



Your Income Advantage

7th October 2025



Overview of the US Market

Wall Street closed lower on October 7, 2025, as concerns over buyer exhaustion and stretched valuations in the tech sector weighed on sentiment following a \$16 trillion surge in the S&P 500 from April lows. The S&P 500 slipped 0.38% to 6,714.59, the Nasdaq Composite fell 0.67% to 22,788.36, and the Dow Jones Industrial Average declined 0.20% to 46,602.98. Tech giants like Oracle, which dropped 2.5% amid reports of lower-than-expected cloud margins, and Tesla, down 4.4% after unveiling new models under \$40,000, dragged on the indices. Dell Technologies bucked the trend, climbing 3.5% on raised estimates driven by AI demand.

Sector performance was mixed, with consumer staples up 0.86% and utilities gaining 0.42%, while consumer discretionary sank 1.43% and communication services lost 0.73%. Active stocks included Connexa Sports Technologies plunging 92.83% on heavy volume, and Trilogy Metals soaring 211% amid market volatility. Investors parsed Fed comments, with Governor Stephen Miran advocating for forward-looking easing despite tariff risks, while Minneapolis Fed President Neel Kashkari cautioned against aggressive cuts to avoid inflation spikes.

Dot-com bubble fears resurfaced as AMD extended gains from an OpenAI deal, adding to concerns of circular AI investments and rapid market cap swings exceeding \$100 billion. Strategists at Citigroup noted elevated profit-taking risks, particularly for Nasdaq, while Piper Sandler highlighted diverging momentum but remained optimistic on macro tailwinds. JPMorgan's Jamie Dimon emphasized AI's cost savings potential, matching annual investments at \$2 billion.

Corporate highlights included IBM integrating Anthropic's AI tech, Salesforce refusing a hacker's ransom demand, and DraftKings falling on NYSE's Polymarket investment news. Johnson & Johnson faced a \$966 million verdict over baby powder litigation. Looking ahead, traders eye Thursday's non-farm payrolls, expected at 50,000 jobs added with unemployment steady at 4.3%, which could influence Fed rate cut bets amid ongoing shutdown tensions where President Trump signaled potential blocks on back pay for some furloughed workers.

Overview of the Australian Market

Australia's share market closed lower on October 7, 2025, extending losses for a second session as rate-sensitive sectors faced pressure from rising bond yields and muted economic data. The S&P/ASX 200 fell 0.27% to 8,956.8, while the All Ordinaries dropped 0.28% to 9,253.6. Consumer discretionary led declines at 1.16%, followed by communication services down 1.08% and real estate off 0.46%, with REA Group sliding 2.1% and Car Group tumbling 3.8%. Materials eked out a 0.05% gain, buoyed by miners like Rio Tinto up 0.5% on a West Angelas extension.

Gold miners showed resilience as spot gold rose 0.5% to \$3,981.41 an ounce, with Greatland Gold surging 9.6% on a quarterly update. Small caps outperformed, with the Small Ordinaries up 0.12%, highlighting a bull market divergence from large caps hesitant near 9,000. Westpac consumer sentiment dropped 3.5% to 92.1 in October, and ANZ job ads fell 3.3% month-over-month in September, underscoring caution on rate cuts.

Standouts included Ionic Rare Earths jumping 29.4% on critical minerals strength and Loneer up 22.2% following US lithium project investment. Laggards featured European Lithium down 34% after a share sale and Brisbane Broncos dropping 16% post-rally. ASX fell 1.3% on Cboe's listing approval, while CBA dipped 0.3% amid a NZ subsidiary settlement.

With China markets closed for holidays, focus shifts to Wednesday's expected 25 basis point cut by New Zealand's central bank to 2.75%, potentially influencing Aussie rate expectations.

Overview of the US Bond Market

Bond yields eased on October 7, 2025, with the 10-year Treasury yield dropping three basis points to 4.13% following solid demand at a \$58 billion sale, as traders sought safety amid equity pullbacks and shutdown uncertainties. The 2-year yield fell two basis points to 3.57%, and the 30-year declined two basis points to 4.72%. Shorter maturities like the 3-month bill rose to 3.82%, reflecting mixed views on near-term policy.

The rally in Treasuries comes as President Trump's administration drafts memos questioning automatic back pay for furloughed workers under the 2019 law, escalating shutdown risks that could pressure fiscal dynamics. Treasury Secretary's comments on potential tariff extensions with China add to the mix, with options for a 90-day delay under consideration, potentially easing inflation fears but heightening scrutiny on Fed independence.

Economic resilience persists, with upcoming data including Tuesday's August trade balance expected at -\$61 billion and Wednesday's factory orders at 1.4% month-over-month, which may test the narrative of a soft landing. Thursday's initial jobless claims at 223,000 and September payrolls could sway expectations for Fed cuts, currently priced at less than half a point by year-end.

Strategists at BMO Capital Markets noted the pullback as a tech wobble providing a rally excuse for bonds, maintaining comfort in the prevailing range despite AI margin concerns. Goldman Sachs highlights bullish client sentiment at highs, while Barclays' exuberance tracker signals caution. Asset managers trimmed net long positions in Treasury futures last week per CFTC data, with reductions concentrated in 5-year and bond contracts, as leveraged funds pared shorts.

Primary dealers anticipate steady coupon auction sizes for November-January, aligning with April guidance, though shutdown delays could disrupt issuance plans.

Overview of the Australian Bond Market

Australian government bond yields rose modestly on October 7, 2025, tracking global caution amid US shutdown risks and local data signaling persistent inflation pressures. The 10-year yield climbed three basis points to 4.36%, the 2-year raised one basis point to 3.50%, and the 15-year advanced two basis points to 4.70%. The 5-year edged up one basis point to 3.76%, reflecting a flattish curve as markets digest fading RBA cut hopes.

President Trump's tariff truce talks with China, including potential extensions, could indirectly support Aussie exports but heighten volatility in commodity-linked bonds. Domestically, weakening consumer sentiment and job ads reinforce a wait-and-see RBA stance, with no immediate easing signals ahead of key US payrolls that might sway global sentiment.

Strategists note bond proxies like real estate underperforming as yields rise, making equities less attractive, while high-PE tech faces harsher discounting. HSBC and UBS maintain long-term bullish equity views but caution on near-term pullbacks, seeing AI tailwinds and earnings growth as offsets to valuation stretches.

Futures positioning shows trimmed longs, aligning with a prudent diversification push amid high US valuations potentially spilling over to Aussie markets.

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