

16 December 2021

Stocks rip overnight as FOMC delivers few surprises – a big day for economics with local employment, PMIs, Lowe and rate decisions due

- FOMC summary.** The major event overnight was of course the latest FOMC rate decision and quarterly release of its economic, inflation and rate projections – with the bank now seeing (1) three hikes in 2022, up from one previously, (2) GDP growth of 4.0% in 2022, up from 3.8% previously, (3) inflation of 2.7% in 2022, up from 2.3%, and (4) the unemployment rate in 2022 reaching 3.5% in 2022, down from 3.8% previously. The central bank also confirmed that it would double the pace of its tapering (to now end in March, from June) as widely expected.
- Markets rally post meeting.** While the message from the Fed was one of much-less monetary accomodation, markets still staged a sharp late-session rally as most of the abovementioned items had already been baked in, and little-to-no new negative news was announced. For the day, the Nasdaq rose 2.2% (after having been down by over 1% earlier in the session), while the Russell 2000, S&P 500 and Dow Jones all rose by >1% for the session.
- In other markets,** movements in **bond yields** were relatively benign, with the 2-year and 10-year moving ~1bp for the day, the **USD** was slightly lower against a basket of currencies, while the **AUD** rallied sharply against all major crosses. Elsewhere, **commodities** were mixed, with **oil** closing higher, **tin** and **copper** closing lower (albiet both well off their lows), while **precious metals** and **uranium** ended essentially flat. Finally, the **VIX Index** lost 12% on account of the day's market strength.
- Futures 0.5% higher.** Unsurprisingly, local stocks look likely to open sharply up when trading commences this morning, with ASX futures currently ahead by 37 points, or ~0.5% at the time of writing.
- A big day for economics.** Today's major events will see NZ GDP figures released, Markit PMIs out (both locally and overseas), RBA Governor Lowe speak, local employment figures handed down and interest rate decisions from the ECB and BOE.

World Indices	Close	Prior	% Δ
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<u>Local Markets</u>			
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All Ordinaries	7,636.2	7,698.3	-0.8%
ASX 200	7,327.1	7,378.4	-0.7%
ASX Emerging Companies	2,554.1	2,587.8	-1.3%

<u>US Markets</u>			
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Dow Jones	35,927.4	35,544.2	1.1%
S&P500	4,709.9	4,634.1	1.6%
Nasdaq	15,565.6	15,237.6	2.2%
Russell 2000	2,195.2	2,159.7	1.6%

<u>Asian & European Markets</u>			
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Shanghai Composite	3,647.6	3,661.5	-0.4%
Nikkei	28,459.7	28,432.6	0.1%
Hang Seng	23,420.8	23,636.0	-0.9%
FTSE 100	7,170.8	7,218.6	-0.7%
DAX 30	15,476.4	15,453.6	0.1%
CAC 40	6,927.6	6,895.3	0.5%

Economic Releases	Time	F'cast	Prior
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NZ GDP	08:45	-1.6%	17.4%
Markit PMIs	09:00		
RBA Governor Lowe Speaks	10:30		
Cons. Inflation Expectations	11:00		4.6%
Employment Change	11:30	205k	-46k
Unemployment Rate	11:30	5.0%	5.2%
BOE Rate Decision	23:00	0.1%	0.1%
ECB Rate Decision	23:45		
US Weekly Jobless Claims	00:30		

Key BW Names	Close	Prior	% Δ
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Family Zone Cyber Security	0.545	0.545	0.0%
Jervois Mining	0.540	0.540	0.0%
Hydration Pharmaceuticals Co.	0.355	0.355	0.0%
Alderan Resources	0.035	0.035	0.0%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	71.56	70.36	1.7%
Gold	1,778.3	1,771.1	0.4%
Gold (Aus)	2,479.2	2,492.8	-0.5%
Silver	22.06	21.95	0.5%
Uranium (Spot)	43.00	43.00	0.0%
Tin (Futures)	38,153	38,790	-1.6%

Currency	Close	Prior	% Δ
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DXY Index	96.34	96.57	-0.2%
AUD/USD	0.7173	0.7105	1.0%
AUD/GBP	0.5408	0.5372	0.7%
AUD/EUR	0.6351	0.6312	0.6%
AUD/YEN	81.80	80.83	1.2%
AUD/NZD	1.0576	1.0534	0.4%
AUD/CAD	0.9209	0.9142	0.7%

Other Markets	Close	Prior	% Δ
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VIX Index	19.29	21.89	-11.9%
2-Year Treasury Yield (%)	0.659	0.661	-0.3%
10-Year Treasury Yield (%)	1.452	1.443	0.6%

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