

17 March 2022

Markets rally, despite Fed raising rates and aiming to do it another 6x in '22

- FOMC summary.** Today's big, and not unexpected news, was the FOMC officially announcing the first rate hike of 2022 (+25bps), while the Fed's 'dot plot' indicated another 6 rate hikes in 2022 is now the base case – up from just 3 at the Dec meeting. In other economic updates, the Fed is expecting inflation to average 4.3% in 2022 (from 2.7%) and GDP growth to be 2.8% (well down from 4%).
- Global markets.** However, despite the now well-flagged rate hikes incoming, the market has begun to aggressively price in a Fed policy error, with the US 3YR-1YR OIS spread indicating ~2 cuts in the coming 3years... this dynamic saw long-duration names bid heavily, with all indices ending in the green, with the Nasdaq +3.8% and S&P +2.2%. Asian markets (predominantly tech) were also strong during yesterday's session; where the Hang Seng soared +9.1% and the Hang Seng Tech Index added ~22%.
- Yields higher, curve flattens.** Following the FOMC announcements, yield curves flattened everywhere, with the 2-Year adding ~10bps and the 10-Year ~5bps. As a result, the 2-10-Year curve flatten by 4bps (and is now just 24bps away from inverting).
- In other markets, Oil** continued to fall, down ~25% from its peak earlier this month. **Gold** and **silver** remained strong adding +0.5% and +0.8% respectively. **Bitcoin** also added +4.6% following the day's FOMC news. Elsewhere, the **AUD/USD** had its best day in over a year, gaining +1.3%, finishing the session at ~73c. Our commodity-linked currency lifted on the expectation that the RBA will follow suit on raising interest rates.
- Futures higher.** Unsurprisingly, the ASX futures are up +1.5% as of writing, following the positive reaction of other indices to the FOMC rate hikes. Tech stocks are expected to surge as they did across the globe. In economic news, local jobs data is due today, where expectations are for a tick lower in the unemployment rate, to 4.1% (from 4.2%).

World Indices	Close	Prior	% Δ
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Local Markets

All Ordinaries	7,435.8	7,356.1	1.1%
ASX 200	7,175.2	7,097.4	1.1%
ASX Emerging Companies	2,566.0	2,528.1	1.5%

US Markets

Dow Jones	34,063.1	33,544.3	1.5%
S&P500	4,357.9	4,262.5	2.2%
Nasdaq	13,436.6	12,948.6	3.8%
Russell 2000	2,030.7	1,969.0	3.1%

Asian & European Markets

Shanghai Composite	3,170.7	3,064.0	3.5%
Nikkei	25,762.0	25,346.5	1.6%
Hang Seng	20,087.5	18,415.1	9.1%
FTSE 100	7,291.7	7,175.7	1.6%
DAX 30	14,440.7	13,917.3	3.8%
CAC 40	6,588.6	6,355.0	3.7%

Economic Releases	Time	F'cast	Prior
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Employment Change	11:30	37k	13k
Unemployment Rate	11:30	4.1%	4.2%
Eurozone Core Inflation	21:00	2.7%	2.3%
BOE Rate Decision	23:00	0.75%	0.50%
US Industrial Production (MoM)	0:15	0.5%	1.4%

Key BW Names	Close	Prior	% Δ
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Elementos	0.780	0.710	9.9%
Selfwealth	0.210	0.200	5.0%
Dubber Corporation	1.185	1.140	3.9%
Jervois Mining	0.800	0.770	3.9%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	95.04	98.44	-3.5%
Gold	1,926.4	1,917.4	0.5%
Gold (Aus)	2,642.8	2,664.9	-0.8%
Silver	25.08	24.89	0.8%
Uranium (Spot)	54.50	54.50	0.0%
Tin (Futures)	42,525	44,100	-3.6%

Currency	Close	Prior	% Δ
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DXY Index	98.39	99.07	-0.7%
AUD/USD	0.7289	0.7195	1.3%
AUD/GBP	0.5543	0.5518	0.5%
AUD/EUR	0.6607	0.6568	0.6%
AUD/YEN	86.56	85.12	1.7%
AUD/NZD	1.0662	1.0626	0.3%
AUD/CAD	0.9244	0.9185	0.6%

Other Markets	Close	Prior	% Δ
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VIX Index	26.67	29.83	-10.6%
2-Year Treasury Yield (%)	1.954	1.868	4.6%
10-Year Treasury Yield (%)	2.196	2.148	2.2%
US 2-10-Year Spread	0.242	0.280	-13.6%

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