



Your Income Advantage

17th September 2025



Overview of the US Market

US stocks closed mixed on September 17, 2025, as the Federal Reserve's widely expected 25 basis-point rate cut triggered rotation out of tech and into defensives, with volatility underscoring debates over the easing path. The S&P 500 edged down 0.10% to 6,600.35, the Nasdaq Composite slipped 0.33% to 22,261.33, but the Dow Jones Industrial Average bucked the trend, rising 0.57% to 46,018.32. Financials topped sectors at +0.96%, consumer staples +0.90%, and materials +0.36%, while information technology lagged -0.70%. Actives featured Opendoor Technologies surging 14.46% on blockbuster volume, Nvidia down 2.62%, and Snap up 3.23%.

The Fed lowered rates to 4%-4.25% in an 11-1 vote, the first cut since December 2024, with Chair Jerome Powell framing it as insurance against labor market cracks amid sticky inflation. Dot-plot projections penciled in two more quarter-point cuts this year, up from one in June, though six officials see no further moves, highlighting splits over tariff-fueled price pressures. Governor Stephen Miran dissented for a 50 basis-point cut, but Powell rallied the committee, stressing a data-dependent "meeting-by-meeting" approach and no rush to aggressive easing. Updated forecasts showed unemployment rising to 4.5% this year, PCE inflation at 2.6% in 2026, and GDP growth upgraded to 1.8%.

Post-announcement futures climbed 0.4% for the S&P 500 and Nasdaq 100 early Thursday, signaling relief, though Wednesday's intraday swings saw the S&P dip as much as 0.8% during Powell's remarks before recovering. Housing starts fell to 1.307 million in August, missing estimates of 1.365 million and pointing to construction headwinds. Strategists at Goldman Sachs noted historical precedent: Fed cuts near S&P highs have delivered 15% average returns a year later, while JPMorgan highlighted the index's 30% five-month rally often extends. Bank of America surveys showed fund managers net 28% overweight equities, with growth views at a near-year high, though BofA's Aditya Bhawe warned hawkish voices may amplify as rates fall.

Overview of the Australian Market

Australian shares retreated sharply on September 17, 2025, erasing the previous session's gains amid caution ahead of the Federal Reserve's rate decision overnight. The S&P/ASX 200 fell 0.67% to 8,818.5, while the broader All Ordinaries declined 0.62% to 9,094.9. Decliners outnumbered advancers 184 to 86 in the ASX 300, a reversal from Tuesday's breadth. Utilities led with a 0.83% rise, followed by energy up 0.52% on coal price strength that boosted Whitehaven Coal 5.2% and Yancoal 2.8%, despite New Hope Corporation tumbling 8.3% on disappointing FY25 results and a Macquarie note flagging weakened earnings.

Lithium names rebounded with benchmark futures on China's GFEX marking a fifth straight gain, lifting Pilbara Minerals 4.1%, IGO 1.9%, and Liontown Resources 3.5%. Top performers included Sunrise Energy Metals up 15.9% on continued reaction to a US EXIM letter of interest, Silex Systems 13.5% after enrichment testing news, and G50 Corp 12.9% alongside its annual report. Uranium and silver sectors buckled without clear catalysts, with Bannerman Energy down 12.8% and Deep Yellow 7.9% tracking US peers' pullback, while Sun Silver fell 5.9% and Unico Silver 4.7%. Real estate lagged worst at -1.55%, with GPT Group and Stockland each off over 2.2%, as rate-sensitive plays weighed ahead of the Fed.

The pullback reflected pre-Fed jitters, with traders positioned for a 25 basis-point cut but eyeing Powell's tone for clues on further easing versus inflation risks from tariffs. Australia's composite leading index dipped 0.05% in August, signaling modest softening, while Thursday's employment data is forecast to show 21.5 thousand jobs added and unemployment steady at 4.2%. The AUD/USD slipped 0.23% to 0.667, bucking broader dollar weakness as relative growth and China ties offered some support.

Overview of the US Bond Market

US Treasuries declined across the curve on September 17, 2025, as the Federal Reserve's rate cut disappointed traders betting on deeper easing, pushing yields higher in a post-decision reassessment. The 2-year yield rose to 3.55% from prior levels, the 5-year to 3.65% up 6 basis points, the 10-year to 4.09% up 5 basis points, and the 30-year to 4.69%. Shorter maturities led losses after a solid 20-year auction, with the dollar index steady as Powell's "insurance cut" framing tempered dovish bets.

Integrating macro insights, the 25 basis-point reduction to 4%-4.25% shifted focus to labor risks, with Powell noting job growth below break-even and unemployment edging to 4.3%, though immigration slowdowns suggest structural drags over cyclical woes. Housing starts' miss at 1.307 million reinforced employment downside, while sticky goods inflation from tariffs—up in August per prior data—complicates the dual mandate, as Wolfe Research's Stephanie Roth highlighted tougher trade-offs ahead. JPMorgan client surveys showed net longs at two-month lows pre-meeting, with asset managers trimming \$23.5 million per basis point in futures, concentrated in 5- and 10-year contracts, amid Trump pressures on Powell and potential dissents. CFTC data indicated leveraged funds paring shorts by \$5-6.5 million, but resilient consumer spending from Tuesday's retail sales beat bolsters views for higher rates longer, with swap contracts now pricing fewer than 50 basis points easing by year-end. Auction sizes are seen unchanged through Q4, aligning with Treasury guidance.

Overview of the Australian Bond Market

Australian government bond yields ticked higher on September 17, 2025, as pre-Fed positioning and a stronger global tone pressured prices ahead of the central bank's cut. The 2-year yield raised 1 basis point to 3.37%, the 5-year climbed 2 basis points to 3.65%, the 10-year advanced 3 basis points to 4.24%, and the 15-year edged up 2 basis points to 4.60%. The uptick reflected caution over Powell's potential signals on easing pace, with the composite leading index's 0.05% August drop underscoring domestic softening that could nudge the RBA toward cuts if Thursday's jobs data disappoints at the expected 21.5 thousand additions and 4.2% unemployment.

Macro dynamics blended into trading suggest tariff uncertainties may keep inflation elevated, mirroring US concerns, while China's equity strength and iron ore resilience support Australia's relative appeal. The AUD's dip to 0.667 highlighted dollar resilience despite the Fed move, as Pepperstone's Chris Weston noted outperformance against peers tied to stable politics and growth. Dealers eye steady auction sizes through October per April guidance, with potential China tariff truce extensions offering 90-day buffers per Treasury Secretary Bessent, potentially easing import cost pass-through.

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