yieldreport Daily

Your Income Advantage

**24th September 2025**

## *Overview of the US Market*

Wall Street has paused its recent rally on September 24, 2025, as investors digested mixed corporate news and awaited key economic data amid concerns over labor market slowdown and persistent inflation. The S&P 500 fell 0.28% to close at 6,637.97, ending a streak of near-record highs, while the Nasdaq Composite dropped 0.33% and the Dow Jones Industrial Average declined 0.37%. Energy stocks led gains with a 1.23% rise, buoyed by higher oil prices, but materials tumbled 1.59% and information technology slipped 0.52%.

Lithium Americas Corp. surged 95.77% on reports the Trump administration is pursuing a stake in the company, while Intel gained 6.41% amid talks of investment from Apple. Micron Technology sank despite an upbeat forecast and Snap fell 2.38%. Traders are eyeing upcoming releases like durable goods orders and GDP final on September 25, with economists forecasting a -0.5% drop in durables and 3.3% GDP growth, alongside initial jobless claims expected at 235,000.

Bank of America strategists noted the S&P 500 trading at expensive levels on 19 of 20 metrics, but argued the index's higher-quality composition supports valuations, suggesting a "new normal" rather than a bubble. Nomura's Charlie McElligott warned of downside risks from maximum exposures and AI euphoria, while Piper Sandler's Craig Johnson called for a timeout as momentum fades. Federal Reserve Chair Jerome Powell's comments on fairly high equity valuations added to caution, though BofA's Savita Subramanian highlighted potential for sales and earnings boom to justify multiples.

## *Overview of the Australian Market*

Australian shares snapped a three-day winning streak on September 25, 2025, local time, as hotter-than-expected inflation data dashed hopes for imminent rate cuts and echoed cautious Fed commentary overnight. The S&P/ASX 200 dropped 0.92% to 8,764.5, its worst day since September 3, while the All Ordinaries fell 0.88%. Financials led losses with a 1.76% decline, hit by falls in the big four banks from CBA's 1.4% drop to Westpac's 3.2%, but utilities rose 0.53% and energy gained 0.26%.

Lithium and critical minerals stocks shone amid US news on Lithium Americas, with Ioneer up 18.5%, Anson Resources climbing 14.3%, and Pilbara Minerals advancing 5.3%. Gold miners were mixed as prices hit new highs above $3,800 an ounce, while Droneshield jumped 6.2% on Trump's hawkish UN remarks. The August weighted CPI rose 3.0% year-over-year, beating the 2.9% poll, pushing back RBA cut expectations—Betashares sees no move next week, and NAB now forecasts May 2026.

Resources bucked the trend with a 0.1% gain, supported by BHP and Fortescue edging higher. Earlier PMI flashes showed manufacturing at 51.6, services at 52, and composite at 52.1 for September, indicating expansion but slower than prior readings. Analysts like Capital.com's Kyle Rodda noted neutral Fed language adding to global caution, with oil's rise on geopolitical tensions providing some offset.

## Overview of the US Bond Market

Bond yields climbed as traders positioned ahead of key data releases, with the 10-year Treasury yield rising four basis points to 4.14% and the 2-year up two to 3.60%, reflecting tempered expectations for aggressive Fed easing amid sticky inflation signals. The 30-year yield advanced three basis points to 4.75%, while shorter maturities like the 3-month fell to 3.95%. A stronger dollar and higher oil prices contributed to the move, as West Texas Intermediate crude rose 2.2% to $64.82 a barrel.

New home sales for August surprised at 0.8 million units, beating the 0.65 million forecast and revised prior of 0.664 million, signaling housing resilience despite higher rates. With core PCE prices due September 26—monthly expected at 0.2%, yearly at 2.9%—and consumption at 0.5%, markets are pricing in gradual cuts, though Powell's balancing act on inflation and labor softness adds uncertainty. UBS's Ulrike Hoffmann-Burchardi views the easing cycle as supportive for equities and bonds, forecasting 25 basis-point cuts through January 2026.

Existing home sales on September 25 are polled at 3.96 million for August, down from 4.01 million, potentially pressuring yields if weaker. Strategists at JPMorgan note client longs shrank ahead of the Fed, suggesting less bullishness, while asset managers pared positions in futures. The Treasury is expected to hold auction sizes steady for August-October, with no changes signaled.

## Overview of the Australian Bond Market

August AU CPI surprised to the high side yesterday. The monthly annual indicator printed at +3.0% YoY (headline), up from +2.8% YoY in July and ahead of consensus median at +2.9% YoY. The trimmed figure dropped from +2.7% YoY to +2.6% YoY, and while the trimmed mean is the RBA's preferred inflation measure, they don't really look at the monthly measure, preferring the quarterly data.

The RBA focuses on the quarterly Trimmed Mean as the monthly TM is not directly comparable. As recently noted by Assistant Governor Hunter "we really don't look at [the monthly trimmed mean] series. We don't think that it's a good read [on inflation]."

Current estimate for the September quarter Trimmed Mean inflation is 2.5%yr moderating further to 2.4%yr in the December quarter.
From a market pricing perspective, a September rate cut is completely off the table while a November cut has been priced down to possible rather than probable with just 30% priced in (down from ~75% - 80% over the past week or two).

Markets have shifted the terminal rate higher also, up from ~3.10% to 3.22%.

Credit spreads were resilient despite the stronger-than-expected CPI print. Domestic accounts continued to deploy cash across the credit spectrum, while offshore participation was muted by the Hong Kong typhoon.

Attention remained on the primary market, with new issues from Lonsdale Finance, Weir Group, and SGSPAA. In secondary trading, traders noted flow was mixed in front-end OpCos, demand for higher-beta names stayed firm and corporate saw selective interest, leaving overall sentiment constructive.

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