yieldreport Weekly

Your Income Advantage

8th to 12th September 2025

PART 1 – Equity & Bond Market Analysis

Weekly Overview

Markets displayed mixed signals last week. In equities, the S&P 500 touched new highs on optimism about US rate cuts, while Europe traded flat and Asia posted gains, led by South Korea and Taiwan. China's rally paused as investor's awaited clarity on global monetary policy.

Global equities are building a case for renewed leadership. The Technical has shown improving breadth and relative performance versus the U.S., with higher lows forming. Valuations are compelling: every country is cheaper than the U.S. on a PE10 basis, with almost all at least 20% cheaper. Market cap imbalances are stretched, reminiscent of prior turning points such as the late 1980s.

U.S. dominance has been underpinned by superior earnings, but this creates vulnerability if earnings momentum slows. Global equities may catch up, particularly if supported by catalysts such as a weaker U.S. dollar, stronger relative macro conditions abroad, or a rotation into cyclical. Sector composition favours this outcome: U.S. markets are heavily weighted toward tech, while global indices tilt toward cyclical that would benefit from growth reacceleration. The setup for global outperformance is increasingly credible.

Bonds were volatile: US 30-year yields rose early but eased after a weak payrolls report, with FedWatch pricing higher odds of imminent rate cuts. The US 10-year yield touched it's lowest since April, while gold surged to a record on safe-haven flows. Currency markets reflected rate expectations, with the dollar softening. Regionally, US strength contrasts with Europe's consolidation, while Asia shows resilience. The underlying theme is rate-cut anticipation driving optimism in risk assets but tempered by uncertainty in Europe and China.

Global Themes Shaping Markets

First, the US labour market shows fragility: August's soft payrolls and expected revisions suggest job growth has been overstated. Yet declining breakeven employment needs, Fed easing, and solid investment imply a slowdown, not a recession.

August Payrolls Collapse - Cooling Rather than Recession

August payrolls rose just 22,000, far below July's 79,000 and expectations of 75,000 while June was revised down to a loss of 13,000, the first decline since 2020.

Broad weakness was evident, with 8 of 12 industries losing jobs. Even resilient sectors like healthcare slowed sharply. The three-month average payroll gain collapsed to 30,000, signalling clear deceleration. Yet unemployment rose only slightly to 4.3%, cushioned by declining participation (62.3% from 62.8% last year).

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This unusual dynamic, weak payrolls but stable unemployment, reflects simultaneous contraction of labour demand and supply. The report signals sharp cooling in job creation, complicating the policy outlook. Survey data may have overstated job growth. Wells Fargo estimates March 2025 employment levels could be revised down by 475,000–790,000, cutting monthly averages by 40,000–70,000. Fed Governor Waller also suggests gains were inflated by ~60,000/month. Declining response rates and statistical adjustments (birth-death model) are key culprits. If confirmed, the labour market is significantly weaker than current data implies, with revisions similar to last year's downward adjustments. This raises risks that policymakers and markets are underestimating labour softness.

Labor supply changes mean fewer jobs are needed to maintain stability. Breakeven employment has fallen from 140–180k in 2024 to 32–82k now, due to slower immigration and demographics. Pre-pandemic breakeven was ~70–100k, so current weakness may reflect normalization. Even with revisions, monthly gains near 60k align with the low end of breakeven, **suggesting cooling rather than recession.** Traditional indicators remain below recession triggers, reinforcing that the labour market may be rebalancing rather than collapsing.

Fed Cuts & Productivity Cushion

Second, global bond yields are surging to multi-decade highs, not from central bank rate hikes, but from markets repricing structural deficits and inflation risk. Fiscal loosening combined with dovish central banks heightens concerns over long-term debt sustainability.

Markets now price a 90% probability of a September Fed rate cut, with three total cuts expected in 2025, lowering the terminal rate to 3%. This policy easing provides a cushion against labour weakness. Simultaneously, corporate investment in technology and intellectual property is surging, surpassing equipment spending. Information-processing investments dominate capex, while electronics manufacturing is expanding rapidly. This supports productivity growth, offsetting slower employment gains and sustaining economic expansion despite labour market softness.

Wage pressures remain contained despite slower immigration and reduced labour force growth. Core inflation measures and wage trackers suggest moderation, supporting Fed easing. Concerns over AI-driven job loss lack empirical evidence: professional services, heavily AI-exposed, remain strong. Technology is enhancing productivity rather than destroying jobs. Historical precedents suggest AI will create new categories while reshaping existing roles. Together, immigration and AI trends appear manageable, not destabilizing.

Fiscal Headwinds over Monetary Signals

Despite dovish central banks, 30-year yields across major economies are surging. For instance, US near is 5%, UK is 5.7%, Germany is 3.4%. This divergence reflects structural fiscal concerns and inflation risk, an "inverse Greenspan conundrum." Term premia expansion (30y–2y spreads) shows markets are pricing sustained deficits and higher long-term inflation. **The disconnect between short-term easing and rising long yields has underscored fiscal dominance over monetary signals.**

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A surge in global government debt ($324T) and large issuance, combined with central bank balance sheet reduction, is creating supply-demand imbalances and pushing yields higher. The US alone is issuing ~$500B net debt quarterly. Meanwhile, core inflation remains sticky, particularly in services, with forecasters raising projections. This complicates central banks' efforts, as persistent inflation combines with fiscal pressures to anchor yields at elevated levels.

Markets are increasingly worried about Fed independence after Trump's attacks and calls to dismiss Governor Lisa Cook. This raises stagflation fears. Meanwhile, fiscal deterioration is accelerating. If tariff revenues collapse after a recent court ruling, deficits could rise from 6.3% to 7% of GDP. The "One Big Beautiful Bill Act" adds $4.7–5.5T over 10 years. Structural deficits and political interference compound inflation risk premiums.

UK inflation re-accelerated to 3.8% YoY, far above peers, while growth remains weak. This stag factionary mix constrains the BoE's ability to cut rates. Fiscal strain is worsening: deficits widened, debt-to-GDP hit 96%, and projections are deteriorating. With high inflation, poor productivity, and weak growth, gilt yields are under pressure, reflecting limited fiscal and monetary flexibility.

Germany's constitutional amendment ending borrowing limits marks a historic shift from fiscal conservatism. Debt is set to rise from 62.5% to 72% of GDP by 2029, with deficits swinging from a 0.6% surplus to -4.2%. Spending on infrastructure and defence drives this deterioration. This pivot fundamentally alters bund dynamics and European fiscal coordination, ending Germany's post-war restraint.

The BoJ may hike rates as early as October, with inflation above target for three years and real wages rising. Simultaneously, it plans a 17% balance sheet reduction. Politically, leadership changes remove fiscal conservatives, while likely successors favour expansionary policies. This alignment of fiscal expansion and monetary tightening drives long yields higher, complicating inflation management.

France faces a €60B austerity plan, sparking political instability and a confidence vote. Deficits exceed 5% of GDP, breaching EU rules. 30-year OAT yields are at 4.5%, the highest since 2009. Market concerns focus on political sustainability of fiscal consolidation. While eurozone institutions offer insulation, precedent risk arises as EU fiscal rules are undermined.

Despite global yield surges, US long bonds are more stable, with issuance declining and the MOVE index (indicator of bond market implied volatility) low. Yields even fell after payroll data. AI offers potential relief, contributing ~1% to GDP already and boosting tax revenue prospects. **Markets expect three Fed cuts this year and three more in 2026, which would counter long-term bond pressures.**

Global Manufacturing Weakness - PMI Scan

Third, global manufacturing remains pressured by tariff shocks. US production is squeezed, Taiwan's non-tech sector has weakened, and China relies on stimulus to stabilize sentiment. However, low inventories, selective demand resilience, and accommodative monetary policy hint that the **downturn may be consolidating near an inflection rather than collapsing**.

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Tariffs are weighing heavily on global manufacturing. US PMI remains in contraction at 48.7, China's official PMI rose slightly but stays below 50, and Taiwan slipped further. The MM Manufacturing Cycle Index fell to -0.27, confirming weakness. Tariff shocks ended front-loading demand, leaving order flows soft. Overall, global manufacturing faces stress with few bright spots.

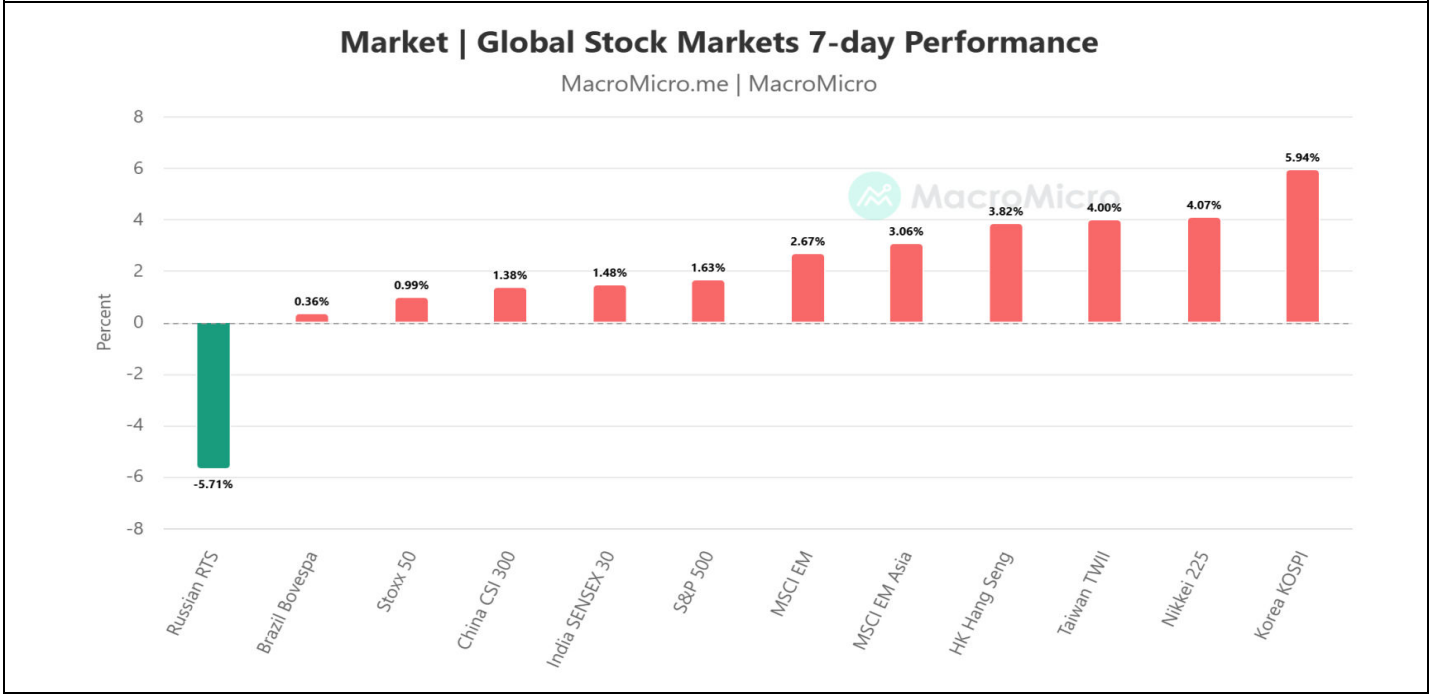
US new orders surged into expansion (51.4), but production tumbled (47.8), highlighting manufacturers' caution amid tariff costs. Customer inventories are contracting (44.6), suggesting lean supply chains. These low inventory levels provide resilience, limiting risks of overcapacity and creating potential restocking demand. The sector faces cost pressures but retains structural buffers.

Taiwan's PMI slipped to 47.9, with outlook worsening. Traditional manufacturing sectors (machinery, materials, transport) contracted sharply under tariffs, while electronics and biotech held steady. Semiconductor exports hit $24.2B in July, up 87% YoY, driven by AI demand. This underscores Taiwan's critical global tech role, masking weakness in non-tech industries.

China's PMI improved slightly to 49.4, supported by stronger production and expectations. A US-China tariff truce, anti-involution policies, and high-tech manufacturing strength provide stability. Prices are rising for three months, suggesting policies are curbing destructive competition. Structural shifts toward advanced manufacturing support China despite persistent headwinds.

Despite weak PMIs, the global cycle shows signs of bottoming. Central banks remain accommodative, cushioning risks of deeper contraction. Low inventories in US, China, and Taiwan reduce overhang risk, providing conditions for stabilization. **Manufacturing weakness appears more like consolidation than collapse, with policy and structural factors creating resilience.**

Figure 1: World – Major Stock Indices 1 Month Return



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Overview of the US Equities Market

U.S. stocks ended the week on a strong note, with the Nasdaq Composite closing at a record high as investors positioned for an anticipated Federal Reserve interest-rate cut. Optimism around easier monetary policy fuelled gains in technology shares and reinforced a risk-on mood in equity markets. Both the Nasdaq and the S&P 500 advanced more than 1% for the week, while the Dow Jones Industrial Average fell 0.6% on Friday, retreating after briefly topping 46,000 for the first time.

The Nasdaq rose 0.4% on Friday, marking its 25th record close of 2025. Investor sentiment was bolstered by growing conviction that the Fed will cut rates by 25 basis points at its upcoming policy meeting, with a smaller chance of a deeper 50-point move. Markets are essentially in "wait-and-see" mode, according to Barnum Financial Group's Chris Kampitsis, as traders hold positions ahead of the decision.

Technology continued to lead the rally, powered by strong expectations for artificial intelligence growth. The "Magnificent Seven" tech giants—Amazon, Alphabet, Apple, Meta, Microsoft, Nvidia, and Tesla—collectively closed above a $20 trillion market capitalization for the first time. This milestone underscored the sector's dominant role in sustaining recent market momentum.

The week also brought renewed enthusiasm for IPOs. Gemini Space Station, a crypto exchange launched by the Winklevoss twins, jumped 14% in its Nasdaq debut, reflecting robust investor appetite for new offerings.

Macroeconomic data provided mixed signals. The University of Michigan's consumer-sentiment index fell to a four-month low, revealing weaker confidence and rising long-term inflation expectations. Combined with recent soft labour market and inflation reports, the data intensified concerns about stagflation—sluggish growth paired with persistent inflation and higher unemployment. Kathy Jones of Charles Schwab cautioned that markets appear priced for a "really good outcome," but warned that risks remain if conditions deteriorate.

Beyond equities, gold surged to a record $3,649 per troy ounce as investors sought hedges against inflation and uncertainty. In fixed income, the 10-year Treasury yield ticked up to 4.058%, highlighting the tension between expectations of Fed easing and sticky inflation pressures.

In corporate news, Warner Bros. Discovery shares soared 17% after reports that Paramount Skydance is preparing a takeover bid, extending Thursday's rally.

Overall, the week reflected investor confidence in forthcoming monetary easing, reinforced by enthusiasm for technology and IPOs, but tempered by caution over inflation and growth risks. The Fed's decision next week is expected to set the tone for the next phase of the market rally.

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Overview of the US Treasuries and Other Fixed Income Markets

Global bond markets experienced a week of mixed movements, shaped by shifting expectations for monetary policy, economic data releases, and geopolitical tensions. In the U.S., Treasurys ended a volatile week with diverging signals across maturities. The 10-year yield fell 2.7 basis points to 4.058%, while the two-year raised nearly 5 basis points to 3.555%. Both, however, edged higher on the final trading day. Markets remain increasingly convinced that the Federal Reserve will begin cutting rates in its next few meetings, with a 25-basis-point reduction expected at the upcoming Wednesday policy meeting. That decision will come alongside updated economic projections, while August retail sales, due Tuesday, could offer further insight into consumer strength.

Evidence of economic cooling continues to mount in the U.S. Wobbling consumer sentiment, reported by the University of Michigan, followed a rise in jobless claims and weaker August job creation. Inflation, although still sticky, aligned with expectations. The latest CPI showed headline annual inflation accelerating to 2.9% from 2.7% in July, but this was not seen as a major policy game-changer. Pimco reaffirmed its forecast for a total of 75 basis points of rate cuts this year, with a 25-point move next week expected, though some Fed officials may consider a larger 50-point cut.

European markets were also active. In France, Ostrum Asset Management cautioned investors to brace for volatility in French government bonds amid political uncertainty. The firm noted investors are becoming more cautious, slightly reducing maturities, and favouring peripheral eurozone sovereigns with stronger fundamentals. The spread between French 10-year OATs and German Bunds has remained just under 80 basis points.

In the U.K., gilts were influenced by both domestic economic data and geopolitics. Early in the week, yields held steady following GDP figures showing no growth in July after a 0.4% expansion in June. Analysts highlighted a difficult mix of weak household spending, sluggish business investment, and persistent trade frictions, which alongside stubborn inflation complicates the Bank of England's policy path. Later in the week, gilt yields climbed as the government announced new sanctions on Russian companies and oil shipments, highlighting heightened geopolitical risks. The 10-year gilt yield raised about 4 basis points to 4.651%, while earlier trading had seen it near four-week lows around 4.596%.

Meanwhile, eurozone bond supply dynamics are set to shift. Barclays strategists forecast gross government bond issuance to slow in October to about €106 billion, down from €130 billion in September. At the same time, redemption volumes are expected to jump to €121 billion from €52 billion, implying a sharp swing in net issuance from a positive €78 billion this month to a negative €15 billion next. Such a decline in net issuance could ease pressure on eurozone yields, particularly if political and macroeconomic conditions remain stable.

The stock/bond ratio is flashing multiple red flags. Technical show divergences: equities have made new highs, but momentum and sentiment are rolling over. Macro conditions add to the risk, with unemployment ticking up and the yield curve pointing to further weakness. Historically, such labour market signals precede recessions and equity underperformance. Valuations highlight the imbalance: equities remain expensive while bonds look cheap, both outright and in relative terms. Strategically, the equity risk premium is stretched, and forward-looking measures have turned negative, suggesting equities offer poor compensation for risk.

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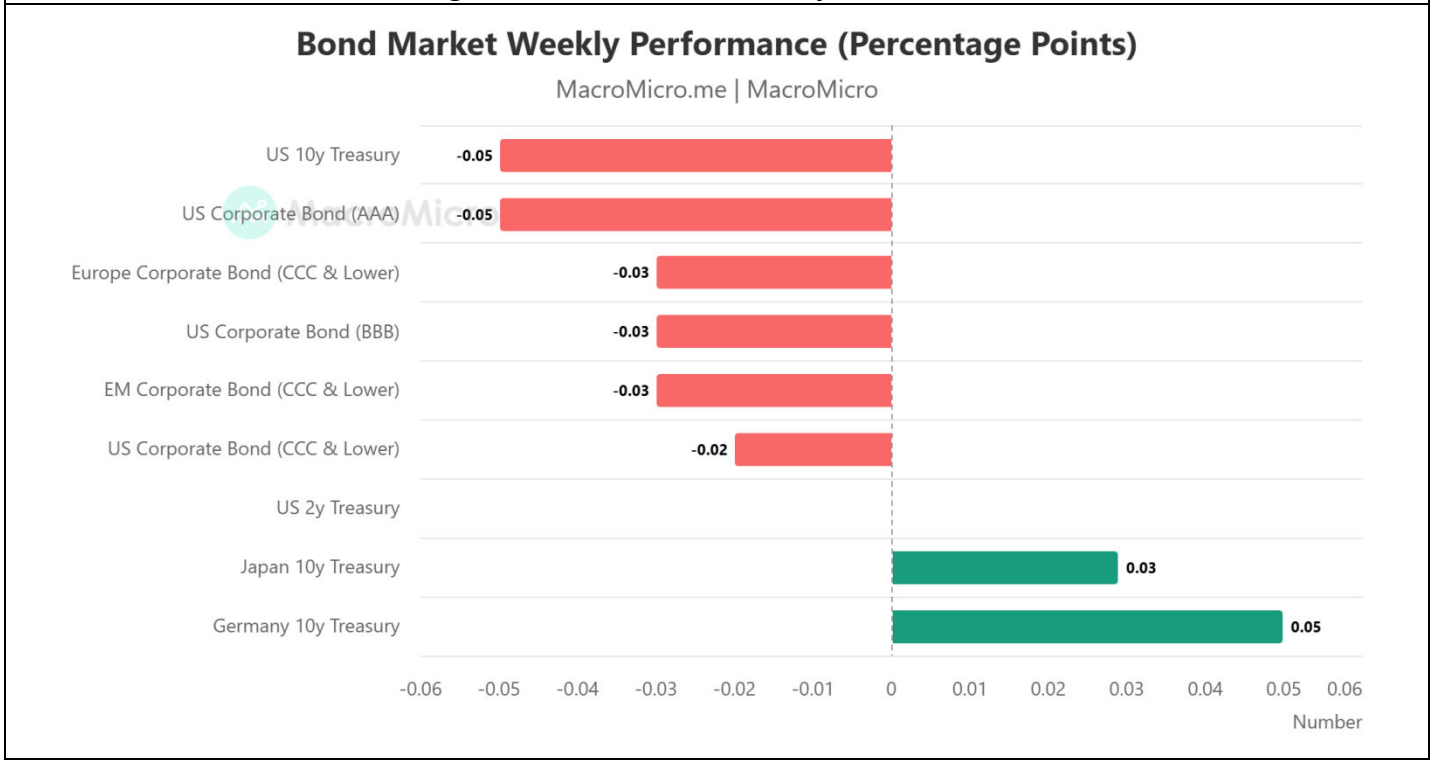
Collectively, sentiment, valuations, and macro data indicate a likely downturn in the stock/bond ratio, pointing toward stronger relative performance from bonds in the period ahead.

Overall, the week highlighted a fragile balance: in the U.S., mounting conviction in imminent Fed rate cuts despite sticky inflation; in Europe, volatility in French bonds, geopolitical pressures on gilts, and easing supply in the eurozone. Global fixed-income markets are preparing for the Fed's next move, which could set the tone for yields worldwide in the months ahead.

Figure 2: Bond Market Weekly Performance



Overview of the Australian Equities Market

Australian shares ended the week on a stronger note, recovering earlier losses as gains in banks, miners, and real estate stocks lifted the market. The S&P/ASX200 rose 59.9 points, or 0.68 per cent, to close at 8,864.9, while the broader All Ordinaries gained 57.3 points, or 0.63 per cent, to 9,128.7. Despite Friday's rebound, the ASX200 finished the week slightly lower, down 0.07 per cent.

Analysts credited the rally to Wall Street's overnight performance and softer US inflation data, which bolstered expectations of a Federal Reserve rate cut next week. Six of 11 local sectors ended higher, led by financials, materials, and real estate, each advancing between 1.2 and 1.5 per cent. All four major banks rallied, with Westpac up 1.4 per cent and CBA climbing 1.3 per cent to $169.97, leaving the financial sector modestly higher for the week.

Materials stocks were buoyed by BHP's rise to $40.81, helped by reports that Beijing may ease local government balance sheet pressures, potentially unlocking fresh infrastructure spending. Gold miners extended gains, supported by bullion edging closer to its record high, with Newmont, Evolution, and Northern Star all up more than 1.5 per cent.

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Energy stocks fell 2.4 per cent as oil prices reversed after a three-day rally, weighed by global oversupply and weak US demand. Woodside lost 3.4 per cent despite winning long-term environmental approval for its North West Shelf gas project.

Real estate stocks joined the rally, with Goodman Group advancing two per cent, while IT stocks rose 0.6 per cent, led by Megaport. Several companies, including Qantas, Cochlear, A2 Milk, and South32, will trade ex-dividend next week.

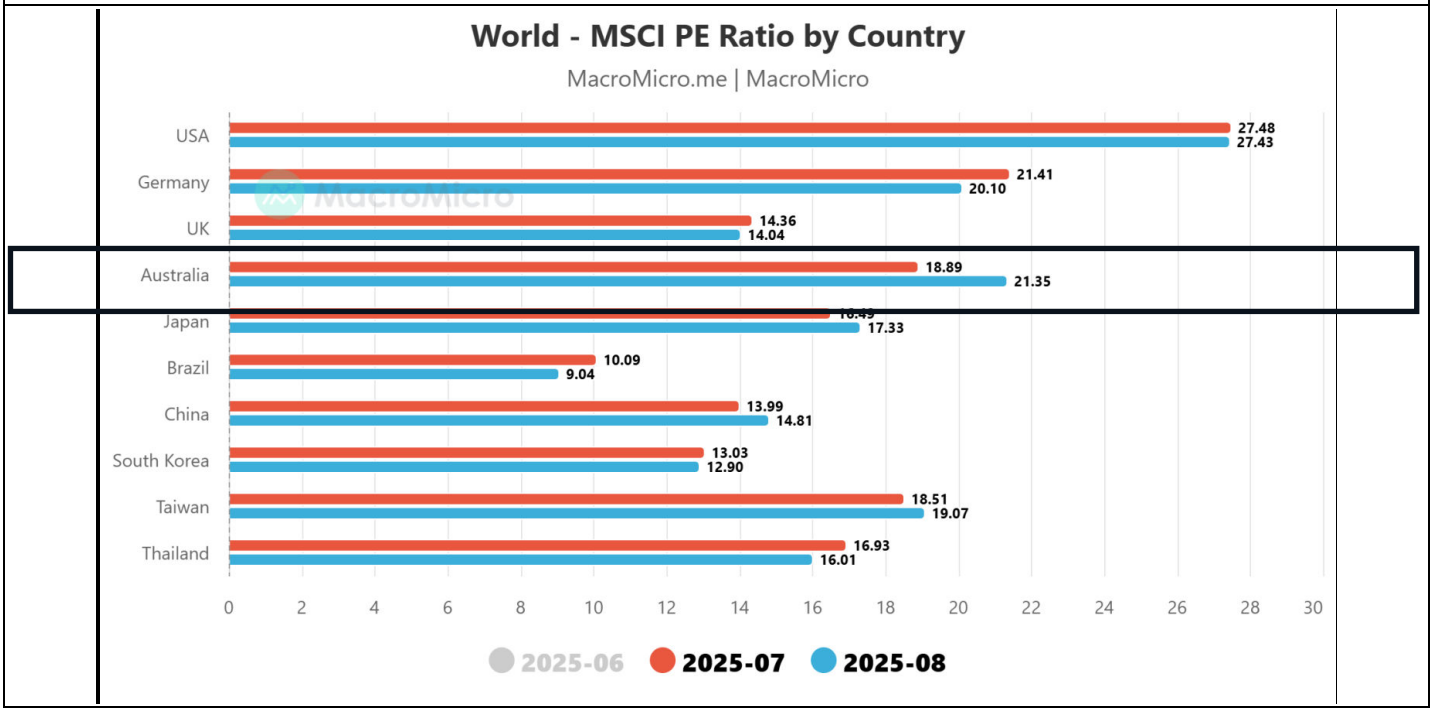
The Australian dollar strengthened to a 10-month high, buying 66.59 US cents. Regionally, New Zealand's NZX 50 dipped slightly, while Japan's Nikkei rose 0.88 per cent.

The S&P/ASX 200 currently yields about 2.6% (forward), below the long-term average of 4%. While payouts have dipped slightly with weaker commodity prices, the main reason yields have fallen is the rise in share prices. Active management can add value by balancing exposure across sectors. For example, telecommunications, insurers, diversified financials, consumer discretionary and REITs offer both reasonable yields and moderate growth potential.

Long-term challenges for Australia include stagnant productivity, overregulation, high government spending, and rising energy costs. Despite these headwinds, opportunities exist in underperforming mid-caps, tech, utilities, and globally focused companies. Active stock selection and sector rotation within the ASX 200 will be essential as the broader index shows little growth potential through 2027, according to Capital Economics forecasts.

This season was classic "two speeds": companies with pricing power, structural tailwinds or cost discipline largely delivered, while those exposed to weak discretionary spend or regulatory/reputational headwinds struggled. Results also showed an economy easing but still resilient: travel stayed buoyant, digital advertising improved off stronger listing/activity cycles, and energy utilities benefited from cash generation and capital returns. In contrast, supermarkets diverged sharply, select tech names missed investor hopes despite growth, and healthcare was rocked by one blockbuster move.

Figure: 3 -World - MSCI PE Ratio By Country



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Overview of the Australian Government Bond Market

Australia's economy grew 0.6% in the June quarter 2025 and 1.8% year-on-year, supported by the first annual rise in GDP per capita since March 2023. Household consumption was the main driver, increasing 0.9% quarterly, the strongest growth since December 2022, aided by rising real disposable incomes (+4.1% YoY), tax relief, interest-rate cuts, and disinflation. Spending on goods (+1.0%) outpaced services (+0.8%), boosted by end-of-financial-year discounts, early shipments of consumer imports, and holiday-related discretionary spending.

Residential construction remained subdued, rising just 0.4% for the quarter, while new private business investment declined, except for intellectual property products. Public investment fell roughly 7% over three quarters, weighing on construction and real estate. Government spending contributed 0.2 percentage points, driven by health, aged care, social services, and infrastructure. Net exports added modestly, with services exports offsetting weaker resource shipments. Inventories subtracted around 0.2 points, reflecting stockpile draw-downs.

Overall, Australia's growth is being underpinned by services-driven consumption, public demand, and exports, while private investment and inventories remain patchy. Stronger household incomes and optimism have bolstered GDP forecasts to 2.2% for 2025 and 2.6% for 2026, though business investment is expected to stay sluggish, reflecting ongoing economic imbalances.

This week, Australia's cash rate remained steady at 3.60%, with the 3-month BBSW unchanged at 3.58%. Short-term bond yields were stable, with the 3-year government bond at 3.45%, unchanged from last week. Longer-term bonds saw modest declines: the 10-year bond fell 12 basis points to 4.23%, and the 30-year bond dropped 15 basis points to 4.94%, with respective weekly highs of 4.35% and 5.09%. Overall, the week showed stability in short-term rates and slight easing in longer-term yields, reflecting cautious market sentiment and limited pressure on interest rates.

The Australian Bond spreads (3 & 10 years) narrowed slightly reflecting downward moves in the longer dated bond yields.

Figure 4: Australia 3 and 10-year Bond Yield &Spread

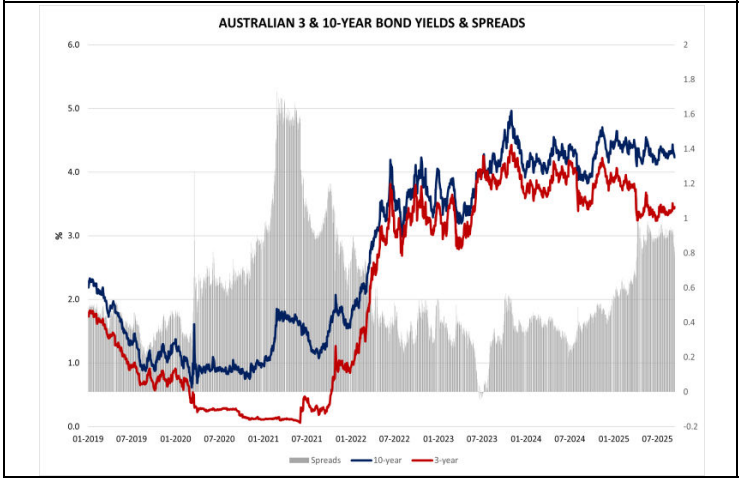
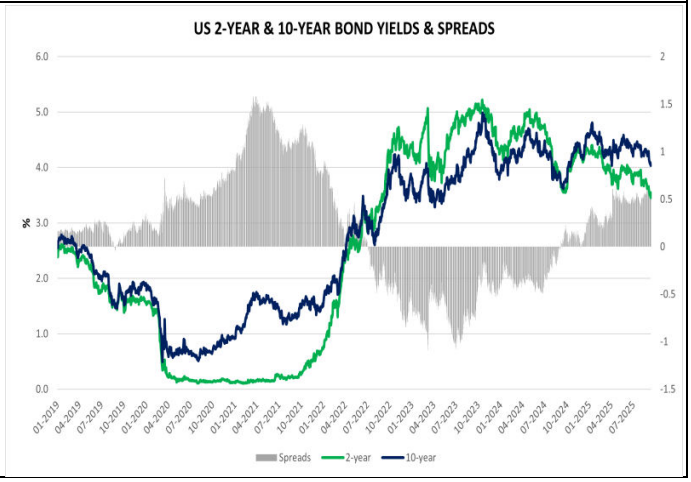


Figure 5: US 2 and 10-year Bond Yield &Spread



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Market Summary Table

Name	Week Close	Week Change	Week High	Week Low
Cash Rate%	3.60%			
3m BBSW %	3.58	0.00	3.59	3.58
Aust 3y Bond %*	3.45	0.00	3.45	3.43
Aust 10y Bond %*	4.23	-0.12	4.35	4.24
Aust 30y Bond %*	4.94	-0.15	5.09	4.96
US 2y Bond %	3.56	-0.03	3.56	3.50
US 10y Bond %	4.04	-0.12	4.07	4.01
US 30y Bond %	4.66	-0.20	4.72	4.65
$1AUD/US¢	66.66	1.21	66.66	65.45

Chart of the week: Crypto Market Indicators Signal Healthy Consolidation

The 200-day moving average (MA) is a key gauge of crypto currency market health. Currently, only 50% of the top 150 coins trade above it, down from 77% in mid-August, signaling a shift from overheated to more balanced conditions. Historically, 70–80% readings suggest stretched markets prone to corrections, while 20–30% often precedes rebounds after capitulation. This sharp decline reflects cooling momentum but also healthier valuations, improving prospects for sustainable growth. For investors, tracking the 200-day MA helps distinguish bullish from bearish sentiment and identify whether markets are extended, consolidating, or positioning for recovery.

Figure 6: Crypto Market Indicators Signal Healthy Consolidation

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Looking ahead: Major Economic Releases for the Week Ending 19th September

For the week ending September 19, 2025, Australian economic data will be in the spotlight, with the Composite Leading Index MM expected to reflect a modest uptick, signaling subdued but positive economic momentum amid forecasts of sluggish growth into 2026. Employment data is anticipated to show continued job gains at a steady pace, with the Unemployment Rate holding firm, indicating labor market resilience despite broader economic headwinds and a gradual drift higher in unemployment projections through year-end. These releases could reinforce the Reserve Bank of Australia's dovish stance, potentially supporting further rate adjustments to bolster consumer and housing sectors, though persistent global trade uncertainties may weigh on export-driven recovery.

In the United States, Import Prices YY are likely to show emerging upward pressure from tariffs, highlighting potential inflationary risks from imported goods. Retail Sales MM is expected to slow modestly, pointing to cautious consumer spending amid softening demand trends. Industrial Production MM may continue its slight decline, underscoring ongoing manufacturing challenges. Housing Starts are projected to decrease, reflecting cooling in the residential sector due to elevated rates. The Fed Funds Target Rate is anticipated to see a quarter-point cut, signaling the start of easing to sustain growth, with Initial Jobless Claims expected to edge lower, indicating labor market stability despite recent spikes. The Philly Fed Business Index could turn positive, suggesting improving manufacturing sentiment. These indicators may affirm the Federal Reserve's gradual easing path if growth signals weaken further, though tariff-related price pressures and global trade uncertainties, including U.S. tariff policies, may continue to pose risks to both economies.

Major Economic Releases for the Week ending 19 Sep, 2025				
Date	**Country**	**Release**	**Consensus**	**Prior**
Tuesday, 16/09	United States	Import Prices YY	n/a	-0.2
Tuesday, 16/09	United States	Retail Sales MM	0.2	0.5
Tuesday, 16/09	United States	Industrial Production MM	-0.1	-0.1
Wednesday, 17/09	Australia	Composite Leading Idx MM	n/a	0.14
Wednesday, 17/09	United States	Housing Starts Number	1.369	1.428
Wednesday, 17/09	United States	Fed Funds Tgt Rate	4.125	4.375
Wednesday, 17/09	United States	Fed Int On Excess Reserves	n/a	4.4
Thursday, 18/09	Australia	Employment	n/a	24.5
Thursday, 18/09	Australia	Unemployment Rate	n/a	4.2
Thursday, 18/09	United States	Initial Jobless Clm	241	263
Thursday, 18/09	United States	Philly Fed Business Indx	2.3	-0.3

Source: Refinitiv

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PART 2 – Investment Opportunity Review

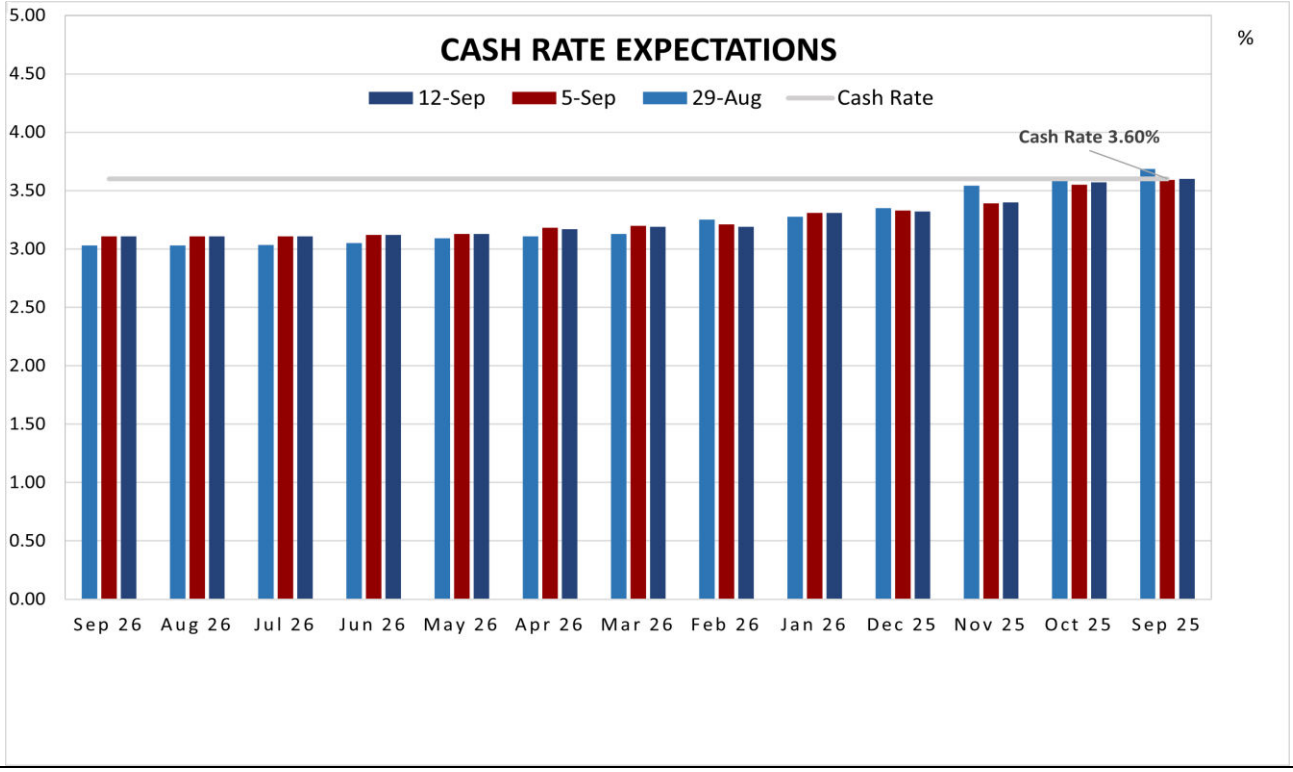
Defensive Income – Cash

Australia's June quarter GDP rose 0.6%, with annual growth at 1.8%, driven by strong household consumption (+0.9%qtr), supported by rising disposable incomes (+4.1% YoY), tax relief, and disinflation. Goods spending (+1.0%) outpaced services (+0.8%) amid EOFY discounts and holiday travel.

Cash rate expectations show a steady decline from 3.6% to below 3.00% by September 2026. This week, the cash rate and short-term yields held steady, while long-term bond yields eased modestly. Savings account rates vary widely, with online banks offering up to 5.00%, while traditional accounts lag. Market sentiment remains cautious, with limited upward pressure on interest rates.

Interest rates on Australian savings accounts tracked by YieldReport vary widely. The highest rates are offered by Ubank Save Account at 5.00%, ING Savings Accelerator at 4.70% and Rabobank PremiumSaver at 4.65%. Major of the banks generally offer rates between 4.00% and 4.45%, including AMP Saver, CBA NetBank Saver, and NAB iSaver. Lower rates are seen in accounts such as Macquarie CMA (2.00%), RAMS Saver (1.40%), and ANZ Premium (0.05%). Mid-range options include ME Online Savings and Up Savers Account at 3.85%. Overall, online and specialty savings accounts tend to offer higher returns, while traditional or tiered accounts remain comparatively low.

Figure 7: Market Expectation on Cash Rate



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Defensive Income- Term Deposits

The movements in term deposit rates by major and non-major banks continue to show variability. Over the past week, ending September 12, 2025, there was a mix of up and down movements, though stability is notable in some terms.

Our survey across 42 institutions indicates that the most contested term deposit term remains 6 months, followed by 3 months and 1 year, with sample sizes of 42 each.

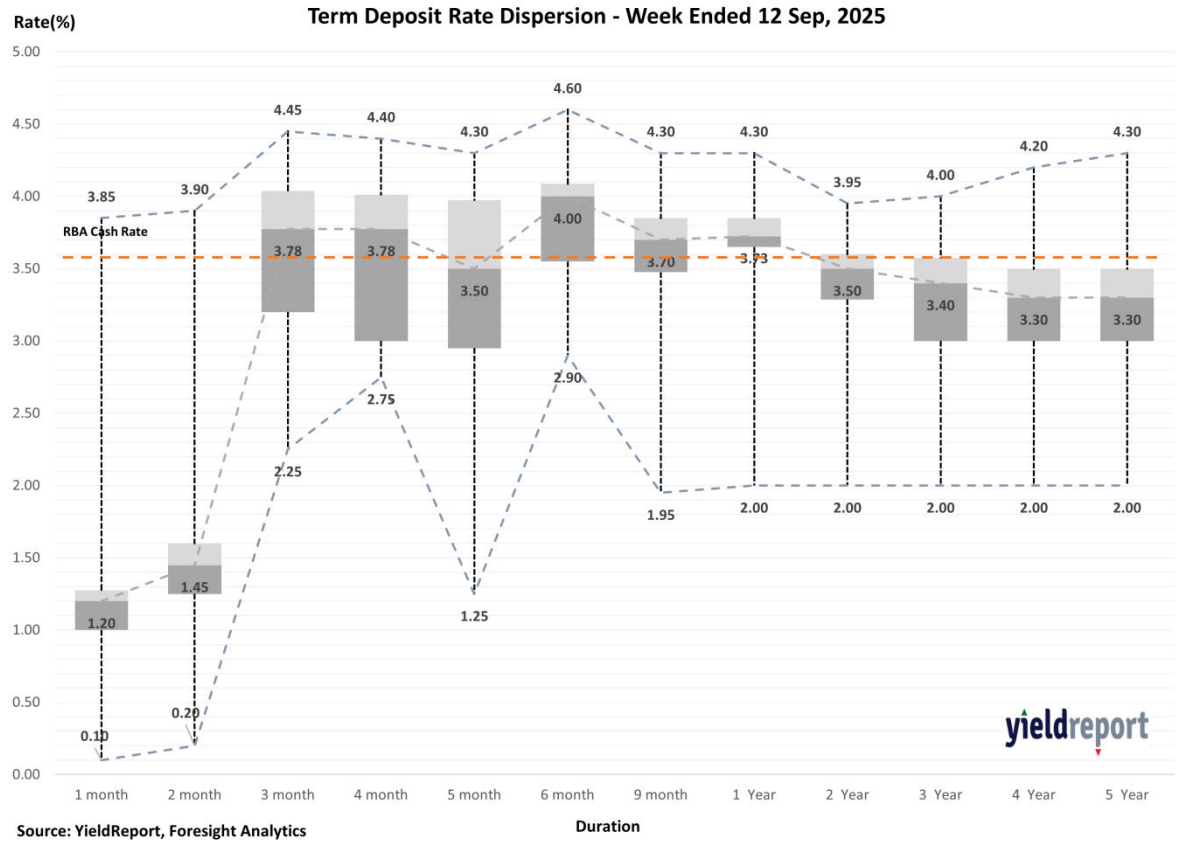
This week the best rate with a 3-month term was 4.45%, offered by in1bank. The median rate of 3.78% reflects a broad range from 2.25% to 4.45%.

This week the best rate within 6 months term was 4.60%, offered by Teachers Mutual Bank. The median rate of 4.00% shows a tight quartile spread of 0.54%, indicating consistency.

Interestingly, the best 5-year rate reached 4.30%, led by Judo Bank and Rabobank Australia. The median rate of 3.30% shows a range from 2.00% to 4.30%.

Our analysis shows term deposits with rates above 4% are holding strong. In the 3-month category, 11 institutions offer over 4%. In the 6-month category, 15 institutions exceed 4%, down from 16 last week, reinforcing the 6-month term's competitiveness.

Figure 8: Highest Term Deposit Rate by Term



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Defensive Income – Government Bonds

Australia's economy expanded 0.6% in Q2 2025 and 1.8% year-on-year, marking the first annual rise in GDP per capita since early 2023. Growth was led by household consumption, which rose 0.9%—the strongest quarterly gain since late 2022—driven by rising real disposable incomes (+4.1% YoY), tax relief, rate cuts, and easing inflation. Goods spending (+1.0%) outpaced services (+0.8%), supported by EOFY discounts, early import deliveries, and holiday-related demand.

Residential construction remained soft (+0.4%), while private business investment declined, except for intellectual property products. Public investment fell 7% over three quarters, dampening activity in construction and real estate. Government spending added 0.2 percentage points to growth, mainly through health and infrastructure. Net exports contributed modestly, with services exports offsetting weaker resource flows. Inventory draw-downs subtracted 0.2 points.

Overall, growth is supported by resilient consumption, targeted public demand, and exports, while private investment and inventory trends remain uneven. Forecasts for GDP have been lifted to 2.2% in 2025 and 2.6% in 2026, though business investment is expected to stay subdued.

This week, the cash rate held at 3.60%, with short-term yields stable. Long-term bond yields eased slightly, narrowing the 3–10 year spread, reflecting cautious sentiment and limited upward pressure on rates.

Figure 9: Aust. 10 yr minus 3 yr Bond Spread

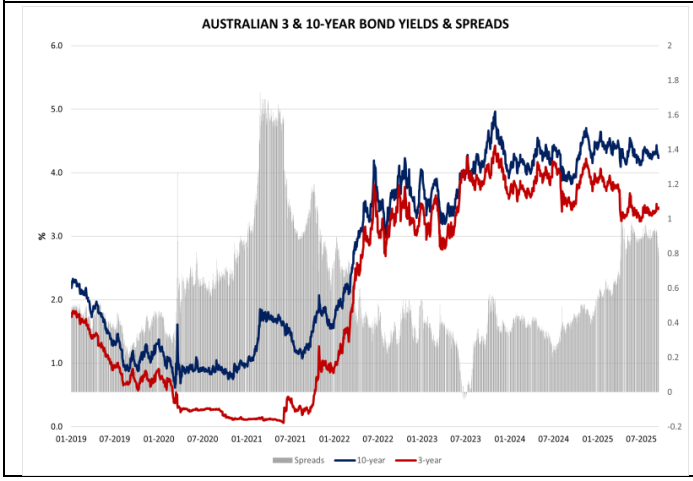

Figure 10: Aust& US Bond Yields Spread

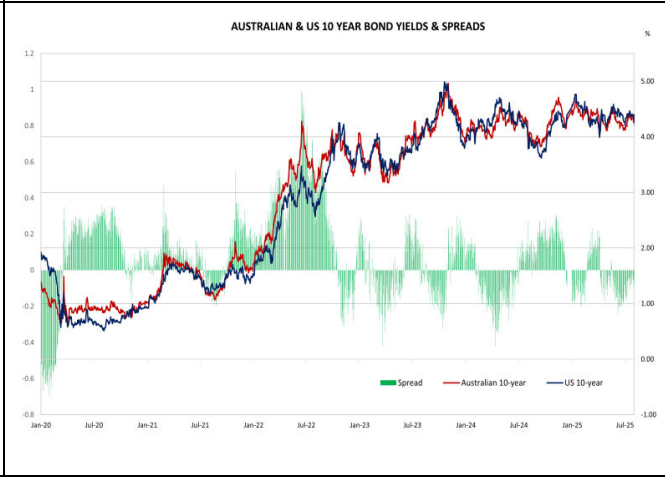

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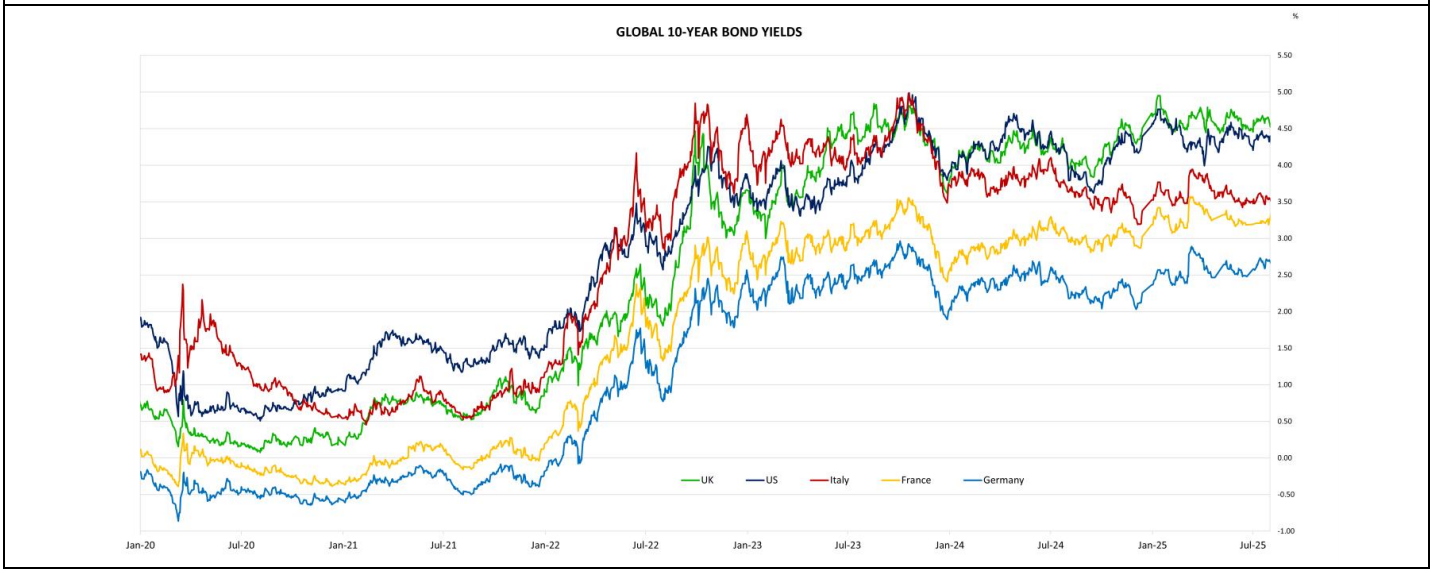
Figure 11: Global 11 yr Bond Yields



Bank & Corporate Hybrids

Hybrid spreads continued their downward trajectory this week, compressing to levels not seen since before the global financial crisis. Five-year major bank hybrids—historically offering 3–4% above the RBA cash rate—are now yielding just ~2% over benchmark, underscoring the market's appetite for income despite diminished risk compensation.

The average trading margin across ASX-listed hybrids settled at 2.92%, with running yields clustering between 6–7%. Price volatility remained minimal, reinforcing the asset class's defensive appeal. Notably, Westpac Capital Notes 5 (WBCPH) stood out with an unusually wide margin (~40%) due to its imminent call date, while other capital notes traded in tight ranges (<0.1% daily movement), reflecting balanced institutional demand.

This tightening of spread mirrors the trends in both the local and global investment-grade credit markets, suggesting a broader recalibration of risk premiums. Investors should remain cognizant of the equity-like characteristics embedded in hybrids, particularly as compensation for structural risk continues to erode.

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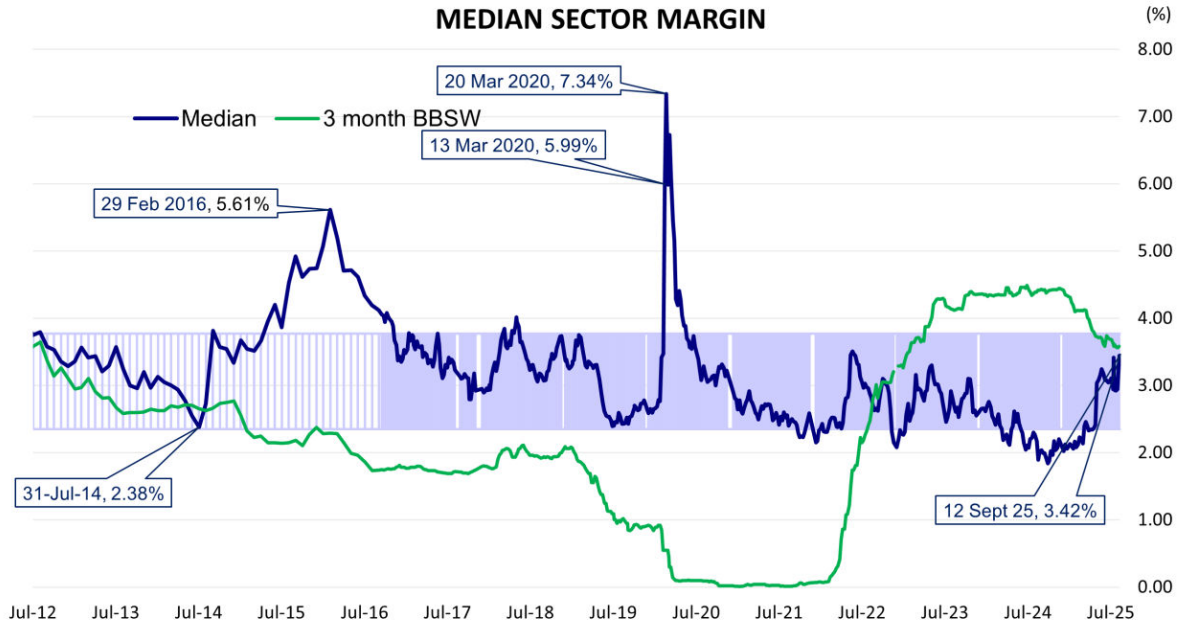
Figure 12: Hybrids: Median Sector Margin

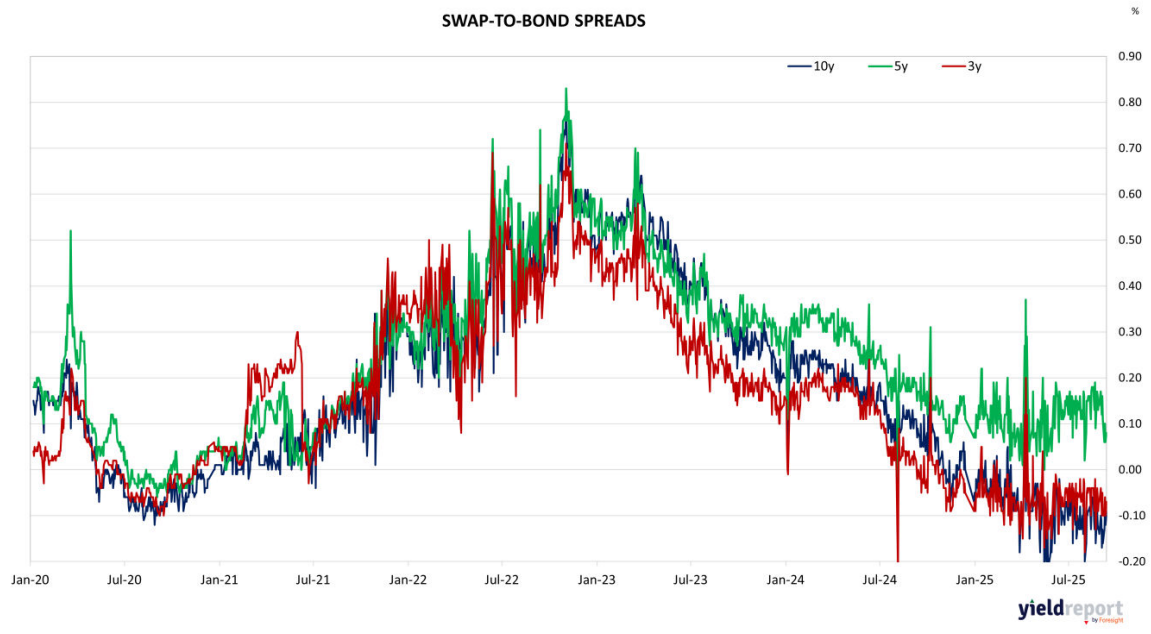


Bank Bill Swaps

Swap rates moved lower across the short- and long-term maturities. The Short-term swaps (1–6 months) was lower over the week, with the 1-month rate at 3.55% (-0.11% weekly) and the 6-month rate at 3.7% (-0.05% weekly).

Medium- to long-term swaps (1–15 years) edged lower, both weekly and monthly, reflecting modest downward pressure on medium dated rates. The 1-year rate was 3.36% (+0.03% monthly), while the 10- and 15-year rates rose to 4.14% and 4.37%, down 0.10% and 0.12% over the week, respectively.

Figure 13: Bank Bill Swaps



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ETFS – Australia and Global

Australia

In August 2025, the Australian ETF industry continued its strong momentum, nearing the $300 billion mark in assets under management (AUM), reaching $299.4 billion—a monthly increase of $10.2 billion or 3.52%. Over the past 12 months, the industry has grown by 36%, adding $79.2 billion in AUM. Monthly net inflows totalled $4.9 billion, the second-highest on record, though slightly below July's $5.8 billion. ASX trading activity remained elevated at approximately $15 billion.

Product innovation resumed with six new ETFs launched, including the High Yield Australian Shares Fund (ASX: HYLD), Emerging Markets Equity Fund (ASX: BEMG), and Global Bond Fund (ASX: WBND). International equity ETFs led inflows with $2.4 billion, followed by fixed income ($1.2 billion) and Australian equities ($823 million). Within sub-categories, developed market international equities and Australian bonds were top contributors.

Global gold miner ETFs, particularly the Betashares Global Gold Miners – Currency Hedged ETF (ASX: MNRS), were standout performers for the month. Notably, there were no broad category outflows, though some sub-categories such as geared Australian equities and sustainability-themed international equities saw modest redemptions.

The narrowing of bond spreads and easing long-term yields reflect cautious investor sentiment amid stable short-term rates. The ETF market's resilience and diversification—across asset classes, geographies, and strategies—continue to attract investors seeking cost-effective exposure and tactical positioning.

Overall, August 2025 highlighted robust investor demand, product expansion, and strong performance in select thematic and international segments. The industry's trajectory suggests continued growth, supported by innovation, macroeconomic tailwinds, and evolving investor preferences

USA

Last week, global ETFs saw net inflows of $21.4 billion, representing 0.17% of total assets under management (AUM) of $12.28 trillion. US equity ETFs led inflows with $7.28 billion (0.10% of AUM), followed by US fixed income ETFs at $5.42 billion (0.30%). International equity ETFs also recorded strong inflows of $4.28 billion (0.22%), while international fixed income ETFs attracted $1.85 billion (0.57%). Commodity ETFs saw notable demand with $2.58 billion inflows (1.05% of AUM), reflecting continued investor interest in raw materials. Alternative and inverse ETFs gained $189 million (1.63%) and $241 million (1.69%) respectively. Conversely, leveraged ETFs experienced outflows of $408 million (-0.29%), and currency ETFs had modest outflows of $74 million (-0.04%). Overall, the week showed a preference for equities, fixed income, and commodities, while riskier or leveraged strategies saw slight reductions in holdings.

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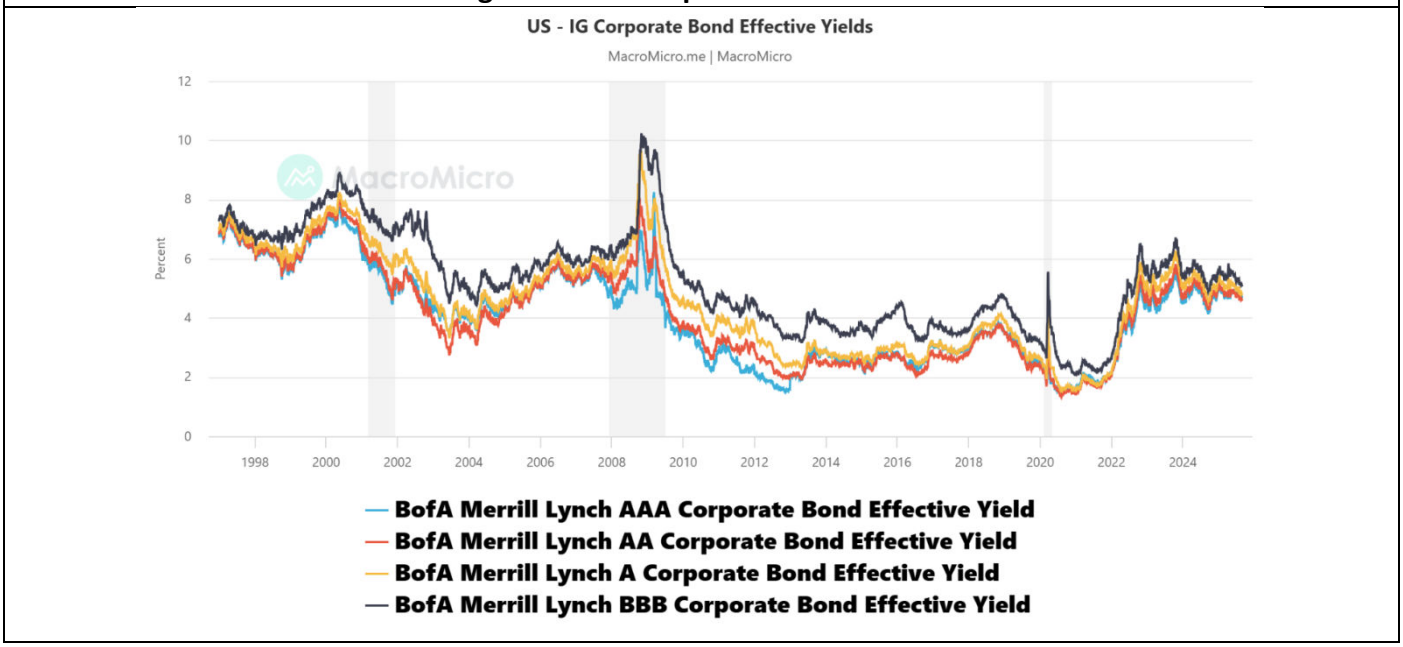
Corporate Bonds

U.S. corporations kicked off September 2025 with a surge in debt issuance, capitalizing on falling borrowing costs and strong investor demand ahead of anticipated Federal Reserve rate cuts. Investment-grade bond sales totalled $56.4 billion through Thursday, alongside $9.6 billion in high-yield (junk) bonds—marking the busiest week since March, though slightly below last year's comparable figures.

Companies are eager to lock in current yields before rates decline, prompting a narrowing of credit spreads between corporate bonds and Treasurys. On Tuesday alone, 27 issuers raised $40.8 billion, nearly matching last year's post–Labour Day record. Merck led with a $6 billion issuance to fund its $10 billion acquisition of Verona Pharma, while Ford's financial arm issued $1.25 billion in bonds maturing in 2030. Investor appetite extended to lower-rated issuers as well, with renewed flows into high-yield mutual funds and ETFs enabling refinancing and new borrowing. This marks a sharp turnaround from April's market freeze triggered by tariff concerns.

September remains a historically active month for corporate issuance, with firms typically front-loading funding needs for the remainder of the year. The current environment, marked by stable financial asset pricing despite geopolitical noise, offers a favourable window for both issuers and investors to secure capital and returns before volatility resurfaces.

Figure 14: US Corporate Bonds Yields



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Listed Notes

This week's trading data for select ASX-listed floating rate notes reveals a notable divergence in margin dynamics and investor sentiment across issuers:

- **Centuria Capital (C2FHA)** continues to offer the highest trading margin at **6.07%**, well above its issue margin of **4.25%**, suggesting strong secondary market demand for yield. The note's **running yield of 7.90%** and a **3.38% weekly gain** reinforce its appeal among income-focused investors, particularly given its relatively short maturity of **April 2026**.
- **Australian Unity Series D (AYUHD)** shows a moderate uplift, with a **trading margin of 3.64%** versus a **2.15% issue margin**, and a **weekly gain of 1.13%**. Its **running yield of 5.82%** positions it as a stable mid-range option for investors seeking balance between yield and duration.
- **Australian Unity Series E (AYUHE)**, maturing in **December 2028**, trades at a **3.14% margin**, up from its **2.50% issue margin**, with a **weekly gain of 0.87%**. The **6.17% running yield** reflects a favorable risk-return profile for longer-term holders.

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