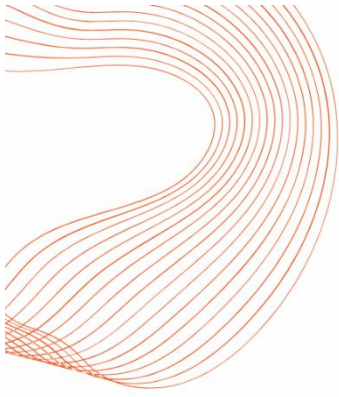




Your Income Advantage

26th September 2025



Overview of the US Market

Wall Street ended higher on September 26, 2025, buoyed by consumer spending data that exceeded forecasts and an inflation reading that aligned with expectations, keeping Federal Reserve rate-cut bets alive. The S&P 500 climbed 0.59% to close at 6643.70, the Nasdaq Composite rose 0.44% to 22484.07, and the Dow Jones Industrial Average gained 0.65% to 46247.29. Utilities led sector gains with a 1.59% advance, followed by consumer discretionary at 1.45%, while consumer staples dipped 0.11%. Intel surged 4.44% on heavy volume amid reports of potential US efforts to reduce reliance on overseas chips, and Ford jumped 3.36% as active trading highlighted auto sector resilience.

Personal consumption expenditures data showed core PCE inflation holding steady at 2.9% annually, easing concerns of reacceleration and supporting the Fed's path toward two more rate cuts this year. Revised second-quarter GDP growth came in at a robust 3.8%, stronger than the prior 3.3% estimate, underscoring economic strength driven by consumer spending and business investment. Fed officials, including Richmond President Tom Barkin, noted limited risks to employment and inflation, though a potential government shutdown looms, which could delay next week's jobs report. Corporate highlights included Oracle's discussions for a potential private buyout and Boeing's progress in regaining regulatory powers, while Trump's tariff proposals on drugs and trucks influenced moves in Paccar and drug makers.

Treasury Secretary Scott Bessent's comments on ongoing US-China tariff talks added to market optimism, though investors remain cautious amid high valuations, with the S&P 500's forward P/E at 22.9, a level rarely seen this century. Strategists see the bull market persisting on resilient consumer spending and corporate profits, but warn of possible October volatility tied to historical patterns and fiscal uncertainties.

Overview of the Australian Market

The Australian share market closed modestly higher on September 26, 2025, capping a lackluster week as gains in materials offset weakness in health care and utilities. The S&P/ASX 200 rose 0.17% to 8787.7, while the All Ordinaries added 0.17% to 9079.2. Materials led with a 0.90% gain, buoyed by strength in gold and copper, and financials climbed 0.50%, but health care tumbled 1.42% amid fallout from US tariff announcements on pharmaceuticals. Standouts included Environmental Clean Technologies up 20.7% on reinstatement momentum and Dateline Resources surging 17.5% after REE target validation, while Decidr AI fell 10.1% in a post-rally pullback.

Hotter-than-expected weighted CPI at 3.0% year-over-year for August raised doubts about near-term RBA rate cuts, pushing full pricing to early next year despite labor-market softening. Flash PMI data earlier in the week showed manufacturing at 51.6 and services at 52.0, indicating modest expansion but below prior readings, contributing to subdued momentum. Gold sub-index rose 1.2% as prices neared records, with silver names like Unico Silver up 17.1%, while uranium stocks such as Peninsula Energy gained 9.2% on sector strength.

Cryptocurrencies extended losses, with Bitcoin little changed but down sharply from recent highs, potentially signaling fading risk appetite. Investors eye US developments, including tariff truces, for spillover effects, though domestic resilience in consumer staples and energy supports a cautious outlook into October's volatile reputation.

Overview of the US Bond Market

Bond yields showed mixed movements as traders digested inflation data that met forecasts and robust consumer spending figures, reinforcing expectations for measured Fed easing amid a resilient economy. The 10-year Treasury yield raised one basis point to 4.18%, while the 2-year declined one basis point to 3.64%, flattening the curve slightly as markets priced in about 40 basis points of cuts by year-end. The 30-year yield held steady at 4.76%, reflecting muted reactions to PCE details that kept inflation above the Fed's 2% target but not accelerating.

With second-quarter GDP revised higher to 3.8% on stronger household outlays and intellectual property investment, bonds absorbed the narrative of a economy recovering from tariff shocks, potentially leading to better-than-expected third-quarter growth. Fed Chair Jerome Powell's focus on labor-market cooling supports the case for an October cut, barring surprises in upcoming jobs data, though persistent inflation has some officials vigilant. A potential government shutdown could inject short-term volatility, historically having limited lasting impact on markets, as seen in the S&P 500's flat average during past events.

In futures positioning, asset managers trimmed long positions in Treasury contracts last week, signaling caution ahead of policy clarity, while leveraged funds reduced shorts in longer tenors. Dealers anticipate steady coupon auction sizes for August-October, aligning with April guidance, as the rally in equities draws parallels to bonds' sensitivity to economic strength and tariff resolutions.

Overview of the Australian Bond Market

Australian government bond yields edged higher across the curve, tracking US movements and local inflation data that tempered rate-cut expectations, as the economy shows signs of steadying amid global uncertainties. The 10-year yield rose four basis points to 4.38%, the 5-year added three to 3.80%, and the 2-year climbed three to 3.52%, reflecting recalibrated bets on RBA policy with cuts now fully priced only into 2026.

August's CPI surprise at 3.0% seasonally adjusted year-over-year, alongside resilient US growth data, bolstered the view of persistent price pressures down under, even as flash composite PMI at 52.1 suggests cooling from prior highs. Trump's tariff proposals, including on drugs, weighed on health care stocks but could indirectly support miners via commodity rallies, blending with domestic fiscal catalysts like potential stimulus. Markets see limited near-term volatility from US shutdown risks, historically neutral for equities, as bond trader's position for a gradual easing path amid trend growth and tariff adaptations.

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