

1 December 2021

## Markets lose ~2% overnight on hawkish commentary from Powell

- Powell spooks markets.** Stocks were sharply lower again overnight, although this time the weakness was driven by comments from US Fed Chair Jerome Powell during his testimony in front of the Senate. In particular, the Fed Chair noted “the economy is very strong and inflationary pressures are higher... it is therefore appropriate in my view to consider wrapping up the taper...perhaps a few months sooner”.
- Global markets.** The abovementioned comments saw all major US indices close either at, or near, their lows of the day, with the small cap Russell 2000 the worst performing index – off 2.0% for the day – while the Dow Jones and S&P 500 weren’t far behind, losing 1.9% a piece. Elsewhere, the Nasdaq lost 1.6% and European indices were all lower by ~1% over the session.
- Moderna CEO on vaccines.** In other news, markets were already nervous heading into the overnight session as Moderna CEO Stephane Bancel told the Financial Times there could be a “material drop” in the effectiveness of current vaccines against the Omicron variant. Bancel also told the newspaper it could take months to develop a new vaccine. Shares of **Moderna** lost 4% on the comments.
- In other markets,** the **USD** was lower against a basket of currencies – losing 0.4% for the day – while the **AUD** was weaker still, down against all major crosses. The comments from Jerome Powell saw short-term yields spike (2-year up 4bps), while longer-dated yields were actually lower (10-year off 6bps), presumably on a mix of ‘flight to safety’ and ‘policy error’ trading. Most major **commodities** were also weak last night – **uranium, tin, gold, silver** and **oil** were all lower, with the latter losing another 4% to be ~20% off its recent highs. And finally, the **VIX Index** spiked 20% on account of the day’s volatility.
- Futures off 0.5%.** Following the poor overnight lead, it appears local stocks will open lower again this morning with ASX futures off by 35 points, or ~0.5% at the time of writing. Today’s major economic news will include PMIs from around the globe and Q3 GDP figures.

World Indices	Close	Prior	% Δ
<u>Local Markets</u>			
All Ordinaries	7,587.4	7,562.5	0.3%
ASX 200	7,256.0	7,239.8	0.2%
ASX Emerging Companies	2,628.5	2,569.8	2.3%

<u>US Markets</u>			
Dow Jones	34,483.7	35,135.9	-1.9%
S&P500	4,567.0	4,655.3	-1.9%
Nasdaq	15,537.7	15,782.8	-1.6%
Russell 2000	2,198.9	2,243.8	-2.0%

<u>Asian &amp; European Markets</u>			
Shanghai Composite	3,563.9	3,562.7	0.0%
Nikkei	27,821.8	28,283.9	-1.6%
Hang Seng	23,475.3	23,852.2	-1.6%
FTSE 100	7,059.5	7,110.0	-0.7%
DAX 30	15,100.1	15,280.9	-1.2%
CAC 40	6,721.2	6,776.3	-0.8%

Economic Releases	Time	F'cast	Prior
AiG Manufacturing Index	8:30		50.4
Markit Manufacturing PMI	9:00		58.2
Q3 GDP (YoY)	11:30	3.0%	9.6%
Global PMIs	Various		

Key BW Names	Close	Prior	% Δ
Alderan Resources	0.033	0.031	6.5%
Elementos	0.660	0.625	5.6%
BetMakers Tech. Group	0.900	0.870	3.4%
Lotus Resources	0.320	0.310	3.2%

Commodities	Close	Prior	% Δ
Oil - West Texas Crude	66.82	69.62	-4.0%
Gold	1,772.1	1,783.2	-0.6%
Gold (Aus)	2,486.4	2,500.6	-0.6%
Silver	22.79	22.85	-0.3%
Uranium (Spot)	45.38	46.13	-1.6%
Tin (Futures)	38,935	39,235	-0.8%

Currency	Close	Prior	% Δ
DX Index	95.90	96.27	-0.4%
AUD/USD	0.7127	0.7131	-0.1%
AUD/GBP	0.5359	0.5361	0.0%
AUD/EUR	0.6287	0.6322	-0.6%
AUD/YEN	80.64	81.07	-0.5%
AUD/NZD	1.0446	1.0471	-0.2%
AUD/CAD	0.9111	0.9096	0.2%

Other Markets	Close	Prior	% Δ
VIX Index	27.19	22.61	20.3%
2-Year Treasury Yield (%)	0.551	0.512	7.6%
10-Year Treasury Yield (%)	1.452	1.512	-4.0%