yieldreport Weekly

Your Income Advantage

10th to 14th November 2025

PART 1 – Equity & Bond Market Review

Weekly Overview

Persistent uncertainty over AI prospects and the interest rate outlook buffeted U.S. stocks as the market rallied on Monday and then sold off on Thursday. The S&P 500 and Dow finished fractionally higher for the week, while the NASDAQ ended slightly lower.

Bond market traders dialled back their expectations of an interest rate cut at the U.S. Federal Reserve meeting scheduled to conclude on December 10. Friday afternoon's prices in rate futures markets implied a nearly 46% probability that the Fed would cut by a quarter point, according to CME FedWatch. Just a week earlier, traders had been pricing in a nearly 70% likelihood of a December cut.

The midweek conclusion of the 43-day U.S. government shutdown is expected to eventually clear a backlog of delayed economic data, but it remains uncertain when many key reports will be issued, how complete they'll be, and whether some releases may be cancelled. Under a revised schedule, the September jobs report is set to be released on Thursday, November 20; other delayed reports hadn't been scheduled as of Friday.

The U.S. stock market appeared to take the 43-day government shutdown in stride. The S&P 500's closing level on Wednesday—the last day of the shutdown—was 2.4% higher than on September 30, the day before the shutdown started. Government bonds also largely held steady, with the 10-year yield at 4.07% on Wednesday versus 4.15% pre-shutdown.

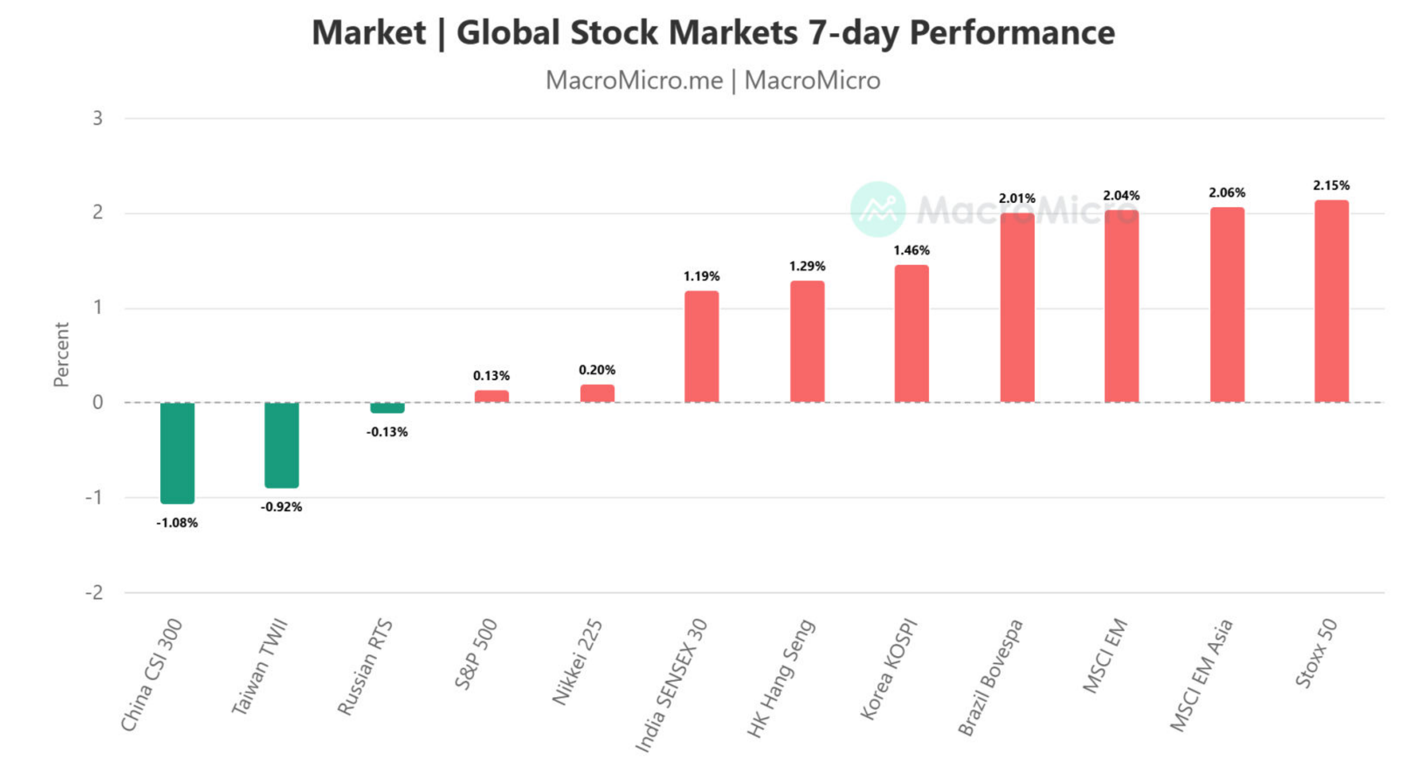
The price of the most widely traded crypto currency extended its recent decline, falling more than 20% below its recently achieved record high. Bitcoin was trading around $95,000 on Friday afternoon, down from the record of about $125,000 reached less than six weeks earlier.

With earnings season nearly complete as of Friday, overall results remained well above analysts' expectations relative to forecasts prior to the release of third-quarter numbers. S&P 500 companies' earnings were expected to rise by an average of 13.1% versus a forecast for about 8.0% growth entering earnings season, according to FactSet.

Diminished prospects for an interest rate cut by the Fed at its December meeting weighed on government bond prices, sending the yield of the 10-year U.S. Treasury higher. The yield finished on Friday at 4.15%, up from about 4.09% at the close of the previous week. Yields of 2- and 30-year Treasuries were also higher for the week.

A gauge that tracks investors' short-term expectations of U.S. stock market volatility had a bumpy ride on Friday. The CBOE Volatility Index climbed as high as 23.0 in morning trading before slipping below 20.0 at midday. The VIX closed at 19.8, up around 4% for the week.

Exhibit1: World – Major Stock Indices 7 Day Return



Global Themes Shaping Markets

I. Risk Hedging

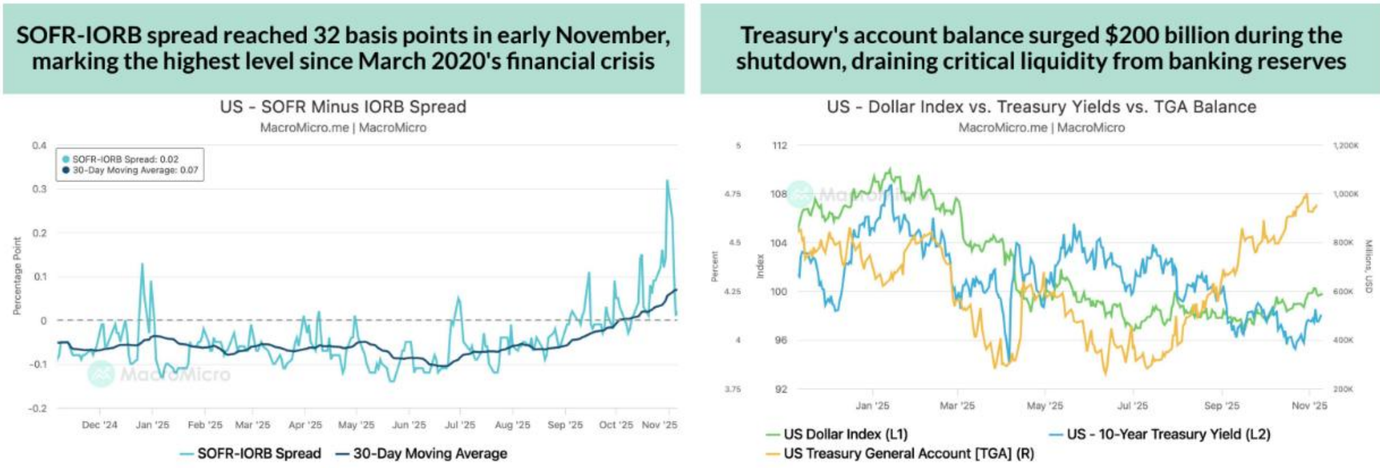
Portfolios that incorporate constant protection against systemic risk rather than relying on reactive stop-loss selling achieve better long-term resilience and avoid forced liquidation at market lows. Risk hedging should be a strategic, ongoing component of portfolio construction, not a response triggered only when volatility spikes and hedging costs rise.

The dangers of market timing are clear: investors who de-risked on false recession calls are now underperforming while underweight managers are now tempted to chase all-time highs, compounding performance risks. Despite strong growth, resilient earnings, and robust consumer demand underpinning a "Goldilocks" macro backdrop, structural fragilities persist beneath the surface. The U.S. fiscal deficit, approaching $2 trillion annually has made liquidity provision a systemic requirement rather than a by-product of growth. With central banks selling Treasuries and buying gold, and private savings declining, the main marginal buyers of U.S. debt are highly leveraged hedge funds exploiting small arbitrage spreads through the repo market. This dependency on short-term funding represents the market's hidden vulnerability.

If repo liquidity tightens or overnight rates rise sharply, these leveraged players could be forced to unwind Treasury exposures, triggering a wider funding shock with global implications. As 2022 showed, bonds and equities can decline simultaneously when inflation shocks liquidity, rendering the traditional 60/40 portfolio inadequate to protect capital. True diversification requires exposures that perform differently during liquidity contractions.

Multiple liquidity indicators reached critical thresholds in October, compelling the Fed's QT announcement. The SOFR-IORB spread turned positive for the first time this cycle, signalling elevated short-term funding demand, while overnight reverse repo (ON RRP) facilities drained to just $14.1 billion, eliminating the primary liquidity buffer, as the Treasury General Account (TGA) climbed to $964.8 billion during the Government shutdown, further constraining reserve availability.

Exhibit2: Funding Stress in Repo Market & TGA Balance



Thus, investors may consider convexity protection, systemic risk hedges that rise in value during stressed periods, paired with equity risk assets such as the S&P/ASX 200 or MSCI World. When implemented during calm markets, these strategies act as affordable “insurance,” enabling investors to stay fully invested yet protected. Crucially, such hedges can provide liquidity during downturns and be monetised to buy distressed assets at attractive valuations.

In a financial system increasingly reliant on leverage, liquidity, and confidence, resilience is not optional. The most robust portfolios combine growth participation with structural protection, capturing upside while remaining prepared for inevitable reversals.

II. Investors Turning Cautious

Global markets lost momentum as a brief tech-led rebound faded, with investors turning cautious ahead of a surge of delayed U.S. economic data and rising doubts about the Federal Reserve’s ability to deliver a December rate cut. Stocks whipsawed throughout the session, with the S&P 500 ending flat after erasing a 1.4% loss, while Treasury yields climbed as traders scaled back easing expectations. The relief from the end of the U.S. government shutdown has quickly given way to volatility, driven by hawkish Fed commentary and the unwinding of crowded AI and momentum trades.

Tech stocks remained the focal point of market stress. The sector’s recent losses reflect what analysts call a “tech reckoning”, not a collapse but a painful reset as investors rotate into healthcare and consumer staples, sectors that appear to be bottoming. Nvidia rose ahead of its earnings, but options markets are pricing in a 6%+ swing, the largest implied move in a year. Broader weakness persisted across mega-cap names. Analysts warn volatility in AI leaders will continue until the market sees clearer inflation and employment data.

Despite the turbulence, investors remain broadly constructive on AI long term, though they acknowledge valuations got stretched. Dip-buying attempts have struggled as uncertainty mounts.

Strategists from Morgan Stanley and Piper Sandler flagged deteriorating market breadth and a growing defensive tone, though the S&P 500 holding above its 50-day moving average suggests any correction may remain limited unless key data disappoints.

Fed officials intensified their messaging this week, openly questioning the need for a December cut. Markets now assign less than a 50% probability, down sharply from near-certainty before the October meeting. Commentators warn that deep divisions within the FOMC could evolve into a governance challenge for Chair Powell, especially with limited data available until government agencies catch up on releases. A "hawkish cut" remains possible but increasingly unlikely unless upcoming inflation and payroll numbers soften meaningfully.

In corporate news, Google announced US$40 billion in new Texas data-centre investments, Oracle's credit protection costs surged, Walmart CEO Doug McMillon announced his retirement, Applied Materials forecast another sales dip, and Merck agreed to buy Cidara Therapeutics. Additional headlines spanned aviation, luxury goods, insurance, and infrastructure, rounding out a volatile week dominated by Fed anxiety and tech-sector rotation.

III. Powell's Decision: AI, Labour Market Resilience & Fed Policy Space

The interaction between AI adoption, employment trends, and labour market balance shapes the Federal Reserve's policy decisions heading into late 2025. Despite fears that generative AI could rapidly displace workers, the data in October show a labour market that is surprisingly stable, albeit softening gradually.

Multiple private-sector datasets—ADP, Challenger layoffs, and Revelio Labsillustrate a labour market characterised by the "three lows": low hiring, low layoffs and low participation. This combination prevents major imbalances and allows employment to remain within a stabilising range despite headline volatility.
ADP employment rebounded to +42k in October, ending two months of contraction and beating expectations. Challenger layoffs spiked to 153k, but remain below pandemic-era peaks and have not translated into widespread deterioration. Services PMI rose back into expansion territory at 52.4, reinforcing a picture of modest, stable labour demand. Much of the drag on employment growth stems from weak labour supply, immigration remains lower than pre-pandemic and participation is slipping from mid-year highs.

Within this environment, AI's impact is more selective than catastrophic. The evidence shows that GenAI adoption depresses junior level hiring much more than senior or experienced hiring. A 2025 academic study shows junior headcount at AI-adopting firms falling 9% relative to non-adopters over six quarters from early 2023, but separations were not meaningfully higher, indicating forward-looking hiring freezes, not mass automation. Mid-tier graduates suffer the most, creating a U-shaped effect across educational tiers. Older workers are mostly unaffected. These results imply that firms are overestimating the near-term automation potential and adjusting hiring cautiously ahead of realised efficiency gains.

For the Fed, the critical implication is that balanced employment growth, the level required to keep unemployment stable, has fallen dramatically to only 32k–82k per month, well below pre-pandemic norms. Because job gains in 2025 remain within this band, the Fed sees no immediate inflationary or unemployment pressure from AI adoption. Moreover, macro modelling shows that baseline AI investment raises GDP growth and inflation only slightly, around 0.1 percentage points over five years, far below the ambitious scenarios often cited in bullish narratives.

This gives Chair Powell meaningful “cutting room.” If AI ultimately complements labour more than it substitutes for it, the natural rate of unemployment could even fall, which would support further rate cuts. With GenAI adoption still in its early, exploratory phase and hiring declines driven more by anticipatory caution than realised displacement, overly aggressive productivity assumptions appear unlikely to materialise in the medium term. Overall, the Fed faces a softening but resilient labour market in which AI acts more as a moderating force on hiring than a disruptive inflationary or unemployment shock—helping reinforce a gradual, data-dependent easing path into 2026.

IV. US Liquidity: Shutdown-Driven Funding Stress & Implications for Markets

The fourth theme addresses how the US government shutdown triggered a severe liquidity crunch across funding markets and how its resolution, combined with the end of quantitative tightening (QT), is set to inject as much as US$1 trillion back into the financial system, potentially fuelling a powerful year-end rally.

In late October and early November, the spread between SOFR and the Interest on Reserve Balances (IORB) surged to 32 basis points, the largest since the March 2020 financial crisis. SOFR jumped to 4.22% even after the Fed cut rates, signalling acute cash scarcity. The cause was a rapid ballooning of the Treasury General Account (TGA), which rose by about US$200 billion in three weeks as the shutdown halted government spending but allowed tax inflows to continue. This effectively vacuumed liquidity out of bank reserves and the repo market. Including the post–debt-ceiling rebuild earlier in the year, nearly US$700 billion had already been absorbed, creating a systemic strain.

Compounding the issue, the month-end regulatory scramble forced banks and money-market funds to hoard cash for balance-sheet reporting. This seasonal pattern, usually good for a 10–20 bps SOFR spike, became severe under the backdrop of the TGA surge and heavy Treasury bill issuance. More than US$500 billion in short-term supply hit the market as the government borrowed to cover deficits. Abundant Treasury collateral paradoxically worsened funding stress, because regulated institutions locked these T-bills onto balance sheets, reducing collateral available for repo. The Standing Repo Facility registered a record US$50.4 billion draw as institutions sought emergency liquidity.

The directional market effects were immediate. The US Dollar Index (DXY) strengthened toward 100 as higher funding costs acted as a de facto tightening. Rate cut expectations for December were slashed from above 90% to near 65%, and Treasury yields edged higher. Safe-haven and yield-seeking flows into USD assets intensified the dollar’s strength.

However, markets now anticipate a dramatic reversal. A bipartisan Senate bill passed a key hurdle on November 9, signalling the shutdown’s end. Once spending resumes, the TGA is expected to fall from roughly US$925 billion toward a normal range around US$750–800 billion, releasing US$100–200 billion per tranche directly into reserves and funding markets. Treasury will also normalise issuance, easing collateral stress. Crucially, the Federal Reserve will end QT in December 2025, halting the decline in bank reserves and stabilising the system after a US$1 trillion reserve depletion since 2022.

Together, shutdown resolution plus QT’s end could release around US$1 trillion into financial markets, reversing pessimistic trading logic and potentially driving an “epic” year-end liquidity rally. Equities have already responded, with S&P 500 futures briefly breaking 6,800 in anticipation. Funding markets should normalise, DXY should ease, and the broader system’s sensitivity to shocks should decline.

Overview of the US Equities Market

Wall Street's brief relief rally following the end of the U.S. government shutdown reversed sharply on Thursday as investors shifted focus to a looming deluge of delayed economic data, stretched tech valuations, and waning expectations for interest-rate cuts. U.S. stocks recorded their worst day in a month: the S&P 500 fell 1.7%, the Dow dropped 1.7% (around 798 points), and the Nasdaq slid 2.3%, with all three indices posting their largest declines since 10 October. Small caps were hit harder, with the Russell 2000 down 2.8%. Bitcoin also extended its decline, slipping back below US$100,000 to its lowest 4 p.m. level since May.

For 40 days, the government shutdown had delayed key economic releases, leaving markets "in the dark." With President Trump signing spending legislation, investors now fear that the bunched-up data releases could trigger sharp swings in markets and disrupt expectations for a December Fed rate cut. CME data showed the probability of a cut next month falling to around 50%, from 63% the previous day and about 70% a week earlier.

The sell-off was led by technology stocks, which have already been under pressure as investors rotate away from crowded AI and growth trades into cheaper, more defensive areas. CoreWeave dropped 8.3%, extending a 25% weekly slide after warning about a data-centre project delay. Nvidia (-3.6%), Oracle (-4.1%) and Tesla (-6.6%) all fell sharply. Disney also weighed on the Dow, losing 7.7% after missing revenue expectations.

Despite this, many investors remain fundamentally positive on AI and tech longer term but are increasingly cautious on lofty valuations, using the volatility to rebalance into value and defensive names. As Mark Malek of Siebert Financial noted, investors are "sticking to stocks" but rotating out of expensive growth into "safer and cheaper" opportunities.

Rate expectations are also being reassessed. Some strategists argue markets became overconfident on cuts after the Fed's September projections signalled two more reductions this year, masking internal divisions between officials focused on labour weakness and those worried about persistent inflation. Upcoming data—particularly on jobs and inflation—will be crucial in clarifying the Fed's next steps.

There were pockets of resilience: Cisco rose 4.6% after upgrading its outlook, Verizon gained 0.8% on news of a planned 15,000-job cut, and energy was the only S&P 500 sector to finish higher, up 0.3%. Meanwhile, the 10-year U.S. Treasury yield ticked up to 4.11%, reflecting reduced expectations of imminent monetary easing, and silver eased 0.5% after hitting a record high the previous day.

Overview of the US Treasuries and Other Fixed Income Markets

Doubts around a December Federal Reserve rate cut intensified as Minneapolis Fed President Neel Kashkari revealed he did not support the last rate cut and remains undecided about the next move. Kashkari said recent data show underlying economic resilience, arguing that the October cut may have been premature. For December, he said he can "make a case to cut" or "a case to hold," depending on incoming data. His comments add to a growing chorus of Fed officials expressing scepticism about further cuts this year.

Markets have taken notice. The probability of a December cut has fallen to around 50%, down from nearly 100% before the Fed's October meeting, as investors react to increasingly hawkish commentary. While Kashkari does not vote this year, he participates in FOMC debates and reflects a wider divide within the central bank. Some policymakers remain concerned about pockets of labour-market weakness, particularly among low-income and subprime borrowers. Others highlight stable corporate earnings and optimism about 2026, underscoring the economy's mixed signals.

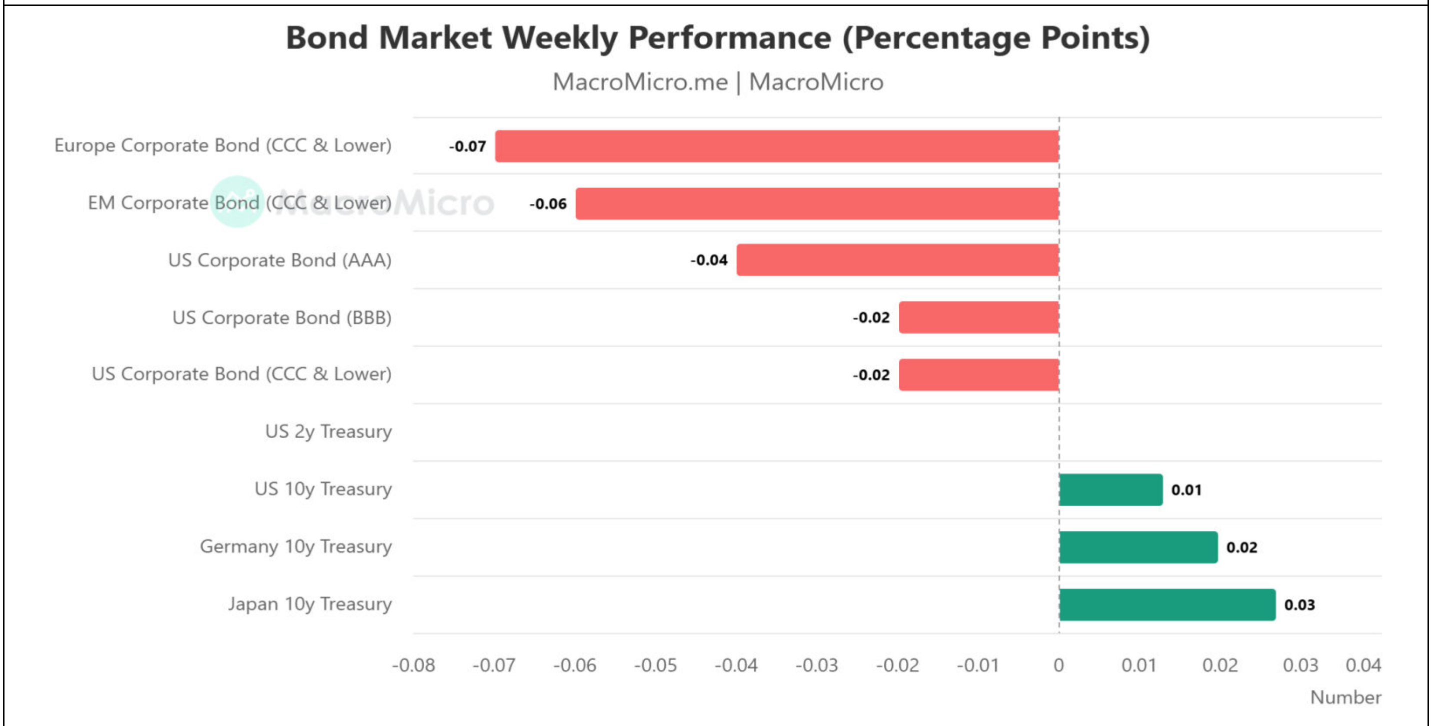
San Francisco Fed President Mary Daly also struck a neutral tone, saying it is too early to commit to a cut or no cut. Meanwhile, a more hawkish bloc, including Boston's Susan Collins, Kansas City's Jeff Schmid, Cleveland's Beth Hammack, and Dallas's Lorie Logan, argues that inflation, still around 3%, is too high to justify more easing. Even previously dovish officials, such as Chicago's Austan Goolsbee, have shown renewed caution.

By contrast, Governors Stephen Miran, Christopher Waller, and Michelle Bowman still support additional cuts, with Miran noting better-than-expected inflation readings. The conflicting viewpoints illustrate the Fed's challenge: balancing softer hiring and pockets of household stress against resilient corporate performance and still-elevated inflation.

The situation is further complicated by the government shutdown, which halted key economic reports. Although data releases will resume, it is unclear how much fresh information will be available before the Dec. 9–10 FOMC meeting. Policymakers may be forced to make a critical decision with only partial visibility on the labour market and inflation trends.

Overall, the growing divide within the Fed, and reduced market confidence, suggests December's decision will be finely balanced, with the path for interest rates now more uncertain than at any point this year.

Exhibit 3:Bond Yield Movements in the Past Week



Overview of the Australian Equities Market

Australian shares tumbled to their lowest level since July, with the S&P/ASX200 falling 1.36% to 8,634.5 in its worst session in 10 weeks and fourth straight day of losses. The broader All Ordinaries also dropped 1.41%. The index has now fallen 1.54% for the week, its weakest weekly performance since early April, and is down more than 5% since hitting a record high on 21 October.

The sell-off was driven largely by hawkish comments from US Federal Reserve officials, which sharply reduced expectations of a December rate cut. CME FedWatch now places the odds at 50%, down from 95% a month earlier. A global pullback in risk assets also followed an unwinding of the AI trade, with stretched valuations prompting investors to rotate out of tech.

Tech was by far the worst-performing ASX sector, plunging 4.4%, its biggest single-day fall in seven months. Heavyweight names saw steep losses: Megaport (-9.6%), Hub24 (-8%), and Life360 (-6.7%), which is now down over 20% this week. Banks were also hit hard, with all Big Four falling 1.6–2.6%. CBA dropped to a seven-month low, down 18% from its June peak. Miners declined across the board, with BHP, Fortescue and Rio Tinto all weaker, while gold miners also fell despite firmer gold prices.

A handful of stocks bucked the trend: Pilbara, Liontown, and Santos posted small gains around 1%. Despite recent declines, the ASX200 remains up 5.8% year-to-date, though it is down 2.4% this quarter.

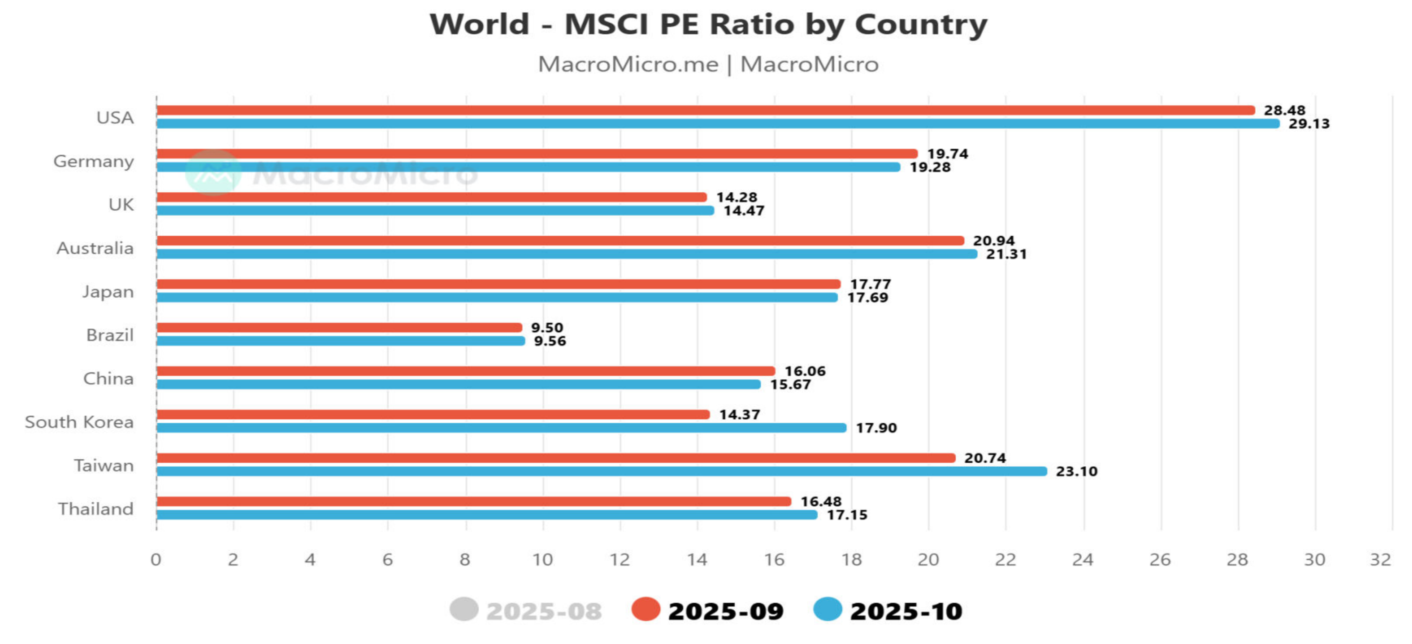
The Australian dollar edged lower to 65.37 US cents, while cryptocurrencies slid, with Bitcoin dropping below US$99,000 for the first time since April.

Key companies holding AGMs included Virgin Australia, LendLease, and Vault Minerals, while TPG Telecom traded ex-dividend.

In economic update, the RBA forecasts economic growth near 2% annually over the next two years, around its long-term trend, supported by strong household consumption, which exceeded expectations in September. Unemployment is expected to hold around 4.4% through 2027, reflecting a still-tight labour market. Unit labour costs rose 5% in the year to June, underscoring continued wage and cost pressures.

Overall, the RBA believes inflation will moderate gradually but remains wary of entrenched price pressures. Bullock reiterated that “just below three [per cent] is not good enough,” stressing the need for inflation to return sustainably to the 2.5% midpoint. While the RBA anticipates some easing in quarterly inflation ahead, it remains cautious amid signs that demand is still pressing against the economy’s supply limits.

Exhibit: 4– World MSCIPE Ratio by country



Overview of the Australian Government Bond Market

Australian and US bond yields moved slightly higher over the week as markets continued to reassess interest-rate expectations. In Australia, the 3-month BBSW held steady at 3.64%, while government bond yields rose across the curve, reflecting a firmer outlook for inflation and a reduced likelihood of near-term rate cuts. The 3-year yield increased 11 bps to 3.76%, the 10-year rose 7 bps to 4.44%, and the 30-year gained 4 bps to 5.03%, signalling upward pressure on long-dated borrowing costs. The cash rate remained unchanged at 3.60%.

US Treasury yields also edged higher, but the moves were more modest. The 2-year yield rose 2 bps to 3.59%, indicating slightly firmer expectations for the Federal Reserve’s policy path, while the 10-year and 30-year yields increased 3 bps each, reaching 4.13% and 4.73% respectively. These increases reflect continued resilience in US economic data and persistent inflation uncertainty.

Meanwhile, the Australian dollar strengthened, rising 0.46 US cents to 65.27, supported by stable domestic rates and marginally higher commodity sentiment. Overall, the week’s data reflects a mild upward shift in global yields, with markets increasingly cautious about the timing and magnitude of future monetary easing.

The RBA kept the cash rate at 3.6% in its November 2025 meeting and signalled a more hawkish stance, with Governor Michele Bullock indicating that interest rates could move “in either direction” as inflation is now expected to remain above the 2–3% target range until the second half of 2026. Markets, which just a week earlier fully priced in a February 2026 cut, have sharply repriced expectations: the likelihood of a May cut has dropped to 69%, and bond futures no longer assume any cut this cycle. The RBA was surprised by stronger September-quarter inflation, with underlying inflation at 3%, and now places greater weight on restoring price stability over protecting employment.

Inflation is forecast to peak at 3.7% in mid-2026 before easing to 2.6% by mid-2027, while real wages are expected to fall through 2026. Bullock noted temporary drivers such as travel and fuel but warned of persistent pressures in housing and hospitality. Economists from NAB, EY and Fortlake viewed the tone as hawkish, suggesting cuts are unlikely without a clear economic deterioration. Analysts including Jonathan Kearns consider a February cut unrealistic without exceptionally low CPI. Some strategists even see potential for rate hikes in late 2026. Markets now view the next move as equally likely to be up as down, reflecting a shift from easing bias to cautious neutrality.

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

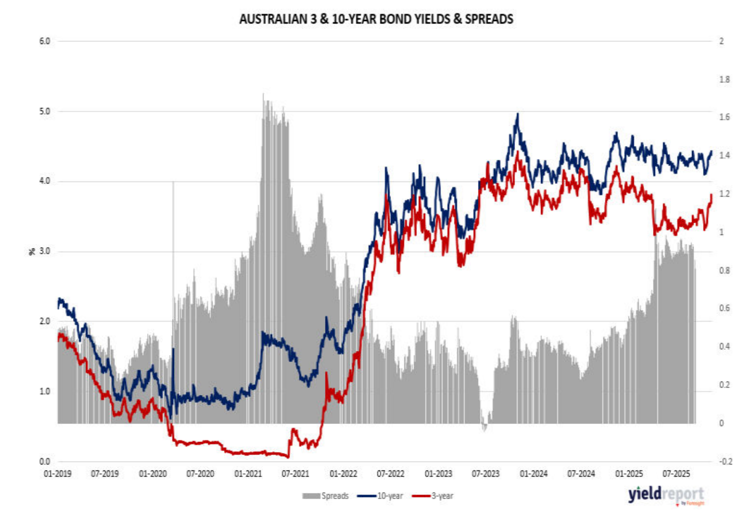
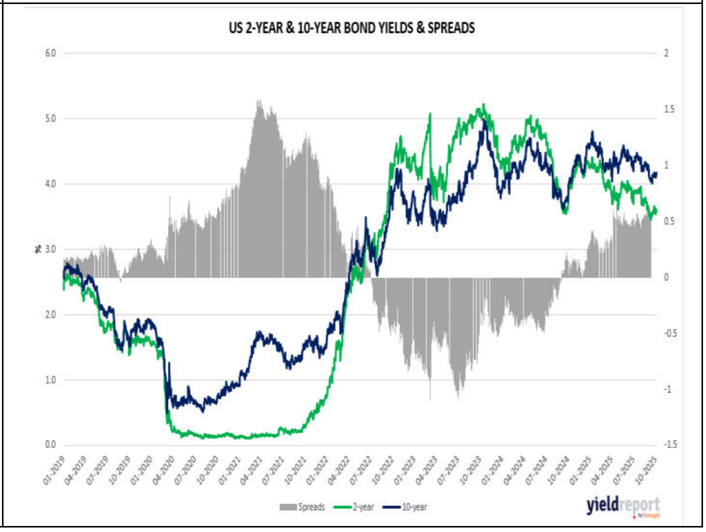


Exhibit 6: US 2 and 10-year Bond Yield &Spread



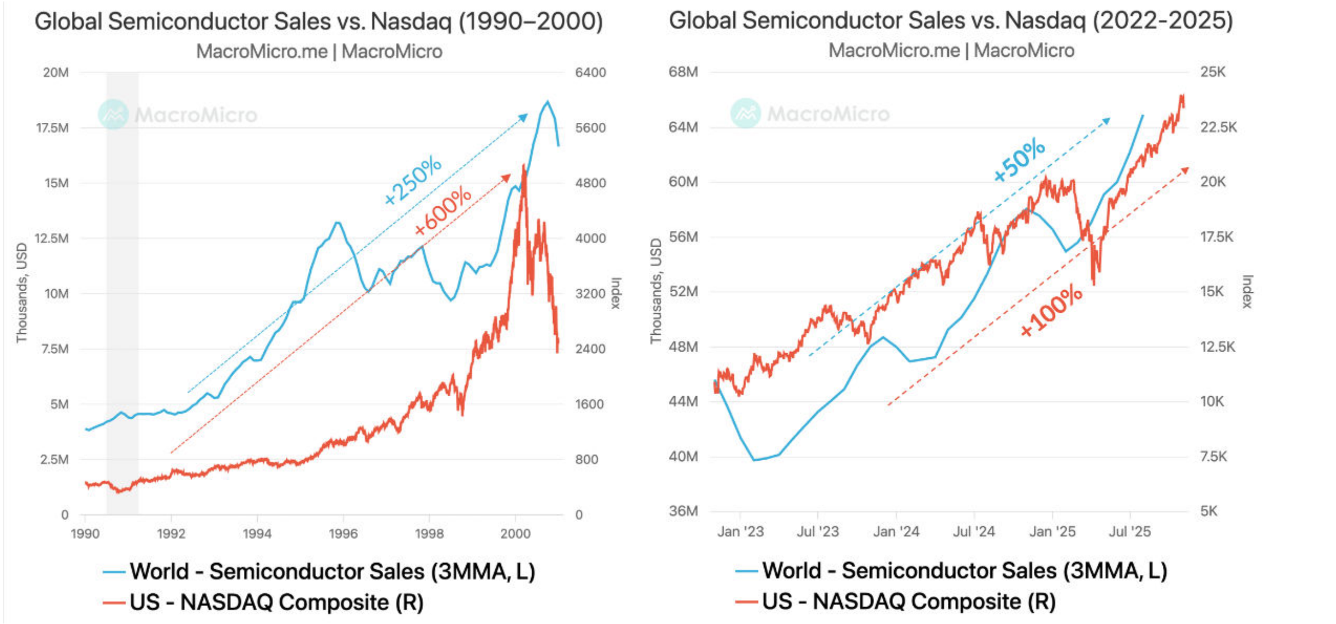
Market Summary Table

Name	Week Close	Week Change	Week High	Week Low
Cash Rate%	3.60%			
3m BBSW %	3.64	0.00	3.63	3.63
Aust 3y Bond %*	3.76	0.11	3.81	3.65
Aust 10y Bond %*	4.44	0.07	4.43	4.36
Aust 30y Bond %*	5.03	0.04	5.03	4.99
US 2y Bond %	3.59	0.02	3.59	3.56
US 10y Bond %	4.13	0.03	4.13	4.07
US 30y Bond %	4.73	0.03	4.73	4.66
$1AUD/US¢	65.27	0.46	65.77	64.89

Chart of the week: Is This the New Dot-Com Bubble? Semiconductors, Nasdaq, and the AI Productivity Cycle

Global tech markets question whether today's surge reflects an AI bubble, but the evidence suggests the cycle is still early. Unlike the 1990s internet boom, when semiconductor sales jumped 250%; today's growth is only about 50%, as AI infrastructure remains concentrated in hyper-scale data centres and high costs limit broader adoption. Rapid declines in inference costs, up to 900x annually, are now removing this bottleneck. As costs fall, AI deployments will expand across enterprises, consumers and national "Sovereign AI" programs. Agent AI, Edge AI and geopolitical investment will fuel a much larger second wave, making today's rally the beginning, not the peak, of the cycle.

Exhibit 7: Is This the New Dot-Com Bubble?



Looking ahead: Major Economic Releases for the Week Ending 21st November

For the week ending November 21, 2025, Australian economic data will be in the spotlight, with the Composite Leading Index MM for October expected to reflect subdued economic momentum following recent softness, while Wage Price Index QQ and YY for Q3 are anticipated to show modest wage growth amid cooling labour market pressures. S&P Global PMI Flash for manufacturing, services, and composite in November may indicate continued expansion in services offsetting manufacturing weakness.

In the United States, economic data releases are experiencing broad delays for October and November figures following the recent end of the longest government shutdown in history, which disrupted data collection and processing at key agencies like the Bureau of Labour Statistics. Philly Fed Business Index for November is expected to show moderation in manufacturing sentiment, while Existing Home Sales for October may edge higher, pointing to tentative housing stabilization. These indicators might affirm the Federal Reserve's gradual easing path to sustain growth, but ongoing delays could heighten market uncertainty and complicate timely policy assessments.

Major Economic Releases for the Week ending 21Nov, 2025				
Date	**Country**	**Release**	**Consensus**	**Prior**
Wednesday, 19/11	Australia	Composite Leading Idx MM	n/a	-0.03
Wednesday, 19/11	Australia	Wage Price Index QQ	0.8	0.8
Wednesday, 19/11	Australia	Wage Price Index YY	3.4	3.4
Thursday, 20/11	United States	Philly Fed Business Indx	2	-12.8
Thursday, 20/11	United States	Existing Home Sales	4.08	4.06
Thursday, 20/11	Australia	S&P Global Mfg PMI Flash	n/a	49.7
Thursday, 20/11	Australia	S&P Global Svs PMI Flash	n/a	52.5
Thursday, 20/11	Australia	S&P Global Comp PMI Flash	n/a	52.1
Thursday, 13/11	United States	Initial Jobless Clm	225	218

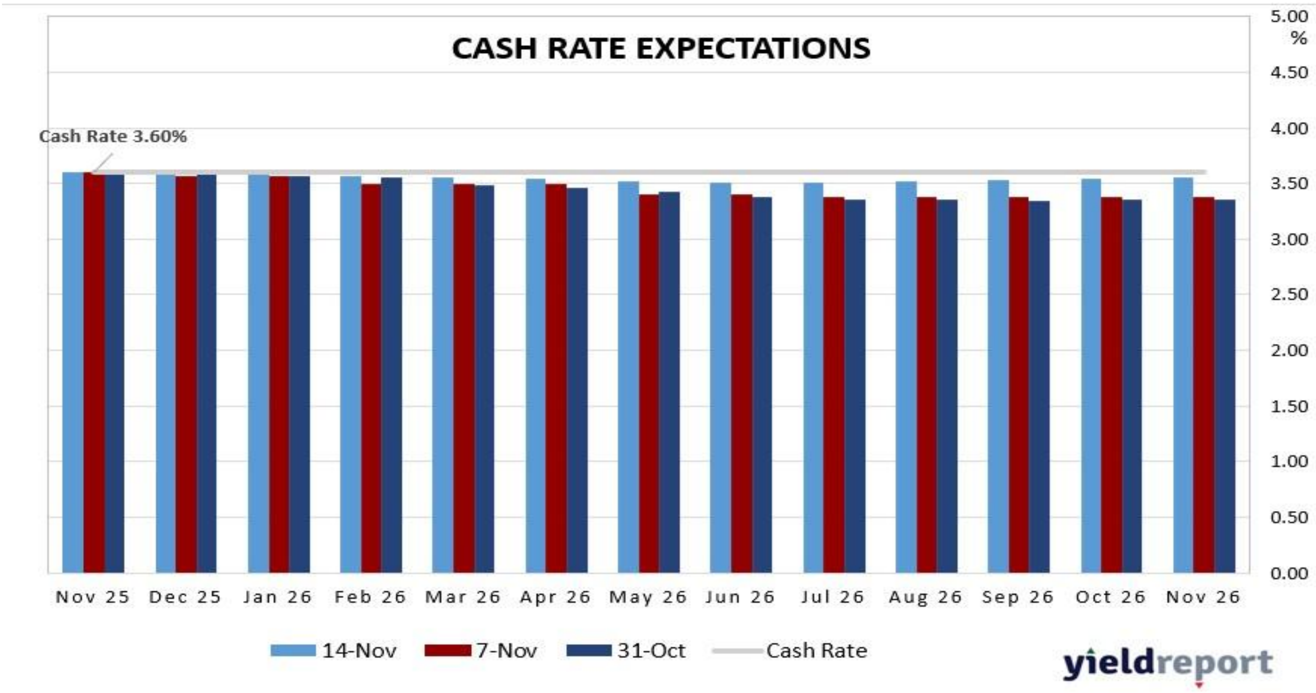
Source: Refinitiv

PART 2 – Investment Opportunity Review

Defensive Income – Cash

The RBA kept the cash rate at 3.6% and signalled that rate cuts are unlikely soon, with inflation now expected to stay above the 2–3% target until late 2026. Governor Bullock confirmed no cuts were discussed, prompting markets to sharply reprice expectations: a May 2026 cut is now only 69% likely. The Bank was surprised by stronger September inflation and is prioritising price stability over employment near term. While some drivers were temporary, persistent housing and services inflation remain a concern. Economists describe the tone as hawkish, noting that only a clear economic slowdown would trigger earlier easing.

Exhibit8: Market Expectation on Cash Rate



Defensive Income- Term Deposits

The movements in term deposit rates by major and non-major banks continue to show stability this week. Over the past week, ending November 14, 2025, there were minimal adjustments, with notable consistency across most terms despite some isolated tweaks. Our survey across 42 institutions indicates that the most contested term deposit term remains 6 months, followed by 3 months and 1 year, with sample sizes of 42 each.

This week the best rate with a 3-month term was 4.38%, steady from the week before, with in1bank offering the top rate. The median rate of 3.80% reflects a broad range from 2.25% to 4.38%.

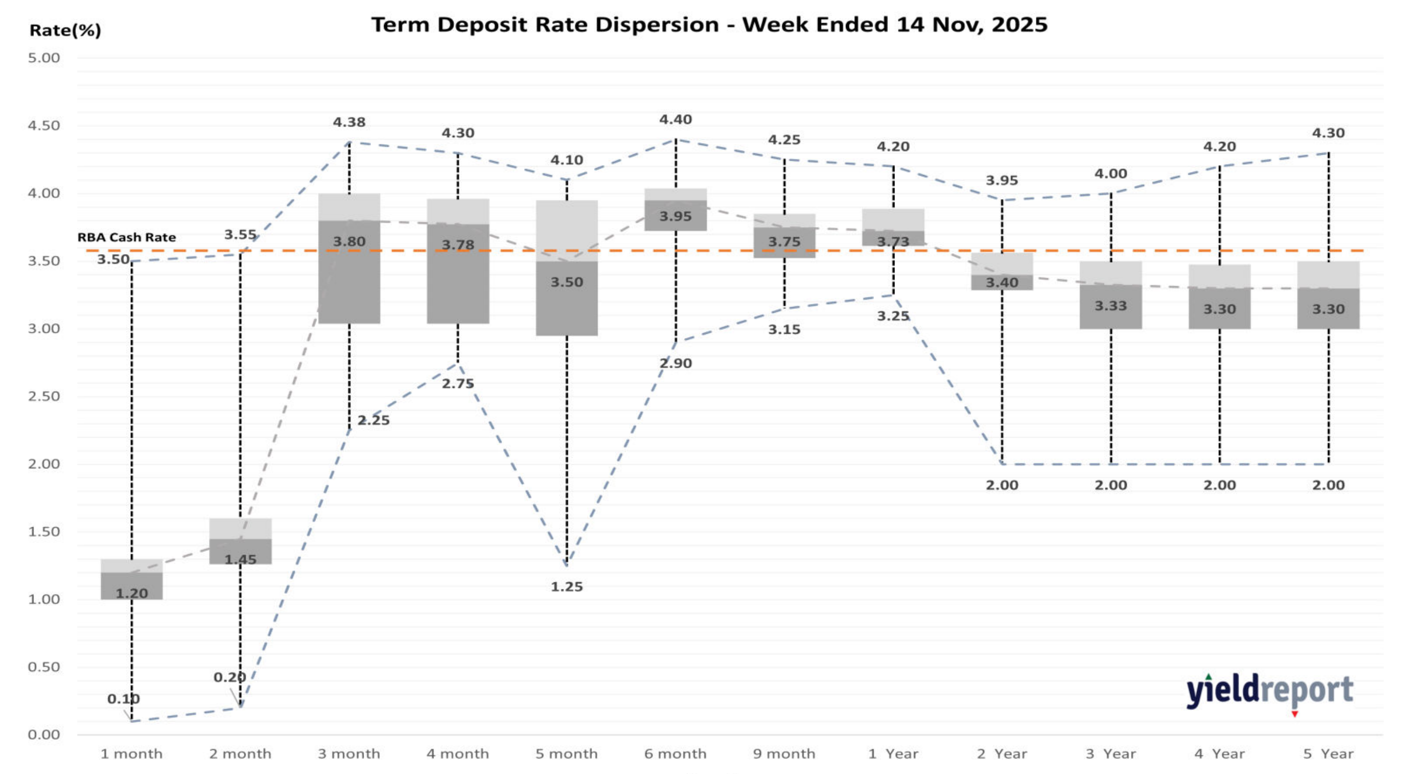
This week the best rate within 6 months term was 4.40%, unchanged from last week, offered by Military Bank. The median rate of 3.95% shows a tight quartile spread of 0.31%, indicating consistency.

Interestingly, the best 5-year rate held steady at 4.30% from last week, led by Judo Bank and Rabobank Australia. The median rate held at 3.30%, with a range from 2.00% to 4.30%.

Our analysis shows term deposits with rates above 4% are holding strong. In the 3-month category, 5 institutions now offer over 4%, unchanged from last week. In the 6-month category, 11 institutions exceed 4%, steady from last week, reinforcing the 6-month term's competitiveness.

For the 3-month term, the top rates are led by in1bank at 4.38%, followed closely by BOQ Specialist at 4.20%, ING Direct and Bank Australia at 4.15% and Teachers Mutual Bank at 4.05%. In the 6-month category, Military Bank tops the list with 4.40%, followed by ING Direct at 4.35%, Bank Australia at 4.25% and Arab Bank Australia at 4.20%. For the 5-year term, Rabobank Australia and Judo Banks stand at the top with 4.30% followed by IMB at 4.0%.

Exhibit 9: Highest Term Deposit Rate by Term



Source: YieldReport, Foresight Analytics

Defensive Income – Government Bonds

Australian and US bond yields moved slightly higher over the week as markets continued to reassess interest-rate expectations. In Australia, the 3-month BBSW held steady at 3.64%, while government bond yields rose across the curve, reflecting a firmer outlook for inflation and a reduced likelihood of near-term rate cuts. The 3-year yield increased 11 bps to 3.76%, the 10-year rose 7 bps to 4.44%, and the 30-year gained 4 bps to 5.03%, signalling upward pressure on long-dated borrowing costs. The cash rate remained unchanged at 3.60%.

US Treasury yields also edged higher, but the moves were more modest. The 2-year yield rose 2 bps to 3.59%, indicating slightly firmer expectations for the Federal Reserve's policy path, while the 10-year and 30-year yields increased 3 bps each, reaching 4.13% and 4.73% respectively. These increases reflect continued resilience in US economic data and persistent inflation uncertainty.

The RBA kept the cash rate at 3.6% in its November 2025 meeting and signalled a more hawkish stance, with Governor Michele Bullock indicating that interest rates could move “in either direction” as inflation is now expected to remain above the 2–3% target range until the second half of 2026. Markets, which just a week earlier fully priced in a February 2026 cut, have sharply repriced expectations: the likelihood of a May cut has dropped to 69%, and bond futures no longer assume any cut this cycle. The RBA was surprised by stronger September-quarter inflation, with underlying inflation at 3%, and now places greater weight on restoring price stability over protecting employment.

Inflation is forecast to peak at 3.7% in mid-2026 before easing to 2.6% by mid-2027, while real wages are expected to fall through 2026. Bullock noted temporary drivers such as travel and fuel but warned of persistent pressures in housing and hospitality. Economists from NAB, EY and Fortlake viewed the tone as hawkish, suggesting cuts are unlikely without a clear economic deterioration. Analysts including Jonathan Kearns consider a February cut unrealistic without exceptionally low CPI. Some strategists even see potential for rate hikes in late 2026. Markets now view the next move as equally likely to be up as down, reflecting a shift from easing bias to cautious neutrality.

Exhibit10: Aust. 10 yr minus 3 yr Bond Spread

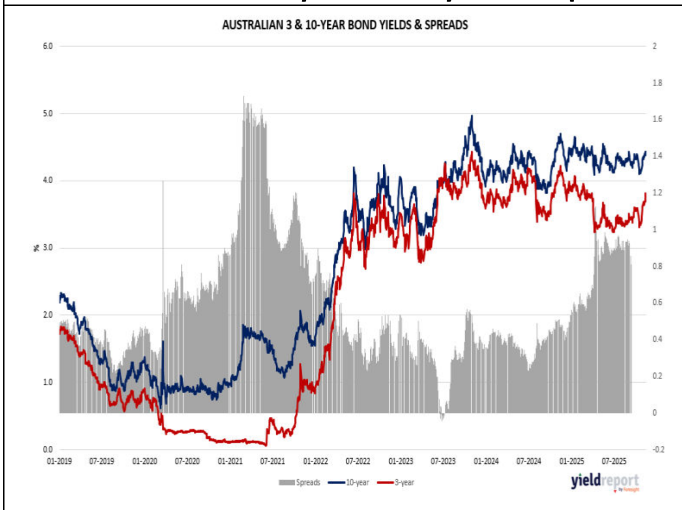


Exhibit11: Aust & US Bond Yields Spread

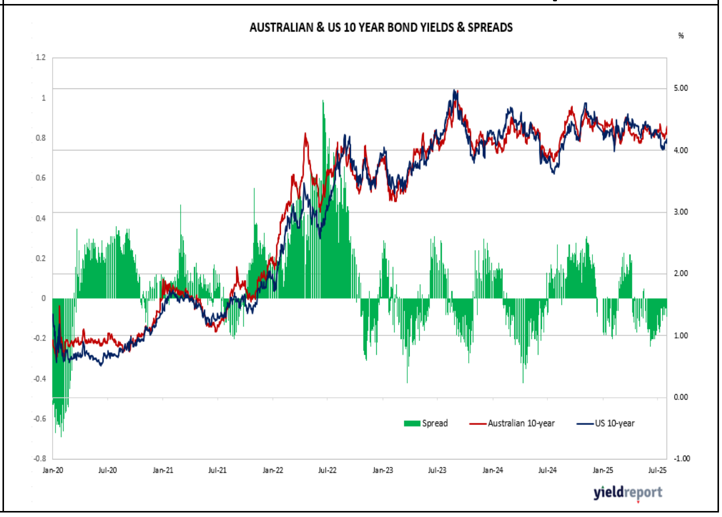
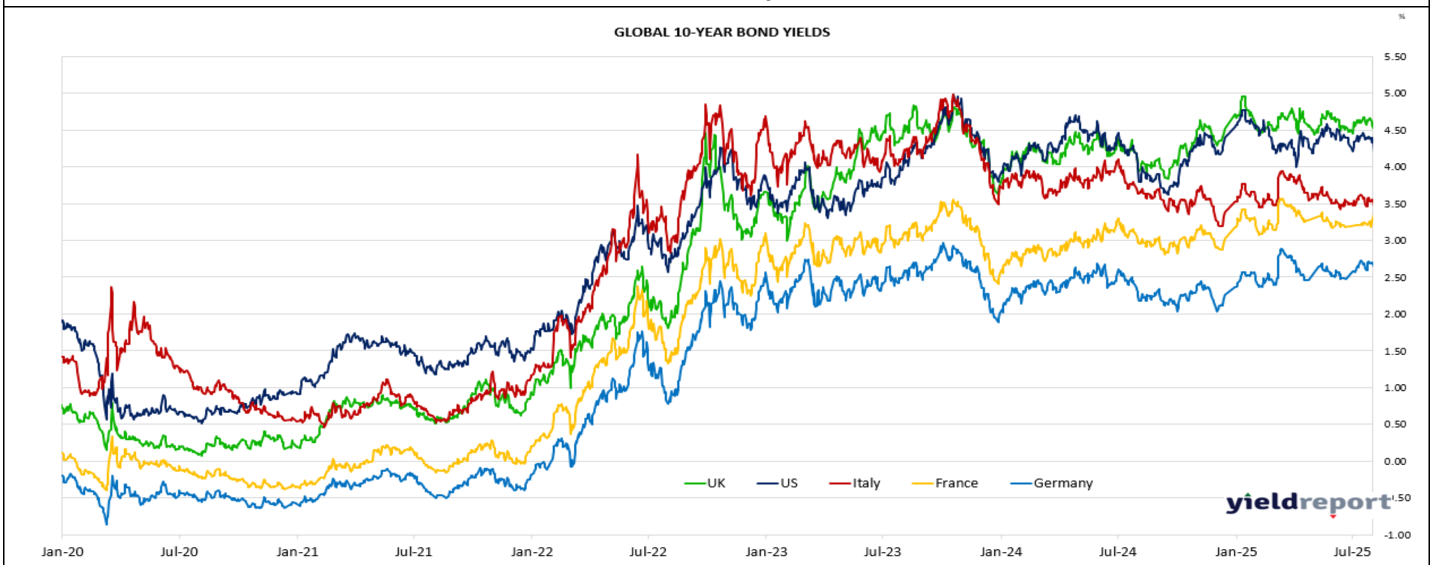


Exhibit 12: Global 11 yr Bond Yields



Bank, Corporate Hybrids& Private Credit

The Australian bank hybrid market remained steady last week, underscoring its role as a reliable income source amid broader credit market uncertainty. With the hybrid sector valued at approximately $43 billion, investor demand continues to be driven by attractive yields relative to term deposits and government bonds.

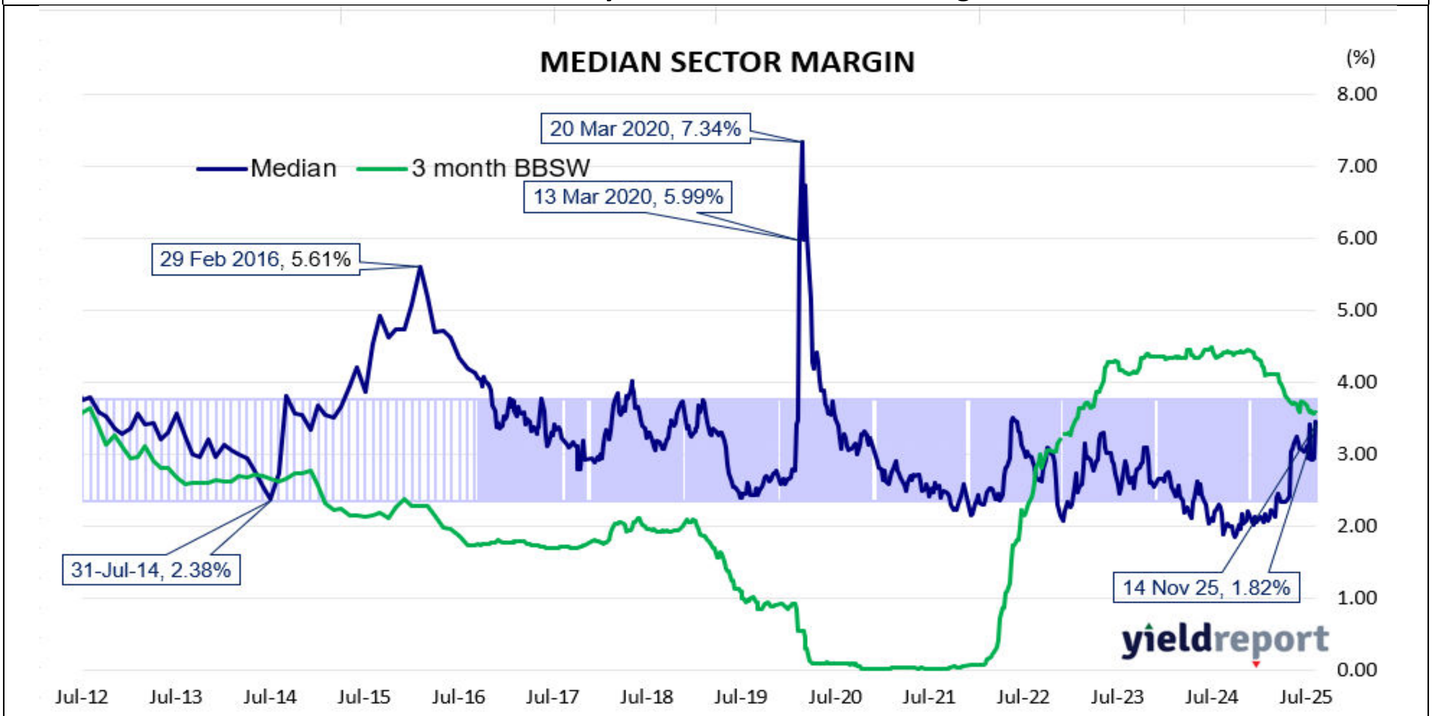
This week, ASX-listed hybrids maintained a steady performance across both standard and non-standard instruments. Among the top performers in terms of running yield were Nufarm (NFNG) at 9.09%, Latitude (LFSPA) at 8.43%, and Macquarie Bank (MBLPC) at 8.30%, offering attractive income opportunities for yield-focused investors.

Day-to-day price movements were mixed. Challenger (CGFPC) led gains with +3.09%, followed by AMP Group (AMPPB) at +0.57% and Challenger (CGFPD) at +0.57%. On the downside, Macquarie Bank (MBLPC) fell sharply by -5.64%, while Latitude (LFSPA) slipped -0.51% and Bendigo Bank (BENPH) declined -0.45%. Trading margins remained broadly stable, with Latitude (LFSPA) standing out at 5.42%, and Nufarm (NFNG) at 5.44%, indicating a mix of high yield and elevated risk-reward dynamics. Most major bank-issued hybrids continued to trade in the 1.5%–2.0% margin range, reflecting moderate risk appetite.

Average closing prices hovered near or slightly above par, though select instruments such as Macquarie Group (MQGPF) at 106.75, Ramsay Health Care (RHCPA) at 107.10, and Bendigo Bank (BENPH) at 104.24 traded well above, signaling continued investor confidence in these names.

Despite minor day-to-day fluctuations, the hybrid market continues to provide a stable income stream, though investors should remain mindful of call dates and potential regulatory changes impacting bank capital structures.

Exhibit 13: Hybrids: Median Sector Margin



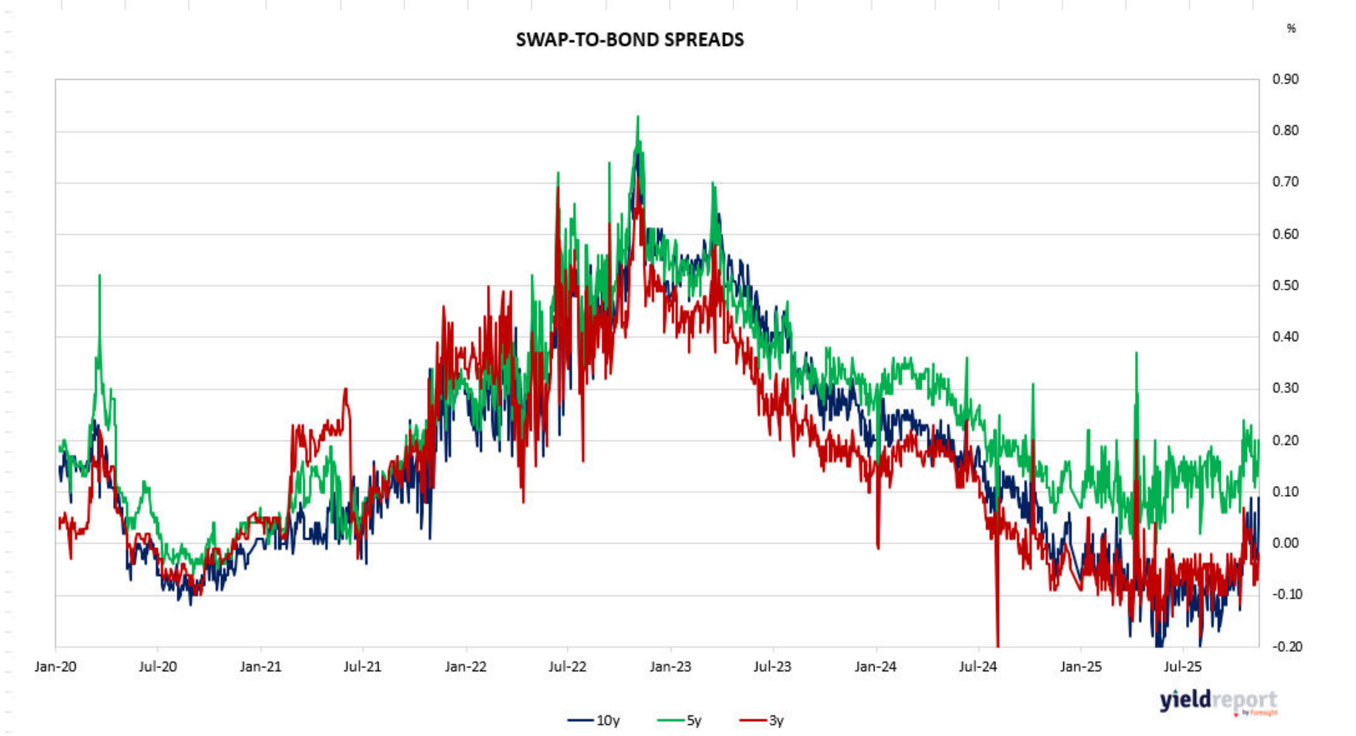
Bank Bill Swaps

Australian interest rate swap yields rose steadily across the curve over the past month, reflecting a broad-based re-pricing of monetary policy expectations as markets adjust to the prospect of more persistent inflation and a later rate-cutting cycle. Short-end swap rates were unchanged over the week, with the 1-month, 3-month and 6-month tenors flat, though all have drifted higher over the month by 4–11 bps, signaling modest upward pressure in front-end funding costs.

The movement was far more pronounced in medium- and long-dated swaps. The 1-year rate rose 10 bps over the week and 19 bps over the month, while the 3-year and 5-year tenors increased by 20–21 bps over the week and around 30 bps monthly. These shifts reflect greater uncertainty around the RBA's willingness to ease policy, with markets pushing out expectations for the first rate cut.

Long-term swap rates also climbed noticeably. The 10-year swap rose 20 bps over the week and 27 bps over the month to 4.52%, while the 15-year tenor increased 19 bps weekly and 26 bps monthly. The overall pattern highlights rising term premia and a reassessment of structural inflation risks, driving yields higher across the curve.

Exhibit 14: Bank Bill Swaps



US & EM Corporate Bond Spreads

U.S. corporate bond spreads

- Investment-grade U.S. corporate spreads remain very tight: the broad U.S. corporate OAS (option-adjusted spread) is approximately 0.81% (81 basis points) as of early November 2025.
- The BBB segment of U.S. corporate bonds sits at roughly 1.04% spread over Treasuries.
- Historically low spreads reflect strong investor demand, limited risk premia, and favourable credit conditions. But regulators note spreads are compressed and may lack buffer against downside risk.

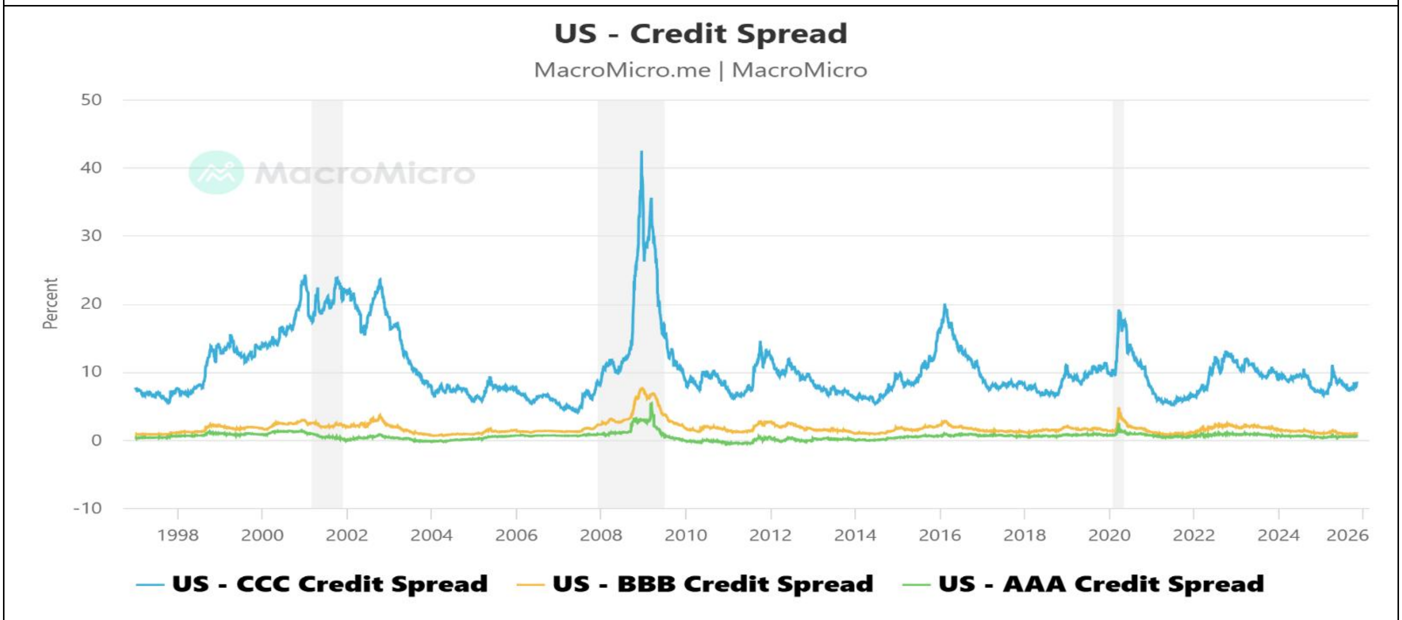
Emerging-market corporate bond spreads

- The EM corporate bond OAS for non-sovereign USD/Euro-denominated debt is about 1.57% (157 basis points) as of early November 2025.
- Although higher than U.S. IG spreads, EM corporate spreads are still regarded as tight relative to historical levels and relative to their underlying credit fundamentals.
- Analysts argue that EM corporate now offer less room for spread compression, but still provide attractive yield and diversification compared to developed-market credit.

Key take-aways

- Both U.S. and EM corporate spreads are at elevated narrowness, signalling strong risk appetite and limited compensation for credit and liquidity risk.
- The U.S. spread environment looks particularly "benign," raising questions about whether it appropriately reflects underlying macro and credit risks.
- EM corporate spreads offer higher yield premiums, but the tightening they've already experienced suggests less "upside" for further spread compression—meaning returns will increasingly depend on carry and idiosyncratic credit performance.
- For investors, this means vigilance is required: tight spreads reduce cushion against adverse events (e.g., economic slowdown, policy shifts). The incremental reward for taking extra credit risk is muted, especially in the U.S. market.

Exhibit 15: US Credit Spreads



Listed Notes

The Australian floating rate note (FRN) market continues to show mixed performance this week, with notable movements across major issuers.

Centuria Capital (C2fha)

- Maturity: 20 April 2026
- Issue Margin: 4.25%
- Trading Margin: -0.88% (down sharply)
- Price: $102.48
- Running Yield: 7.55%

Centuria Capital's note saw a 3.57% decline in trading margin, signalling reduced investor appetite despite its attractive running yield above 7%. This could indicate short-term volatility or profit-taking in the sector.

Australian Unity Bonds

AYUHD (Series D)

- Maturity: 15 December 2026
- Issue Margin: 2.15%
- Trading Margin: 1.55%
- Price: $99.30
- Running Yield: 5.61%

Series D bonds slipped 0.96% in trading margin, reflecting moderate pressure on pricing.

AYUHE (Series E)

- Maturity: 15 December 2028
- Issue Margin: 2.50%
- Trading Margin: 1.65%
- Price: $100.99
- Running Yield: 5.85%

Series E bonds remain relatively stable, with only a 0.62% margin decline, suggesting longer-dated securities are holding investor confidence better.

ETFs

Australia – Defensive Positioning and Market Rotation Signal Cautious Sentiment

The Global ETF landscape for the week ending November 7, 2025 reflected a notable shift toward defensive positioning, with inverse equity strategies outperforming while cryptocurrency and uranium exposures faced significant headwinds.

Performance

For the week ending November 7, 2025, the Global X Ultra Short Nasdaq 100 Complex ETF (SNAS) led weekly returns with a 7.9% gain, followed by Betashares US Equities Strong Bear HF - Hedged (BBUS) at 4.0% and Savana US Small Caps Active ETF (SVNP) at 3.6%. VanEck Global Healthcare Leaders ETF (HLTH) and Betashares Australian Equities Strong Bear (BBOZ) also posted solid weekly gains above 3%, indicating risk-off sentiment.

On the downside, cryptocurrency ETFs faced sharp declines, with Betashares Ethereum ETF (QETH) down -9.7%, Monochrome Ethereum ETF (IETH) falling -11.8%, and Global X 21Shares Ethereum ETF (EETH) dropping -13.7%. Uranium strategies reversed course from the prior week, with Global X Uranium ETF (ATOM) declining -13.3% and Betashares Global Uranium ETF (URNM) down -14.1%.

Year-to-date, Global X Hydrogen ETF (HGEN) maintained its leadership position at 115.7%, followed by VanEck Gold Miners ETF (GDX) at 91.7%, Betashares Global Gold Miners ETF (Hedged) (MNRS) at 83.9% and Global X Defence Tech ETF (DTEC) at 69.9%. Over a 12-month horizon, HGEN, MNRS, and GDX all posted returns above 83%, while bearish ETFs such as SNAS and BBUS remained deep in negative territory with losses exceeding -30%.

Flows & Turnover

Vanguard Australian Shares Index ETF (VAS) continued to dominate 12-month inflows with A$4.08 billion, followed by VGS at A$2.38 billion and VBND at A$1.99 billion, indicating sustained investor preference for core equity and fixed income exposure. Betashares Australia 200 ETF (A200) and iShares Core S&P 500 (IVV) also saw strong inflows, each exceeding A$1.5 billion.

In terms of turnover, VAS maintained its leadership position with a weekly average daily turnover of A$46.8 million, followed by Betashares Australian High Interest Cash ETF (AAA) at A$42.5 million and Betashares NASDAQ 100 (NDQ) at A$33.0 million. Global X Physical Gold (GOLD) continued to attract liquidity with weekly turnover of A$16.6 million.

The week highlighted a notable rotation into defensive strategies and away from higher-risk thematic exposures, while investor flows remained concentrated in diversified equity, bond, and cash management ETFs.

USA – Flow Trends

ETF flows surged again, with investors adding $43 billion to U.S.-listed ETFs for the week ending November 7, 2025, pushing year-to-date inflows above $1.14 trillion—a new record surpassing 2024's total. Despite market volatility and profit-taking in tech, ETF demand remained resilient.

U.S. equity ETFs dominated with $25 billion in inflows, followed by U.S. fixed income ETFs at $8.9 billion and international equities at $7.4 billion. Currency and commodity ETFs saw outflows of $729 million and $169 million, respectively, as investors shifted toward core exposures.

Among top-performing funds, the SPDR S&P 500 ETF Trust (SPY) led with $12 billion in inflows, followed by Invesco QQQ Trust (QQQ) at $2.8 billion and Vanguard S&P 500 ETF (VOO) at $2.4 billion. VOO's year-to-date intake now exceeds $105 billion, cementing its position as 2025's top asset gatherer. Tech-related ETFs also attracted attention: VanEck Semiconductor ETF (SMH) added $1.3 billion, while ProShares UltraPro QQQ (TQQQ) drew $1.2 billion as traders bought the AI dip. The iShares 0–3 Month Treasury Bond ETF (SGOV) saw $1.4 billion in inflows, reflecting strong demand for short-term Treasuries amid rising yields.

International exposure was supported by steady flows into developed market ETFs, while leveraged products gained traction from aggressive traders.On the outflows side, the SPDR Dow Jones Industrial Average ETF (DIA) led with $1.7 billion in redemptions. Vanguard Information Technology ETF (VGT) shed $1.3 billion, and Schwab U.S. Large-Cap Growth ETF (SCHG) lost $935 million. The iShares Bitcoin Trust (IBIT) also saw nearly $600 million in outflows as bitcoin briefly dipped below $100,000.

Overall, flows were broad-based across equities and bonds, with modest outflows in commodities and currency ETFs. Despite market pullbacks and higher Treasury yields, investor appetite for ETFs remains strong, signaling confidence in diversified, liquid strategies.

About YieldReport - Your Income Advantage

YieldReport is Australia's leading online investor platform on interest rate markets and yield investments. YieldReport provides research, data, advice, news review and insights on what's shaping the yield curve and fixed income markets. It also provides a great source of reference for pricing and performance data on yield focused investment opportunities including cash, term deposits, and government and semi-government bonds, managed funds, ETFs, corporate bonds, floating rate notes and hybrids. YieldReport insights and analyses are designed to help anyone capital allocation or investment selection – whether it be their own or whether they sit on a finance committee, board etc. – to make informed decisions about where interest rates are going and to have access to the best rates and latest performance data available on yield-oriented investments.

Explore more via the website - www.yieldreport.com.au. Find daily updates on social media platforms such as [LinkedIn]() and [Twitter]().

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

Disclaimer