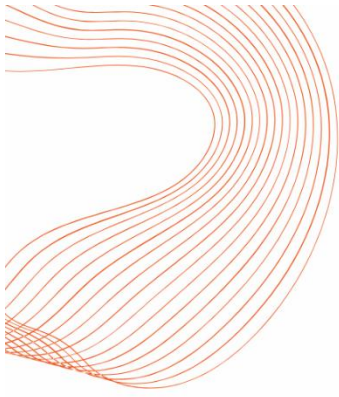




Your Income Advantage

20th October 2025



Overview of the US Market

Wall Street advanced on October 20, 2025, propelled by strong corporate earnings beats and optimism over potential de-escalation in US-China trade tensions. The S&P 500 climbed 1.07% to 6735.13, posting its best two-day gain since June, while the Nasdaq Composite rose 1.37% and the Dow Jones Industrial Average added 1.12% or 516 points. About 85% of S&P 500 companies reporting so far have exceeded profit estimates, fueling the rebound, with Apple hitting its first record of 2025 on upgraded iPhone demand trends. Small caps outperformed, as the Russell 2000 surged 1.9%, amid expectations of earnings growth over 35% for the quarter.

Communication services led sector advances with a 1.52% gain, followed by materials at 1.24%, while consumer staples and utilities dipped slightly by 0.10% and 0.06%. Tech megacaps rose 1.6%, though Nvidia slipped 0.32% despite heavy volume. GSI Technology skyrocketed 155.31% on AI-related buzz, and Cleveland-Cliffs jumped on robust earnings and a rare earths pact. AppLovin sank on regulatory probe reports, and BNP Paribas plunged after a court ruling on Sudan-linked abuses.

President Donald Trump highlighted rare earths, fentanyl, soybeans, and Taiwan as key US demands ahead of talks with China, reiterating a tariff hike threat by November 1 if no deal emerges, but expressing confidence in a fair agreement during his upcoming meeting with Xi Jinping. Treasury Secretary Scott Bessent confirmed talks in Malaysia this week, following a constructive virtual exchange. Soybean futures rallied as farmers await stalled exports to resume, amid frustrations over zero Chinese purchases this year.

Rick Gardner at RGA Investments noted typical October volatility but shallow swings, with buy-the-dip prevailing, and anticipated a Fed rate cut amid data drought from the shutdown. Callie Cox at Ritholtz Wealth Management emphasized earnings as a stabilizing force amid headline-driven panic. Mark Hackett at Nationwide sees a healthy backdrop for equities, with retail investors leaning in despite institutional caution, positioning for a potential breakout higher into year-end.

Deutsche Bank strategists reported tumbling equity positioning last week, turning sentiment net bearish, while Morgan Stanley's Michael Wilson stressed the need for trade deal follow-through and earnings stability to avert corrections. UBS Global Wealth Management's Jason Draho views better growth and policy as justifying positive outlooks. Oppenheimer's John Stoltzfus and JPMorgan's Mislav Matejka highlighted resilient earnings surprises, with Navellier & Associates' Louis Navellier noting momentum turning earnings-driven for year-end propulsion.

Wells Fargo's Doug Beath advised focusing on positive trends beyond headlines, with Glenmede's Jason Pride and Michael Reynolds projecting high single-digit S&P growth and small-cap benefits from stimulus and Fed easing. Bloomberg Intelligence's Michael Casper and Nathaniel Welnhofer see third-quarter earnings as decisive for small caps to sustain outperformance. BlackRock's Jeff Shen and Philip Hodges noted resilient economy supporting a Goldilocks scenario, underscoring dynamic active management amid underlying churn.

Upcoming big tech reports like Tesla, Intel, and Texas Instruments will scrutinize AI spending profitability, with China's rare earth curbs likely in focus. Delayed September CPI, due Friday after shutdown postponement, is forecasted at 0.3% core monthly rise, keeping annual at 3.1% amid tariff pass-through.

Overview of the Australian Market

Australian shares rose on October 20, 2025, recovering from an early dip as banks rallied to offset mining weakness. The S&P/ASX 200 gained 0.41% to 9031.9, its third close above 9000, while the All Ordinaries added 0.34% to 9324.6. Financials surged 1.48% to a record close nearing \$950 billion combined value, with real estate up 1.13% and information technology advancing 0.86%. Materials slumped 1.37% on gold price retreat, and health care dipped 0.23%.

Commonwealth Bank led gains, up 2.6%, with insurers and Zip Co rising 4.5% on US transaction upgrade. Gold miners tumbled as spot gold eased to \$A6,548, with Northern Star, Evolution, and Newmont down 3.6% to 5.7%. Rare earths were mixed ahead of Albanese-Trump meeting; Lynas rallied over 6%, Iluka fell similarly, Arafura surged 18.5%. Uranium stocks sold off, with Deep Yellow tanking 18.8% on CEO departure and Aura Energy down 15.2%. Bapcor plunged 17.7% to 10-year lows on \$12 million profit hit from operational issues.

Prime Minister Albanese secured an \$8.5 billion critical minerals pact with Trump, including \$1 billion each initially from both nations, Pentagon funding for gallium refinery, and Ex-Im Bank letters for \$2.2 billion. Deal protects against unfair practices via price floors, positioning Australia as China alternative amid rare earth curbs. Trump praised cooperation on submarines and military, downplaying tariff relief for Australia.

Pepperstone's Chris Weston noted rotation from outperforming miners to financials and REITs. Consumer sectors edged higher despite Bapcor woes. Upcoming S&P Global PMIs on Wednesday expected around mid-52 for composite, signaling steady activity.

Overview of the US Bond Market

Bond yields dipped as Treasuries gained, with the 10-year yield falling three basis points to 3.98% and the 30-year declining three basis points to 4.57%, reflecting eased trade war fears and solid earnings offsetting shutdown-induced data gaps. The two-year yield held steady at 3.46%, while gold surged 3% to \$4,377.50 an ounce on safe-haven bids. The dollar edged up 0.1%, pressuring the euro and pound slightly.

Trump's comments on expecting a great trade deal with China, despite threats of tariff hikes and airline parts curbs if no agreement by November 1, buoyed sentiment, with soybeans and rare earths central to demands. His sidestep on Taiwan concessions and emphasis on fentanyl curbs highlighted divisive issues, yet plans for Xi meeting next week suggested de-escalation potential. Treasury Secretary Bessent's confirmation of Malaysia talks this week added to hopes for truce extension.

Economic resilience amid trade frictions supports views of rates higher for longer, though Fed cut bets persist. Rick Gardner anticipates an October reduction despite volatility, with TD Securities' Oscar Munoz forecasting September core CPI at 0.3% monthly—due Friday after delay—due to cooling services offsetting tariff-driven goods inflation, likely prompting a 25-basis-point cut amid labor risks.

JPMorgan's client survey showed shrinking net longs to two-month lows, indicating caution ahead of CPI and earnings. Asset managers trimmed net longs in Treasury futures by \$23.5 million per basis point, focused on 5-year and bonds, while leveraged funds pared shorts in longer maturities per CFTC data.

Dealers expect steady coupon sizes for November-January, with 10-year at \$42 billion and 30-year at \$25 billion, aligning with guidance.

Overview of the Australian Bond Market

Australian government bond yields rose modestly, with the two-year up four basis points to 3.32% and the 10-year advancing four basis points to 4.13%, as rotation to banks amid mining pullback reflected bond proxy strength. The five-year increased four basis points to 3.54%, and 15-year rose two basis points to 4.48%. The Aussie dollar strengthened 0.16% to 0.6506 versus the US dollar, buoyed by US-China de-escalation hopes and critical minerals deal.

Albanese-Trump agreement on rare earths and minerals, with \$8.5 billion pipeline and protections against unfair trade, eases concerns over China's export curbs, potentially stabilizing supply chains. Trump's confidence in fair US-China deal, despite tariff threats, supported risk appetite, though soybean frustrations and fentanyl demands underscore tensions.

Softer gold and iron ore weighed on resources, but financials rally signals resilient sentiment. The upcoming flash PMI's Wednesday forecast at 51.4 manufacturing and 52.4 services/composite, indicating moderate expansion amid trade dynamics.

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