yieldreport Daily

Your Income Advantage

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Overview of the US Market

Wall Street closed higher on December 3, 2025, buoyed by gains in energy and financial stocks amid softer labour data that bolstered bets for a Federal Reserve rate cut this month. The Dow Jones Industrial Average rose 0.86% to 47,882.90, marking its strongest session in over a week, while the S&P 500 added 0.30% to 6,849.72 and the Nasdaq Composite edged up 0.17% to 23,454.09. The advance came despite weakness in mega cap technology names, reflecting a rotation away from AI-driven stocks toward cyclical sectors as investors digested mixed economic signals.

Energy led the S&P 500 sectors with a 1.83% gain, fuelled by a 0.5% rise in West Texas Intermediate crude to around $59 per barrel, amid ongoing supply concerns and a weaker dollar. Financials climbed 1.27%, benefiting from optimism around potential rate relief, while industrials rose 0.95%. In contrast, information technology slipped 0.42%, extending its underperformance since the index's October 28 peak, as concerns mount over lofty valuations in the AI trade. Nvidia Corp. fell 1.03% on high volume of 164.1 million shares, amid uncertainty over China accepting its H200 chips under potential US restrictions. Microsoft Corp. dropped in after-hours following reports of softer AI tool demand, though aggregate sales quotas remain unchanged. Other notable movers included Ondas Holdings up 10.53% on 139.9 million shares and Plug Power gaining 5.69%.

Crypto-linked stocks faced turmoil, with American Bitcoin Corp., co-founded by Eric Trump, plunging over 50% intraday before paring losses to 35%, triggered by the end of a share lockup period. The drop symbolized broader woes in Trump-family tied ventures, which have erased over $1 billion in value since October, outpacing Bitcoin's 25% decline. However, Bitcoin rebounded 6% above $90,000, spurred by positive regulatory signals like SEC Chairman Paul Atkins' innovation exemption plans and Vanguard allowing crypto ETFs on its platform. Smaller tokens like Ether and Solana jumped over 8%.

Economic data reinforced rate-cut expectations: ADP reported a 32,000 drop in private payrolls, the steepest since early 2023, signalling labour market cooling, while ISM services expanded modestly with prices paid at a seven-month low. Swaps priced over 90% odds for a 25 basis-point Fed cut in December, up from prior sessions. Treasury Secretary Scott Bessent expressed optimism on the economy and tariff legality, noting rate cuts are needed amid sectoral weaknesses.

Investors eye Friday's delayed September PCE inflation data, expected to show core at 0.2% monthly, keeping annual around 3%—sticky but stable. Amid tariff uncertainties, strategists from RBC and others see potential for sector rotation, with AI jitters high but earnings growth limiting downside. The S&P's rebound without Big Tech leadership suggests broader economic confidence, though valuations at 28 times forward earnings warrant caution.

Overview of the Australian Market

Australian shares edged higher on December 3, 2025, closing modestly up as gains in mining and energy offset weakness in health care, amid slightly softer-than-expected GDP data that failed to shift rate expectations. The S&P/ASX 200 rose 0.18% to 8,595.2, while the All Ordinaries added 0.19% to 8,894.2. The session was range-bound, with advancers outpacing decliners 143 to 129 in the ASX 300, reflecting cautious sentiment ahead of key US data.

Utilities led sectors with a 0.92% gain, followed by energy at 0.76% on firmer oil prices and real estate up 0.73%. Materials rose 0.28%, supported by copper's surge to records amid global supply worries and a weaker US dollar. Standouts included European Lithium up 18.2% on substantial holding changes, Predictive Discovery gaining 16.8% after a superior acquisition offer, and 4DMedical surging 16.0% on a US$10 million Philips deal. Uranium plays like Boss Energy (+7.0%), Bannerman Energy (+6.8%), and Paladin Energy (+5.2%) advanced amid sector strength, while coal names Terracom (+15.1%) and Coronado Global (+11.7%) benefited from broader commodity firmness. VanEck Bitcoin ETF rose 7.1% as Bitcoin rebounded above $90,000.

Health care lagged at -0.76%, with industrials down 0.34% and consumer staples off 0.10%. Laggards included Robex Resources down 12.2% on a superior proposal receipt, Megaport falling 6.3%, and Block slipping 6.0%. HMC Capital dropped 5.6%, extending downtrends.

September quarter GDP grew 0.4% quarterly—below 0.7% forecast—but June's upward revision lifted annual to 2.1%, ahead of RBA's 2026 outlook. Net exports contributed positively, but consumer weakness persists, with AMP economist My Bui noting sensitivity to rates and tax cuts. Bond yields rose, with 10-year at 4.65%—up over 50 basis points in months—signalling market pricing in hikes, not cuts, as 2-year yields exceed RBA's 3.60% cash rate.

US softer jobs data drove AUD/USD to a one-month high of 0.6599, up 0.55%, breaking trend lines and bolstering exporters. Futures point to mild gains Thursday, with Australian trade and household spending due. Amid tariff uncertainties, strategists eye rotation potential, though rising yields drag on stocks versus risk-free bonds yielding around 4-4.7%.

Overview of the US Bond Market

Bond prices rose across the curve on December 3, 2025, pushing yields lower as weak jobs data amplified expectations for Federal Reserve easing, countering recent tariff-driven inflation fears. The two-year Treasury yield fell 12 basis points to 3.48%, its lowest since late October, while the 10-year dropped 5 basis points to 4.06% and the 30-year eased 4 basis points to 4.73%. The 2s-10s curves flattened marginally to +56.8 basis points, reflecting bets on near-term cuts amid a resilient but cooling economy.

The rally followed ADP's report of a 32,000-payroll decline, underscoring labour market softening that could prompt the Fed to act at its December meeting, with swaps implying over 90% odds for a 25 basis-point reduction. ISM services data showed steady activity but a drop in prices paid, easing inflation concerns and supporting the case for policy accommodation. Treasury Secretary Scott Bessent highlighted the need for rate cuts given sectoral weaknesses, while voicing confidence in the outlook and Trump-era tariff legality, including potential extensions in US-China talks.

Macro headwinds persist, with tariff risks potentially fuelling supply squeezes—as seen in copper's record rally—yet the shift of credit from banks to private markets, as noted in Apollo CEO Marc Rowan's op-ed, has made the system more resilient. Private credit, at $40 trillion mostly investment-grade, reduces concentration risks post-Dodd-Frank, with investors favouring it for equity-like returns with less volatility. Isolated bankruptcies in leveraged lending don't signal systemic issues, and myths around opacity and tradability are debunked by deep due diligence and active trading, like Apollo's $6 billion in investment-grade credit this year.

JPMorgan's client survey likely reflects trimmed long positions ahead of key data, though asset managers pared net longs by $23.5 million per basis point last week, per CFTC. Leveraged funds reduced shorts in the bond contract, signalling less bearish conviction. Dealers expect steady coupon auction sizes for August-October, aligning with April guidance, with 10-year and 5-year reopening up $1 billion each.

The dollar index tumbled 0.50%—its steepest drop in nearly two months—breaking below its 55-day moving average, boosting risk assets and commodities like gold (down 0.21%) and copper (up 2.8%). With Friday's PCE eyed for confirmation of stable inflation, bonds could extend gains if data aligns with disinflation, though high valuations and potential tariff bites temper optimism. Strategists see diversification appeal amid uneven fundamentals, with crypto's rebound offering a sturdier foundation despite fragile sentiment.

Overview of the Australian Bond Market

Australian government bond yields climbed on December 3, 2025, extending recent rises as softer GDP failed to revive rate-cut bets, with markets signalling the next RBA move as a hike amid resilient growth and sticky inflation. The two-year yield rose 4 basis points to 3.88%, while the 10-year held flat at 4.61% after touching 4.65%—up sharply from October lows—and the 15-year added 1 basis point to 4.90%. The moves reflect bond market "hiking" rates by over 50 basis points in months, with 2-year yields now 30 basis points above the RBA's 3.60% cash rate.

September GDP at 0.4% quarterly missed forecasts but annual 2.1% topped RBA's 2026 view, buoyed by June revisions and net exports. Consumer lag persists, sensitive to rates, yet overall resilience—best annual in two years—dampens easing hopes. AMP's My Bui flags consumer concerns, but bond traders focus on inflation risks, amplified by global tariff uncertainties.

US data influenced sentiment: ADP payroll miss and ISM services reinforced Fed cut odds, sinking the dollar and lifting AUD/USD 0.55% to 0.6599, breaking resistances. This supported commodities, with copper up 2.8% on supply squeezes, aiding Aussie miners. Yet domestically, yields' ascent competes with stocks, offering risk-free 4% short-term and 4.7% long-term versus equities' similar yields with volatility.

Macro parallels with US private credit trends apply: Australia's shift to non-bank lending enhances resilience, reducing bank concentration. As Rowan notes, private credit's growth—mostly investment-grade—offers better risk/reward, with myths on opacity debunked by diligence. Isolated issues don't signal systemic risk, bolstering financial stability amid industrial renaissance.

Thursday's trade balance (AUD 3.938 billion forecast) and household spending (+0.6% monthly) could sway yields; stronger data may push them higher. With US PCE Friday eyed for global cues, Aussie bonds face pressure if disinflation stalls. Strategists see diversification value, but high valuations and tariff bites warrant caution, with liquidity building in stables indicating sidelined capital awaiting clarity.

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