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Your Income Advantage

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## Overview of the US Market

Wall Street optimism surged as traders bet the Federal Reserve will soon begin cutting interest rates, pushing U.S. equities near record highs. Investors are increasingly confident that policy easing will support corporate earnings even as the economy shows signs of slowing but avoids tipping into recession.

After a brief slide on weak jobs data, the S&P 500 rebounded strongly. Markets are pricing in nearly three rate cuts this year, starting in September. Treasury yields continued to fall, with the two-year note at its lowest level since 2022, while the dollar weakened.

Fed officials appear to be shifting their focus from inflation risks tied to tariffs toward labour market softness. Stable inflation expectations suggest tariff-driven price pressures may be temporary, even if they linger through the economy for months. Attention now turns to upcoming data: the Bureau of Labour Statistics is expected to confirm another markdown in job growth, while Thursday's core CPI is projected to rise 0.3% for a second month.

Despite slowing payroll growth, strategists stress that the labour market does not signal an imminent recession. Analysts at Invesco and Nationwide argue that slowing growth, anchored inflation expectations, and falling yields create a supportive backdrop for equities. Historically, stocks have delivered strong gains in non-recessionary rate-cutting cycles, with the S&P 500 rallying as much as 50% over two years, according to Deutsche Bank.

September, usually a weak month for stocks, could defy seasonal trends. Bloomberg Intelligence notes the S&P 500 has historically gained when the Fed eased policy outside recessions. The key uncertainty now is the pace of future cuts, which will hinge on how stubborn inflation proves. By next week, markets expect a clear signal: either stagflation fears or confirmation of multiple rate cuts by year-end.

## Overview of the Australian Market

Australian shares edged lower on September 8, 2025, extending the seasonally weak tone of September amid mixed global cues and soft Chinese trade data. The S&P/ASX 200 shed 21.6 points, or 0.24 per cent, to close at 8,849.6, recovering from a session low of around 0.50 per cent down, while the broader All Ordinaries dipped 13.6 points, or 0.15 per cent, to 9,126.9. Small ordinaries bucked the trend with a 0.12 per cent gain to 3,639.3, and the All Tech index rose 0.66 per cent to 4,219.0, reflecting pockets of strength in risk assets.

The pullback followed a weaker-than-expected US jobs report on Friday that pressured Wall Street, tempering rate cut hopes and contributing to a 1.8 per cent slip in oil prices to US$65.7 a barrel after an OPEC+ decision to boost output by about 137,000 barrels per day in October. China's trade figures showed softer-than-anticipated import growth, adding to demand concerns for commodity-heavy sectors. "Some areas of the market have done okay by the prospect of rate cuts, tech in particular, but for the most part we're a heavily cyclically weighted index and it's been dragged by Friday's result," Capital.com market analyst Kyle Rodda told AAP.

Information technology led gainers with a 1.44 per cent advance to 2,922.8, buoyed by tracking software provider Life360 which rallied 6.1 per cent to $95.35 on no specific news amid a small caps surge, alongside WiseTech Global up 1.9 per cent and Xero adding 1.3 per cent. Health care climbed 0.94 per cent to 39,273.9, highlighted by 4D Medical's 49.5 per cent surge after announcing agreements to deploy its health software. Emerging companies jumped 1.33 per cent to 2,711.5, with risk-oriented names like Qoria up 9.5 per cent, Droneshield gaining 5.2 per cent, and Tuas rising 7.2 per cent on inclusion in the ASX 200 materials sector.

8 of 11 sectors ended in the red, with energy the weakest at 1.62 per cent lower to 8,987.3 as Woodside fell 2.7 per cent, Santos dropped 1.1 per cent, Beach Energy eased 1.6 per cent, and Karoon Energy declined 1.2 per cent on the oil retreat. Financials slipped 0.60 per cent to 9,566.0, with insurers under pressure from rising bond yields; QBE shed 3.6 per cent, IAG fell 2.1 per cent, and Suncorp faded 2.0 per cent. Commonwealth Bank was the lone big four to rise, up marginally to $168.24, while the others declined between 0.6 and 1.0 per cent. Industrials dipped 0.61 per cent to 8,612.0, consumer discretionary lost 0.51 per cent to 4,533.4 with Super Retail Group tumbling 4.1 per cent to $18.05 after going ex-dividend, and consumer staples eased 0.45 per cent to 12,157.2 as Coles and Woolworths faced potential $1 billion in underpayment penalties following a Federal Court ruling.

Materials held nearly flat at 17,852.3, with Rio Tinto up 0.8 per cent to $118.21 on iron ore futures topping US$105 a tonne, offsetting declines in BHP down 0.6 per cent and Fortescue off 0.3 per cent. Gold miners were mixed as the metal hovered near its all-time high of US$3,600 an ounce, with Northern Star gaining 0.8 per cent to $20.10 while Newmont fell 0.6 per cent and Evolution dropped 1.4 per cent. Lithium names broadly advanced on a 2.7 per cent intraday rally in Chinese lithium carbonate futures to 74,740 yuan a tonne, led by Argosy up 11 per cent, Global Lithium rising 11.4 per cent, Liontown adding 4.3 per cent, Pilbara Minerals climbing 3.7 per cent to its highest since December 2024, and Patriot Battery Metals up 3.7 per cent. Uranium stocks also moved higher, with Lotus gaining 8.1 per cent, Aura Energy up 7.1 per cent, Boss Energy adding 6.0 per cent, Elevate Uranium rising 5.0 per cent, Terra Uranium up 4.8 per cent, and Bannerman Energy advancing 4.6 per cent.

Communication services was nearly flat at 1,886.9 down 0.01 per cent, real estate edged up 0.12 per cent to 4,130.2, and utilities fell 0.30 per cent to 9,847.5. Mayne Pharma was the top loser, plunging 14.7 per cent in response to media reports on South Australian Premier comments regarding a potential takeover. Overall, more than 100 companies are set to go ex-dividend between now and mid-November, which may exert short-term downward pressure on prices but free up liquidity for reinvestment. The Australian dollar strengthened to 65.69 US cents, up 0.18 per cent from 65.33 cents on Friday, buoyed by a softer greenback on US rate cut speculation.

In a light week for local data, Westpac and NAB will release consumer and business confidence surveys on Tuesday, while investors eye US and Chinese inflation and producer price figures later in the week. "Obviously, we're well out of earnings season now, so it's mostly going to be a sort of a global story for the market," Mr Rodda said. The NZX 50 rose 0.43 per cent to 13,281.14, and Japan's Nikkei gained 1.43 per cent to 43,643.81 at the close.

## *Overview of the US Bond Market*

Treasury markets extended their rally as bond yields fell further, driven by expectations that the Federal Reserve will soon begin a series of rate cuts. The move follows last week's disappointing U.S. jobs report, which reinforced the view that the labour market is losing momentum. Investors now await Thursday's August CPI release, expected to show headline inflation rising modestly to 2.9% while core remains steady at 3.1%. Shorter-term Treasury yields, which are most sensitive to Fed policy, have fallen sharply, with the two-year yield at 3.49%. The 10-year yield also declined, settling near 4.0%, as markets balanced the prospect of easing against concerns over sticky inflation and widening budget deficits.

Adding to the debate, economists anticipate significant downward revisions to historical payroll data. The Bureau of Labour Statistics' preliminary benchmark revision, due Tuesday, could show employment through March was 800,000 to 1 million jobs lower than previously reported — about 60,000 to 80,000 fewer per month. Such a shift would suggest the labour market slowed much earlier than current data indicates. While the revision is dated, it strengthens the case for monetary easing by underscoring that hiring momentum had been weaker well before this summer's slowdown.

Comerica's chief economist Bill Adams noted that while older revisions have less immediate policy impact, they do set the stage for how the economy's trajectory is viewed. Fed Governor Christopher Waller, who supported a cut in July, has already said he expects downward revisions of about 60,000 jobs a month. With policymakers widely expected to cut rates at next week's meeting, the benchmark adjustment could reinforce calls that the Fed should have acted sooner.

The revisions also carry political weight. President Trump, critical of large adjustments to jobs data, recently fired the BLS chief after August's unusually steep revisions. Still, such corrections are routine, reflecting the incorporation of more comprehensive data. Analysts caution that while the revisions may not alter the Fed's immediate stance, they highlight a labour market that has been weaker than appreciated, supporting the case for a sustained easing cycle.

## *Overview of the Australian Bond Market*

Australian government bond yields eased across the curve on September 8, 2025, as a pullback in long-dated yields followed weaker-than-expected US jobs data, cooling some of the recent spike amid broader market choppiness. The 2-year yield dipped 4 basis points to 3.36 per cent, the 5-year fell 6 basis points to 3.65 per cent, the 10-year declined 9 basis points to 4.25 per cent, and the 15-year dropped 10 basis points to 4.61 per cent, reflecting a flight to safety in fixed income after the ASX's modest decline and ongoing September seasonality.

The move aligns with a natural retracement from elevated levels driven by prior yield surges and a post-rally pullback in equities, though corporate earnings from recent seasons indicate underlying resilience. Globally, US Treasury yields have similarly softened in response to Friday's employment print, with futures implying a roughly 60 per cent chance of a 25 basis-point Federal Reserve cut in September, potentially spilling over to influence Reserve Bank of Australia expectations as inflation remains in focus.

Bond traders are trimming positions ahead of key US data releases this week, including producer prices on Tuesday, core CPI and headline CPI on Wednesday—both forecast at 0.3 per cent month-over-month with year-over-year readings of 3.1 per cent and 2.9 per cent respectively—and initial jobless claims alongside University of Michigan sentiment on Thursday, which could clarify the pace of Fed easing and its ripple effects on the Aussie dollar and local borrowing costs.

With the RBA's benchmark rate steady and domestic surveys like Tuesday's Westpac and NAB releases poised to gauge sentiment amid trade war echoes and commodity softness, the bond market's bearish tilt persists on bets that rates stay higher for longer if US resilience holds. Recent deals easing global tariff uncertainties have bolstered this view, though stretched valuations in equities underscore the need for diversification. In the cash market, net long positions in Australian bonds have held steady, but investors remain cautious as swap contracts price in modest easing potential by year-end, contingent on softer Chinese producer prices and US inflation prints not reigniting yield pressures.

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**YieldReport – Interest Rates &Yield Investment Data & Research**
**Level 2, Suite 208**
**33 Lexington Drive**
**Bella Vista NSW 2153**

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