yieldreport Daily

Your Income Advantage

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Overview of the US Market

Wall Street closed higher on October 28, 2025, buoyed by gains in technology stocks amid optimism over artificial intelligence developments and upcoming earnings reports. The S&P 500 rose 0.23% to a fresh all-time high just below 6,900, while the Nasdaq Composite climbed 0.80% and the Dow Jones Industrial Average added 0.34%. Tech megacaps led the advance, with Nvidia surging nearly 5% after CEO Jensen Huang dismissed AI bubble concerns and announced new partnerships, including a $1 billion investment in Nokia and collaborations with Uber, Palantir, and CrowdStrike. Nokia's ADR jumped over 22% on the deal, while Microsoft rose on finalizing a 27% stake in OpenAI valued at $135 billion.

Other movers included SoFi Technologies up 5.53% and Intel gaining 5.03%, but BigBear.ai fell 4.51%. Sector performance was mixed, with information technology up 1.64% on AI enthusiasm, while real estate dropped 2.22% and utilities slid 1.66%. Investors are eyeing this week's Magnificent Seven earnings, starting with Microsoft, Apple, and others on Wednesday and Thursday, with projections for 14% profit growth amid hefty AI infrastructure spending.

President Donald Trump's upcoming meeting with Chinese President Xi Jinping added to sentiment, with reports of potential US tariff rollbacks in exchange for Beijing's crackdown on fentanyl precursors. Consumer confidence unexpectedly fell to a six-month low, but private payrolls showed modest gains, keeping focus on the Federal Reserve's policy decision Wednesday, where a 25 basis-point rate cut to 3.875%-4.125% is widely anticipated. Traders are also watching for signals on ending quantitative tightening, potentially as soon as this month.

Strategists remain optimistic, citing strong AI-driven earnings and over $7 trillion in money-market funds poised to shift into equities as yields decline. Goldman Sachs notes seasonal tailwinds, with the S&P 500 averaging 4.2% gains from late October through year-end since 1985. However, Ritholtz Wealth Management warns of skepticism around AI capex costs, projecting $450 billion from hyperscalers, which could pressure valuations if profitability lags. Citigroup highlights crowded tech positioning, with Nasdaq 100 longs increasing, raising risks of a near-term pullback if earnings disappoint.

Corporate highlights included Visa topping earnings estimates, Booking Holdings beating on gross bookings, and Nvidia unveiling quantum-AI links. Uber set a 100,000-robotaxi fleet goal with Nvidia tech starting 2027, while Amazon plans 14,000 job cuts amid AI shifts. United Parcel Service smashed profit forecasts via cost cuts, and PayPal raised guidance with an OpenAI tie-up. The Bloomberg Magnificent 7 Index rose 1.3%, underscoring the group's dominance, now accounting for a quarter of the S&P 500.

Overview of the Australian Market

The Australian share market closed lower on October 29, 2025, reversing prior gains amid stock-specific shocks and weakness in mining and health care sectors. The S&P/ASX 200 fell 0.48% to 9,012.5, while the broader All Ordinaries dropped 0.60% to 9,295.8. Health care plunged 7.40% as CSL tumbled 15.9% after slashing earnings guidance at its AGM, while information technology slid 3.16% with WiseTech Global down 15.9% following ASIC and AFP raids over alleged improper trading. Materials declined 2.02% and energy 1.69%, hit by falling commodity prices and US-China trade thaw signals reducing safe-haven demand.

Gold miners suffered, with the XGD sub-index down 4.6% as spot gold fell 0.7% to $3,955.91 an ounce from recent highs. Critical minerals stocks like Lynas Rare Earths dropped 13.9%, despite higher base metal prices, amid profit-taking post-rally. Consumer discretionary rose 1.68% and financials 1.32%, buoyed by banks like Commonwealth Bank hitting 11-week highs above $175. Domino's Pizza surged 7.2% before halting on private equity buyout rumors, while AUB Group gained 5.9% on an unsolicited acquisition proposal.

Investors eye Wednesday's third-quarter CPI data, forecast at 1.1% quarterly and 3.1% annually headline, with trimmed mean at 0.8% quarterly; hotter prints could dash November rate cut hopes after RBA Governor Michele Bullock's hawkish tone. US-China talks weighed on resources, as closer ties may sideline Australia in supply chains. Weebit Nano rose 9.1% on uptrend momentum, and Eagers Automotive added 6.3% post-investor event.

Fund flows shifted from resources to discretionary and financials in a zero-sum rotation. Upcoming US Fed decision and China PMI Friday add volatility risks, though November seasonality favors equities per Stock Trader's Almanac.

Overview of the US Bond Market

Bond traders trimmed positions in Treasuries ahead of the Federal Reserve's meeting, as yields held steady amid bets on a rate cut and potential quantitative tightening signals. The 10-year Treasury yield was little changed at 3.97%, while the 2-year stayed at 3.48% and the 30-year dipped one basis point to 4.54%, flattening the 2s-10s curve slightly to +49 basis points. A solid consumer confidence reading hit a six-month low, underscoring labor market concerns, but private payrolls rose modestly, supporting expectations for measured Fed easing.

Treasury Secretary's comments on extending US-China tariff talks added to cross-border optimism, potentially easing inflationary pressures from trade tensions. With the Fed's benchmark at 4.125%-4.375% since last adjustment, markets price in a 25 basis-point cut Wednesday, followed by gradual reductions amid resilient growth. Upcoming data like third-quarter GDP advance on Thursday, expected at 3% annualized, and core PCE inflation Friday at 0.2% monthly, will test this view; stronger figures could temper easing bets.

JPMorgan's client survey showed net long positions shrinking to two-month lows, reflecting caution before the FOMC, though swap contracts hold steady at under half a point of year-end cuts. Asset managers pared longs across tenors by $23.5 million per basis point in CFTC data through October 22, while leveraged funds reduced bond shorts. Dealers expect steady coupon auction sizes for August-October, aligning with April guidance, with 10-year and 5-year reopenings up $1 billion each.

Strategists from UBS and Goldman Sachs maintain bullish equity outlooks but flag bond risks if tariffs or AI spending spur inflation, keeping yields elevated. HSBC notes economic resilience post-EU and Japan deals has bolstered higher-for-longer views, though Trump's Fed criticism adds dissent risks. Oil's 2.3% drop to $59.93 a barrel on supply glut fears outweighed Russia sanction worries, aiding disinflation bets.

Overview of the Australian Bond Market

Australian government bond yields edged lower as markets braced for CPI data and global cues, with the 10-year yield down two basis points to 4.16% and the 2-year up four to 3.42%. The curve steepened slightly, reflecting caution on RBA policy amid persistent inflation. Third-quarter CPI headlines are eyed Wednesday, with 1.1% quarterly growth forecast potentially affirming no near-term cuts, following June's 0.7%; trimmed mean at 0.8% could signal core pressures easing from 0.6%.

US-China tariff rollback talks and Trump's Fed critique added cross-currency dynamics, supporting AUD/USD up 0.06% to 0.656. Retail shop prices fell for the first time since March, hinting at consumer softness, while upcoming retail trade and factory orders data test resilience. Dealers anticipate steady issuance, with focus on Fed's rate path influencing RBA shadow.

Strategists at Janney Montgomery Scott warn of 5-10% correction risks by year-end despite overbought US lift, while Interactive Brokers' Jose Torres sees S&P 500 momentum toward 7,000 if Fed, earnings, and trade align. Morgan Stanley maintains long-term bull views but flags stretched valuations if tariffs bite, urging diversification.

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