



Your Income Advantage

1st October 2025



Overview of the US Market

Wall Street closed higher on October 1, 2025, pushing to new records for a fourth session despite the first government shutdown in nearly seven years, as soft labor data reinforced Federal Reserve rate-cut expectations. The S&P 500 rose 0.34% to 6711.20, the Nasdaq Composite gained 0.42% to 22755.16, and the Dow Jones Industrial Average added 0.09% to 46441.10. Health Care surged 3.01% on optimism from Pfizer's White House deal amid tariff relief efforts, while Information Technology climbed 0.71% with Tesla and Nvidia leading. Materials dropped 1.17% and Financials fell 0.92%. Active stocks featured Plug Power up 25.75% on heavy volume, Lithium Americas rising 23.29%, and Nvidia edging 0.35%.

The shutdown, triggered by failed funding talks, threatens data blackouts including Friday's nonfarm payrolls, forcing reliance on private reports like ADP's unexpected 32,000 job drop in September after adjustments, signaling cooling momentum across sectors. ISM manufacturing PMI rose slightly to 49.1, contracting for a seventh month, while Tuesday's JOLTS showed slowing worker demand. Berenberg's Atakan Bakiskan sees enough info for an October 25bp cut despite delays. Vice President JD Vance expects a short impasse, but threats of swift layoffs by Budget Director Russell Vought could prolong drags on payrolls, differing from past negligible impacts as per Capital Economics' Thomas Ryan.

Gold hit \$3,895.38 as a haven amid dollar pressure, with silver nearing records. Corporate developments included BYD's first sales drop in over 18 months amid Chinese EV competition, and Samsung/SK Hynix initial deals for OpenAI's Stargate. Citigroup's Stuart Kaiser anticipates limited equity hit unless extended with major layoffs or bond spillovers. Bloomberg's Kristine Aquino notes late-year seasonality favoring stocks over the dollar despite the new shutdown factor. New York Life's Lauren Goodwin warns prolonged closures could erode consumer confidence and activity, magnifying policy instability.

Overview of the Australian Market

Australia's share market ended nearly flat on October 1, 2025, in choppy trading as US shutdown concerns and BHP shipment halts to China offset defensive gains. The S&P/ASX 200 dipped 0.04% to 8,845.7, while the All Ordinaries rose 0.01% to 9,136.6. Industrials advanced 0.99% and Utilities gained 0.79%, but Materials fell 0.72% with BHP down 2.3% amid trade worries, and Consumer Discretionary dropped 0.83%. Gold miners were mixed despite record prices above US\$3,875.

The session reflected anticipation around the US impasse delaying key data like nonfarm payrolls, historically resilient for stocks but risking sentiment if prolonged. Chinese lithium production restarts pressured the sector, with Liontown plunging 10.7%, Galan down 10.0%, and Vulcan falling 7.2%. Defence stocks rallied, Droneshield soaring 23.2% and Elsie up 29.0%. Nova Minerals jumped 31.8% on a US\$43.4M Defense award for antimony. Energy slipped 0.43% as oil dipped on OPEC+ hike prospects.

August goods balance due Wednesday eyed at A\$6.2 billion, with exports potentially up 3.3% but vulnerable to China's slowdown. S&P Global Services and Composite PMIs finalize tomorrow. US gridlock could amplify global uncertainty, impacting Australian exports amid Trump's tariffs on pharmaceuticals and furniture, potentially squeezing growth.

Overview of the US Bond Market

Treasuries rallied on October 1, 2025, with the 10-year yield declining 5 basis points to 4.10% as ADP's weak payrolls and ISM data bolstered bets for Fed easing amid shutdown-induced data gaps. The 2-year fell to 3.53%, 5-year to 3.67%, and 30-year to 4.71%. Shorter maturities adjusted with 3-month at 3.84% and 6-month at 3.69%.

The ADP's 32,000 drop, which is influenced by opaque benchmarking to BLS data, highlights slowing hiring across leisure, services, and manufacturing, with economists like Morgan Stanley questioning reliability but noting low-hire environment risks from Citigroup's Veronica Clark. Shutdown delays official jobs report, complicating October decisions, but Berenberg's Atakan Bakiskan argues sufficient private info for a 25bp insurance cut. Capital Economics' Thomas Ryan flags potential prolonged payroll drags from layoffs, unlike past minimal effects averaging 0.35% GDP hit.

Wage gains softened to 6.6% for changers, easing inflation worries, though Fed remains cautious. Supreme Court lets Fed's Lisa Cook stay pending January arguments, countering Trump's Powell criticism as an "obstructionist."

Overview of the Australian Bond Market

Australian government bonds showed mixed moves on October 1, 2025, with the 10-year yield up 4 basis points to 4.33% amid US shutdown volatility and local trade concerns, while the 2-year held at 3.48% and 5-year dipped to 3.74%. The 15-year rose to 4.66%.

August building approvals plunged 6% against 3% expectations, underscoring uneven recovery, with S&P Global Manufacturing PMI final at 51.4. Wednesday's goods balance anticipated at A\$6.2 billion, bolstered by 3.3% export growth but tempered by imports and China's slowdown. RBA's recent hold at 3.6% maintains hawkish stance on sticky inflation. US impasse risks economic data voids, heightening global policy uncertainty and potentially curbing demand, while Trump's protectionism adds inflationary supply chain pressures for the RBA ahead of Thursday's Financial Stability Review.

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