yieldreport Daily

Your Income Advantage

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Overview of the US Market

Wall Street closed higher on November 26, 2025, buoyed by robust economic data that reinforced expectations for a Federal Reserve rate cut in December amid signs of a resilient yet moderating labor market. The S&P 500 climbed 0.69% to close at 6812.61, while the Nasdaq Composite rose 0.82% to 23214.69, and the Dow Jones Industrial Average advanced 0.67% to 47427.12. Tech stocks led the gains, with Nvidia up 1.37% despite competition concerns from Alphabet's AI chips, as investors digested positive durable goods orders and jobless claims figures. Alphabet surged 1.08% on reports of potential deals with Meta for its tensor processing units, pushing its market cap toward $3.9 trillion and narrowing the gap with Nvidia's $4.2 trillion valuation.

Sector performance was mixed, with Information Technology up 1.27%, Materials gaining 1.21%, and Utilities advancing 1.32%, reflecting optimism around AI investments and infrastructure spending. Consumer Staples rose 0.97%, supported by steady retail data, while Communication Services dipped 0.49% and Health Care fell 0.25%. Among stock movers, Nvidia topped volume at 183 million shares, Bitfarms jumped 11.91% on crypto-related sentiment, and Opendoor Technologies edged up 0.52%. Decliners included Ondas Holdings down 2.37% and BigBear.ai off 2.75%.

Economic releases bolstered market sentiment, with weekly jobless claims dropping to a seven-month low of 216,000, signaling low layoffs despite hiring challenges. Continuing claims rose slightly to 1.960 million, indicating building labor market slack but no sharp deterioration. Durable goods orders advanced 0.5%, with core capital goods up 0.9%, pointing to solid business investment amid AI surges, though tariffs pose risks to manufacturing. Retail sales rose modestly at 0.2% in September, below expectations, highlighting caution among lower-income consumers, but spending on services like dining out remained strong at 0.7%.

Investors are increasingly pricing in an 80% chance of a quarter-point Fed cut at the December 9-10 meeting, up from recent weeks, following dovish comments from policymakers. The Beige Book noted slight employment decreases but emphasized hiring freezes over layoffs, aligning with a "no hire, no fire" dynamic influenced by Trump's trade and immigration policies. Bitcoin held steady around $88,000 after recovering from a seven-month low, with traders eyeing reduced downside protection costs in options markets as selling pressure eases. Crypto ETFs saw $6 billion in November outflows, yet long-term holders appear resilient.

Strategists remain cautiously optimistic, with some like those at Goldman Sachs warning of tariff impacts on speculative assets despite economic strength. The S&P 500's risk appetite gauge has fallen to zero, signaling potential oversold conditions, but strong earnings and AI tailwinds could propel a year-end rally. As the Fed debates further easing amid elevated inflation, markets await November's employment report on December 16, which includes delayed October data due to the government shutdown.

Overview of the Australian Market

The S&P/ASX 200 closed higher on November 26, 2025, gaining 0.81% to 8606.5, driven by resources and lithium stocks as hotter-than-expected inflation data reduced rate-cut bets and bolstered the Australian dollar. The All Ordinaries rose 0.85% to 8899.3, with advancers outpacing decliners 224 to 56. Materials led with a 1.84% surge, followed by Consumer Discretionary up 1.22% and Health Care advancing 1.18%. Energy gained 0.87%, Industrials 0.83%, and Consumer Staples 0.72%, while Information Technology fell 0.68%, Communication Services dipped 0.49%, and Utilities declined 0.84%.

The rally reflected a rotation back to lower P/E sectors like resources, despite a strong Nasdaq overnight, as funds favored materials amid stabilizing lithium futures on China's GFEX after Friday's plunge. Lithium names dominated gainers: Argosy Minerals jumped 15.2%, Lake Resources 14.5%, Pilbara Minerals 7.2%, and IGO 5.5%. Precious metals also shone, with Horizon Minerals up 12.7%, Perenti 7.1%, and Vault Minerals 6.5%. National Storage REIT soared 19.5% on a takeover proposal, boosting Abacus Storage King 9.3%. Droneshield rose 8.5% on a European contract, and Domino's Pizza gained 7.9% after a substantial holding increase.

Decliners included Temple & Webster down 32.3% on a trading update, Invictus Energy off 32.1% on a JV update, and Viridis Mining halted at -29.7%. Tech underperformed, with Life360 down 4.4%, Technology One 2.8%, and Seek 2.5%.

October CPI accelerated to 3.8% year-on-year, above the 3.6% forecast, with trimmed mean at 3.3%, both exceeding the RBA's 2-3% target. This dashed easing hopes, pushing AUD/USD up 0.55% to 0.6505 and signaling potential hikes in 2026. Building activity rose, with residential work up 4.2%, offsetting a 0.7% drop in broader construction, supporting GDP momentum into Q3's 3.9% forecast.

The APRA tightened mortgage rules, capping high-debt loans at 20% of new lending from February, aiming to curb risks from rising indebtedness at 181.8%. Home prices climbed fastest in over two years, but affordability concerns persist.

Strategists see the rally as tentative without broader participation from financials and banks, which rose just 0.39%. UBS and Barrenjoey predict 2026 hikes, with Barrenjoey eyeing February action. Markets await Q3 capital expenditure Thursday, expected at +0.5%, as inflation trends upward since June.

Overview of the US Bond Market

Bond traders ramped up bets on a Federal Reserve rate cut in December following upbeat yet moderating economic data on November 26, 2025, pushing Treasury yields lower across the curve. The 10-year yield dipped two basis points to 4.00%, the 2-year fell one basis point to 3.47%, and the 30-year declined five basis points to 4.64%, flattening the 2s-10s curve by about two basis points. This came after a solid session where longer-dated bonds led gains, reflecting optimism that the Fed might ease further amid labor market slack and consumer caution, even as core inflation lingers.

The rally was fueled by jobless claims dropping to 216,000, a seven-month low, underscoring low layoffs but highlighting hiring reluctance tied to economic uncertainty and Trump's policies.

Continuing claims edged up to 1.960 million, a proxy for hiring, during the period surveyed for November's unemployment rate, which could rise faster than implied given ineligible claimants like recent graduates. Durable goods orders rose 0.5%, with core shipments jumping 0.9%, signaling robust equipment spending driven by AI investments, though wild swings from tariffs have undercut manufacturing segments. Retail sales advanced just 0.2% in September, with control-group sales down 0.1%, suggesting softer fourth-quarter consumption but not derailing holiday outlooks from retailers like Kohl's and Abercrombie.

Swap contracts now price in an 80% chance of a December cut, revived by weak private payrolls and subdued retail figures, contrasting with earlier divisions among Fed officials. Kevin Hassett's potential as next Fed chair, seen as dovish, added to sentiment, though robust data like September's producer price index up 0.3% tempers aggressive easing expectations. The Bloomberg Dollar Spot Index fell 0.3%, with the dollar steady against major currencies, as EUR/USD rose 0.2% and AUD/USD climbed 0.7% on Australia's hot CPI.

JPMorgan's weekly Treasury client survey showed net long positions shrinking to the smallest in two months, indicating reduced bullishness ahead of key releases. Asset managers pared longs across futures by $23.5 million per basis point, while leveraged funds reduced shorts in the bond contract. Dealers expect steady coupon auction sizes for August-October, aligning with April guidance.

Macro factors like tariffs continue to cloud the outlook; deals with allies have eased some uncertainty, but potential extensions with China—possibly by 90 days—could influence yields. With GDP forecasted at 3.9% for Q3, above potential, and consumer confidence sliding due to job anxieties, bonds may face pressure if growth overshoots, sustaining higher-for-longer rates. Yet, resilience in the face of shutdown delays and AI-driven spending supports a soft landing narrative, keeping yields range-bound as markets eye PCE inflation on December 5.

Overview of the Australian Bond Market

Australian bond yields surged on November 26, 2025, after hotter October inflation data dashed rate-cut expectations and fueled bets on a Reserve Bank hike in 2026. The 10-year yield climbed six basis points to 4.48%, the 2-year rose 10 basis points to 3.77%, and the 5-year advanced 10 basis points to 4.02%, reflecting a reassessment of the RBA's easing cycle amid persistent price pressures. The move widened the AU-US differential, supporting AUD/USD's 0.75% rally to above its 200-day moving average, with next targets at 0.6580.

CPI accelerated to 3.8% year-on-year, exceeding the 3.6% forecast, while trimmed mean hit 3.3%, trending up since June and well above the RBA's 2.5% midpoint. Non-tradables rose 4.8%, services 3.9%, underscoring domestic drivers like housing and rents. This contrasted with Fed cut odds at 80% for December, highlighting diverging policies that could sustain AUD upside if US data weakens next week, like ADP employment and ISM PMI.

The APRA's new mortgage limits, capping debt-to-income over six times at 20% of new loans, aim to preempt risks from high indebtedness, as housing credit grows above average and prices surge. Building activity picked up, with residential work up 4.2% in Q3, signaling capacity strains that risk inflating further, per Citigroup economists noting growth nearing limits.

Markets now price a small 2026 hike chance, erasing cuts, with UBS eyeing Q4 2026 action and Barrenjoey warning of February moves to 3.85%. The RBA meets December 8-9, likely holding at 3.6% after August's cut, as Assistant Governor Hunter flags labor tightness with unemployment at 4.3% and elevated wages.

Q3 capital expenditure due Thursday, forecast at +0.5%, could affirm strong GDP, complicating disinflation. Bloomberg Economics sees the inflation spike as transitory but needs more data to confirm. Yields may extend gains if momentum builds, though state policies could spur apartment supply late-decade, easing pressures.

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

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