

22 March 2022

Yields spike as Powell opens the door to multiple 50bp rate hikes

- **Global markets.** US stocks broke a 5-day winning streak overnight following hawkish commentary from Fed Chair Jerome Powell (discussed below), with all major US indices closing lower – led by the Dow (-0.6%) and Nasdaq (-0.4%), while the S&P 500 ended essentially flat and the Russell 2000 gave back 1%. Over in Europe it was a similar story with the DAX and CAC each lower, while the FTSE 100 rose 0.5% on a weaker pound.
- **Powell: “inflation is much too high”.** The overnight declines came as Fed Chair Powell told the National Association for Business Economics that “inflation is much too high” and that the FOMC would “take the necessary steps to ensure a return to price stability” – of particular concern were comments that the FOMC would be open to “raising the federal funds rate by more than 25 basis points at a meeting or meetings” to achieve this goal.
- **Yields rocket higher.** On Powell’s abovementioned comments, yields shot higher – with the US 2-year up by 18bps to 2.12% (the highest level since 2019), while the 10-year rose by an aggressive (yet slightly smaller) 14bps for the session. The combination of these moves saw the closely watched 2-10-year yield curve further flatten, to just 17bps at the close.
- **In other markets,** the **USD** was slightly up against a basket of currencies, the **AUD** was flat vs the USD (at ~0.74c), **commodities** were broadly higher, with **oil** adding another 7% for the session, **uranium** up another 4%, **gold** and **silver** ahead ~1% each and **tin** flat. Finally, the **VIX Index** actually declined 1.4% despite the day’s poor session for equities.
- **Futures +1.1%, lots of central bank speak today.** Despite the poor lead from Wall Street, it appears local stocks will open sharply higher today, with ASX futures currently ahead by 80 points, or ~1.1%. While in economic news, there will be plenty of central bank speak today including from RBA Governor Lowe, ECB President Lagarde and the Fed’s Daly, Mester and Williams.

World Indices	Close	Prior	% Δ
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Local Markets

All Ordinaries	7,558.9	7,571.2	-0.2%
ASX 200	7,278.5	7,294.4	-0.2%
ASX Emerging Companies	2,669.1	2,662.0	0.3%

US Markets

Dow Jones	34,553.0	34,754.9	-0.6%
S&P500	4,461.2	4,463.1	0.0%
Nasdaq	13,838.5	13,893.8	-0.4%
Russell 2000	2,065.9	2,086.1	-1.0%

Asian & European Markets

Shanghai Composite	3,253.7	3,251.1	0.1%
Nikkei	26,827.4	26,827.4	0.0%
Hang Seng	21,221.3	21,412.4	-0.9%
FTSE 100	7,442.4	7,404.7	0.5%
DAX 30	14,327.0	14,413.1	-0.6%
CAC 40	6,582.3	6,620.2	-0.6%

Economic Releases	Time	F'cast	Prior
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RBA Governor Lowe Speaks	12:00		
ECB President Lagarde Speaks	0:15		
Multiple Fed Speakers	Various		

Key BW Names	Close	Prior	% Δ
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Elementos	0.790	0.740	6.8%
Family Zone Cyber Security	0.410	0.400	2.5%
Selfwealth	0.210	0.205	2.4%
Lotus Resources	0.360	0.355	1.4%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	112.12	104.70	7.1%
Gold	1,935.6	1,921.5	0.7%
Gold (Aus)	2,616.5	2,596.6	0.8%
Silver	25.19	24.96	0.9%
Uranium (Spot)	58.00	55.75	4.0%
Tin (Futures)	42,375	42,375	0.0%

Currency	Close	Prior	% Δ
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DXY Index	98.48	98.23	0.3%
AUD/USD	0.7398	0.7400	0.0%
AUD/GBP	0.5619	0.5616	0.1%
AUD/EUR	0.6713	0.6693	0.3%
AUD/YEN	88.38	88.18	0.2%
AUD/NZD	1.0743	1.0735	0.1%
AUD/CAD	0.9316	0.9336	-0.2%

Other Markets	Close	Prior	% Δ
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VIX Index	23.53	23.87	-1.4%
2-Year Treasury Yield (%)	2.124	1.944	9.3%
10-Year Treasury Yield (%)	2.294	2.153	6.5%
US 2-10-Year Spread	0.170	0.209	-18.7%