

27 January 2022

Markets sold-off again on hawkish fed commentary – yields up >10bps

- **Markets fall on hawkish Fed comments.** It was yet another very volatile session for US stocks overnight, with headline closing ranges for the three major indices of flat-to-down 0.4% hiding some extreme intraday moves under the surface – with the Nasdaq being up by >3% immediately prior to the release of the Fed's rate decision and subsequent Powell press conference commentary, before ultimately closing flat.
- **Fed summary.** The big picture message from the Fed was that while it does not intend to raise rates before March (and begin QT some time after that), it believes it has "quite a bit of room to raise interest rates without threatening the labour market" – and thus inflation or the economy more-broadly. In his post-release press conference, Chairman Powell also noted that the Fed is preparing to "significantly reduce" the level of assets on its balance sheet, while not providing a specific time for this to begin.
- **Yields spike.** On the aforementioned Fed comments, **bond yields** spiked sharply higher – with the 2-year up 13bps to 1.15%, while the 10-year gained nearly 10bps to close the day at 1.87% - a fresh closing high in the post-Covid era, albeit still not enough to avoid a further flattening of the yield curve (by 4bps, to just 72bps).
- **In other markets,** the **USD** rallied against most major currencies, up 0.6% for the day, which in-turn weighed on **commodity** prices as **tin, gold** and **silver** were all lower, while **spot uranium** was flat (equities were off) and **oil** managed to buck the trend and continue its relentless rise higher – to close at US\$87/bbl. Finally, the **VIX Index** rose by 3% on account of the day's equity market volatility.
- **Futures slightly lower.** Given the poor lead from Wall Street, it appears local stocks will open lower when trading commences this morning – with ASX futures currently lower by 26 points, or ~0.4% at the time of writing. In economic news, today's major events will include US durable goods orders and weekly jobless claims data tomorrow morning, Westpac's leading index and German consumer confidence figures.

World Indices	Close	Prior	% Δ
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Local Markets

All Ordinaries	7,248.1	7,441.5	-2.6%
ASX 200	6,961.6	7,139.5	-2.5%
ASX Emerging Companies	2,476.5	2,607.8	-5.0%

US Markets

Dow Jones	34,168.1	34,297.7	-0.4%
S&P500	4,349.9	4,356.5	-0.1%
Nasdaq	13,542.1	13,539.3	0.0%
Russell 2000	1,976.5	2,004.0	-1.4%

Asian & European Markets

Shanghai Composite	3,455.7	3,433.1	0.7%
Nikkei	27,011.3	27,131.3	-0.4%
Hang Seng	24,289.9	24,243.6	0.2%
FTSE 100	7,469.8	7,371.5	1.3%
DAX 30	15,459.4	15,123.9	2.2%
CAC 40	6,982.0	6,838.0	2.1%

Economic Releases	Time	F'cast	Prior
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NZ Inflation	8:45	5.7%	4.9%
Westpac Leading Index	10:30		0.1%
Germany Cons. Confidence	18:00	-7.8	-6.8
US Durable Goods Orders	0:30	-0.5%	2.5%
US GDP	0:30	5.5%	2.3%
US Initial Jobless Claims	0:30	260k	286k
US Continuing Jobless Claims	0:30	1.65m	1.64m

Key BW Names	Close	Prior	% Δ
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ImExHS	0.970	0.965	0.5%
Forbidden Foods	0.195	0.195	0.0%
Webcentral	0.370	0.370	0.0%
Dubber Corporation	1.920	1.960	-2.0%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	87.08	85.60	1.7%
Gold	1,818.6	1,849.7	-1.7%
Gold (Aus)	2,557.5	2,586.0	-1.1%
Silver	23.50	23.90	-1.7%
Uranium (Spot)	44.38	44.38	0.0%
Tin (Futures)	41,370	42,555	-2.8%

Currency	Close	Prior	% Δ
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DX Index	96.51	95.95	0.6%
AUD/USD	0.7111	0.7153	-0.6%
AUD/GBP	0.5282	0.5297	-0.3%
AUD/EUR	0.6327	0.6330	0.0%
AUD/YEN	81.56	81.45	0.1%
AUD/NZD	1.0693	1.0693	0.0%
AUD/CAD	0.9011	0.9035	-0.3%

Other Markets	Close	Prior	% Δ
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VIX Index	31.96	31.16	2.6%
2-Year Treasury Yield (%)	1.143	1.016	12.5%
10-Year Treasury Yield (%)	1.868	1.777	5.1%