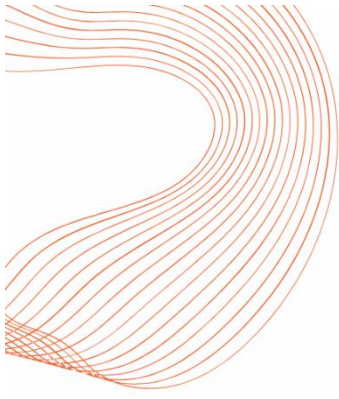




yieldreport Weekly

Your Income Advantage

20th to 24th October 2025



PART 1 – Equity & Bond Market Review

Weekly Overview

Each of the major U.S. indexes climbed around 2% for the week as stocks extended the previous week's positive momentum. The S&P 500, the NASDAQ, and the Dow eclipsed record highs set early this month.

Friday's Consumer Price Index report showed inflation rising at a slightly slower pace than most economists had expected, with an annual rate of 3.0% in September compared with a consensus forecast of 3.1%. The government shutdown continued to delay most economic releases; the inflation report was issued to meet a statutory deadline involving benefit payments tied to inflation.

Bond market trading continued to support expectations of an interest rate cut at the upcoming U.S. Federal Reserve meeting scheduled to end on Wednesday. As of Friday afternoon, prices in rate futures markets implied a nearly 97% probability that the Fed would cut by a quarter point, according to CME FedWatch. It would be this year's second such move following the Fed's cut in mid-September.

Approaching the midpoint of earnings season, a handful of U.S. mega-cap technology stocks are expected to continue generating a disproportionate share of overall earnings growth. Analysts expected that the group of stocks known as the Magnificent Seven generated average third-quarter growth of 14.9%, according to FactSet. In contrast, the other 493 companies in the S&P 500 were projected to produce growth of 6.7%.

Gold's string of consecutive weekly price gains was halted at nine as the precious metal sustained its first retreat since mid-August. Gold futures were trading around \$4,120 on Friday afternoon, down from a record of around \$4,350 reached on Monday.

The price of U.S. crude oil snapped a three-week string of declines as the United States imposed sanctions on major Russian oil producers. Oil was trading around \$61.50 per barrel on Friday afternoon and up nearly 7% for the week after briefly sinking below \$57 a week earlier. Nevertheless, oil remained well below a recent peak of \$75 reached in mid-June.

A Japanese stock index climbed to a record high, with most of the week's gain coming on Monday after Sanae Takaichi secured the parliamentary support she needed to become prime minister. The new leader heads Japan's ruling Liberal Democratic Party and favours accommodative fiscal and monetary policies.

A monthly indicator that tracks U.S. consumer sentiment fell for the fourth month in a row, with many survey participants citing concerns about inflationary pressures and labour market weakness. The University of Michigan's Consumer Sentiment Index's October reading of 53.6 was down from September's figure of 55.1. As recently as July, the index had been at 61.7.

Earlier in the week, Treasury yields initially rose following stronger-than-expected Eurozone PMI data, particularly from Germany and the U.K., suggesting economic resilience in Europe. Conversely, weaker French data and expectations of sovereign rating downgrades for France and Belgium had little market impact. The German 10-year Bund yield edged up to 2.606%, while U.K. gilt yields eased to 4.404% amid optimism over potential progress in U.S.-China trade discussions.

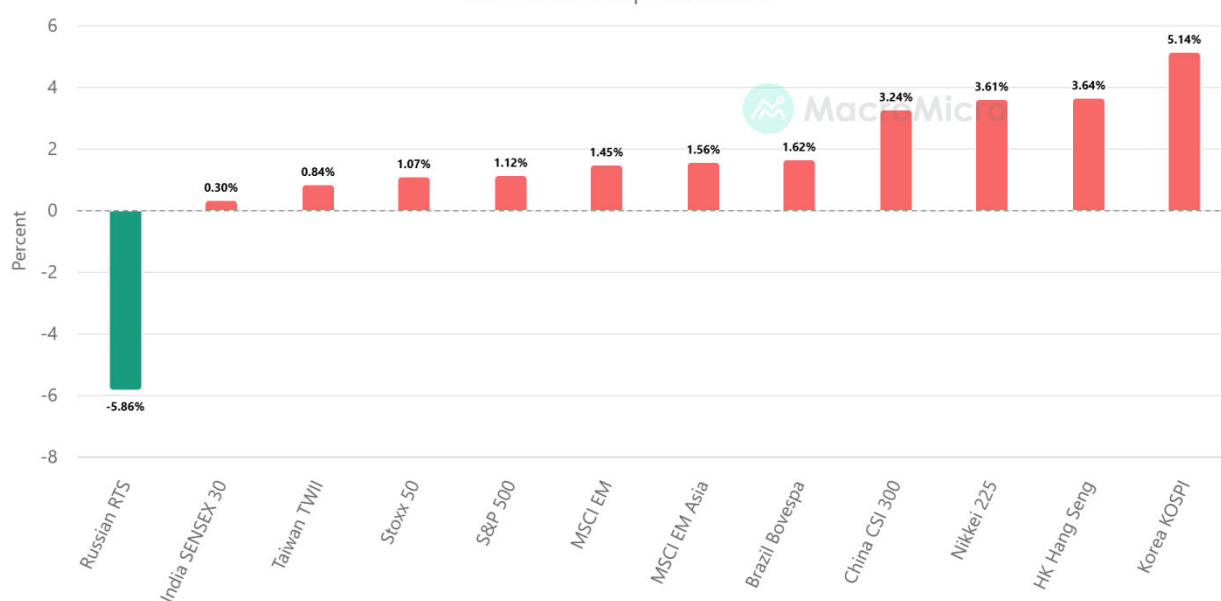
In Asia, Japanese government bond (JGB) futures slipped slightly as Japan's core inflation rose to 2.9% in September, reinforcing expectations that the Bank of Japan will maintain its accommodative stance. Analysts at BlueBay and Société Générale noted that U.S. yields could fall further in the near term if upcoming labour data confirm weakness but warned the trend may be short-lived as structural factors—such as higher bond supply and global term-premium rebuilding—persist.

Overall, the week reflected crosscurrents between easing inflation, resilient global PMIs, and political uncertainty, leaving yields largely rangebound but with heightened sensitivity ahead of Fed week and the evolving U.S. fiscal backdrop.

Figure 1: World – Major Stock Indices 7 Day Return

Market | Global Stock Markets 7-day Performance

MacroMicro.me | MacroMicro



Global Themes Shaping Markets

Is AI Capex Cycle Sustainable?

Global equity markets have turned volatile after record highs as investors question whether surging AI-related capital expenditures by major U.S. tech firms will sustain profits or erode them. To monitor this, analysts have developed the Computing Power Investment Efficiency indicator, which measures how effectively the *Magnificent 7*, the largest U.S. technology companies, convert capital spending into computing capacity. Computing power refers to the speed and scale of data processing, typically measured in FLOPS, while capital investment represents firms' expenditure on data-centre infrastructure such as GPUs, CPUs, and high-bandwidth memory.

The indicator divides the incremental computing power generated in the U.S. by these firms' aggregate Capex over a given period. A higher ratio implies more computing power per dollar invested and therefore greater efficiency. Over the past year, efficiency has raised more than thirtyfold compared with 2020, reflecting major advances in AI hardware and optimization.

However, recent data show this momentum slowing, suggesting that the conversion of capital into computing power—and eventually productivity—may be approaching limits. Ongoing tracking of this metric will be crucial to assess whether the so-called “AI perpetual motion machine” cantered on OpenAI remains a sustainable driver of long-term growth.

US Earnings

The Dow Jones Industrial Average briefly climbed above 47,000 for the first time before closing slightly lower, still marking a record finish and underscoring the strength of the market’s three-year bull run. Strong third-quarter earnings reports from major U.S. corporations have fuelled optimism, despite high expectations already priced into stocks.

Before Tuesday’s opening bell, Coca-Cola, 3M, and General Motors all posted results that beat analyst forecasts. 3M surged 7.7% to a four-year high, while GM soared 15% to its strongest level since its 2010 IPO after CEO Mary Barra raised full-year guidance and reported surging demand for full-size SUVs. GM also said it was making faster-than-expected progress in reducing its multibillion-dollar tariff liabilities, easing investor concerns tied to ongoing U.S.–China trade tensions.

According to FactSet, 86% of reporting S&P 500 companies have exceeded earnings estimates so far, with nearly one-fifth of the index set to release results this week.

Meanwhile, Warner Bros. Discovery gained 11% after confirming it is considering selling part or all of its media assets—including its film studio, HBO Max, and CNN—a move that could reshape the entertainment landscape. Overall, strong earnings momentum and easing trade fears kept Wall Street sentiment upbeat heading into the heart of earnings season.

Emerging Market Equities

Emerging market (EM) equities have surged +30% year-to-dates, but rather than being overextended, the long-term picture suggests a potentially transformative breakout. The MSCI Emerging Markets (USD) index is nearing a decisive move after almost 20 years of stagnation in absolute terms and a 15-year relative bear market versus developed markets.

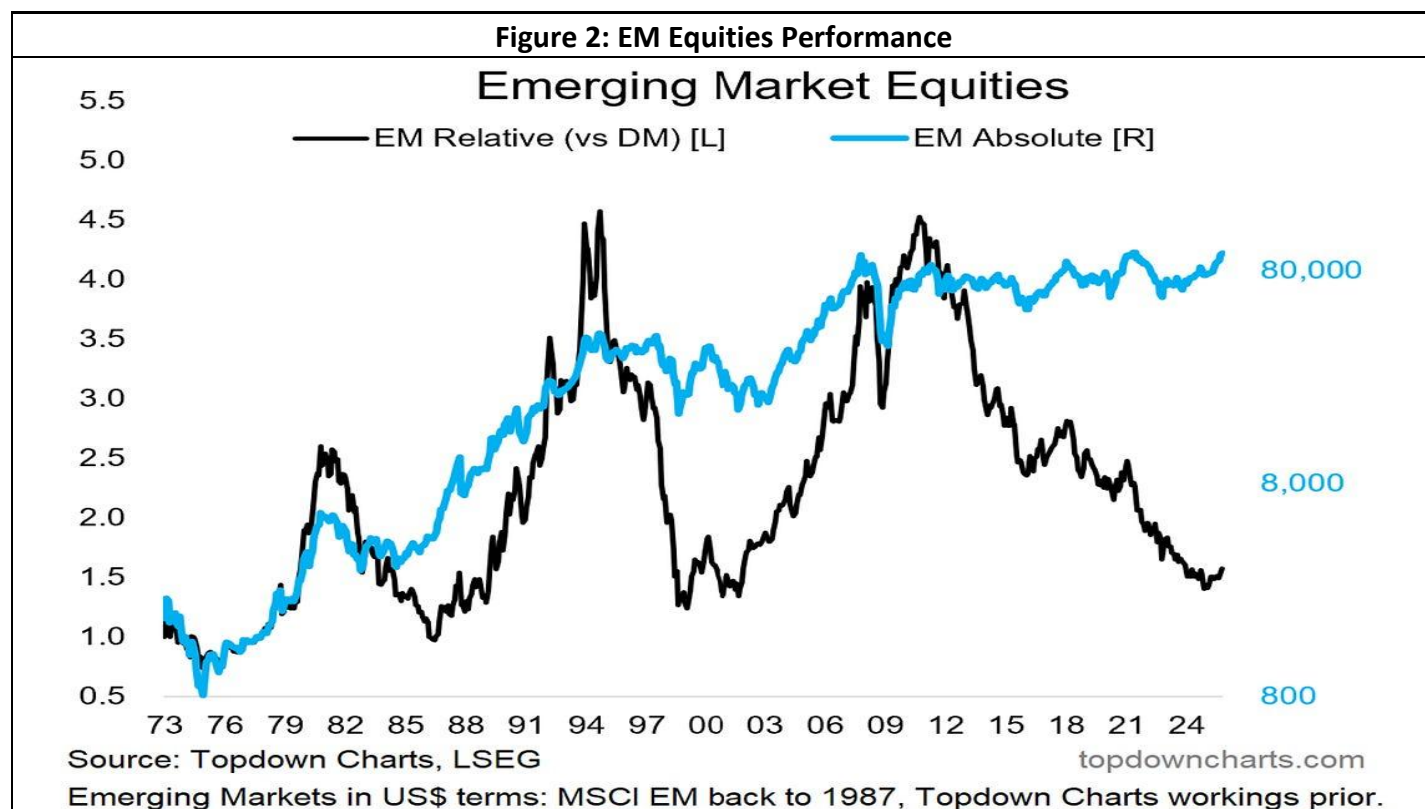
To understand the setup, it helps to distinguish between different types of bear markets. The traditional bear market involves sharp and prolonged price declines, as seen in U.S. equities after the dot-com bubble. However, there are two lesser-known varieties:

1. Relative Bear Markets – where one market persistently underperforms another (as EMs have versus developed markets since the mid-2000s).
2. Stealth Bear Markets – where prices stay rangebound for years, causing investor fatigue and capital flight even as fundamentals quietly improve.

Emerging markets have endured both—a long relative decline and a prolonged sideways grind. The result has been depressed valuations, minimal allocations, and widespread investor apathy, while gradual structural reforms, improved governance, and better macro fundamentals have taken shape beneath the surface.

Historically, such environments—where pessimism meets improving fundamentals—have marked the start of powerful, multi-year bull markets. The combination of ultra-low valuations, stronger balance sheets, and cyclical recovery potential now forms a compelling setup.

If the current breakout in EM equities confirms, it could mark the end of a generational bear phase and the beginning of a new structural bull cycle, echoing the early-2000s boom. While false dawns have occurred before, the convergence of technical breakout signals and improving economic underpinnings suggests investors and allocators should closely monitor EMs, as this may represent one of the most significant long-term opportunities in global equity markets.



Overview of the US Equities Market

Global markets advanced ahead of key U.S. inflation data due later Friday, with investors anticipating a modest uptick in price growth and signs of easing trade tensions between the U.S. and China. Economists surveyed by the *Wall Street Journal* expect September CPI to rise to 3.1% year-on-year from 2.9% in August, keeping attention firmly on how this might influence the Federal Reserve's upcoming policy meeting amid a government data vacuum caused by the ongoing shutdown.

U.S. stocks closed the week at record highs as strong corporate earnings and cooler-than-expected inflation data lifted investor sentiment, marking a rebound from early-October volatility driven by trade and credit fears. All three major indices, the Dow Jones Industrial Average, S&P 500, and Nasdaq Composite, hit new records, with the Dow surpassing 47,000 for the first time and gaining 2.2% for the week. The S&P 500 rose for a second consecutive week, now up 15% year-to-date.

Investors broadened their buying beyond the "Magnificent Seven" tech giants, fuelling gains in industrial, auto, materials, and defence stocks. Ford led the S&P 500 with a 12% surge after reporting that its third-quarter profit more than doubled, citing robust SUV demand and solid free cash flow.

IBM also jumped 7.9% after beating expectations, reflecting renewed optimism in legacy technology names. Analysts said this broadening of market leadership signals improving confidence that growth is spreading beyond AI-related sectors.

Market optimism was further buoyed by encouraging inflation data. The consumer-price index rose 3% year-on-year in September, below expectations, reinforcing investor conviction that the Federal Reserve will deliver two 25-basis-point rate cuts by year-end. The data, delayed by the ongoing government shutdown, was the first major macro release in weeks. The 10-year Treasury yield edged lower to 3.996%, it's lowest in months, as bond markets priced in continued policy easing.

Looking ahead, attention shifts back to big tech as Amazon, Apple, Meta, and Microsoft are set to report earnings next week. Investors will watch closely for signs that the AI build-out can sustain growth amid elevated valuations. Meanwhile, Caterpillar emerged as a top Dow contributor, benefiting from capital spending tied to AI data-centre construction, underscoring how AI-driven infrastructure investment is rippling through the broader economy. Overall, strong fundamentals and moderating inflation have reignited confidence in the durability of the current bull market.

In Asia, markets rallied strongly on optimism over next week's Trump–Xi meeting, which could ease trade tensions. South Korea's Kospi surged 2.5%, Japan's Nikkei rose 1.4%, and China's ChiNext jumped 3.6%, while Shanghai and Shenzhen gained 0.7% and 1.4%, respectively. Hong Kong's Hang Seng climbed 0.7%. European equities were mostly higher, with the STOXX 600 up 0.2%, and both the DAX and FTSE 100 edging up 0.08%. However, France's CAC 40 slipped 0.1% after lighting group Signify slashed full-year guidance due to weak demand.

In the U.K., retail sales volumes rose 0.5% in September—surpassing expectations and marking a fourth consecutive monthly gain, driven by tech and gold sales. Despite this, sterling dipped 0.1% to \$1.3314 against the stronger dollar but remained stable versus the euro.

Oil prices eased after recent gains sparked by new U.S. sanctions on Russia's energy sector, with Brent crude down 0.6% to \$65.60 a barrel. Gold continued its retreat, falling 0.9% to \$4,108.50/oz, heading for a weekly loss after record highs earlier in the week amid ETF outflows. Meanwhile, Bitcoin rose 1.6% to \$111,390, recovering from last week's four-month low on optimism around U.S.–China talks.

Overview of the US Treasuries and Other Fixed Income Markets

U.S. Treasury yields were mixed and the dollar strengthened ahead of next week's Federal Reserve meeting, as investors digested key inflation data amid an ongoing government shutdown. September's Consumer Price Index (CPI) came in slightly cooler than expected, with headline inflation rising to 3.0% from 2.9% in August and core CPI easing to 3.0% from 3.1%. The softer reading reinforced expectations that the Fed will proceed with a 25-basis-point interest rate cut at its upcoming meeting. However, the shutdown has limited the flow of economic data, raising concerns the Fed may lack sufficient information for its December policy decision.

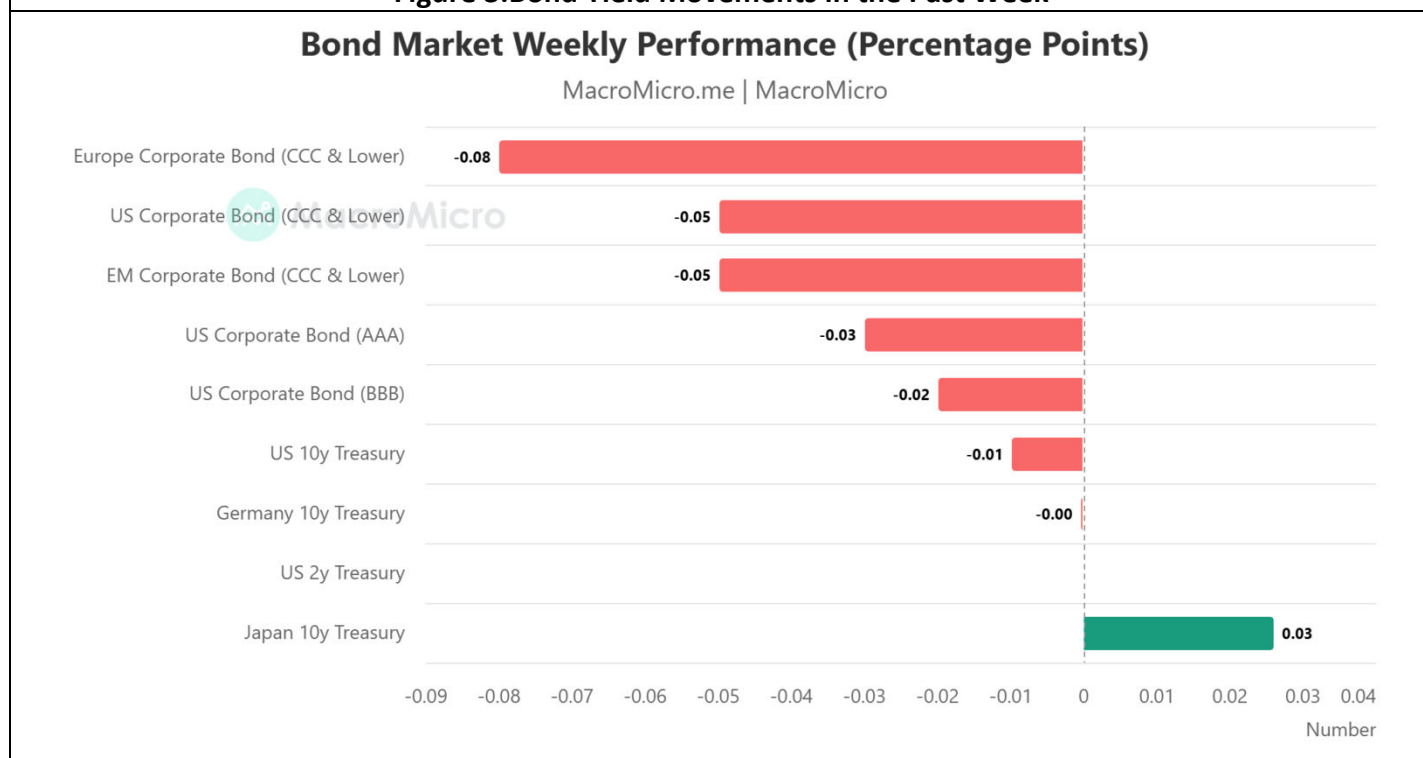
During the week, the 10-year Treasury yield fell marginally by 1 basis point to 3.996%, while the 2-year yield rose by 2.1 basis points to 3.483%. The WSJ Dollar Index climbed 0.4%, reflecting renewed dollar strength as global markets positioned ahead of the Fed's move. U.S. equities continued to advance, with the S&P 500 and Nasdaq futures up about 1%, extending record highs despite the mixed bond performance.

Earlier in the week, Treasury yields initially rose following stronger-than-expected Eurozone PMI data, particularly from Germany and the U.K., suggesting economic resilience in Europe. Conversely, weaker French data and expectations of sovereign rating downgrades for France and Belgium had little market impact. The German 10-year Bund yield edged up to 2.606%, while U.K. gilt yields eased to 4.404% amid optimism over potential progress in U.S.-China trade discussions.

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Overall, the week reflected crosscurrents between easing inflation, resilient global PMIs, and political uncertainty, leaving yields largely rangebound but with heightened sensitivity ahead of Fed week and the evolving U.S. fiscal backdrop.

Figure 3: Bond Yield Movements in the Past Week



Overview of the Australian Equities Market

The Australian share market ended the week slightly higher, capping a volatile session where investors pulled back amid renewed geopolitical uncertainty. On Friday, the S&P/ASX 200 fell 13.8 points (0.15%) to 9,019, while the All Ordinaries slipped 11.9 points (0.13%) to 9,317.2. Despite the weak close, the benchmark index gained about 0.3% for the week, reaching a record high of 9,063 on Tuesday—its best-ever finish—driven by earlier strength in mining and technology stocks.

Market sentiment softened late in the week as traders reacted to political concerns surrounding next week's Donald Trump–China meeting and the abrupt halt of U.S.–Canada trade talks, according to Fiona Clark of CVS Capital Partners.

Attention now turns to a pivotal macro week ahead, featuring Australia's inflation data, an RBA speech by Governor Michele Bullock, and interest-rate decisions from the U.S., Japan, and the EU.

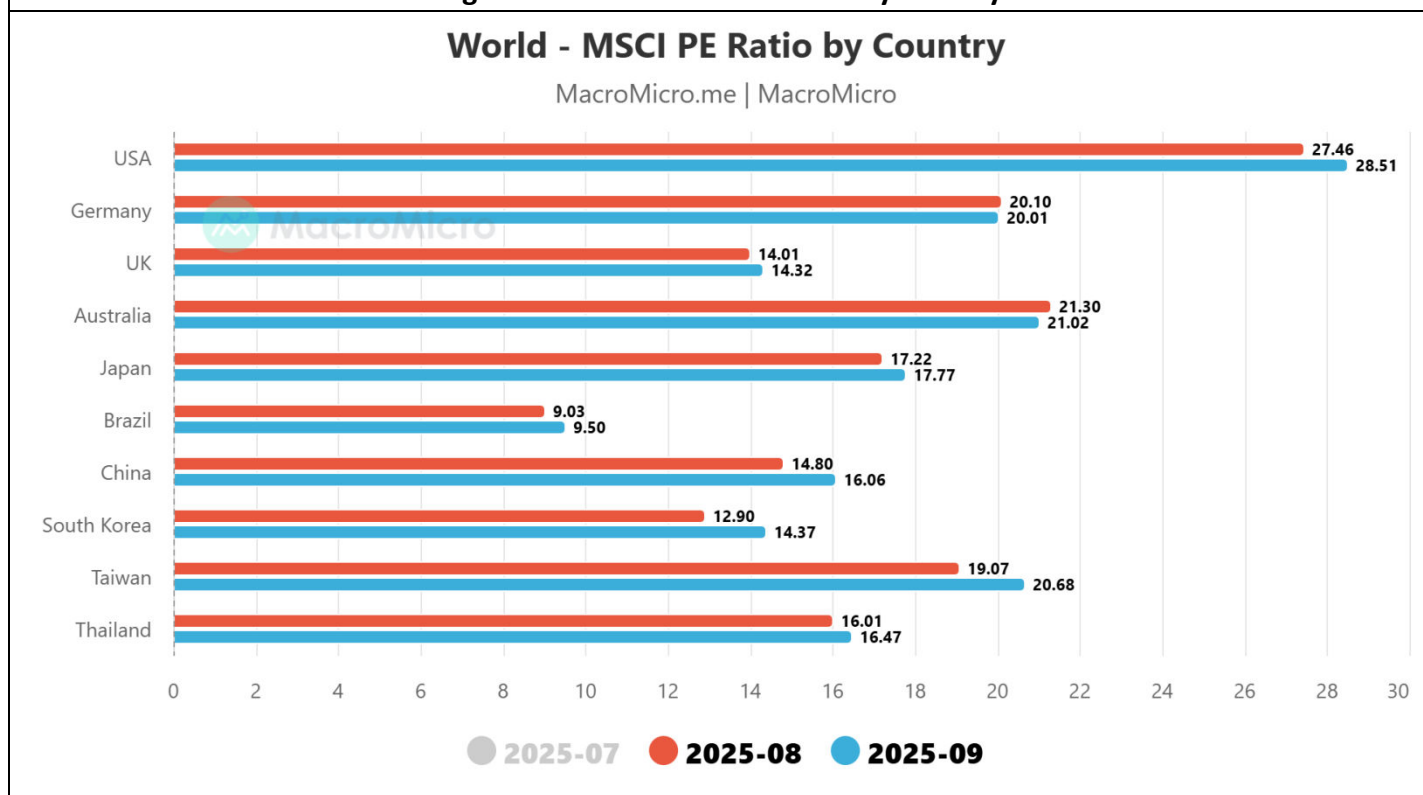
Sector performance was mixed, with five of eleven sectors advancing. Information Technology led gains, up 1.3%, buoyed by strong U.S. tech earnings from Tesla and Intel. Local tech names such as WiseTech Global (+3%), Life360 (+1.9%), and Megaport (+1.3%) outperformed. In contrast, financials fell 0.5%, dragged down by ANZ (-1.0%) and CBA (-0.8%), while gold miners remained weak following a pullback in gold prices.

The materials sector was volatile—up on Friday but down 2% for the week—after rallying earlier on record-high gold prices and a new Australia–U.S. critical minerals deal. Lithium producers rebounded sharply, with Pilbara Minerals and Lontown Resources both posting double-digit weekly gains. Rio Tinto (+1.5%) and BHP (+0.5%) benefited from stronger copper prices, offsetting sluggish iron ore demand near US\$105/tonne.

Elsewhere, healthcare stocks slipped 1% as CSL investors took profits, ending a three-week winning streak. Consumer staples continued their downtrend, falling for the eighth time in nine weeks, as investors rotated toward growth and cyclicals.

The Australian dollar traded steadily at US\$0.6499, up slightly from US\$0.6492 on Thursday, while the NZX 50 rose 0.11% and Japan's Nikkei climbed 1.33%. Overall, the ASX held firm near record territory but displayed caution ahead of key global economic events.

Figure: 4 – World MSCIPE Ratio by country



Overview of the Australian Government Bond Market

Australian and U.S. bond markets posted mixed movements over the week, reflecting steady investor sentiment ahead of key global central bank decisions.

In Australia, the cash rate remained unchanged at 3.60%, while short-term funding costs eased, with the 3-month BBSW falling 7 basis points to 3.50%, suggesting ample liquidity and stable interbank conditions. Government bond yields rose modestly across most maturities, led by the 3-year yield, up 6 basis points to 3.37%, and the 10-year yield, up 4 basis points to 4.14%, reflecting expectations of a prolonged period of higher rates. The 30-year bond yield edged slightly lower to 4.83%, hinting at steady long-term inflation expectations.

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 in 2021. 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.

In the U.S., Treasury yields also firmed, with the 2-year yield climbing 7 basis points to 3.50%, and the 10-year yield up 3 basis points to 4.01%, while the 30-year yield gained 2 basis points to 4.60%. The modest rise across the curve reflects resilient economic data and cautious positioning ahead of Federal Reserve policy signals.

On currency markets, the Australian dollar strengthened slightly, gaining 0.27 U.S. cents to close at US\$0.6493, supported by improved risk sentiment and firm commodity prices. Overall, the data suggests stable monetary conditions and balanced investor expectations across both economies.

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.

Figure 5: Australia 3 and 10-year Bond Yield & Spread

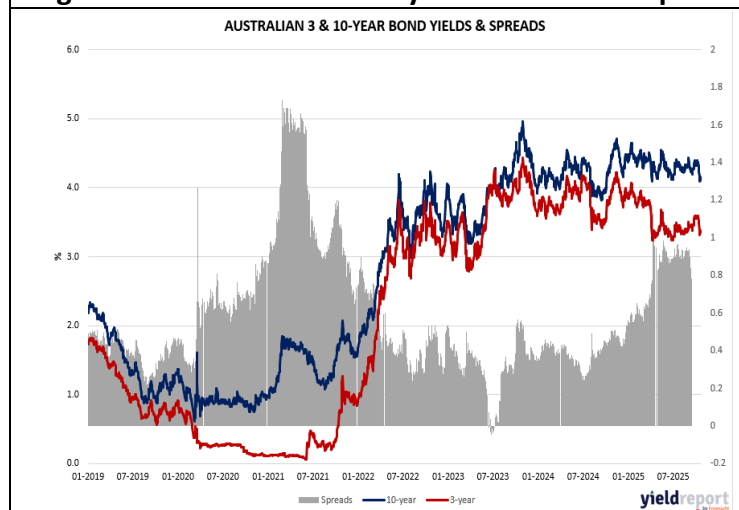
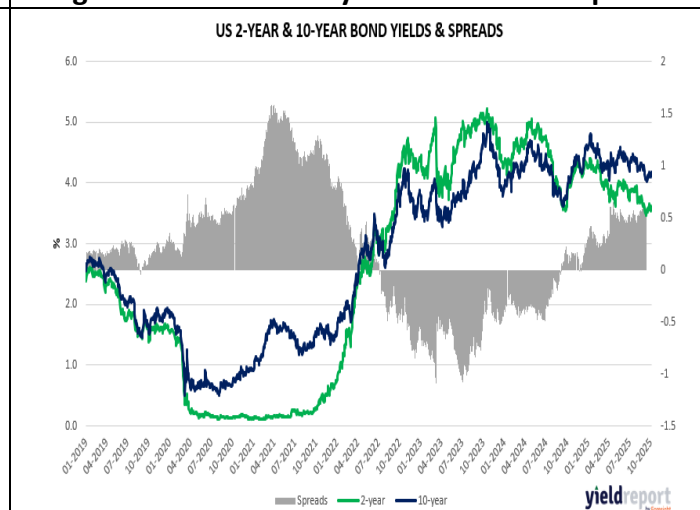


Figure 6: US 2 and 10-year Bond Yield & Spread



Market Summary Table

Name	Week Close	Week Change	Week High	Week Low
Cash Rate%	3.60%			
3m BBSW %	3.50	-0.07	3.50	3.49
Aust 3y Bond %*	3.37	0.06	3.38	3.31
Aust 10y Bond %*	4.14	0.04	4.16	4.10
Aust 30y Bond %*	4.83	-0.01	4.87	4.80
US 2y Bond %	3.50	0.07	3.50	3.44
US 10y Bond %	4.01	0.03	4.01	3.95
US 30y Bond %	4.60	0.02	4.60	4.54
\$1AUD/US¢	64.93	0.27	65.22	64.76

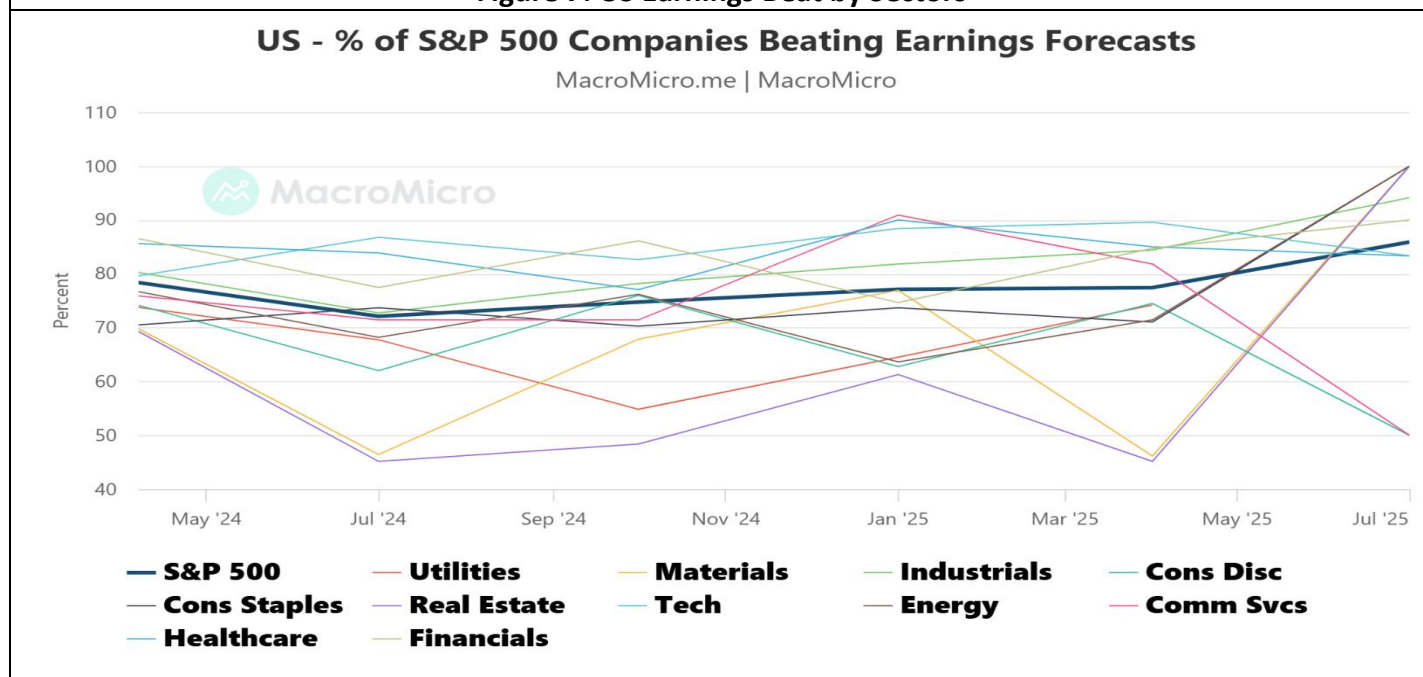
Chart of the week: US S&P500 Earnings Beat by Sectors

The latest S&P 500 Q3 2025 earnings season shows an exceptionally strong reporting period, with 85.9% of companies beating analyst forecasts, well above the long-term average near 75%. This marks one of the most robust quarters in recent years, highlighting resilient corporate profitability despite mixed macroeconomic signals.

Sector performance was broadly positive, though with notable variations. Materials, Consumer Staples, Real Estate, and Energy stood out, each recording 100% earnings beat rate, reflecting strong pricing power, cost discipline, and cyclical tailwinds. Industrials followed closely at 94.1%, supported by global demand and improving supply chains, while Financials (90%) and Healthcare (83.3%) also delivered solid results amid stable credit conditions and continued healthcare innovation. The Technology sector-maintained leadership with 83.3% of firms exceeding expectations, driven by strong AI-related demand and robust cloud and semiconductor earnings. Communication Services and Consumer Discretionary were more mixed—only 50% of companies in each sector beat forecasts, suggesting divergence between high-performing tech-driven media names and weaker retail or advertising players.

Overall, Q3 results confirm that U.S. corporate earnings momentum remains broad-based, extending beyond the technology mega-caps. However, dispersion across sectors suggests the next stage of growth will rely more on cyclical recovery and cost efficiency than purely on top-line expansion.

Figure 7: US Earnings Beat by Sectors



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Looking ahead: Major Economic Releases for the Week Ending 31st October

For the week ending October 31, 2025, Australian economic data will be in the spotlight, with Weighted CPI YY, seasonally adjusted CPI MM and YY, headline CPI QQ and YY, and RBA weighted median and trimmed mean CPI measures (both QQ and YY) expected to show moderating inflationary pressures, aligning with recent trends of easing headline and core rates. Retail Trade for Q3 is anticipated to reflect steady consumer spending amid resilient household demand. These releases could signal progress toward the Reserve Bank of Australia's inflation target, potentially supporting a dovish policy stance with scope for further rate cuts to boost growth in retail and housing sectors, though external factors like commodity price volatility may influence the outlook.

In the United States, economic data releases face significant delays due to the ongoing government shutdown, now on day 25 as of October 25 with no resolution in sight, disrupting operations at key agencies and postponing reports. Durable Goods is expected to rebound modestly, Consumer Confidence may edge lower reflecting cautious sentiment, GDP Advance could confirm solid Q3 growth, and PCE price indices (core and headline, MM and YY) along with Consumption are anticipated to show persistent but contained inflation with steady spending. The Fed Funds Target Rate is projected to see a quarter-point cut, underscoring easing to sustain expansion. Shutdown-induced delays could amplify market volatility and hinder timely policy assessments, while global trade uncertainties, including U.S. tariff policies, may continue to pose risks to both economies.

Major Economic Releases for the Week ending 31 Oct, 2025				
Date	Country	Release	Consensus	Prior
Monday, 27/10	United States	Durable Goods	0.3	n/a
Tuesday, 28/10	United States	Consumer Confidence	93.5	94.2
Wednesday, 29/10	Australia	Weighted CPI YY	3.1	3
Wednesday, 29/10	Australia	CPI SA MM	n/a	0.1
Wednesday, 29/10	Australia	CPI SA YY	n/a	3
Wednesday, 29/10	Australia	CPI QQ	1.1	0.7
Wednesday, 29/10	Australia	CPI YY	3	2.1
Wednesday, 29/10	Australia	RBA Weightd Medn CPI QQ	0.9	0.6
Wednesday, 29/10	Australia	RBA Weightd Medn CPI YY	2.7	2.7
Wednesday, 29/10	Australia	RBA Trimmed Mean CPI QQ	0.8	0.6
Wednesday, 29/10	Australia	RBA Trimmed Mean CPI YY	2.7	2.7
Wednesday, 29/10	United States	Fed Funds Tgt Rate	3.875	4.125
Wednesday, 29/10	United States	Fed Int On Excess Reserves	n/a	4.15
Thursday, 30/10	United States	GDP Advance	3	3.8
Friday, 31/10	United States	Consumption, Adjusted MM	0.4	0.6
Friday, 31/10	United States	Core PCE Price Index MM	0.2	0.2
Friday, 31/10	United States	Core PCE Price Index YY	2.9	2.9
Friday, 31/10	United States	PCE Price Index MM	0.3	0.3
Friday, 31/10	United States	PCE Price Index YY	2.8	2.7

Source: Refinitiv



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PART 2 – Investment Opportunity Review

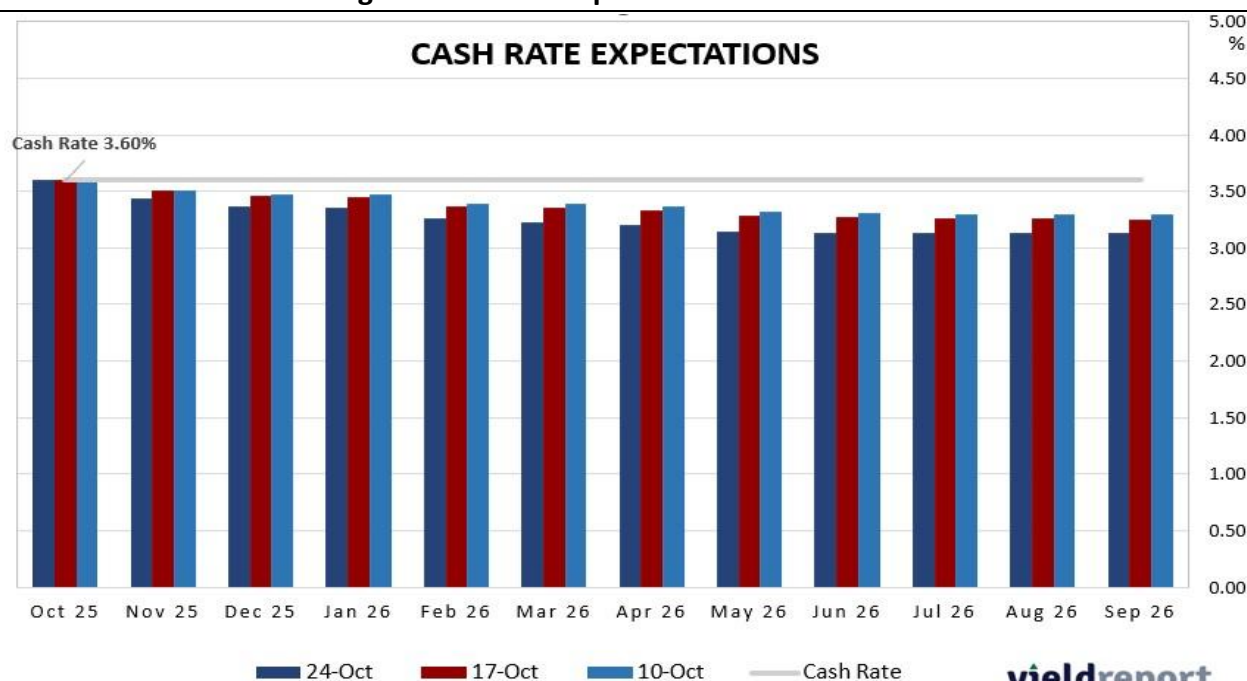
Defensive Income – Cash

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.

In Australia, the cash rate remained unchanged at 3.60%, while short-term funding costs eased, with the 3-month BBSW falling 7 basis points to 3.50%, suggesting ample liquidity and stable interbank conditions. Government bond yields rose modestly across most maturities, led by the 3-year yield, up 6 basis points to 3.37%, and the 10-year yield, up 4 basis points to 4.14%, reflecting expectations of a prolonged period of higher rates. The 30-year bond yield edged slightly lower to 4.83%, hinting at steady long-term inflation expectations.

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 8: Market Expectation on Cash Rate



Defensive Income- Term Deposits

The movements in term deposit rates across major and non-major banks continue to exhibit variability, with a mix of increases, decreases, and stability observed over the past week, ending October 24, 2025. Our survey of 42 institutions highlights that the 6-month term remains the most competitive, followed closely by the 3-month and 1-year terms, each with a sample size of 42 institutions.

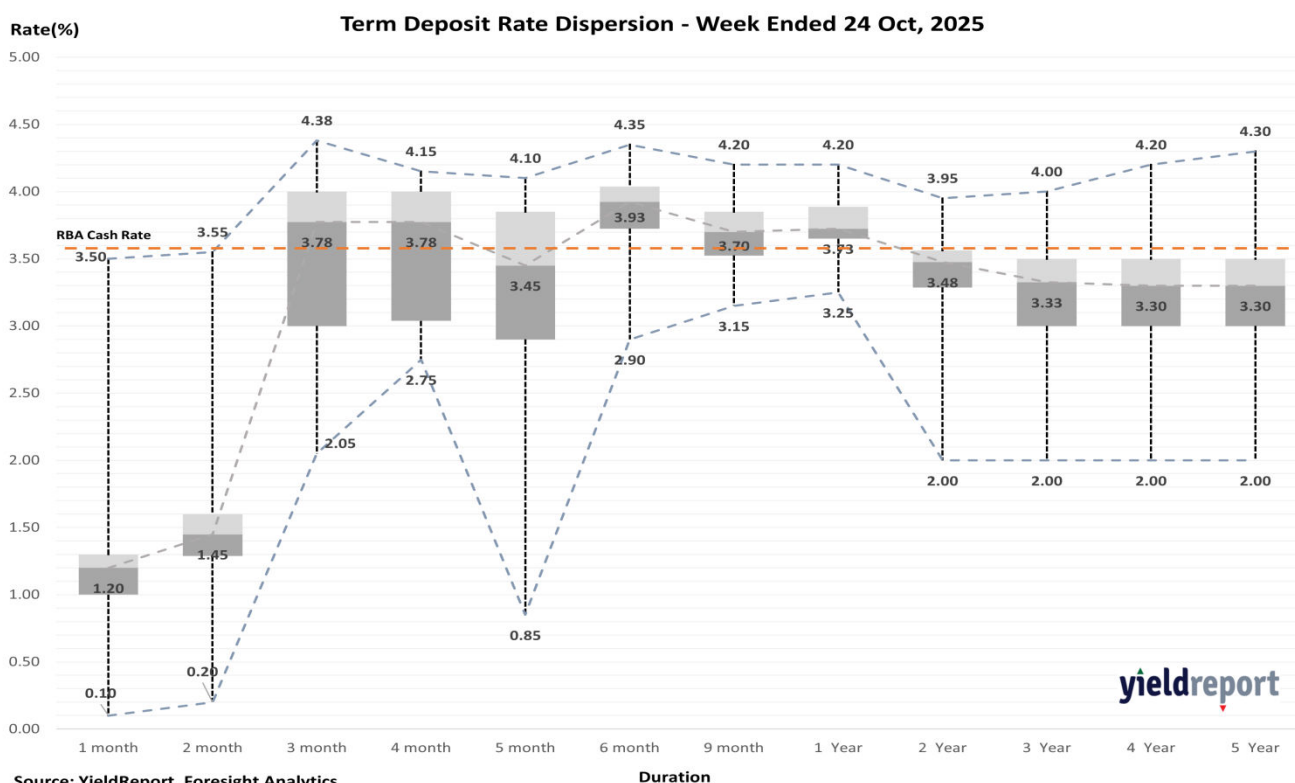
For the 3-month term, the best rate held steady at 4.38%, unchanged from last week, with in1bank offering the top rate. The median rate slightly increased to 3.78% from 3.75%, reflecting a broad range from 2.05% to 4.38%.

In the 6-month term, the highest rate remained at 4.35%, consistent with the previous week, offered by ING Direct. The median rate was stable at 3.93%, with a tight quartile spread of 0.31%, indicating a high degree of consistency among institutions.

For the 5-year term, the best rate was steady at 4.30%, led by Judo Bank and Rabobank Australia. The median rate remained at 3.30%, with a range from 2.00% to 4.30%, showing stability at the top end.

Our analysis indicates that term deposits with rates above 4% continue to hold firm. In the 3-month category, 5 institutions now offer rates above 4%, down from 6 last week. For the 6-month term, 11 institutions exceed 4%, down slightly from 12 last week, yet reinforcing the term's competitiveness.

Figure 9: Highest Term Deposit Rate by Term



Defensive Income – Government Bonds

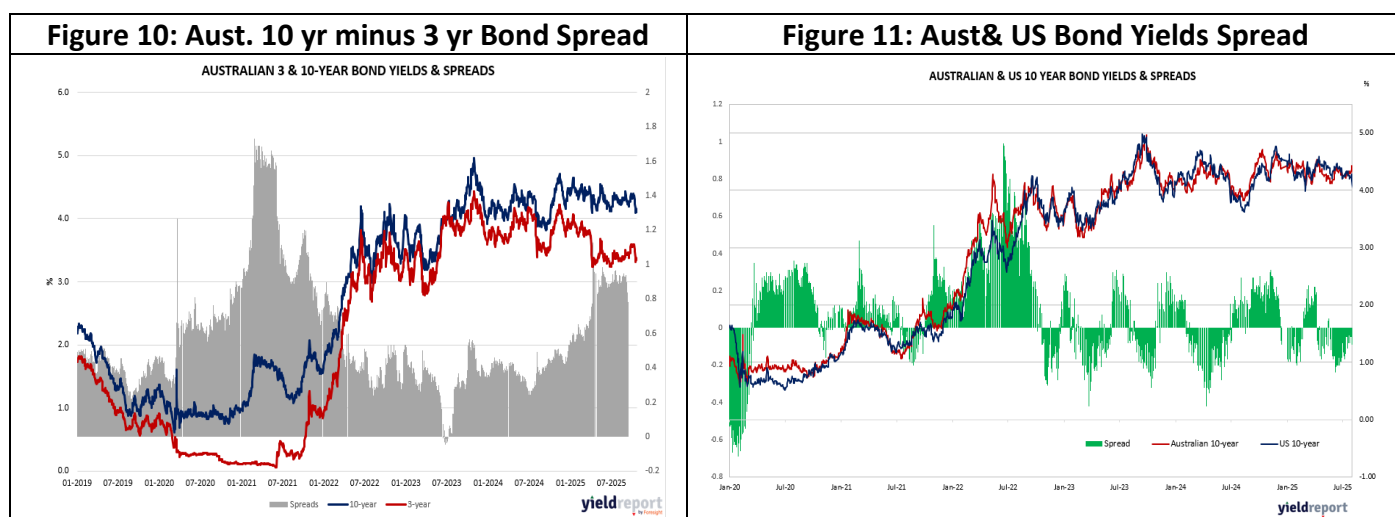
Australian and U.S. bond markets posted mixed movements over the week, reflecting steady investor sentiment ahead of key global central bank decisions.

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In the U.S., Treasury yields also firmed, with the 2-year yield climbing 7 basis points to 3.50%, and the 10-year yield up 3 basis points to 4.01%, while the 30-year yield gained 2 basis points to 4.60%. The modest rise across the curve reflects resilient economic data and cautious positioning ahead of Federal Reserve policy signals.

On currency markets, the Australian dollar strengthened slightly, gaining 0.27 U.S. cents to close at US\$0.6493, supported by improved risk sentiment and firm commodity prices. Overall, the data suggests stable monetary conditions and balanced investor expectations across both economies.

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 in 2021. 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.



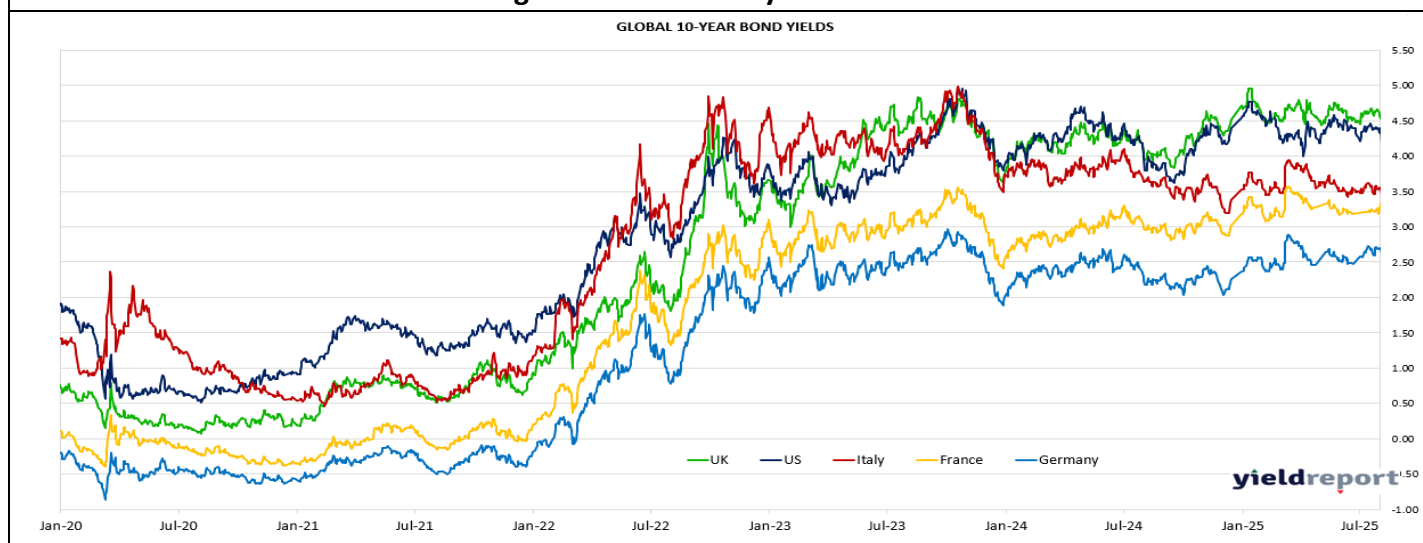
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Figure 12: Global 11 yr Bond Yields



Bank & Corporate Hybrids

Australia's \$38.8 billion listed bank hybrid market is being wound down under an APRA-led phaseout, forcing investors into higher-risk assets in search of yield and potentially reshaping global regulatory attitudes toward hybrid instruments. The decision, unique in its scope, comes amid global reassessment following the Credit Suisse hybrid wipe-out in 2023, where Swiss authorities controversially wrote off US\$17 billion of Additional Tier 1 securities—an action later ruled legally baseless by Switzerland's Federal Administrative Court. That episode underscored the fragility of hybrids, which sit between debt and equity and can be written down or converted during crises.

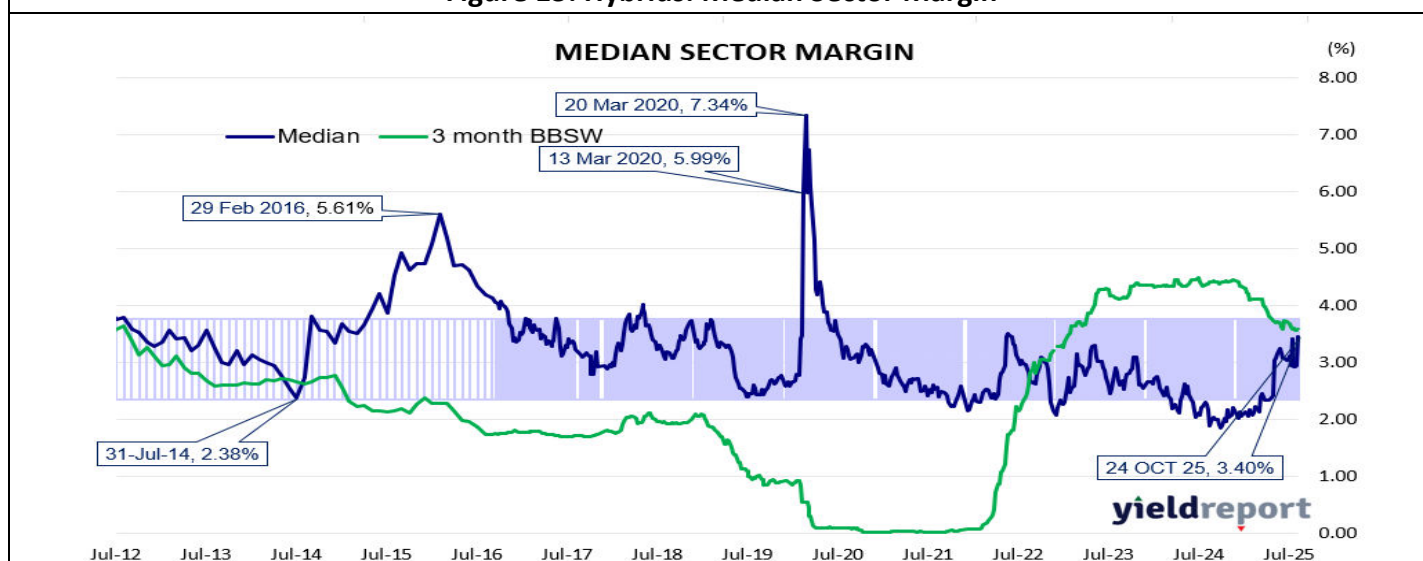
APRA argues that retail ownership of hybrids could pose a political moral hazard—that the government might hesitate to enforce losses on “mum and dad” investors in a bank failure. Critics like Christopher Joye contend this logic is inconsistent, as retail investors hold far larger exposures in bank equities. Hybrids, he argues, are simpler and less volatile than shares, with predictable income streams and lower price risk. APRA's move could paradoxically increase system risk, by removing a layer of contingent capital and boosting bank leverage.

The unwind will see a wave of redemptions, including \$900 million in AMP and Macquarie hybrids by year-end and another \$2.7 billion from Challenger, Suncorp, and NAB by June 2026. With yields compressed to pre-GFC levels—new five-year bank hybrids offering just 1.9% above BBSW, or roughly 3.8% cash yield—investors are being pushed toward subordinated debt, private credit, and structured convertible notes, all of which carry higher liquidity and credit risks.

Globally, regulators are also rethinking hybrid frameworks. New Zealand is considering replacing bank hybrids with subordinated bonds, while global banks are issuing hybrid-like instruments in Australian dollars to fill the gap. Meanwhile, private credit funds are exploiting the vacuum with high-yield listed notes.

Critics warn that APRA's policy may have unintended consequences: by eliminating a vital capital buffer, it could make banks riskier and leave consumers chasing returns in **less transparent, less liquid markets**—a shift that benefits regulators more than investors.

Figure 13: Hybrids: Median Sector Margin



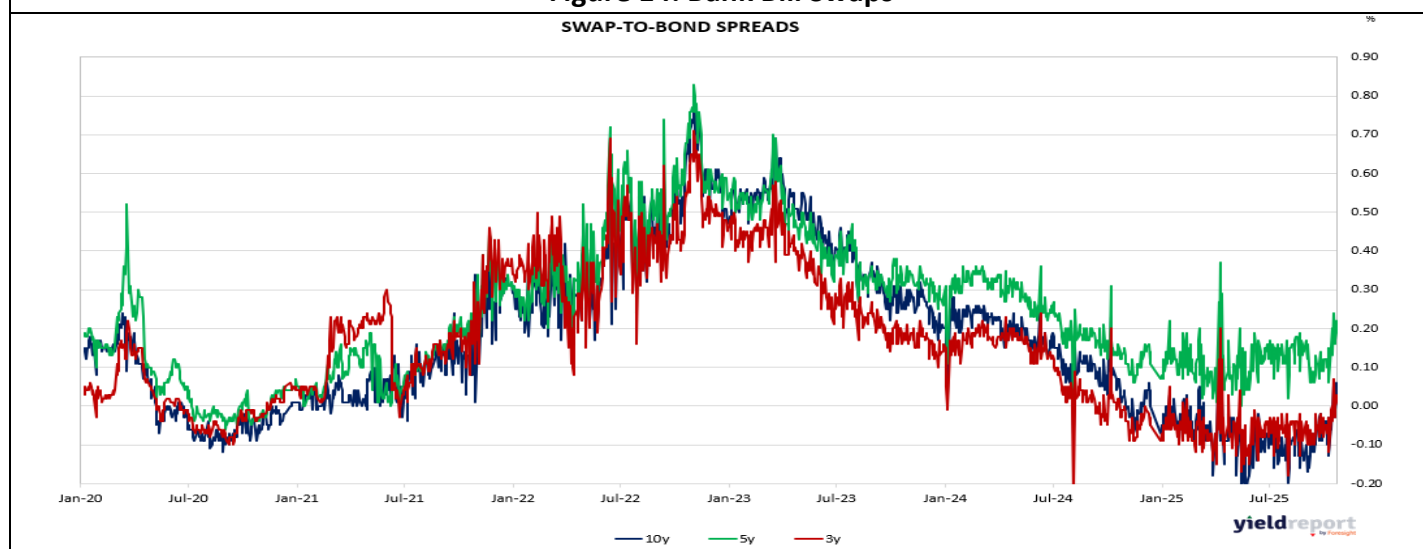
Bank Bill Swaps

Short-term BBSW rates continued to ease across all tenors this week. The 1-month rate declined by 4 basis points to 3.47%, the 3-month fell 7 bps to 3.50%, and the 6-month dropped 11 bps to 3.66%. Over the month, the 1-month rate fell 8 bps, the 3-month declined 6 bps, and the 6-month eased 2 bps, indicating a flattening bias at the short end. This suggests that expectations for near-term funding costs are softening further, possibly reflecting improved liquidity conditions or reduced short-term rate pressures.

Swap rates rebounded modestly across all maturities during the week. The 1-year rate rose 1 bp to 3.35%, while the 3-year and 5-year tenors increased 5 bps and 6 bps to 3.40% and 3.78% respectively. Longer-term yields also edged higher, with the 10-year up 4 bps to 4.19%, and the 15-year gaining 6 bps to 4.41%. Monthly changes were minimal, suggesting stabilization in rate expectations.

The curve remains upward-sloping, and the slight uptick in yields may reflect renewed optimism around economic resilience, or a recalibration of rate expectations following the prior week's sharp declines.

Figure 14: Bank Bill Swaps



US Bond Spreads and EM Bonds and Equity

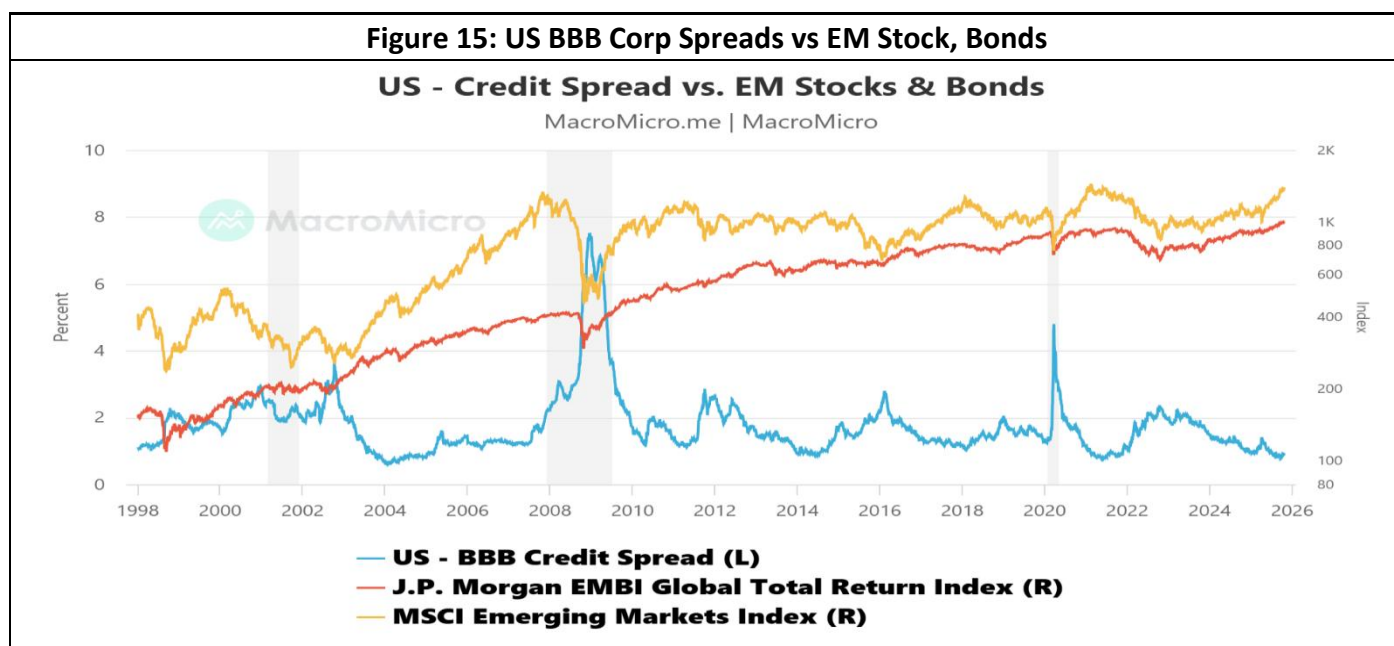
The chart compares U.S. BBB credit spreads (blue line, left axis) with emerging market (EM) stocks and bonds—the MSCI Emerging Markets Index (yellow) and J.P. Morgan EMBI Global Total Return Index (red), both on the right axis, over 1998–2026.

Historically, widening U.S. credit spreads (a rise in blue) correspond to downturns in EM asset performance, reflecting tighter global financial conditions and higher risk aversion. Major spikes in spreads, notably during the Global Financial Crisis (2008–09) and COVID-19 shock (2020), coincide with sharp declines in EM equity and bond returns. Conversely, when spreads compress—indicating easier credit and strong risk appetite, EM markets rally, as seen in the 2003–2007 and 2016–2019 upswings.

Since 2022, U.S. credit spreads have remained moderate near historical averages, suggesting stable risk sentiment, while both EM stocks and bonds have trended upward. The EMBI Global Index (red) shows steady long-term gains, reflecting resilient returns from sovereign and corporate debt, whereas the MSCI EM Index (yellow) remains more volatile and sensitive to global liquidity cycles.

Overall, the chart underscores a negative correlation between U.S. credit stress and EM performance: when U.S. credit risk rises, EM assets typically weaken, and vice versa. The current environment of relatively contained spreads implies continued global risk appetite supporting EM assets—unless another credit-tightening cycle emerges.

Figure 15: US BBB Corp Spreads vs EM Stock, Bonds



Listed Notes

Floating rate notes (FRNs) listed on the ASX continue to offer investors a compelling mix of yield and interest rate protection. This week's snapshot highlights performance across three key securities, with movements in trading margins and weekly price changes reflecting broader market sentiment.

Centuria Capital's note saw a sharp decline this week, dropping 3.57% despite trading above par. The negative trading margin suggests strong demand, possibly driven by its attractive yield. However, the price movement may reflect short-term market caution or repositioning by investors.

AYUHD traded slightly below par this week, with a modest decline of 0.96%. The trading margin remains below the issue margin, indicating a slight discount. This bond may appeal to medium-term investors seeking stable income with limited price volatility.

Series E showed the smallest weekly decline, closing just above par. With a longer maturity and a competitive running yield, this bond may suit investors looking for consistent income over a longer horizon.

Market Perspective

All three instruments posted weekly declines, suggesting a cautious tone in the FRN segment. However, running yields remain attractive, particularly in a rising interest rate environment. Floating rate structures continue to offer valuable protection against inflation and rate hikes, reinforcing their role in diversified income portfolios.

ETFs

Australia – Performance Dispersion

The Global ETF markets were supported by continued enthusiasm for technology, commodities, and alternative energy themes, though with growing dispersion across assets.

Performance: Precious metals and clean energy ETFs led weekly gains. The Global X Hydrogen ETF (HGEN) rose +8.6%, while the Global X Gold Bullion ETF (GXLD) gained +8.0%, and Global X Physical Silver (ETPMAG) advanced +7.4%. The Global X Uranium ETF (ATOM) and Physical Platinum (ETPMPT) also performed strongly, reflecting broad commodity momentum. Over the 12 months, uranium, gold, and defence technology exposures remain top performers, delivering returns between +66% and +100%.

Technology and innovation themes remained resilient. ETFs tracking semiconductors (SEMI), artificial intelligence (GXAI), and battery tech (ACDC) all rose between 3–4%, mirroring gains in the U.S. Nasdaq and global tech indices. Conversely, crypto-related ETFs were the week's weakest segment, with Bitcoin (EBTC, QBTC, BTXX) and Ethereum (EETH) funds plunging between –11% and –13%, extending losses as digital assets corrected after a strong earlier-year rally.

Flows and turnover: Investor capital favoured large, liquid core exposures. The Vanguard Australian Shares Index ETF (VAS) attracted the highest trading volume and inflows, followed by iShares Core S&P 500 (IVV) and Vanguard MSCI International Shares (VGS).

Defensive cash and bond ETFs such as Betashares Australian High Interest Cash (AAA) and VanEck Subordinated Debt (SUBD) also saw steady demand, reflecting continued appetite for yield despite equity market strength.

Underperformers included leveraged short equity and bond products such as Betashares Australian Equities Strong Bear (BBOZ) and U.S. Equities Strong Bear (BBUS), which fell more than –30%, underscoring broad equity market resilience.

Overall, the report paints a picture of global investor optimism, led by commodities, AI, and technology themes, but with rising divergence across asset classes. Traditional safe havens like gold and cash continued to attract inflows, while speculative assets such as crypto faced renewed pressure. This balanced rotation suggests investors are cautiously positioning for sustained global growth amid moderating inflation and stable rate expectations.

USA - Flow Trends

Global ETF flows surged again, with investors pouring \$39.2 billion into U.S.-listed ETFs for the week ending October 17, 2025, pushing year-to-date inflows past \$1 trillion—only the second trillion-dollar year on record after 2024. The rally was fuelled by a historic run in gold, which broke above \$4,300 per ounce for the first time.

The SPDR Gold Shares (GLD) led all ETFs with \$4.1 billion in inflows, while its lower-cost counterpart, SPDR Gold MiniShares (GLDM), added \$603 million. Gold's 2025 gains now exceed 60%, cementing its position as the standout performer across asset classes.

Equities remained the largest driver of flows, with U.S. equity ETFs attracting \$17.6 billion, followed by \$8 billion into U.S. fixed income, \$5.8 billion into international equities, and \$5.5 billion into commodities. Broad-market ETFs dominated buying, including Vanguard S&P 500 (VOO), Invesco QQQ (QQQ), and iShares Core S&P 500 (IVV)—each drawing over \$2.5 billion.

Among international ETFs, JPMorgan BetaBuilders Europe (BBEU) led with \$1.6 billion, while iShares U.S. Treasury Bond (GOVT) topped fixed income inflows at \$1.2 billion.

On the outflows side, SPDR S&P Regional Banking (KRE) saw \$830 million withdrawn after renewed stress in regional lenders, while iShares 20+ Year Treasury (TLT) and Xtrackers China A-Shares (ASHR) also posted sizable redemptions.

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