



Your Income Advantage

1st December 2025



## Overview of the US Market

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Wall Street closed lower on December 1, 2025, as a crypto-currency selloff deepened and caution spread amid global bond market ripples from Japan. The S&P 500 fell 0.53% to 6812.63, slipping below 6800 intraday before a slight recovery, while the Nasdaq Composite dropped 0.38% to 23275.92 and the Dow Jones Industrial Average declined 0.90% to 47289.33. The pullback interrupted a rally that had pushed the S&P 500 to its longest monthly winning streak since 2021, with small caps underperforming as the Russell 2000 slid over 1%. Traders shunned riskier assets, including crypto-exposed stocks, following nearly \$1 billion in liquidated leveraged positions that drove Bitcoin down to around \$85,000.

Sector performance was mixed, with energy up 0.91% on rising oil prices and information technology edging 0.07% higher, buoyed by megacaps. However, utilities tumbled 2.35%, health care and industrials each lost 1.49%, and real estate fell 1.39%. Communication services dropped 1.01%, reflecting broader risk aversion. Among stock movers, NVIDIA Corp. rose 1.65% on volume of 187.5 million shares after announcing a \$2 billion investment in Synopsys Inc., which surged amid the tie-up aimed at expanding AI applications. Q32 Bio Inc. soared 74.43% on heavy trading, while decliners included Bitfarms Ltd. down 5.75%, Opendoor Technologies Inc. off 7.27%, and Plug Power Inc. sliding 4.48%. Moderna Inc. fell after FDA restrictions on vaccines, and Barrick Mining Corp. gained on IPO exploration for its North American assets potentially worth over \$60 billion.

Economic data showed US factory activity contracting for the ninth straight month, with the ISM manufacturing PMI at 48.2 in November, below the 49.0 forecast and down from 48.7 in October, signaling weakening orders and rising input costs. This added to market jitters ahead of key releases, including Friday's PCE inflation gauge expected to show stable but sticky pressures, and ADP employment figures. Fed officials face a debate on the job market at their December 9-10 meeting, with speculation leaning toward a 25-basis-point rate cut despite robust earnings growth projections.

Strategists remain optimistic on seasonality, noting December's historical strength. Sam Stovall at CFRA highlighted the S&P 500's second-best average return and lowest volatility in the month since 1990. LPL Financial's Adam Turnquist pointed to gains typically emerging in the second half, with the index averaging 1.4% up since 1950 and 73% positivity rate. For years like 2025 where the S&P 500 entered December up over 10%, Bespoke Investment Group sees average gains exceeding 2%. Ulrike Hoffmann-Burchardi at UBS Global Wealth Management emphasized robust earnings growth of 7-14% supporting upside, viewing the soft economic patch as temporary with global acceleration in 2026. RBC Capital Markets' Lori Calvasina forecast the index at 7,750 by end-2026, implying 13% gains, favoring value over growth and small caps if macro improves. Corporate news included OpenAI's stake in Thrive Holdings, DeepSeek's AI model updates, and Eli Lilly cutting Zepbound prices amid competition. Overall, while Monday's dip reflected benign risk aversion without fundamental drivers, per Kyle Rodda at Capital.com, year-end positioning and consumer spending set the stage for a potential Santa rally.

## Overview of the Australian Market

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The S&P/ASX 200 closed lower on December 1, 2025, down 0.57% at 8,565.2, amid weakness in high P/E sectors and broader risk aversion tied to global crypto and bond moves. The All Ordinaries fell 0.58% to 8,866.5, with small ords down 0.80% and the all tech index tumbling 1.64%. Advancers trailed decliners 78 to 198 in the ASX 300, reflecting heavy weighting in declining areas like information technology (-1.33%), communication services (-1.11%), health care (-1.65%), and financials (-0.94%). Resources provided some offset, with materials up 0.27% and energy gaining 0.52% on oil strength.

Precious metals and critical minerals drove gains, buoyed by silver and gold rallies amid tight supply. Minerals 260 surged 22.1% after doubling its Bullabulling Gold Project resource to 4.5Moz, aligning with uptrends. Unico Silver rose 16.9%, Sun Silver 15.9%, and Andean Silver 12.6% on sector momentum. Greatland Resources climbed 10.2% post-Havieron feasibility presentation, and Lake Resources added 8.3% in uptrend continuation. Silver Mines gained 7.5%, DPM Metals 6.1%, and West African Resources 4.3%. Chalice Mining rose 4.7% amid critical minerals strength, Capstone Copper 4.3% and Firefly Metals 4.0% on copper gains, with Global X Copper Miners ETF up 3.1%. Predictive Discovery advanced 3.9%, Turaco Gold 3.8% on drilling updates, and Domino's Pizza 3.1%.

Decliners included AUB Group down 17.8% after ceasing talks with EQT and CVC, Meteoric Resources off 12.5% on environmental license update, and Metcash sliding 9.2% post-half-year results. European Lithium fell 8.6%, Digico Infrastructure REIT 8.2% in downtrend, Cettire 7.8%, Australian Ethical Investment 7.7%, Temple & Webster 7.3% continuing AGM fallout, Energy One 7.2%, Aeris Resources 7.0%, HMC Capital 7.0%, and Vaneck Bitcoin ETF 6.1% on Bitcoin's drop.

China's November PMI showed manufacturing at 49.2 (in-line, still contracting) and non-manufacturing at 49.5 (below forecast, slipping into contraction), pressuring sentiment. OPEC kept output unchanged, supporting energy. Ahead, Wednesday's Q3 GDP is forecast at +0.7% q/q and +2.2% y/y, potentially the fastest in three years, amid hot inflation and tight labor, with markets pricing 50-50 odds of an RBA hike late 2026. RBA Governor Bullock speaks Tuesday, and October household spending (+0.6% m/m forecast) follows Thursday.

Strategists' eye sustained investment from last week's capex surge of 11.5% q/q, strongest in over two decades, with intentions up. Building activity rose sharply, aiding GDP via housing push. Consumer spending strengthened per Westpac, with wealth effects from record home prices. However, low productivity caps potential growth at 2%, risking inflation if demand surges. HSBC's Paul Bloxham calls for fiscal-monetary coordination to cool, or rates may rise sooner. Treasurer Chalmers signals budget savings mid-month. Overall, while resources buoyed Monday, heavier tech and financial drags dominated, but accelerating growth and seasonal factors could support rebound if data confirms resilience.

## Overview of the US Bond Market

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Bond yields climbed on December 1, 2025, as Treasuries weakened amid a Japanese debt rout and hawkish Bank of Japan signals, with the 10-year yield rising eight basis points to 4.09%. The move came despite reduced risk appetite in equities and crypto, as global bonds reacted to BOJ Governor Kazuo Ueda's rate-hike hints, pushing Japan's yields higher and spilling over. Two-year yields advanced five basis points to 3.53%, while 30-year yields jumped eight to 4.74%, steepening the 2s-10s curve by about three basis points to +55.6bps. The Bloomberg Dollar Spot Index wavered little, with the euro up 0.1% to \$1.1610 and the yen strengthening 0.5% to 155.45 per dollar.

The ISM manufacturing PMI's drop to 48.2 in November, with a higher prices-paid reading, bolstered yields as input costs rose, underscoring persistent inflation amid contracting activity. This sets a cautious tone ahead of Friday's PCE report, expected to confirm stable pressures, potentially influencing the Fed's December decision. Markets price in a likely 25-basis-point cut, supported by data suggesting the economy avoids recession while easing progresses. However, macro shifts highlight emerging markets' appeal, with select AA-rated sovereigns like the UAE and South Korea outperforming developed credits in total returns, driven by fiscal conservatism and lower inflation. Investors demand record-low premiums over Treasuries for these, with spreads at 31 basis points for AA issuers, reflecting diversification demand as US debt metrics worsen under expanding deficits.

Portfolio managers like James Athey at Marlborough are shifting to EM debt, citing Mexican pesos and Chilean bonds for orthodoxy absent in G7 nations, where debt-to-GDP ratios climb. Erik Weisman at MFS Investment Management echoes this, trimming G-10 exposure for high-grade EM amid US figures resembling fragile credits. Emerging economies run current-account surpluses and faster growth—2.5 percentage points above developed peers—while keeping rates 2.1 points higher despite lower inflation, a rare reversal. South Korea's five-year dollar bonds priced at 17 basis points over Treasuries in October and Abu Dhabi's 10-year at 18, with China erasing premiums entirely.

JPMorgan's Nick Eisinger sees structural improvements in high-quality EMs gaining recognition. In the US, Treasury client surveys show net long positions shrinking to two-month lows ahead of policy clarity, with asset managers paring longs by \$23.5 million per basis point across tenors per CFTC data. Leveraged funds reduced shorts in the bond contract. Dealers expect steady coupon auction sizes for August-October, aligning with April guidance. Overall, while Monday's yield rise reflects cross-market pressures and resilient US data, broader convergence with EMs signals eroding safe-haven status, with investors like Marco Ruijter at William Blair noting EMs' primary surpluses versus G7 deficits as a key edge.

## Overview of the Australian Bond Market

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Australian government bond yields rose on December 1, 2025, tracking global moves as Japanese debt weakness spilled over after BOJ hike signals. The 10-year yield climbed nine basis points to 4.60%, the 2-year five to 3.85%, 5-year six to 4.12%, and 15-year nine to 4.89%. The AUD/USD dipped 0.16% to 0.654, steadying near 0.6566 highs amid US manufacturing contraction but resilient yields. Overnight, AUD/USD ranged 0.65395-0.656, with support at 0.6415 and resistance at 0.6580-0.6630, as bulls held despite USD buying on equity recovery.

China's PMI data weighed, with manufacturing at 49.2 (still contracting) and non-manufacturing dipping to 49.5, highlighting risks to Australia's key trading partner amid waning stimulus. Yet, domestic strength persists, with Q3 GDP forecast Wednesday at +0.7% q/q—the fastest in three years—fueled by capex surge and building approvals. October approvals (+12% m/m forecast) and y/y (+12.4%) due Tuesday underscore housing momentum, targeting 1.2 million new homes by 2029 to ease shortages driving record prices and rents. Net exports contribution (+0.1%) and current account (-AUD13.7bln) also release Tuesday, potentially boosting sentiment if positive.

RBA's prolonged hold at elevated rates contrasts global easing, with economists split on next move amid sticky inflation and tight labor. Markets price 50-50 hike odds late 2026, aligning some with HSBC's Bloxham urging fiscal restraint to avoid earlier tightening. Governor Bullock and Assistant Governor Kent testify Wednesday, post-GDP, offering clues. Productivity lags mean demand could fuel prices, capping potential growth at 2%. Westpac notes consumer spending up, with households spending more income share, aided by wealth effects.

Broader macro favors emerging markets like Australia, with fiscal orthodoxy drawing inflows. EM inflation below developed levels, surpluses, and 2.5-point growth edge support, as US deficits expand under Trump policies. South Korea and UAE bonds trade near or inside Treasuries, with Australia's metrics—55% debt-to-GDP, 6% surplus—attractive. Portfolio shifts to EM debt per Athey at Marlborough and Weisman at MFS highlight G7 erosion, with EM rates 2.1 points higher despite lower inflation.

November S&P Global PMIs release soon: manufacturing final (51.6 prior), services (52.7), composite (52.6), and signalling expansion. October trade Thursday: goods balance (AUD3938mln forecast), imports (+1.1%), exports (+7.9%). Overall, Monday's yield rise reflects external pressures but domestic acceleration could pressure rates higher if data beats, blending with EM convergence trends.

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