday, 12/08	United States	Core CPI MM, SA	0.3	0.2
Tuesday, 12/08	United States	Core CPI YY, NSA	3	2.9
Tuesday, 12/08	United States	CPI MM, SA	0.2	0.3
Tuesday, 12/08	United States	CPI YY, NSA	2.8	2.7
Tuesday, 12/08	United States	CPI Wage Earner	n/a	315.945
Wednesday, 13/08	Australia	Wage Price Index QQ	0.8	0.9
Wednesday, 13/08	Australia	Wage Price Index YY	3.3	3.4
Thursday, 14/08	Australia	Employment	25	2
Thursday, 14/08	Australia	Unemployment Rate	4.3	4.3
Thursday, 14/08	United States	Initial Jobless Clm	226	226
Thursday, 14/08	United States	PPI Machine Manuf'ing	n/a	190.7
Friday, 15/08	United States	Import Prices YY	n/a	-0.2
Friday, 15/08	United States	Retail Sales MM	0.5	0.6
Friday, 15/08	United States	Industrial Production MM	0	0.3

Source: Refinitiv

PART 2 – Investment Opportunity Review

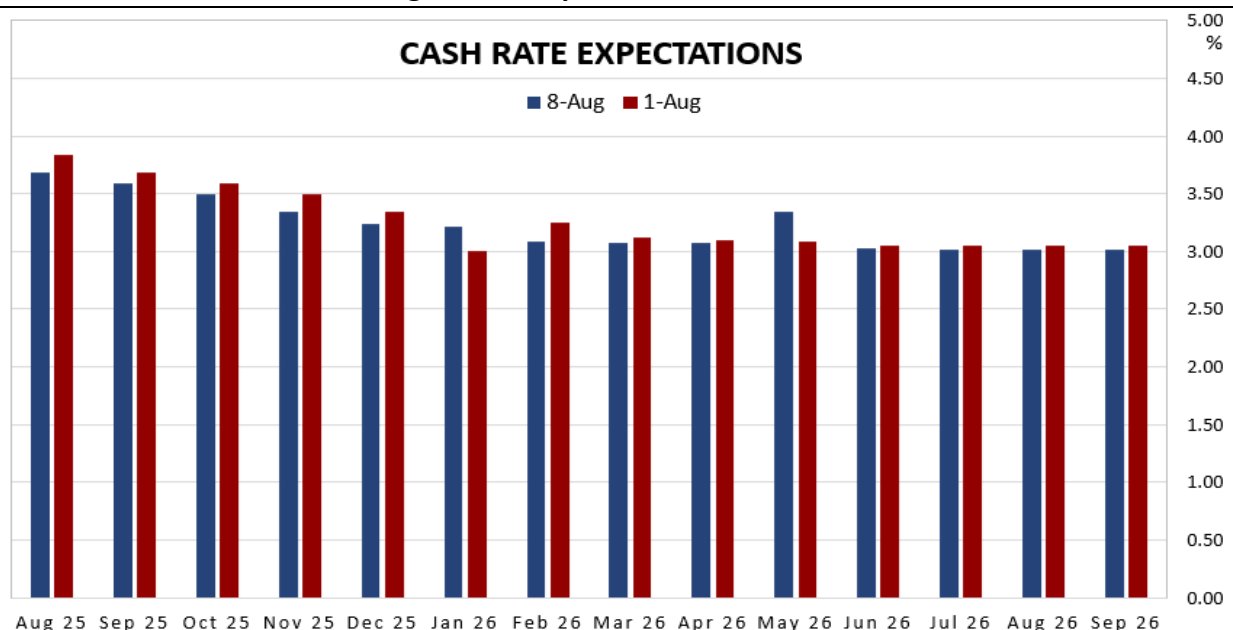
Defensive Income – Cash

Australia's latest economic data signals a cooling economy, reinforcing expectations that the Reserve Bank of Australia will cut interest rates by 25bps to 3.60% at its August 12, 2025 meeting.

Unemployment rose to 4.3% in June, the highest since mid-2023, with youth unemployment at 10.2% and underemployment at 6.8%, pointing to broad labor market weakness. Inflation is easing, with headline CPI at 3.6% and trimmed mean at 2.7% and within the RBA's 2–3% target. Retail sales growth slowed to 0.3% month-on-month, housing loan approvals have declined for three straight quarters, and business confidence, investment intentions, and building approvals (-5.2% YoY) are weakening. This would be the RBA's third cut in 2025, following earlier moves, as it balances inflation control with preventing a sharp rise in unemployment.

Markets expect a cautious easing path, with possible further cuts in November and early 2026 if growth stays soft. A cut would likely benefit interest rate-sensitive sectors such as REITs, utilities, and consumer discretionary, while resource companies may face mixed outcomes amid commodity price volatility and trade tensions

Figure 7: 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 8, 2025, there was a mix of up and down movements, though stability is notable in some terms.

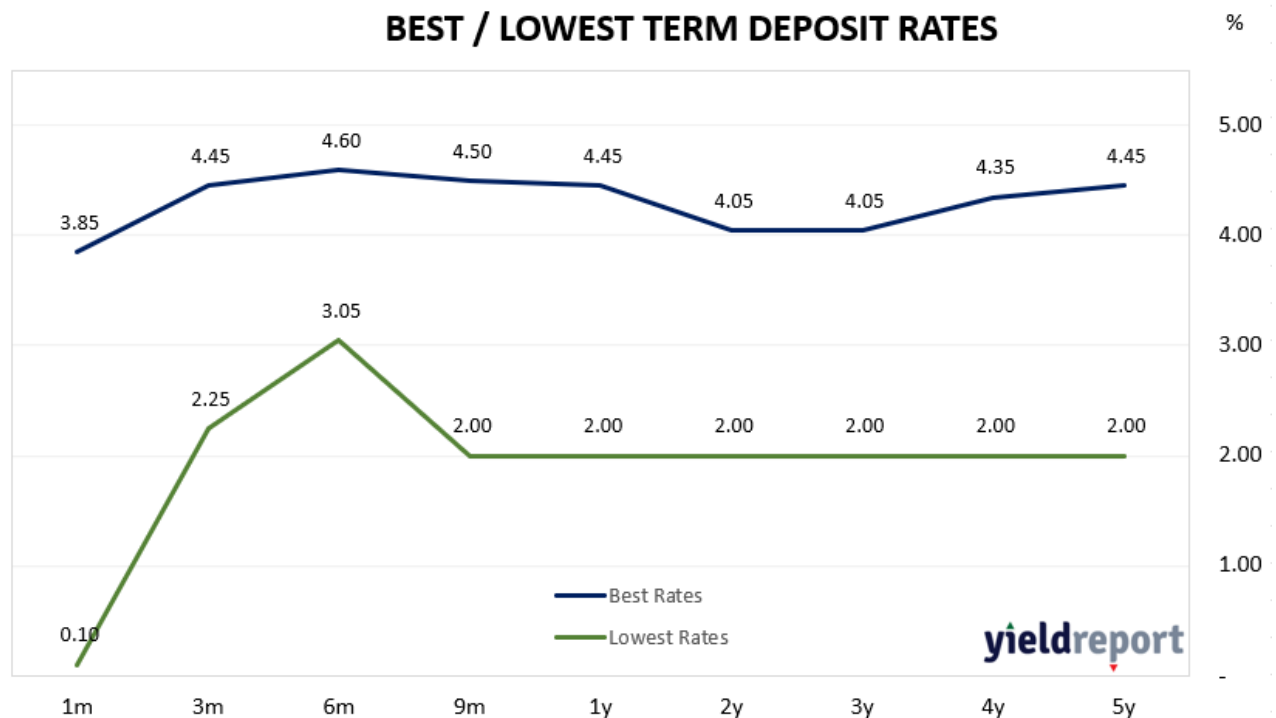
Our survey across 42 institutions indicates that the most contested term deposit term remains 6 months, followed by 3 months and 1 year, with sample sizes of 42 each.

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

Australia's latest data signals a cooling economy, prompting expectations of a 25 basis point interest rate cut by the Reserve Bank of Australia at its August 12, 2025 meeting. Unemployment rose to 4.3% in June, the highest since mid-2023 with youth unemployment at 10.2% and underemployment at 6.8%, showing labor market softness. Inflation is moderating, with headline CPI at 3.6% and trimmed mean inflation at 2.7%, within the RBA's 2–3% target range.

Retail sales growth slowed to 0.3% month-over-month, housing loan approvals have fallen for three quarters, and building approvals declined 5.2% year-over-year amid weakening business confidence and investment. This would be the third rate cut this year, as the RBA cautiously balances inflation control and employment concerns. Further easing may follow if growth remains subdued. Rate-sensitive sectors like REITs, utilities, and consumer discretionary stand to benefit, while resource companies face mixed impacts due to commodity volatility and trade tensions.

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 9: Aust. 10 yr minus 3 yr Bond Spread

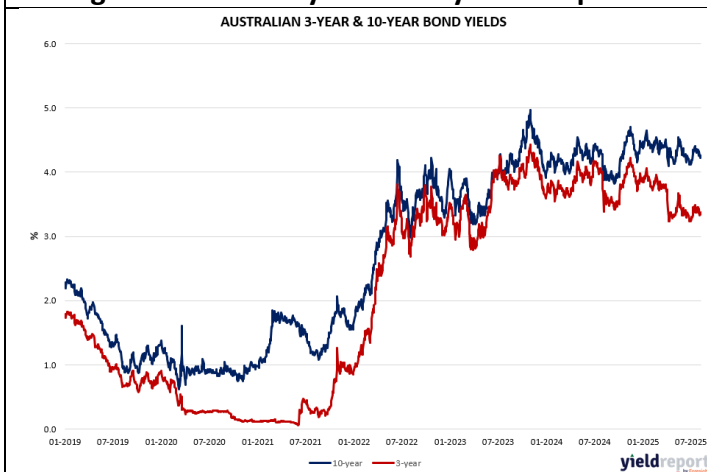


Figure 10: Aust & US Bond Yields Spread

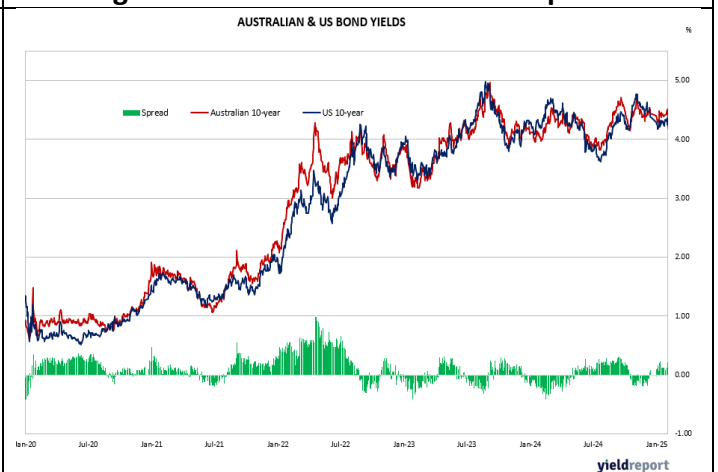
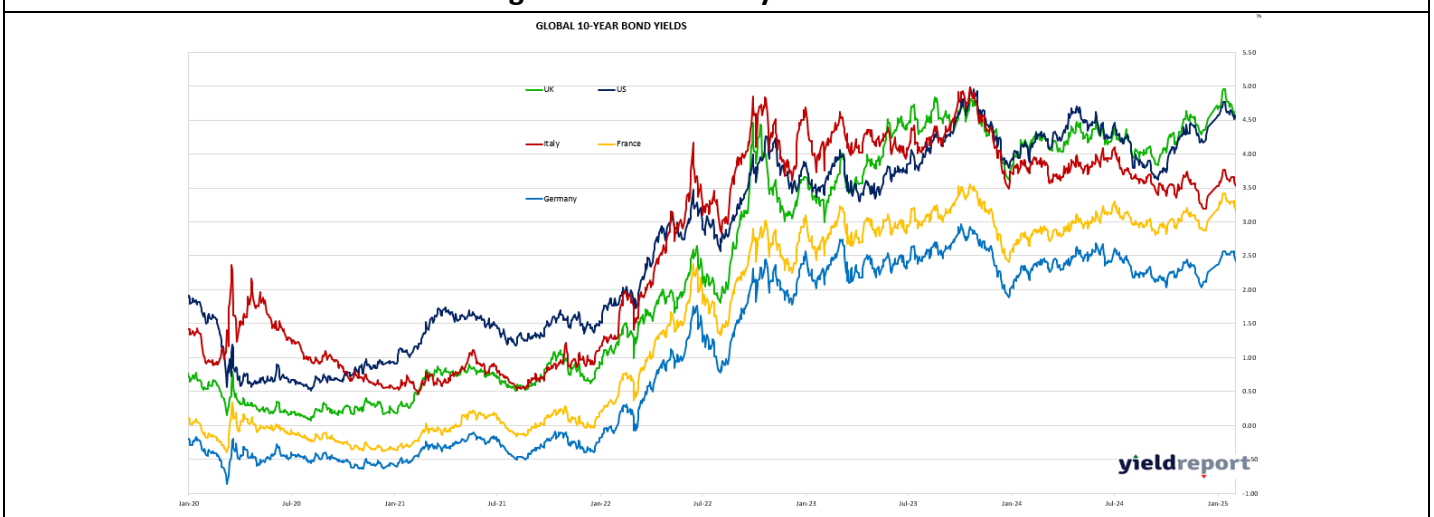


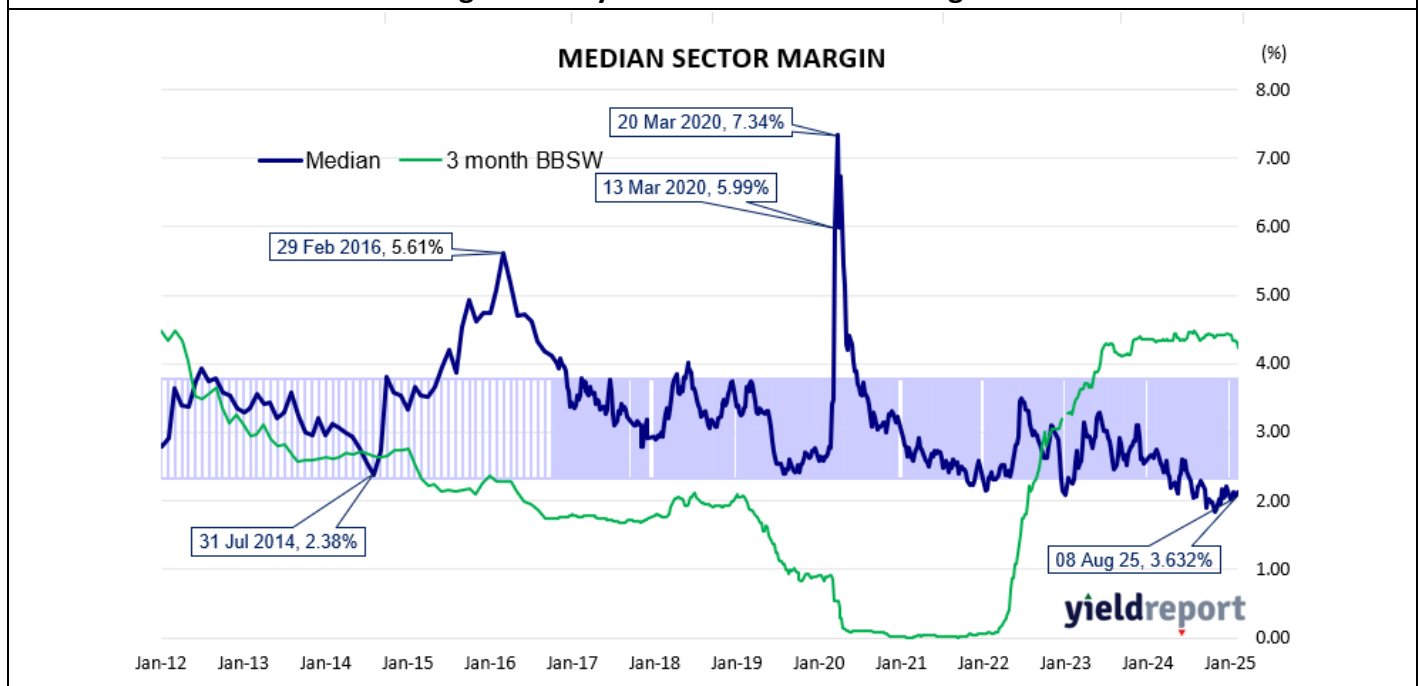
Figure 11: Global 10 yr Bond Yields



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 from this segment of the market.

Figure 12: Hybrids: Median Sector Margin

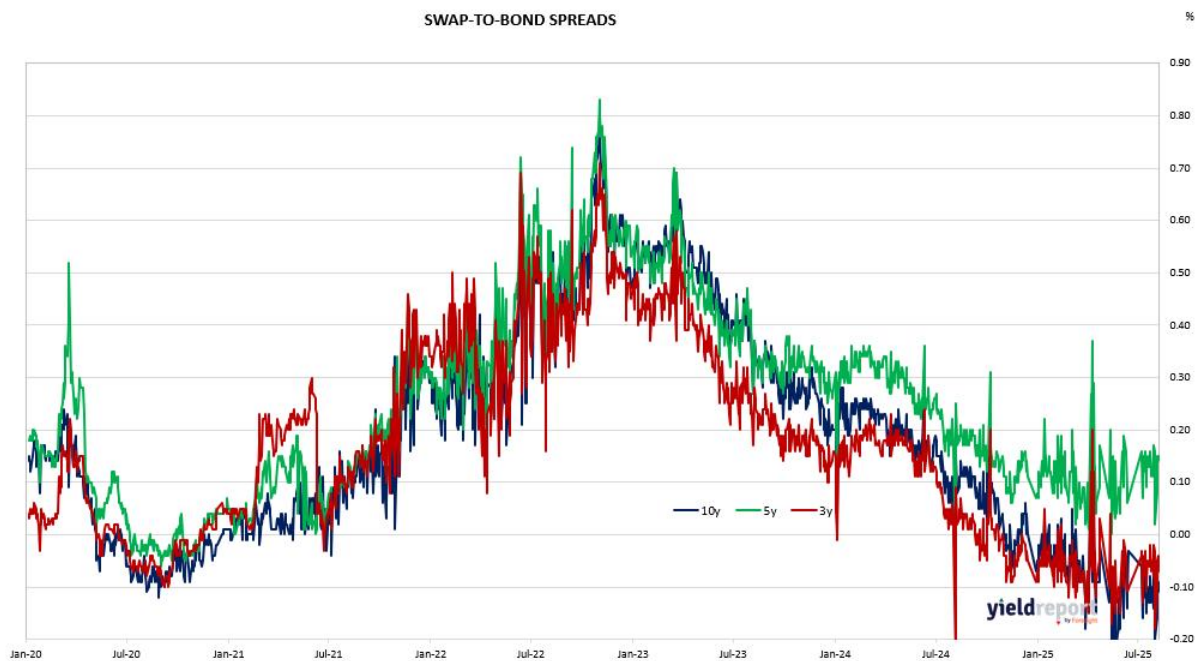


Bank Bill Swaps

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 3.63%, while the 3-month BBSW stayed at 3.69%, based on daily data trends. The 6-month BBSW dropped slightly to 3.82% from 3.79%, 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 6 basis points to 3.34%. The 3-year swap rate dropped 9 basis points to end the week at 3.31%. The 5-year swap rate dropped 9 basis points to 3.7%, 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 13: Bank Bill Swaps



ETFS

As of August 6, 2025, the U.S. ETF market includes 4,425 ETFs from 428 issuers, managing \$11.833 trillion in assets. Year-to-date inflows stand at \$688.88 billion, with \$1.26 trillion over the past year, reflecting strong investor demand. Vanguard dominates fund flows, leading across all timeframes—5-day (\$9.46 billion), year-to-date (\$200.35 billion), and 1-year (\$349.76 billion).

SPDR and Invesco saw the largest recent 5-day outflows, losing \$5.44 billion and \$3.38 billion, respectively, while VanEck and Pacer posted negative flows over both the year-to-date and 1-year periods. The ETF issuer landscape has grown from 30 players in 2011 to 427 in 2025. Innovation remains strong, with 265 new ETFs launched in the last three months.

Roundhill is leading with over 10 new products—while First Trust closed 5 funds. Horizon stood out in relative growth, with \$527 million in 5-day inflows equating to 83.20% of its total AUM, the highest short-term percentage increase in the market. Overall, the U.S. ETF industry continues to see expansion in both participants and products, alongside significant shifts in capital allocation among top issuers.

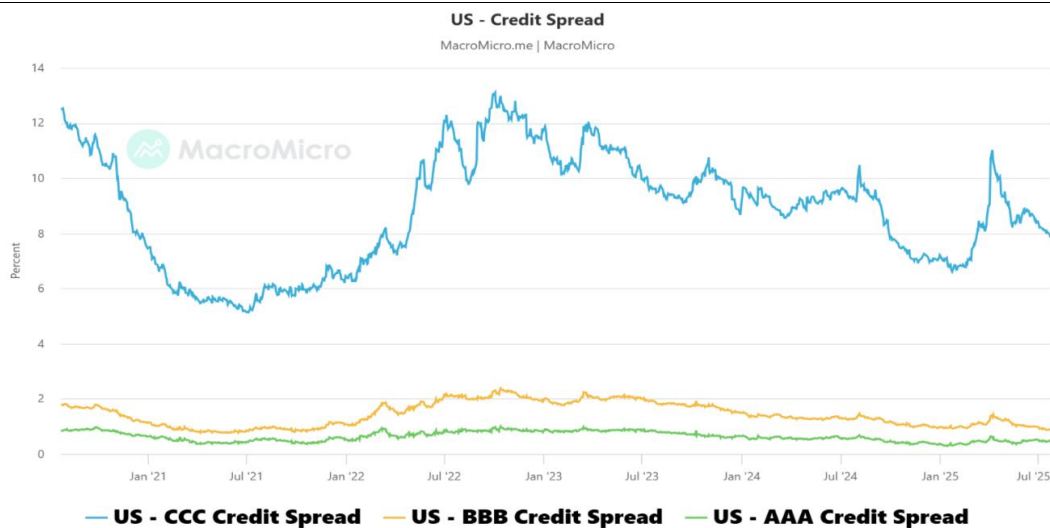
Corporate Bonds

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 guidance. [kanganews.com](https://www.kanganews.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 low tcorp.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 14: US Corporate Bond Spreads



Listed Notes

- **Centuria Capital (C2FHA)** led the gains with a notable **2.53%** increase in trading margin, closing at **102**, and delivering a robust **running yield of 7.92%**. The margin expansion suggests heightened investor demand, possibly driven by its relatively short maturity profile (April 2026) and attractive issue margin of **4.25%**.
- **Australian Unity Series D (AYUHD)** saw a **1.16%** rise in trading margin, closing at **100.25**. With a **running yield of 5.89%**, this note continues to offer a stable income stream, supported by its mid-range maturity in **December 2026** and conservative issue margin of **2.15%**.
- **Australian Unity Series E (AYUHE)** posted a **0.86%** weekly margin gain, ending at **100.65**. Its longer maturity in **December 2028** and slightly higher issue margin of **2.50%** position it as a steady performer, now offering a **running yield of 6.22%**.

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