



Your Income Advantage

2nd September 2025



Overview of the US Market

U.S. stocks fell to start September after renewed inflation and debt concerns sparked a global bond selloff.

The tech-heavy Nasdaq composite led declines, closing down 0.8% after losing nearly 2% earlier in the day. The S&P 500 was 0.7% lower, while the Dow Jones Industrial Average dropped 249 points, or 0.5%.

It was a fitting start to September, which has been the worst-performing month for the S&P 500 over the past decade with an average loss of 2%, according to UBS.

Markets entered September under pressure, with gold hitting record highs, bond yields climbing, and equities softening as investors grew more cautious. The surge in gold reflects expectations of Federal Reserve rate cuts and unease over the central bank's independence. Long-dated bond yields, including U.K. gilts at their highest since 1998, signalled mounting concerns over fiscal sustainability and inflation risks.

Geopolitics also featured prominently. Russia's Gazprom announced a long-awaited pipeline deal with China and plans to expand other delivery routes, bolstering Moscow's strategic partnership with Beijing and marking a political win for the Kremlin. In the corporate sphere, Nestlé's dismissal of CEO Laurent Freixe after only a year, due to an undisclosed affair, underscored instability at the world's largest food company, sending its shares lower. Tesla's expansion into India disappointed, with just over 600 cars ordered since its July launch, rising doubts about its growth outlook. Meanwhile, U.S. Treasury Secretary Scott Bessent floated the possibility of declaring a national housing emergency, an issue likely to resonate with voters ahead of midterm elections.

Markets face a pivotal stretch, with jobs data, inflation readings, and the Fed's September policy meeting all due within the next two weeks. September is historically the weakest month for stocks, but so far, momentum remains intact. Despite dipping at the end of last week, the S&P 500 is up nearly 10% year-to-date, having gained 30% since April lows. Volatility is subdued, with no 2% pullback in 91 sessions — the longest streak since July 2024.

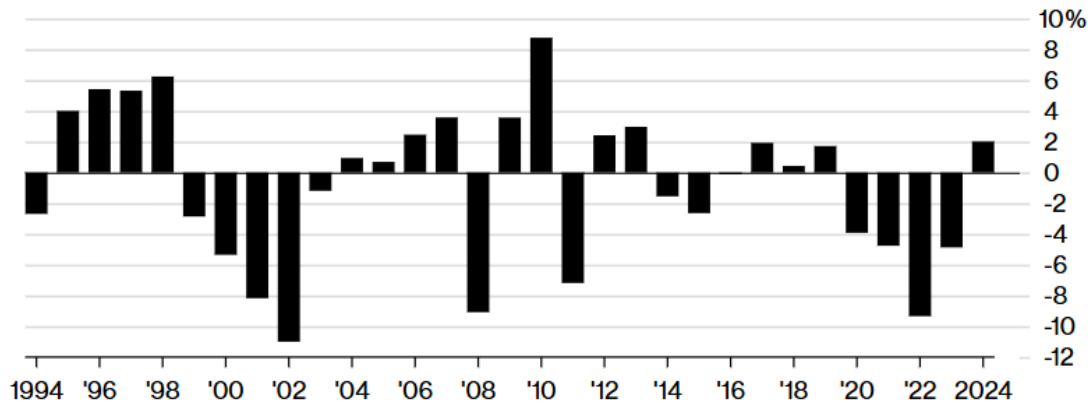
Investors appear reassured that trade frictions and labour market cooling are not derailing growth. Instead, expectations of Fed easing have reinforced confidence in the economy's resilience. Charles Schwab's Omar Aguilar noted that tariffs' impact looks less damaging than feared and stronger fundamentals are helping sustain optimism. Still, with central bank decisions and political risks looming, September could prove decisive for the market's direction.

Figure 1: US Stock Rally Faces Off with Rockiest Month of the Year

US Stock Rally Faces Off With Rockiest Month of the Year

September is historically the worst month for returns in past three decades

■ S&P 500 Index percent change in September



Source: Bloomberg

Overview of the Australian Market

The Australian share market fell modestly on September 2, 2025, hampered by ex-dividend drags on major retailers and weak breadth amid a US holiday lull, though financials and gold provided some support. The **S&P/ASX 200** dropped 0.30% to 8,900.6, 0.31% from its high and 0.11% from the low, while the broader **All Ordinaries** declined 0.31% to 9,168.0. Small-caps slipped with the **Small Ords** down 0.36%, and breadth was poor as advancers lagged decliners 98 to 180 in the **ASX 300**.

Financials led with a 0.42% gain, buoyed by big banks: **CBA** (+0.9%), **NAB** (+1.0%), **Westpac** (+0.8%), though **ANZ** dipped 0.3%. **Information Technology** rose 0.35%, but **Consumer Discretionary** plunged 1.89% as ex-divs hit, **Wesfarmers** (-2.9% ex \$1.11), **Domino's Pizza** (-0.8% ex \$0.215). **Consumer Staples** fell 1.66% with **Woolworths** (-3.1% ex \$0.45), **Endeavour** (-2.9% ex \$0.063). **Real Estate** dropped 1.18%, **Communication Services** -1.12%, **Health Care** -0.83%. **Materials** flat at -0.01%, but gold shone amid \$US3,578 record high post-Trump's inflation claims, lifting **Evolution Mining** (+0.8%), **Ramelius Resources** (+2.7%), **Northern Star** (-1.2%).

Standout movers included **DUG Technology** (+25.3%) on SaaS/HPCaaS award, **Invictus Energy** (+22.2%) after national project status, **Cettire** (+16.9%) on director buy, **Felix Gold** (+15.4%), **LTR Pharma** (+15.2%), **Aeris Resources** (+13.6%), **West Wits Mining** (+13.4%), **Dateline Resources** (+13.0%), **Omega Oil & Gas** (+12.8%), **Falcon Metals** (+10.5%), **Polynovo** (+10.3%) on Medicare proposal, **Nanoveu** (+10.0%). Laggards featured **Coronado Global Resources** (-9.6%), **Dorsavi** (-9.4%), **Gateway Mining** (-9.3%), **Caprice Resources** (-8.7%), **Lion Rock Minerals** (-8.2%), **Waratah Minerals** (-7.7%), **Novonix** (-6.9%), **Decidr Ai Industries** (-6.7%), **Austin Engineering** (-6.6%), **Peninsula Energy** (-5.7%), **Kaili Resources** (-5.5%).

The AUD/USD fell 0.19% to 0.6541. Q2 current account deficit narrowed to -13.7B (better than -16B poll), net exports contributed +0.1% (vs 0%), signalling external strength ahead of tomorrow's GDP (0.5% QQ expected). US ISM manufacturing at 48.7 (below 49 polls) points to contraction.

For August, the **ASX 200** rose 2.64%, its strongest month since May, driven by earnings resilience and sector rebounds amid global volatility, though ex-divs and tariff risks cloud September outlook.

Investors eye escalating Ukraine-Russia tensions delaying ceasefires, boosting gold as a haven, while Trump's Fed pressures and tariff extensions add uncertainty.

Strategists from HSBC, Morgan Stanley, and UBS hold bullish views, citing earnings, tariff clarity, and AI to fuel gains, despite valuations.

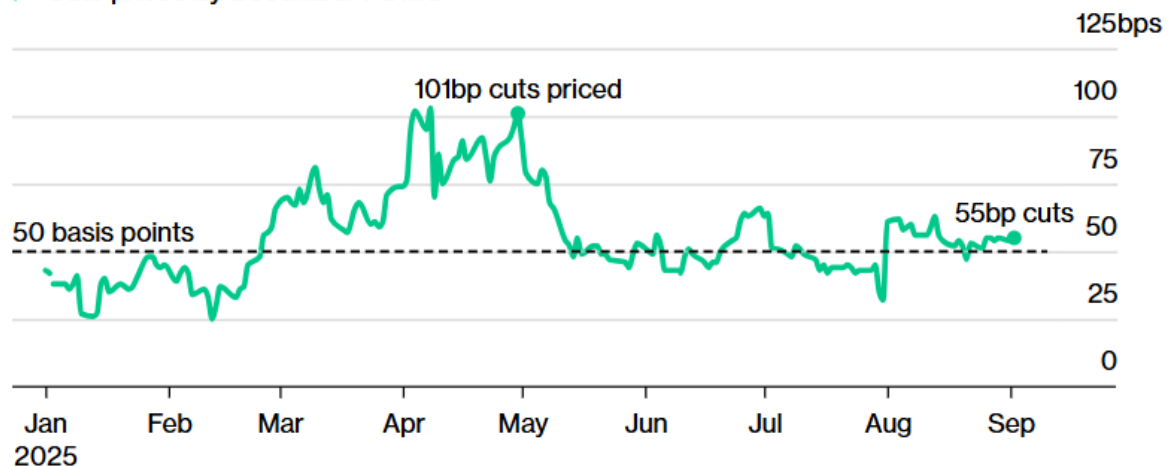
Goldman Sachs warns tariffs could sting equities despite deals, suggesting diversification as recession risks fade but premiums rise.

Figure 2: Amount of Fed Rate Cuts Priced by End of Year

Amount of Fed Rate Cuts Priced by End of Year

Swaps market prices 55 basis points of easing by the December FOMC

✓ Cuts priced by December FOMC



Source: Bloomberg

Note: Data based off Fed-dated OIS rates, daily closing levels

Overview of the US Bond Market

U.S. Treasuries weakened at the start of September, with the 30-year yield climbing toward 5% in tandem with a selloff in long-dated European bonds. The move comes during a historically challenging month for duration risk, as long-term government bonds have averaged 2% losses each September over the past decade. On Tuesday, benchmark yields settled about 4 basis points higher at the long end, retracing session highs after weaker-than-expected ISM manufacturing data showed soft activity, employment, and prices paid, though new orders improved.

Selling pressure was also fuelled by a surge in corporate debt issuance, with 27 investment-grade deals launched in the post-Labour Day rush. Analysts suggested as much as \$160 billion in supply could come this month, compounding the seasonal weakness.

Kathy Jones of Charles Schwab noted that markets are demanding a higher term premium until clearer economic signals or policy coherence emerges, with Friday's jobs report seen as pivotal.

Global dynamics added pressure: U.K. 30-year yields reached levels last seen in 1998, while French yields rose to 4.51%. Pimco's Michael Cudzil and Natixis's John Briggs highlighted that yields around 5% may not hold but underscore persistent concerns about long-end vulnerability.

Markets are increasingly pricing Federal Reserve easing, with fed funds futures assigning a 92% chance of a quarter-point cut in September and 55 basis points by year-end. While Governor Christopher Waller backed a 25-basis-point reduction, he left the door open to larger cuts if labour data deteriorates. Economists expect Friday's report to show 75,000 new jobs and unemployment rising to 4.3%. Weak outcomes could push traders to consider a half-point cut, amplifying volatility in long bonds already pressured by global fiscal strains and heavy issuance.

Overview of the Australian Bond Market

Australian government bonds weakened on September 2, 2025, with yields rising as better-than-expected current account data tempered easing bets, amid gold's record rally and global haven flows post-US holiday. The 10-year yield climbed 4 basis points to 4.36%, the 2-year added 2 bps to 3.37%, the 5-year gained 3 bps to 3.70%, and the 15-year rose 4 bps to 4.73%. In August, yields increased modestly—10-year up ~9 bps overall—reflecting RBA patience after July CPI surprise, though global dovish shifts capped rises.

Q2 current account -13.7B (surpassing -16B forecast) and +0.1% net exports bolster growth views pre-GDP, blending with bond selling as Trump's inflation claims and Fed interference—firing attempts on Cook—risk politicized policy, inflating long-term costs and eroding US asset trust, spilling to Aussie yields via haven demand as gold hits \$US3,578. Tariff truce talks (90-day extension possible) and EU deals ease trade wars, but Ukraine escalation and weakening US ISM (48.7 vs 49) underscore divergence, supporting higher-for-longer locally.

Upcoming S&P Global Services PMI (55.8 expected) and GDP (1.6% YY poll) could sway RBA, with swaps at ~60% Fed September cut amid data resilience. The positioning cautious per CFTC, eyeing diversified plays as US deficits worsens.

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