yieldreport Weekly

Your Income Advantage

13th to 17th October 2025

PART 1 – Equity & Bond Market Review

Weekly Overview

Each of the major U.S. indices posted a gain of around 2% as stocks rebounded from a setback the previous week, when indexes fell more than 2%. Stock trading was choppy amid big price moves for assets such as cryptocurrencies and gold.

Stocks' weekly gains didn't come easily, as anxieties over trade policy and regional bank lending risks produced sizablebut fleetingmarket swings. The CBOE Volatility Index on Friday morning briefly reached its highest intraday level since April before retreating in the afternoon. By Friday's close, the VIX was down slightly for the week.

The major U.S. banks that kicked off earnings season exceeded analysts' third-quarter profit and revenue expectations owing in part to rising investment banking income. As of Friday, analysts projected that financials sector earnings rose 18.2%, above the 8.5% growth forecast across all sectors in the S&P 500, according to FactSet.

Looking ahead, investors face a bifurcated AI landscape: near-term valuations inflated by policy and liquidity cycles, but long-term growth driven by foundational adoption across enterprise, defence, and sovereign systems. The sustainability of the rally will hinge on power-grid expansion, chip supply security, and the balance between speculative capital flows and genuine productivity gains. In essence, AI has transformed from a technological theme into the central organizing force behind global and U.S. equity strategy—blurring the lines between innovation, industrial policy, and national competitiveness.

Gold futures surged more than 5% for the week and notched their ninth weekly gain in a row. The precious metal briefly reached as high as $4,392 per ounce on Friday morning, just eight days after eclipsing the $4,000 level for the first time

The price of the most widely traded cryptocurrency briefly fell on Friday morning to its lowest level in three months before modestly rebounding in the afternoon. Bitcoin slipped below $104,000, around 17% below a record high of more than $126,000 reached less than two weeks earlier, on October 6.

As stocks fell on Thursday, the yield of the 10-year U.S. Treasury note slipped below 4.00% for the first time since April, when tariff concerns boosted investor anxiety. The 2-year Treasury's yield also fell, briefly sinking below 3.40% on Friday, the lowest in more than three years.

The price of U.S. crude oil fell for the third week in a row and sank on Friday to the lowest level in more than five months. Oil briefly traded below $57 per barrel before rebounding in the afternoon. Concerns about a potential oil supply glut and the economic outlook have recently weighed on oil prices.

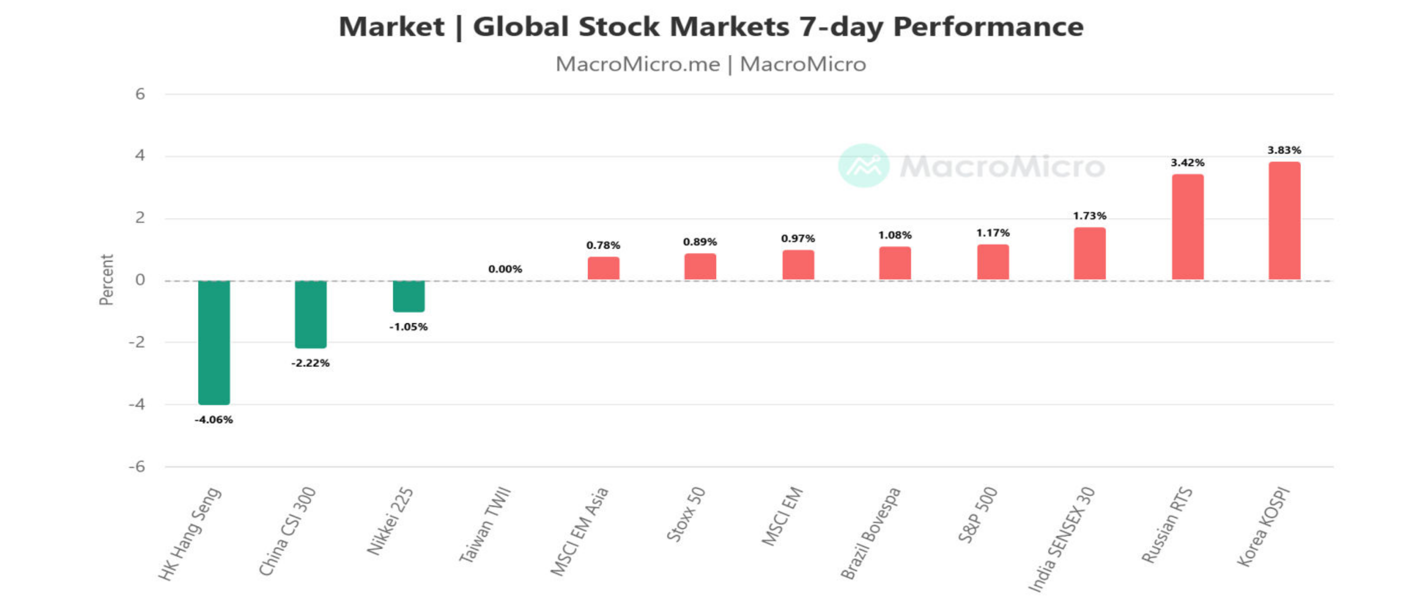
Although economic reports continued to be delayed because of the U.S. government shutdown that began on October 1, the Bureau of Labor Statistics announced plans to issue a monthly inflation update on a delayed basis on Friday, October 24, so that the agency meets a statutory deadline involving benefit payments tied to inflation. The most recent Consumer Price Index report on September 11 showed a 2.9% annual inflation rate in August, up from 2.7% the previous month.

Australia's labour market surprised in September, with the unemployment rate jumping to 4.5%, the highest in four years, sparking a sharp repricing in interest-rate expectations. Economists had forecast a smaller rise to 4.3%, but the unexpected increase led bond investors to price in a 71% probability of an RBA rate cut in November, up from 39% prior to the data. The Australian dollar dropped to around US65¢, the ASX 200 hit a record high, and bond yields fell sharply, the three-year yield down 12 bps to 3.36%, and the 10-year yield lower by 6 bps.

Despite a modest 14,900 job gain, weaker employment growth and rising participation suggest a loosening labour market. Analysts such as Vijay Murik (Jamieson Coote Bonds) believe the RBA could even consider a 50 bp cut, though others, including Fortlake's Christian Baylis and Challenger's Jonathan Kearns, caution that volatility in jobs data warrants patience.

The RBA faces a policy dilemma: inflation remains above target while labour conditions soften, raising the risk of keeping policy "too tight for too long." Some economists expect a pause in November followed by a possible December cut, while others anticipate immediate action as the central bank strives for a soft landing. Globally, the U.S. Federal Reserve faces a similar challenge balancing inflation persistence with emerging job-market weakness, reinforcing expectations of a broader monetary easing cycle into 2026.

Figure 1: World – Major Stock Indices 7 Day Return



Global Themes Shaping Markets

Rotation towards Safety

Global bond markets experienced a volatile week as investor sentiment swung between fears over U.S. regional banks, the ongoing government shutdown, and shifting inflation expectations. In the U.S., Treasury yields initially plunged on safe-haven demand but later rebounded modestly. The 10-year yield ended the week down 5 bps at 4.006%, and the 2-year fell 6 bps to 3.46%, reflecting expectations of imminent Federal Reserve rate cuts—with futures pricing in three 25-basis-point reductions over the next three meetings. The absence of key data releases due to the shutdown, including the delayed September CPI report (forecast at 3.1% headline, 3.1% core), left traders relying on sentiment rather than hard data.

Markets were also rattled by renewed stress in U.S. regional banks, particularly Zions Bancorp's large loss disclosure linked to borrower fraud, which reignited fears of hidden vulnerabilities in the banking system. Despite temporary rallies, the uncertainty kept bond demand steady and capped the dollar's advance.
In the U.K., gilt yields declined sharply, with the 10-year yield hitting a 3.5-month low of 4.455%, driven by global risk aversion and local fiscal uncertainty ahead of the Nov. 26 budget. Analysts at ING and Tickmill expect further declines as safe-haven flows persist.

Continental Europe remained comparatively calm. French German yield spreads narrowed after Prime Minister Sebastien Lecornu survived confidence votes, and Barclays closed its profitable long-Spain/short-France bond trade. Meanwhile, in China, analysts anticipate a flatter yield curve as short-term issuance rises and traders await developments in U.S.–China trade talks.

Overall, the week underscored a global rotation toward safety amid political and financial stress, with bond markets pricing a more dovish policy path from central banks worldwide, even as inflation remains modestly above target.

Corporate Bond and High Yield Stress
After two months of relative calm, Wall Street has been jolted by renewed credit concerns. The collapses of First Brands Group and Tricolor Holdings, followed by fraud-related write downs at Zions Bancorp and Western Alliance, wiped more than $100 billion from U.S. bank valuations in a single day, reigniting fears of hidden credit losses. Despite this, the S&P 500 gained 1.7% for the week, extending a rally that's added $28 trillion to global equities, helped by President Trump's retreat from tariff threats. Yet volatility is rising—high-yield bond spreads widened 25 bps to 2.92%, and $3 billion flowed out of junk bond funds, signalling investor unease.

The VVIX, a measure of volatility-of-volatility, reached its highest since April, while tail-risk hedging demand spiked to a six-month high. Still, corporate credit fundamentals appear stronger than in past cycles. Goldman Sachs notes that even the high-yield segment is "less junky than ever," with safer issuers dominating public bond markets as weaker firms shift to private debt. However, many investors feel undercompensated for corporate debt's thin yields and are shifting toward equities or government bonds. While inflows remain robust, analysts warn that any sustained outflows could trigger a "massive panic," underscoring the market's fragile balance between confidence and caution.

Precious Metal Rally& De-dollarisation
Gold extended its historic rally in mid-October 2025, briefly surpassing US $4,300 per ounce, its highest level on record, marking an eight-week winning streak and confirming a powerful uptrend across the precious-metals complex. Silver approached US $52, while platinum and palladium also gained sharply, driven by a confluence of geopolitical, monetary, and structural forces.

1. Geopolitical risk and safe-haven demand:
Mounting instability—including the collapse of France's government, a prolonged U.S. government shutdown, and escalating U.S.–China trade tensions over rare-earth export controls—sparked global risk aversion. Investors sought refuge in tangible assets as political uncertainty and trade disruption amplified fears of a broader financial contagion.

2. Monetary easing and lower real yields:
The Federal Reserve's September 25-basis-point rate cut, signalling the start of a new easing cycle, coincided with similar actions by central banks worldwide. The global rate-cut ratio reached 85%, the highest in four years, while real U.S. interest rates fell to 1.8%, a one-year low. This combination reduced the opportunity cost of holding gold and ignited cyclical buying momentum.

3. Central-bank accumulation and reserve rebalancing:
A structural transformation is underway as official gold reserves exceed foreign holdings of U.S. Treasuries for the first time in three decades—now valued above US $5 trillion. Central banks, particularly in BRICS and emerging markets, are diversifying away from the dollar amid concerns about U.S. fiscal deficits approaching 130% of GDP and the weaponization of the greenback through sanctions.

Together, these factors have turned gold into the centrepiece of a global reserve realignment, reflecting both immediate hedging needs and long-term shifts in monetary confidence. With geopolitical tension unresolved, real yields declining, and sovereign debt risks mounting, the rally embodies gold's dual role as crisis insurance and store of value in a de-dollarising world.

AI and Equity Rally
Artificial intelligence (AI) remains a defining driver of global and U.S. equity markets in 2025, underpinning both the technology sector's valuation expansion and the broader "productivity race" shaping the global investment landscape. AI now functions as both a policy and market catalyst—intersecting with energy infrastructure, defence, and macroeconomic competitiveness.

AI's Role in the U.S. Equity Rally
AI adoption has reached critical scale. Enterprise penetration now exceeds 78% in financial services and continues to expand rapidly across manufacturing and healthcare. Web traffic and infrastructure data confirm surging demand: model training activity and GPU shipments have both risen sharply, even as Stanford data show 95% of enterprises still fail to achieve measurable ROI. Yet major U.S. technology firmsincluding Meta, Microsoft, and Googledescribe AI investment as existential, prioritizing dominance over profitability. This "win-or-die" mentality has powered record equity gains: the S&P 500, Nasdaq, and Philadelphia Semiconductor Index all hit new highs following the Federal Reserve's September rate cut, validating policy-driven growth across AI-linked industries.

Infrastructure and Power Constraints
AI's rapid scale-up has exposed deep structural bottlenecks. Datacentre electricity demand is projected to grow 120 gigawatts by 2030, vastly outpacing the planned 35GW capacity expansion. This imbalance has prompted the Trump administration to accelerate nuclear energy revival policies, aiming to relieve grid congestion and secure energy independence. Executive orders have fast-tracked small modular reactor (SMR) projects, with firms like OKLO targeting commercial operations by 2027. However, many AI-adjacent energy investments remain speculative, subsidy-dependent, and years from profitabilityechoing the risk patterns of the 2020–2021 green energy cycle.

Thematic Momentum and Market Implications
AI sits within a broader set of policy-driven investment arenas that include defence, rare earths, and stablecoins. For U.S. and global equities, this convergence is creating multi-sector momentum underpinned by government incentives, reshoring policies, and geopolitical competition. U.S. indices are outperforming on the back of this narrative, while European and Asian markets are more constrained by energy costs and supply-chain vulnerabilities.

Despite overvaluation concerns, AI infrastructure and semiconductor stocks remain market leaders, benefiting from both fiscal support and investor conviction that computational power equals national power.

Outlook

Looking ahead, investors face a bifurcated AI landscape: near-term valuations inflated by policy and liquidity cycles, but long-term growth driven by foundational adoption across enterprise, defence, and sovereign systems. The sustainability of the rally will hinge on power-grid expansion, chip supply security, and the balance between speculative capital flows and genuine productivity gains. In essence, AI has transformed from a technological theme into the central organizing force behind global and U.S. equity strategy—blurring the lines between innovation, industrial policy, and national competitiveness.

Overview of the US Equities Market

Financial markets endured their most turbulent week since April as a combination of renewed U.S.–China trade tensions, regional bank loan losses, and growing unease over artificial intelligence stock valuations disrupted the long period of calm that had buoyed investors. Despite heightened volatility, all three major U.S. stock indexes closed higher, with the S&P 500 up 1.8%, rebounding toward record levels.

The week's anxiety was reflected in a surge of the CBOE Volatility Index (VIX)—Wall Street's "fear gauge"—which spiked to 28.99, its highest intraday level since April. Investors increasingly bought options tied to extreme VIX jumps, indicating a hedge against deeper market stress. As GammaRoad Capital's Jordan Rizzuto noted, the growing "laundry list of worries" has created conditions ripe for sustained volatility.

The turmoil stemmed from three fronts. First, trade war fears reignited after President Donald Trump threatened steep tariffs in retaliation for China's rare earth export restrictions, which rattled technology and manufacturing sectors. Second, regional bank losses resurfaced after Zions Bancorp disclosed a major write-down linked to borrower fraud, compounding earlier shocks from First Brands and Tricolor bankruptcies. Finally, doubts about the AI-driven market rally—which had propelled stocks to historic highs—spurred concern that valuations were becoming overstretched.

Still, there were stabilizing forces. Major banks such as JPMorgan, Bank of America, Truist, and Fifth Third reported strong earnings, reinforcing confidence in the economy's resilience. Trump's subsequent reassurance that the U.S. would "do fine with China" helped spark a late week rebound. Investors, however, rotated defensively toward utilities, healthcare, and consumer staples, while bond and gold markets reflected risk aversion: the 10-year Treasury yield fell to 4.0%, and gold surged 5.4% to $4,189.90, its best weekly gain since May.

Riskier assets suffered, bitcoin tumbled 8.7%, and meme stocks like Opendoor slumped. Analysts cautioned against panic, viewing the volatility as a natural correction after months of exuberance. Yet, with lofty valuations, concentrated tech leadership, and fragile credit markets, many warned that markets are increasingly vulnerable to shocks. As Rizzuto observed, "History doesn't repeat, but it rhymes"—echoing fears of speculative excess reminiscent of past bubbles.

Overview of the US Treasuries and Other Fixed Income Markets

Global bond markets experienced a volatile week as investor sentiment swung between fears over U.S. regional banks, the ongoing government shutdown, and shifting inflation expectations. In the U.S., Treasury yields initially plunged on safe-haven demand but later rebounded modestly. The 10-year yield ended the week down 5 bps at 4.006%, and the 2-year fell 6 bps to 3.46%, reflecting expectations of imminent Federal Reserve rate cuts—with futures pricing in three 25-basis-point reductions over the next three meetings. The absence of key data releases due to the shutdown, including the delayed September CPI report (forecast at 3.1% headline, 3.1% core), left traders relying on sentiment rather than hard data.

Markets were also rattled by renewed stress in U.S. regional banks, particularly Zions Bancorp's large loss disclosure linked to borrower fraud, which reignited fears of hidden vulnerabilities in the banking system. Despite temporary rallies, the uncertainty kept bond demand steady and capped the dollar's advance.
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Global FX and bond markets enter a critical week dominated by delayed U.S. inflation data, ongoing government shutdown uncertainties, and key purchasing managers' surveys (PMIs) across major economies. The U.S. Bureau of Labor Statistics plans to release September CPI on Friday, Oct. 24, after recalling staff amid the shutdown. Economists expect annual inflation of 3.1%, with core inflation steady at 3.1%, as investors search for clarity on the Federal Reserve's rate-cut trajectory. With limited data flow, attention also turns to flash PMIs for October, providing insight into the economy's momentum and labour-market health. Markets currently price in 25 bp Fed cuts in both October and December, with more easing likely in 2026.

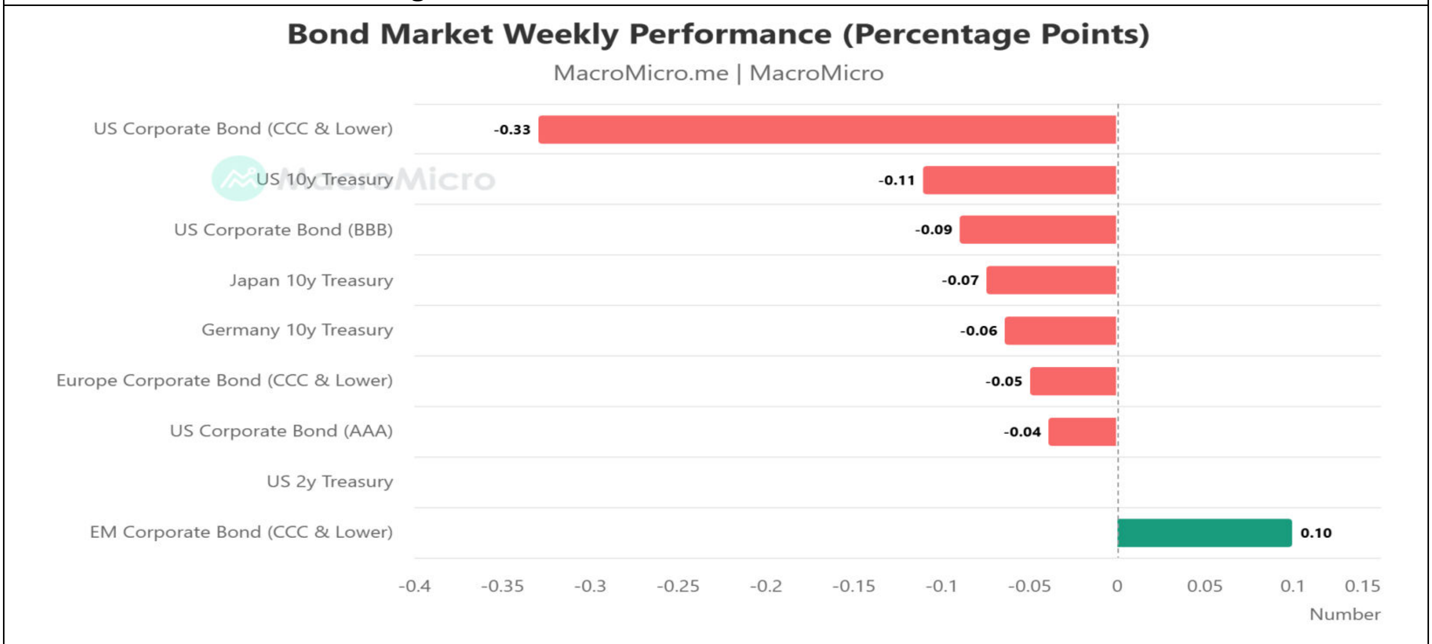
In Canada, September CPI (Tuesday) will determine whether the Bank of Canada cuts rates again on Oct. 29; markets see a 64% chance of a 25 bp reduction to 2.25%. In Europe, flash PMIs for Germany, France, and the eurozone (Thursday) are expected to show modest improvement, while the EU Summit may address fiscal concerns. U.K. CPI (Wednesday) is forecast near 4%, likely marking an inflation peak; markets see a 49% chance of a December BOE rate cut pending weak retail sales and PMIs.

In Asia, Japan's extraordinary Diet session to elect a new prime minister and upcoming BOJ speeches may influence sentiment. China's Q3 GDP is expected to slow to 4.8%, with weak property and retail data highlighting continued structural challenges. The PBOC is set to hold lending rates steady, while political meetings will shape the next Five-Year Plan emphasizing tech self-sufficiency.

In the Pacific, the RBA faces pressure to cut further after unemployment hit 4.5%, though Governor Michele Bullock's speech Friday will be key. New Zealand's Q3 inflation (Monday) and Bank Indonesia's policy meeting (Wednesday) could reinforce dovish regional trends. Elsewhere, Turkey is expected to deliver another 250 bp rate cut, and Malaysia, South Korea, and Singapore will report inflation data showing mild price pressures.

Overall, the week will be pivotal for monetary-policy direction, with investors closely watching U.S. inflation, global PMI trends, and political developments in Asia to gauge the pace of the global rate-cut cycle heading into late 2025. The yield curves stay historically flat, reflecting restrictive monetary conditions. As U.S. markets prepare for Monday's bond market closure, investors are bracing for the next wave of economic data—including inflation and employment indicators—that could determine the Fed's policy trajectory heading into year-end.

Figure 2:Bond Yield Movements in the Past Week



Overview of the Australian Equities Market

The Australian share market slipped on Friday as investors pushed gold to a fresh record high amid concerns about systemic stress in credit markets and tariff frictions between the US and China.

The benchmark S&P/ASX 200 Index lost 0.8 per cent or 73.1 points to 8,995.3, well away from a record high above 9100 set in the previous session. Even so, the index posted a 0.4 per cent gain for the week. The All Ordinaries shed 0.9 per cent on Friday.

Eight of the 11 sectors were in the red, led by energy and tech stocks. Family-tracking app Life360fell 8 per cent to $45.54, the biggest one-day drop since early April.

There was, again, a lot of action in commodities. Gold miners rose as the precious metal climbed to a historical peak of $US4378.69. Newmontrallied 2.9 per cent to $149.96, and Northern Star advanced 2.3 per cent to $26.05.

Copper, lithium, and rare earths companies, however, slumped ahead of a Prime Minister Anthony Albanese's first face-to-face meeting with the US president at the White House on Monday to discuss critical minerals. The Labor government is hoping Australia's supply of critical minerals could be used as leverageto convince the US to eventually drop the tariffs it has imposed on its close ally.

"There's a lot of scepticism among the producers around the Australian government plan," said Michael McCarthy, a market strategist at the online trading platform Moomoo. "The move on the ASX is reflecting the change in thinking about the idea that the government could stockpile critical minerals might help in terms of negotiating with the US government."

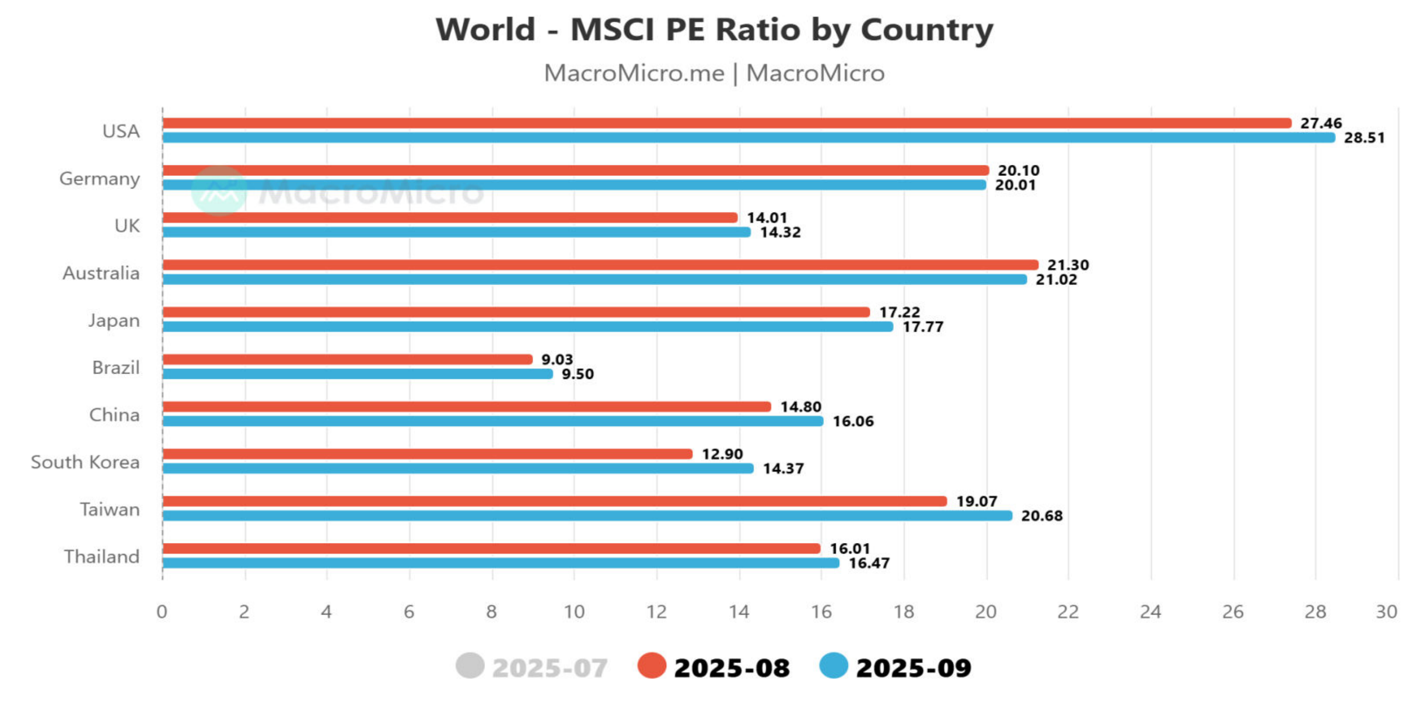
Lynas Rare Earthsdropped 5.7 per cent to $19.24, Paladin Energylost 6.8 per cent to $9.20.

Ilukafell 2.4 per cent to $8.1 after pulling its sales forecast due to uncertainties relating to a key customer, Venator.

The big miners were split after a choppy session. While BHPended 0.4 per cent lower to $43.60, Rio Tintore-bounded to close 1.3 per cent higher at $130.880. Woodsideand Santosdropped more than 2 per cent.

Elsewhere on the ASX, the financial sector flashed red, led by QBE, down 9.3 per cent to $19.52. The big banks also fell, led by National Australia Bankand Westpac, both down 0.8 per cent.

Figure: 3 – World MSCIPE Ratio by country



Overview of the Australian Government Bond Market

Australian and U.S. bond yields declined over the week, reflecting growing investor caution and shifting expectations for monetary policy. The RBA cash rate remained steady at 3.60%, while short-term funding costs eased slightly, with the 3-month BBSW down 1 basis point to 3.57%. In the bond market, yields fell sharply across maturities: the 3-year Australian bond yield dropped 28 bps to 3.31%, the 10-year yield slid 27 bps to 4.10%, and the 30-year yield declined 17 bps to 4.84%, indicating a broad rally in government bonds.

In the U.S., yields also moved lower as markets reassessed the Federal Reserve's tightening outlook. The 2-year Treasury yield fell 15 bps to 3.43%, while the 10-year and 30-year yields declined 13 bps and 11 bps respectively, to 3.98% and 4.58%. The synchronized declines across both markets suggest easing inflation pressures and rising expectations of eventual rate cuts in 2026.

The Australian dollar weakened, falling 0.86 U.S. cents to 64.66, amid risk aversion and a softer interest-rate differential against the U.S. dollar. Overall, the week's moves reflect a more cautious global outlook, with bond markets pricing in slower growth and a potential shift toward monetary easing.

Latest Employment Data

Australia's weakening labour market has dramatically shifted expectations toward imminent RBA interest rate cuts in November or December. The unemployment rate rose to 4.5% in September (from 4.2% in August), driven largely by a higher participation rate—now near 67%—as immigration and later retirement expand the workforce. This loosening in labour conditions reduces wage-push inflation risks, giving the Reserve Bank of Australia scope to look through a temporary inflation bump. Markets now assign a 75% probability of a November rate cut, following three prior reductions this year.

RBA Governor Michele Bullock recently described the current 3.6% cash rate as "a little on the tight side," aligning with the Bank's revised estimate of the neutral rate around 3–3.25%. Deputy Governor Andrew Hauser reaffirmed that a 3.1% cash rate is broadly consistent with achieving the RBA's inflation and employment goals. Analysts such as Barrenjoey's Andrew Lilley now see roughly 60% odds of a November easing, depending on upcoming Q3 inflation data.

If core inflation moderates near 2.7–2.8%, the RBA is likely to continue its cautious march toward neutral policy. Lower rates have already started easing pressure on insolvencies, subprime defaults, and mortgage stress, while Sydney property prices are rising again. Global factors, particularly the U.S.–China trade standoff over rare earths, add uncertainty, but easing monetary policy could help stabilise Australia's economy amid global headwinds and tight financial conditions.

The Australian Bond spreads (3 & 10 years) continue to indicate positive sloping yield curve with significant steepening in the curve occurring from July 2023 (phase 1) and then accelerating from July 2024. The current spread continues to be at cyclical highs although lower than record highs observed in2021. From an investment perspective, steepening yield curves and a rebounding lending environment are likely to boost domestic economic environment and bank profitability. In a similar vein, the spread between the US 2 year bonds and US 10 Year bond has also been steepening since July 2023.

Figure 4: Australia 3 and 10-year Bond Yield &Spread

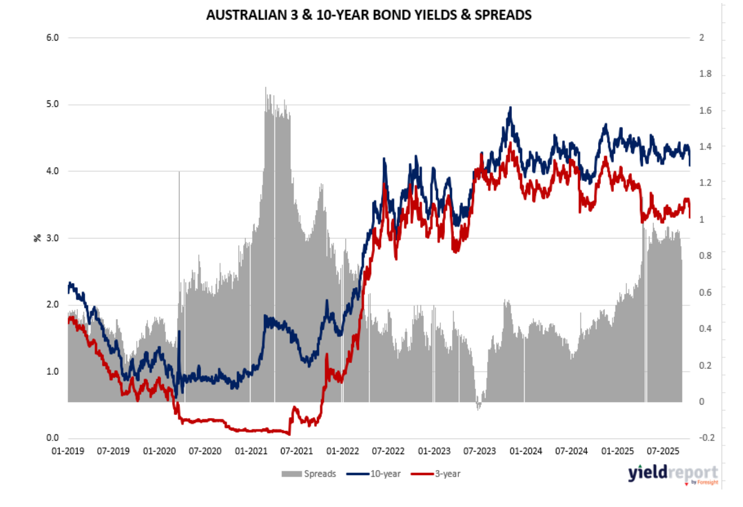
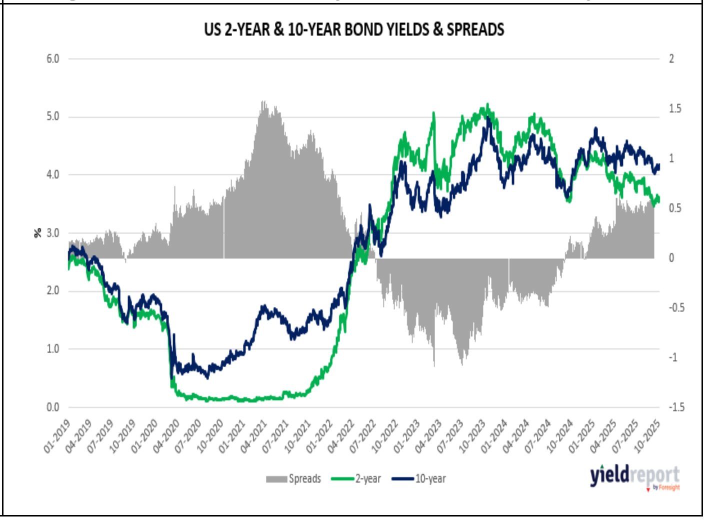


Figure 5: US 2 and 10-year Bond Yield &Spread



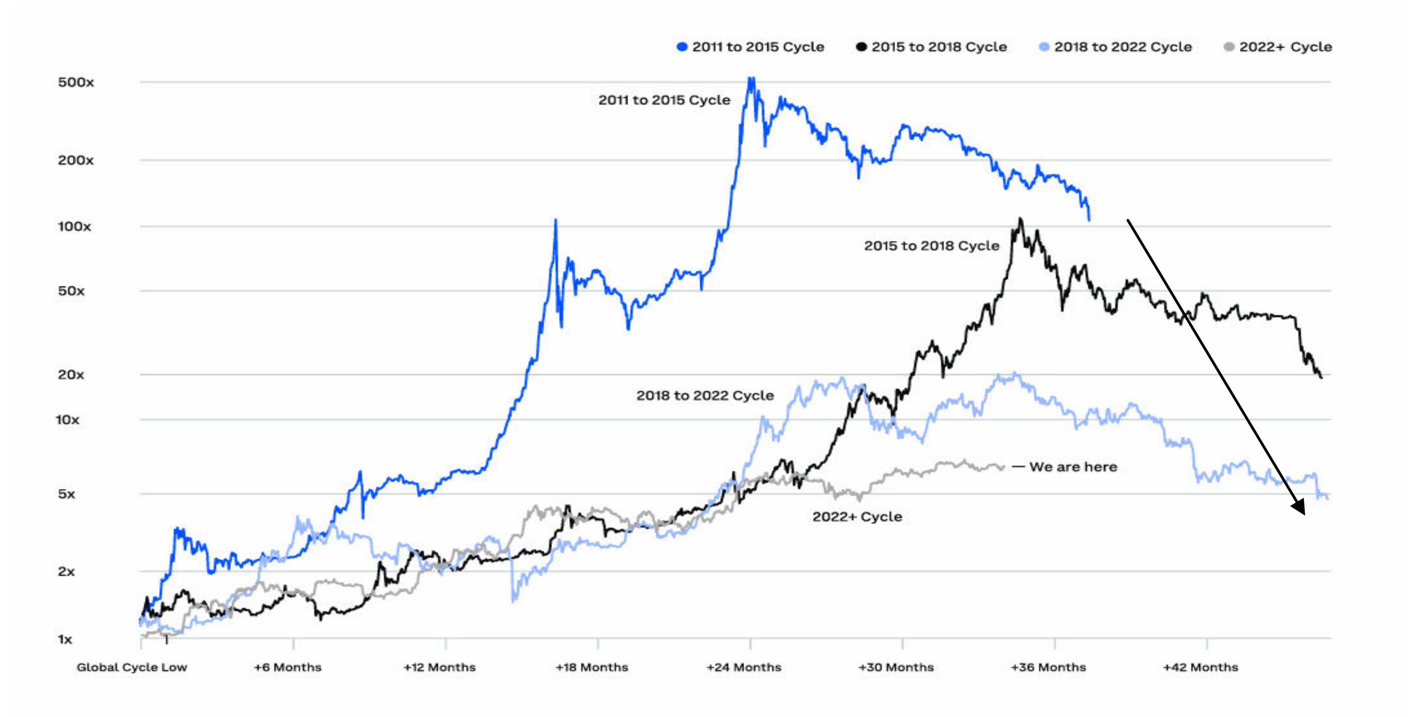
Market Summary Table

Name	Week Close	Week Change	Week High	Week Low
Cash Rate%	3.60%			
3m BBSW %	3.57	-0.01	3.59	3.56
Aust 3y Bond %*	3.31	-0.28	3.52	3.31
Aust 10y Bond %*	4.10	-0.27	4.30	4.10
Aust 30y Bond %*	4.84	-0.17	4.97	4.84
US 2y Bond %	3.43	-0.15	3.52	3.40
US 10y Bond %	3.98	-0.13	4.05	3.96
US 30y Bond %	4.58	-0.11	4.64	4.58
$1AUD/US¢	64.66	-0.86	65.26	64.44

Chart of the week: Bitcoin (BTC) Price Performance Cycle – 2011 to 2025

This chart compares four Bitcoin market cycles — 2011–2015, 2015–2018, 2018–2022, and 2022+ — indexed to their respective cycle lows. Each line tracks price growth multiples (x-axis in months since the cycle low). The 2011–2015 cycle saw exponential gains exceeding 400x, while the 2015–2018 cycle peaked near 100x. The 2018–2022 cycle reached around 20–25x before declining. The current 2022+ cycle (grey line) shows a milder trajectory, currently around 4–5x, suggesting a more tempered growth phase relative to previous cycles, with the label "We are here" marking the present stage.

Figure 6: Bitcoin (BTC) Price Performance Cycle Perspective (Source Glassnode)



Looking ahead: Major Economic Releases for the Week Ending 24th October

For the week ending October 24, 2025, Australian economic data will be in the spotlight, with S&P Global PMI Flash for manufacturing, services, and composite expected to reflect continued modest expansion, indicating resilient business activity amid moderating growth forecasts. These indicators could signal ongoing momentum in services offsetting manufacturing softness, potentially reinforcing the Reserve Bank of Australia's dovish stance for gradual rate easing to support domestic demand if inflation remains contained, though global trade headwinds may temper export recovery.

In the United States, economic data releases may face significant delays due to the ongoing government shutdown, now on day 18 as of October 18 and the third-longest in history. Existing Home Sales are anticipated to show a slight uptick, pointing to tentative housing market stabilization amid elevated rates. Core CPI (MM and YY) and headline CPI (MM) are expected to indicate persistent inflationary pressures with steady month-on-month and year-on-year figures, while CPI Wage Earner may reflect ongoing wage trends. If released on schedule, these could affirm the Federal Reserve's cautious approach to further rate cuts to balance growth and inflation, but shutdown-induced delays might heighten market uncertainty and complicate policy decisions. Global trade uncertainties, including U.S. tariff policies, may continue to pose risks to both economies.

Major Economic Releases for the Week ending 24 Oct, 2025				
Date	**Country**	**Release**	**Consensus**	**Prior**
Thursday, 23/10	United States	Existing Home Sales	4.06	4
Thursday, 23/10	Australia	S&P Global Mfg PMI Flash	n/a	51.4
Thursday, 23/10	Australia	S&P Global Svs PMI Flash	n/a	52.4
Thursday, 23/10	Australia	S&P Global Comp PMI Flash	n/a	52.4
Friday, 24/10	United States	Core CPI MM, SA	0.3	0.3
Friday, 24/10	United States	Core CPI YY, NSA	3.1	3.1
Friday, 24/10	United States	CPI MM, SA	0.4	0.4
Friday, 24/10	United States	CPI Wage Earner	n/a	317.306

Source: Refinitiv

PART 2 – Investment Opportunity Review

Defensive Income – Cash

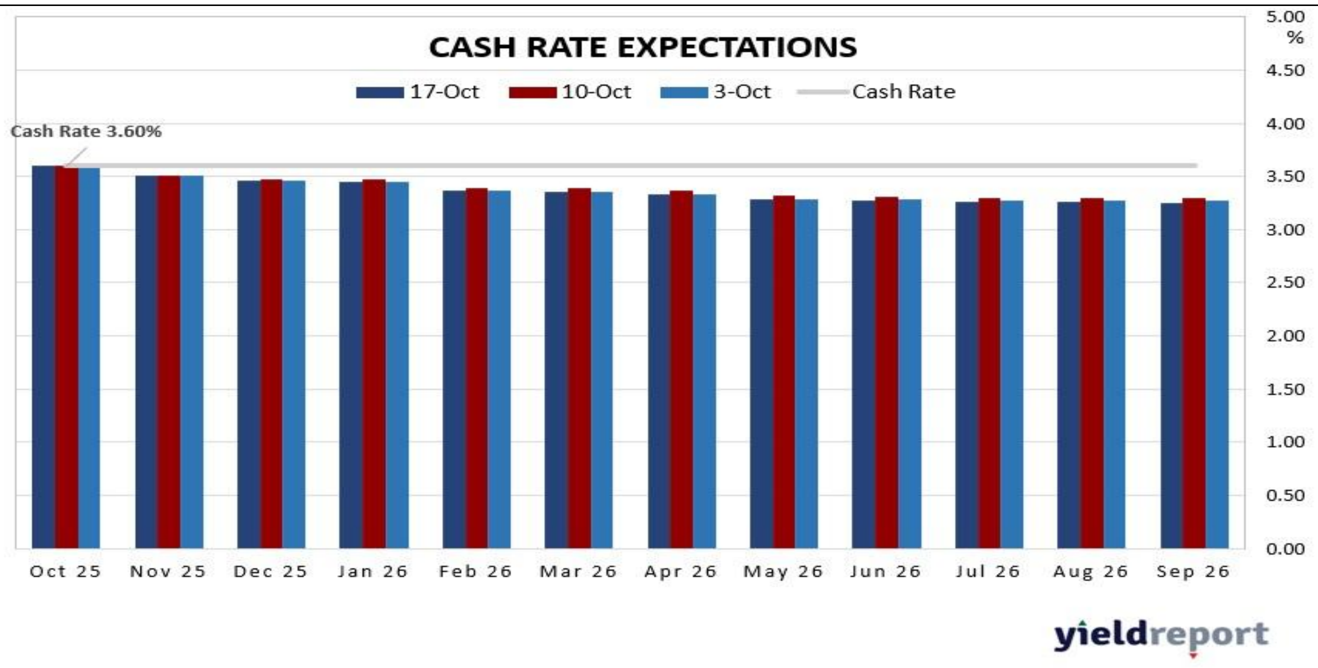
The Reserve Bank of Australia (RBA) maintained the cash rate at 3.6% during its October 2025 meeting, reflecting a cautious but constructive stance amid signs of recovery in consumption and labour markets. Governor Michele Bullock reiterated the Bank's data-dependent approach, noting that while inflation remains within the 2–3% target band, underlying pressures persist in services and housing. The RBA provided no forward guidance, emphasizing flexibility as it awaits updated CPI and labour market data in November.

Bond markets across Australia and the U.S. rallied as yields fell sharply, signalling rising investor caution and expectations of policy easing. In Australia, the RBA cash rate held steady at 3.60%, but the 3-month BBSW slipped to 3.57%, while government bond yields tumbled across maturities — the 3-year yield dropped 28 bps to 3.31%, 10-year fell 27 bps to 4.10%, and 30-year eased 17 bps to 4.84%. In the U.S., Treasury yields also declined, with the 2-year at 3.43%, 10-year at 3.98%, and 30-year at 4.58%, as markets priced in the likelihood of slower global growth and future rate cuts.

Domestically, attention turned to Australia's weakening labour market, with unemployment rising to 4.5% in September from 4.2%, reflecting higher workforce participation. This softening eased concerns about wage-driven inflation, prompting markets to assign a 75% probability to an RBA rate cut in November. Governor Michele Bullock reiterated that the current stance is "a little on the tight side," consistent with a neutral rate between 3% and 3.25%.

A dovish pivot by the RBA could relieve pressure on indebted households, corporate borrowers, and property markets, where signs of stabilisation are emerging. However, global uncertainties — particularly the escalating U.S.–China trade tensions over rare earths — continue to cloud the economic outlook.

Figure 7: Market Expectation on Cash Rate



Defensive Income- Term Deposits

The movements in term deposit rates across major and non-major banks continue to reflect a dynamic landscape, with a mix of increases, decreases, and stable rates observed over the past week, ending October 17, 2025. Our survey of 42 institutions highlights that the 6-month term remains the most competitive, followed by 3-month and 1-year terms, each with a sample size of 42 institutions.

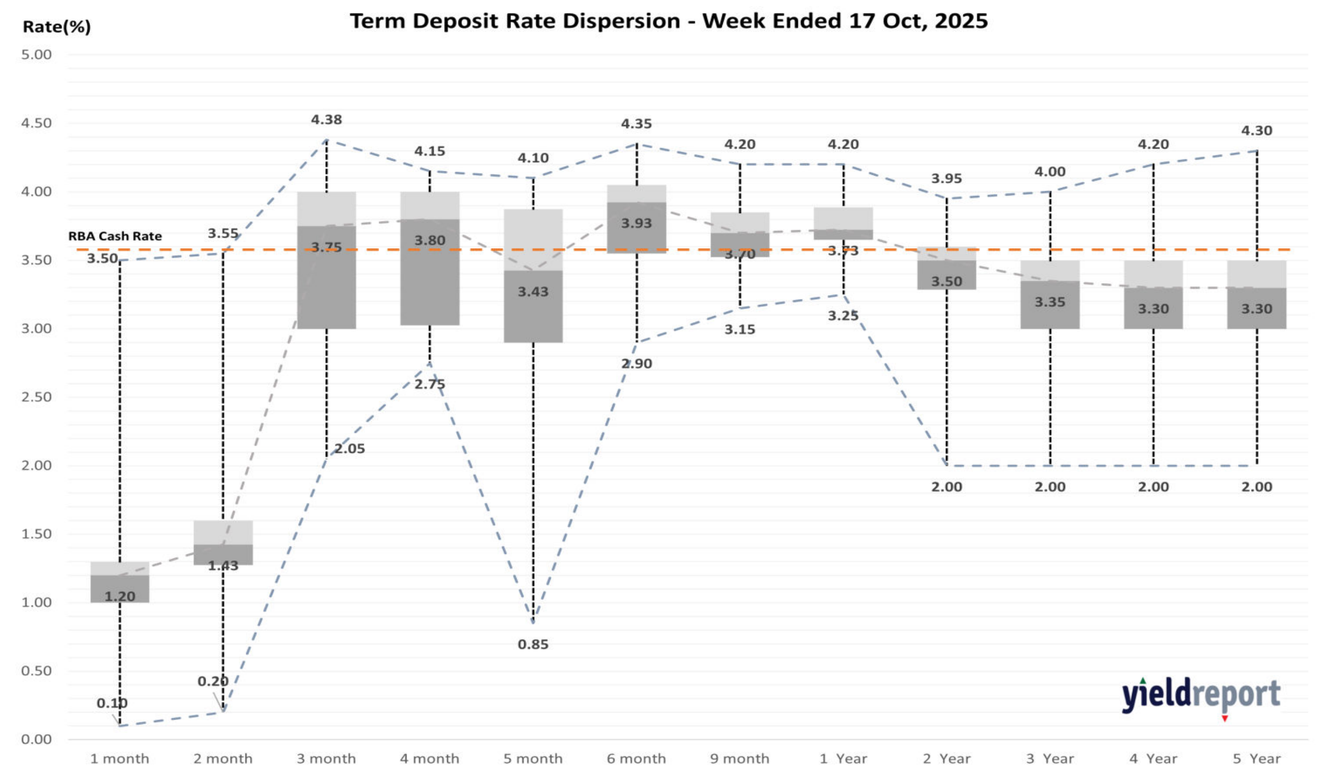
For the **3-month term**, the best rate held steady at 4.38%, unchanged from last week, with in1bank offering the top rate. The median rate remained at 3.75%, with a broad range from 2.05% to 4.38%. The quartile spread widened slightly to 1.00% from 0.96%, indicating a modest increase in variability among rates.

In the **6-month term**, the top rate rose to 4.35% from 4.20% last week, led by ING Direct. The median rate was stable at 3.93%, with a tight quartile spread of 0.50%, reflecting consistency across institutions. This term continues to be highly contested, with competitive offerings across the board.

For the **5-year term**, the best rate remained at 4.30%, offered by Judo Bank and Rabobank Australia. The median rate held steady at 3.30%, with a range from 2.00% to 4.30%. The quartile spread was consistent at 0.50%, suggesting stable offerings in longer-term deposits.

Our analysis shows term deposits with rates above 4% are holding strong. In the 3-month category, 6 institutions now offer over 4%, unchanged from last week. In the 6-month category, 12 institutions exceed 4%, unchanged from last week, reinforcing the 6-month term's competitiveness.

Figure 8: Highest Term Deposit Rate by Term



Source: YieldReport, Foresight Analytics

Defensive Income – Government Bonds

Bond markets across Australia and the U.S. rallied as yields fell sharply, signalling rising investor caution and expectations of policy easing. In Australia, the RBA cash rate held steady at 3.60%, but the 3-month BBSW slipped to 3.57%, while government bond yields tumbled across maturities — the 3-year yield dropped 28 bps to 3.31%, 10-year fell 27 bps to 4.10%, and 30-year eased 17 bps to 4.84%. In the U.S., Treasury yields also declined, with the 2-year at 3.43%, 10-year at 3.98%, and 30-year at 4.58%, as markets priced in the likelihood of slower global growth and future rate cuts.

Domestically, attention turned to Australia's weakening labour market, with unemployment rising to 4.5% in September from 4.2%, reflecting higher workforce participation. This softening has eased concerns about wage-driven inflation, prompting markets to assign a 75% probability to an RBA rate cut in November. Governor Michele Bullock reiterated that the current stance is "a little on the tight side," consistent with a neutral rate between 3% and 3.25%.

A dovish pivot by the RBA could relieve pressure on indebted households, corporate borrowers, and property markets, where signs of stabilisation are emerging. However, global uncertainties — particularly the escalating U.S.–China trade tensions over rare earths — continue to cloud the economic outlook.

The Australian Bond spreads (3 & 10 years) continue to indicate positive sloping yield curve with significant steepening in the curve occurring from July 2023 (phase 1) and then accelerating from July 2024. The current spread continues to be at cyclical highs although lower than record highs observed in2021. From an investment perspective, steepening yield curves and a rebounding lending environment are likely to boost domestic economic environment and bank profitability. In a similar vein, the spread between the US 2 year bonds and US 10 Year bond has also been steepening since July 2023.

Figure 9: Aust. 10 yr minus 3 yr Bond Spread

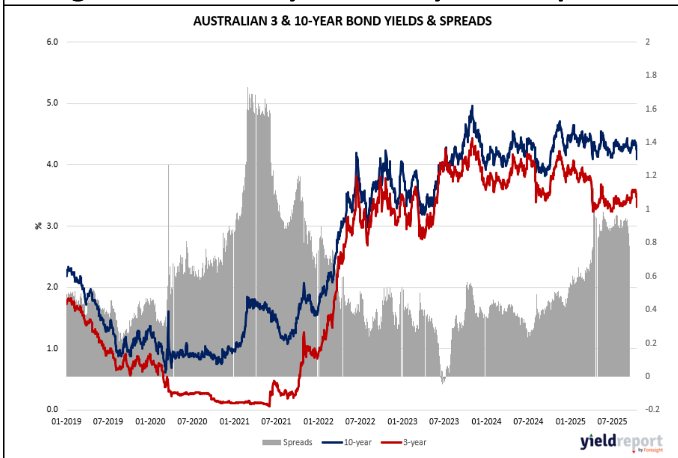


Figure 10: Aust& US Bond Yields Spread

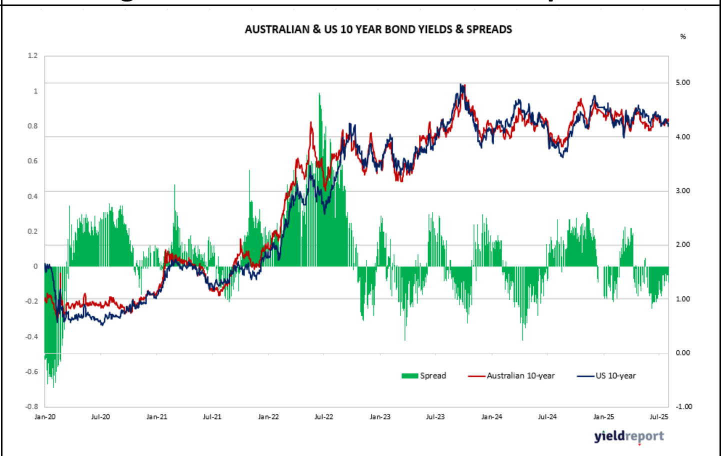
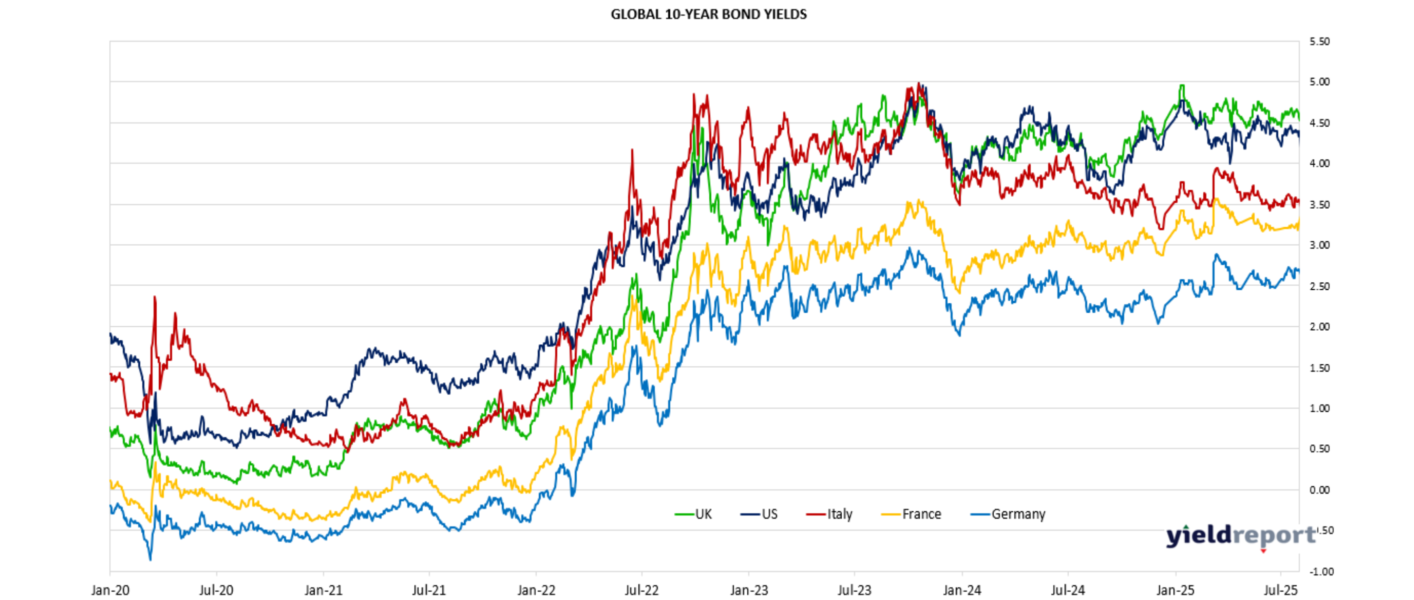


Figure 11: Global 11 yr Bond Yields



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Bank & Corporate Hybrids

This week, Australian bank ASX-listed hybrids continued to show a **stable performance** across both standard and non-standard instruments. Among the top performers in terms of running yield were **Judo Capital (JDOPA)** with **8.87%**, **Nufarm (NFNG)** with **8.67%**, and **Latitude (LFSPA)** with **8.37%**, offering attractive income returns for investors.

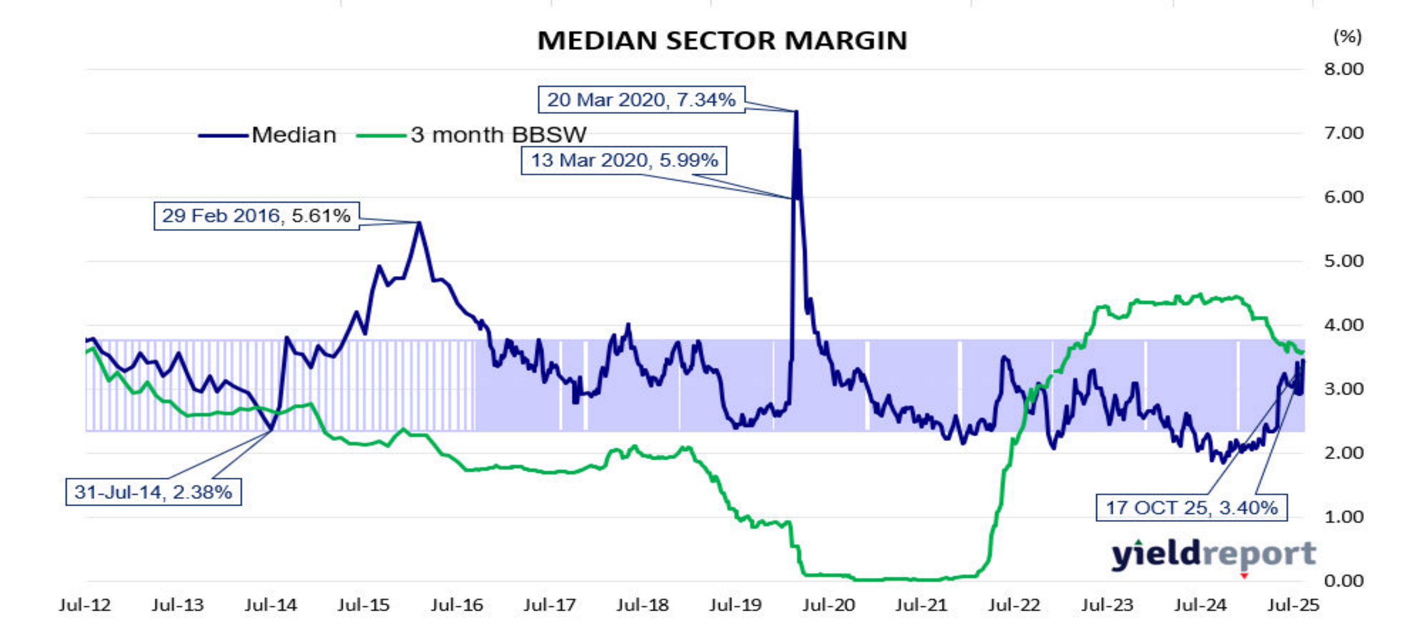
Day-to-day price movements were modest, with **Latitude (LFSPA)** gaining **0.20%**, followed by **Challenger (CGFPC)** and **NABPF**, each up **0.09%**. **Nufarm (NFNG)** and **Ramsay Health Care (RHCPA)** saw slight declines of **0.07%** and **0.11%** respectively.

Trading margins remained broadly stable, with **Latitude (LFSPA)** standing out again at **5.58%**, and **MQGPG** at **1.87%**, indicating a mix of high yield and moderate risk-reward dynamics.

Average closing prices hovered near par, though select instruments such as **JDOPA (112.95)**, **MQGPF (106.55)**, and **RHCPA (106.6)** traded well above, reflecting continued investor confidence.

Overall, the hybrid market maintained its **resilience**, offering consistent yields and low volatility, reinforcing its appeal as a **reliable income-generating option** for investors.

Figure 12: Hybrids: Median Sector Margin



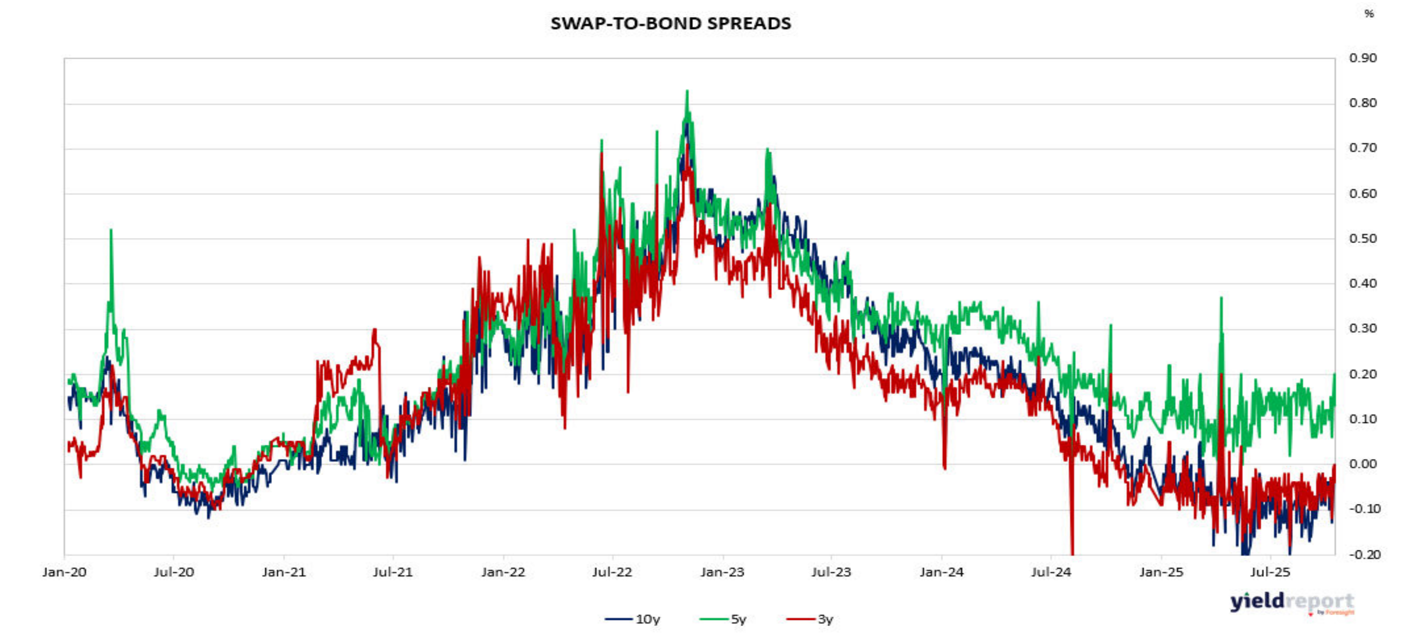
Bank Bill Swaps

Short-term BBSW rates eased slightly across all tenors this week. The **1-month rate** declined by **2 basis points** has to **3.51%**, while the **3-month** and **6-month** rates each fell **1 bp** to **3.57%** and **3.77%** respectively. Over the month, the 1-month rate dropped **3 bps**, the 3-month raised **1 bp**, and the 6-month increased **8 bps**, indicating a **mild steepening bias** at the short end. This suggests that while near-term funding costs are softening, expectations for medium-term rates remain slightly elevated.

Swap rates declined sharply across all maturities during the week. The **1-year rate** fell **14 bps** to **3.34%**, while the **3-year** and **5-year** tenors dropped **19 bps** each to **3.35%** and **3.72%** respectively. Longer-term yields also retreated, with the **10-year** down **17 bps** to **4.15%**, and the **15-year** falling **19 bps** to **4.35%**. Monthly changes were more muted, with most tenors showing slight declines or flat movement.

The curve remains **upward-sloping**, but the broad-based decline in yields reflects **waning inflationary pressures** and a possible shift in monetary policy expectations, as markets begin to price in a more accommodative stance from the RBA.

Figure 13: Bank Bill Swaps

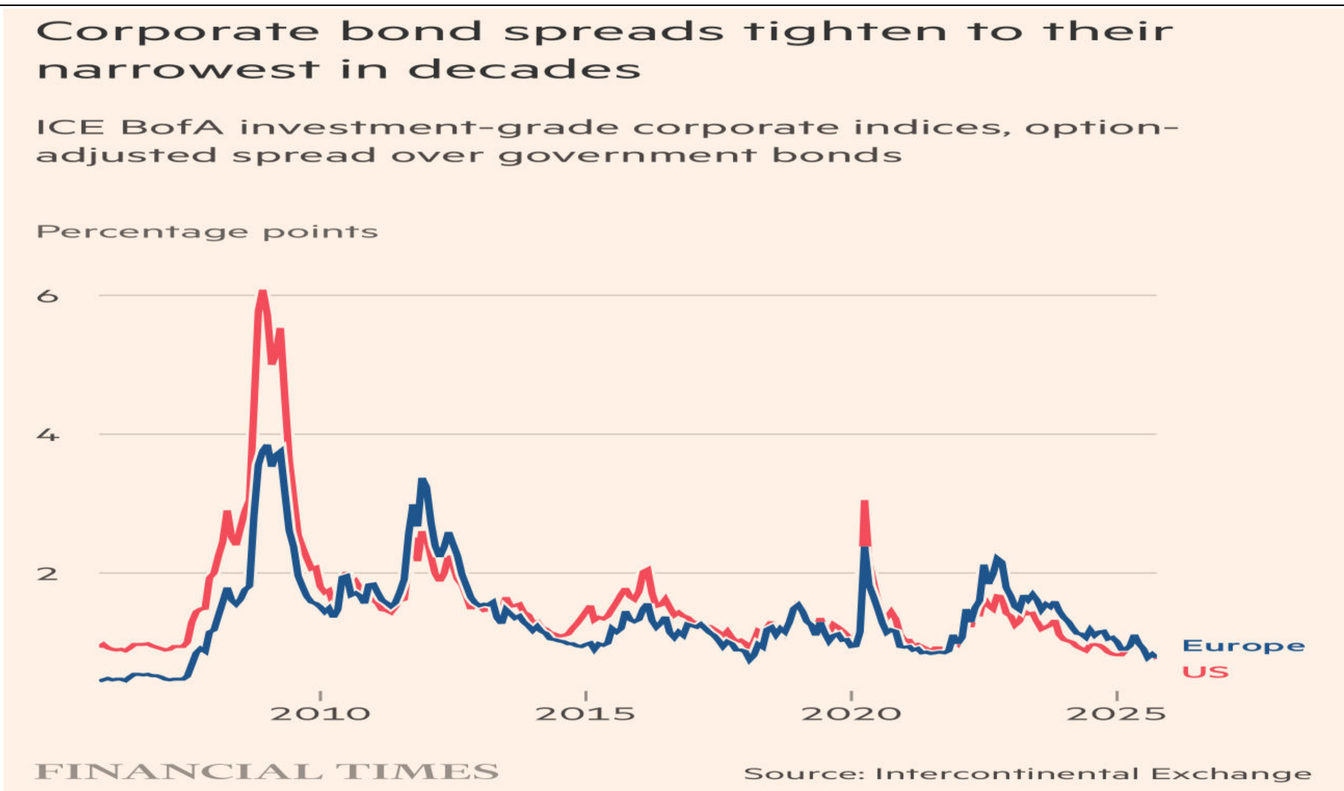


US and Europe Corporate Bonds

After two months of relative calm, Wall Street has been jolted by renewed credit concerns. The collapses of First Brands Group and Tricolor Holdings, followed by fraud-related write downs at Zions Bancorp and Western Alliance, wiped more than $100 billion from U.S. bank valuations in a single day, reigniting fears of hidden credit losses. Despite this, the S&P 500 gained 1.7% for the week, extending a rally that's added $28 trillion to global equities, helped by President Trump's retreat from tariff threats. Yet volatility is rising—high-yield bond spreads widened 25 bps to 2.92%, and $3 billion flowed out of junk bond funds, signalling investor unease.

The VVIX, a measure of volatility-of-volatility, reached its highest since April, while tail-risk hedging demand spiked to a six-month high. Still, corporate credit fundamentals appear stronger than in past cycles. Goldman Sachs notes that even the high-yield segment is "less junky than ever," with safer issuers dominating public bond markets as weaker firms shift to private debt. However, many investors feel undercompensated for corporate debt's thin yields and are shifting toward equities or government bonds.
While inflows remain robust, analysts warn that any sustained outflows could trigger a "massive panic," underscoring the market's fragile balance between confidence and caution.

Figure 14: US & European Corporate Bond Yield Spreads



Listed Notes

ASX-listed floating rate notes traded mixed this week, reflecting investors' ongoing reassessment of credit risk and rate expectations following recent bond market volatility.

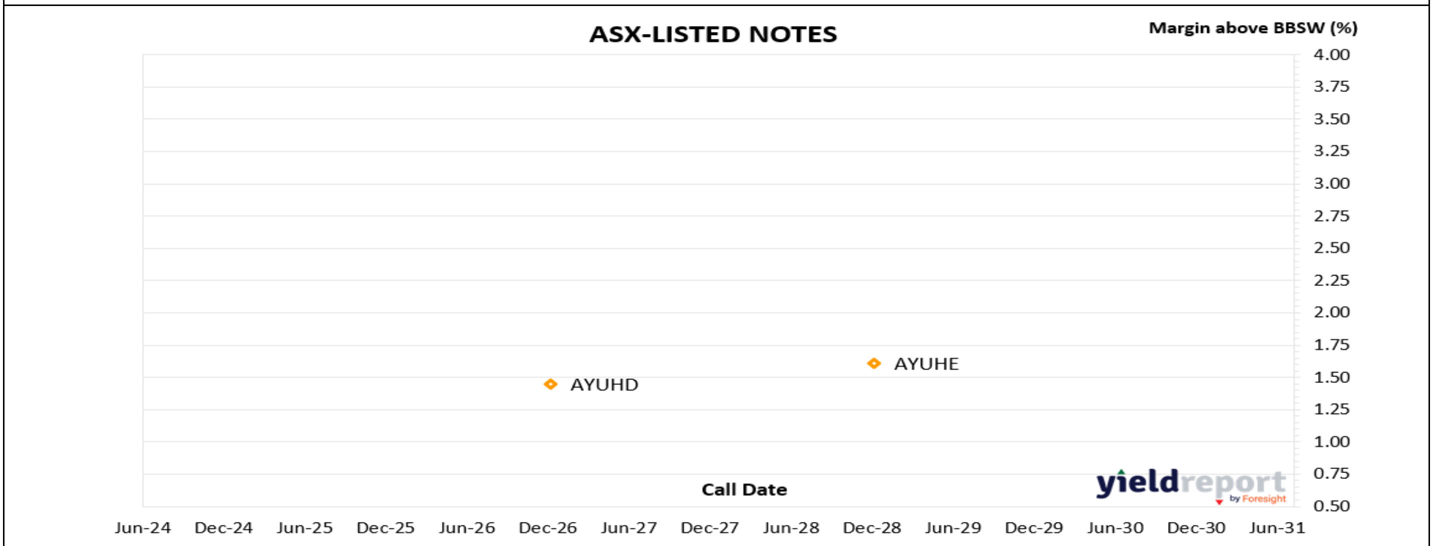
Centuria Capital's C2FHA note led the declines, with its trading margin slipping 34bps to -0.65%, while the price eased to $102.48. Despite this movement, the note continues to offer a robust running yield of 7.63%, highlighting solid investor demand for higher-yielding corporate paper.

Among the Australian Unity issues, performance was relatively stable.

- The AYUHD (Series D) bond saw a 1.06% weekly decline, closing at $99.30 with a trading margin of 1.45% and a running yield of 5.67%.
- The AYUHE (Series E) bond dipped 0.66% over the week, finishing at $100.99 and delivering a running yield of 5.91%.

Overall, trading margins remain compressed, consistent with firm secondary market demand despite moderate weekly declines. Investors continue to favour short-to-medium tenor floating rate notes offering strong yield pickup over bank hybrids and term deposits.

Figure 15: US & European Corporate Bond Yield Spreads



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For inquiries, please contact contact@yieldreport.com.au or call 0408 266 713.

YieldReport – Interest Rates &Yield Investment Data & Research
Level 2, Suite 208
33 Lexington Drive
Bella Vista NSW 2153

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