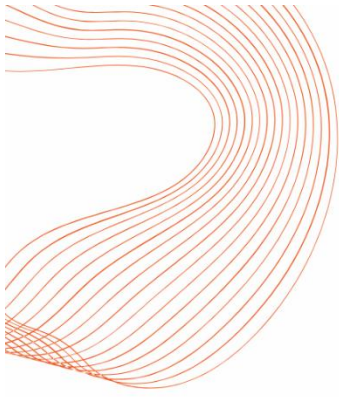




Your Income Advantage

29th October 2025



Overview of the US Market

Wall Street ended mixed on October 29, 2025, as the Federal Reserve cut interest rates by a quarter point but Chair Jerome Powell tempered expectations for further easing, citing divisions within the committee and ongoing data challenges from the government shutdown. The S&P 500 closed little changed at 6890.59 after erasing earlier gains, the Nasdaq Composite rose 0.55% to 23958.47 buoyed by tech strength, and the Dow Jones Industrial Average slipped 0.16% to 47632.00. Nvidia surged nearly 3% to become the first company to hit \$5 trillion in market capitalization amid the AI boom, while Alphabet gained in after-hours trading on solid cloud sales. Meta Platforms tumbled in extended trading after forecasting sharply higher 2026 expenses for AI infrastructure.

Other movers included Fiserv plunging on a slashed outlook, Verizon rising despite subscriber losses, and Boeing posting a large accounting charge while delaying its 777X jet. Sector performance was uneven, with information technology and communication services up 1.05% each, but real estate down 2.66% and consumer staples off 2.00%. Actives saw heavy volume in Nvidia, Nokia ADR, and Plug Power. Traders reduced bets on a December Fed cut to about 65% from over 90% earlier, reflecting Powell's comments that a further reduction is "far from a foregone conclusion" amid differing views on inflation and labor risks. The dollar strengthened, and Bitcoin fell 2%.

Corporate earnings highlighted AI-driven growth, with Alphabet's cloud unit beating estimates at \$15.2 billion in sales and \$3.59 billion in profit, while Microsoft disappointed on Azure expansion. Meta projected 2025 capital expenditures of \$70-72 billion, up slightly, and warned of notable increases in 2026. Broader sentiment was rattled by Fed dissents—Governor Stephen Miran for a larger cut and Kansas City President Jeff Schmid for none—underscoring uncertainty. Analysts like Neil Dutta noted the challenge in signaling a December move, while Bret Kenwell questioned the Fed's focus between weakening jobs and sticky inflation. With earnings ongoing and a Trump-Xi meeting looming, pullbacks could present buying opportunities if consumer resilience holds.

Overview of the Australian Market

The Australian share market closed lower on October 29, 2025, with the S&P/ASX 200 dropping 0.96% to 8926.2 and the All Ordinaries down 0.83% to 9218.8, hitting a two-week low after hotter-than-expected September quarter inflation data dashed hopes for near-term rate cuts. The CPI rose 1.3% quarterly and 3.2% annually, beating forecasts of 1.1% and 3.0%, while the RBA's trimmed mean measure climbed 1.0% quarterly to 3.0% annually, overshooting estimates and landing at the top of the 2-3% target band. This "material miss" relative to the RBA's August forecasts, as noted by experts like Diana Mousina, reinforced a hold at next week's meeting and eroded chances for easing before 2026, with Westpac's Luci Ellis highlighting risks of delayed cuts leading to more aggressive moves later amid labor softening.

Interest-sensitive sectors led declines, with financials down 1.87%, industrials off 1.97%, health care falling 2.32% on CSL's 4.0% drop, and real estate slipping 1.65%. Resources provided some offset, with materials up 1.15% on iron ore and copper strength, and energy gaining 0.52% amid US nuclear investment signals boosting uranium plays—Boss Energy surged 19.8%, Paladin Energy rose 11.3%, and uranium ETFs ATOM and URM advanced 8.7% and 10.7%. Gold miners rebounded, supporting the XGD sub-index up 2.2%. Consumer staples edged up 0.30% on Woolworths' rally after solid sales, but discretionary fell 1.10%.

Standouts included Resolution Minerals up 28.8% on a gold discovery and Arafura Rare Earths down 20.0% after a discounted placement.

The Aussie dollar strengthened to 0.6603 against the US dollar. Broader sentiment reflects stagflationary concerns—a softening economy with sticky inflation—complicating the RBA's path, as Kyle Rodda observed. With consumption brightening per internal data but unemployment at 4.5% in September, the board may wait for February's CPI for clarity, though Westpac warns of potential 2026 surprises from latent labor slack and benign wages. Uranium's boom ties to global AI and energy security, while China's COFCO buying 180,000 tons of US soybeans ahead of Trump-Xi talks offers limited relief for farmers amid trade tensions.

Overview of the US Bond Market

Treasury yields climbed sharply after the Fed's rate cut to the 3.75%-4.00% range, as Powell's cautious tone on future easing and references to data gaps from the shutdown prompted traders to pare bets on aggressive policy support. The 2-year yield jumped 11 basis points to 3.60%, the 10-year rose 9 basis points to 4.07%, and the 30-year advanced 7 basis points to 4.61%, bear-flattening the curve. The move reflected reduced expectations for a December cut, now priced at roughly two-to-one odds, amid Powell's acknowledgment of "strongly differing views" within the committee and a "growing chorus" favoring a pause to assess inflation risks.

Bond markets also reacted to mixed economic signals, with available indicators suggesting moderate growth despite the absence of key labor data like payrolls and unemployment rates for over a month. Powell emphasized using private data and surveys to navigate the "fog," but warned that prolonged shutdowns could delay decisions, potentially affecting the December meeting. Macro pressures include persistent inflation at 2.7% PCE in August, expected to rise toward 3% by year-end due to tariffs, balanced against softening labor trends—private payrolls rose just 14,250 in early October per ADP, signaling near-zero growth. Layoffs announcements from Amazon (14,000), UPS (48,000), and others like Intel and Microsoft underscore a shift to "no hire, more fire," heightening downside employment risks that Powell said outweigh inflation upside, though he views policy as still modestly restrictive.

Traders anticipate the Fed resuming limited Treasury purchases from December 1 to address liquidity strains, shifting maturing mortgage-backed securities into bills to stabilize the \$6.61 trillion balance sheet. In futures, asset managers trimmed net long positions by \$23.5 million per basis point, focused on 5-year and longer tenors, while leveraged funds reduced shorts in the bond contract. Dealers expect steady coupon auction sizes for August-October, aligning with April guidance. Broader macro factors, including Trump's import tariffs and a resilient economy, support bears arguing rates stay higher longer, though deals like potential US-China extensions could ease uncertainty. Consumer confidence edged up, but job concerns linger, with strategists like Tatiana Darie noting hawkish undertones in Powell's remarks suggesting limits to data-driven easing during the shutdown.

Overview of the Australian Bond Market

Australian government bond yields rose sharply following the CPI overshoot released on October 29, as markets slashed rate cut expectations and braced for a prolonged RBA hold. The 2-year yield climbed 16 basis points to 3.58%, the 5-year advanced 15 basis points to 3.77%, the 10-year rose 13 basis points to 4.30%, and the 15-year increased 12 basis points to 4.61%. The move underscores the "big miss" on inflation, with headline CPI at 1.3% quarterly and 3.2% annually versus expectations of 1.1% and 3.0%, and the closely watched trimmed mean at 1.0% quarterly and 3.0% annually against forecasts of 0.8% and 2.7%. This outcome, described by AMP's Diana Mousina as a significant deviation for inflation data, marks the first upward blip in the trimmed mean trend, though not yet confirming a reversal, and lands squarely at the upper bound of the RBA's 2-3% target, eradicating any lingering odds for a year-end cut and pushing back easing timelines.

Macro dynamics blend persistent services inflation—despite some slowing in personal and financial services components—with a higher unemployment starting point at 4.5% in September and a brightening consumption outlook from internal data suggesting solid Q3 and Q4 gains. Westpac Chief Economist Luci Ellis emphasized that the 1.0% quarterly trimmed mean reading is "too high for the RBA's comfort," labeling even a 0.9% as a "material miss," and argued for caution until inflation nears the target midpoint, potentially delaying cuts until February 2026 or later. However, she cautioned against over-interpreting, noting past September quarter upside surprises often reversed in December, and highlighted offsetting factors like a weaker labor market entry point and higher assumed cash rate path that could exert downward pressure on longer-term inflation forecasts. Convera's Shier Lee Lim echoed the "material miss" sentiment, reinforcing the RBA's likely decision to hold at November's meeting and assess further, with the board reluctant to over-rely on the new monthly CPI series amid noise.

Yields track US Treasuries' post-Fed rise, with global factors like Trump-Xi soybean deals and tariff extensions adding volatility, though China's pivot to South American supplies tempers US farmer relief. Domestically, the stagflationary mix—a softening economy with sticky prices—heightens RBA vigilance, as Rodda noted the "dangerous combination" complicating policy. Even with potential December quarter payback, the upside surprise elevates near-term risks, though Ellis warns of 2026 surprises from gradual labor softening, latent slack from flat participation assumptions amid upward trends for females and older workers, and benign wages, potentially dipping inflation below the midpoint and opening scope for less restrictive policy later.

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