

7 April 2022

## Markets lower again overnight following hawkish FOMC minutes

- Global markets.** Markets were sold-off again last night – this time on hawkish commentary from ex-Fed President Bill Dudley and the release of FOMC minutes; which confirmed the market's fears of a more-aggressive rate hiking path and balance sheet run-off. For the session, all major US and European indices finished in the red, paced by the Nasdaq (-2.2%) and French CAC (-2.2%), while the S&P 500 was off 1% and the FTSE/Dow were the night's best performers, losing just 0.3% and 0.4% respectively.
- FOMC minutes.** Last night's minutes provided a first look at the Fed's plans for QT, with members 'generally agreeing' that it should shrink its balance sheet by US\$95b/month (or ~2x the pace of the last run-off). The minutes also showed a willingness of FOMC members to hike by 50bps at its upcoming meeting, given "inflation well above the Committee's objective, inflation risks to the upside, and the federal funds rate well below participants' estimates of its longer-run level".
- Yields higher at the long-end.** Unsurprisingly, the abovementioned comments saw longer-dated yields spike higher, with the US 10-year up 4bps for the session – closing at 2.599% - after having traded as high as 2.66% during the day. At the short-end of the curve, rates were more-subdued, with the 2-year actually ending the day slightly lower. The yield curve has now steepened back to a level of 12bps.
- In other markets,** the price of oil fell 4% and ended back below \$100/bbl, the USD continued its grind higher against a basket of major currencies and is now rapidly approaching a level of 100 on the DXY (the AUD was weaker). Elsewhere, tin prices were ~flat, uranium moved through US\$60/lb and gold and silver added ~1% each. Finally, the VIX Index rose to 22 on account of the day's rise in volatility.
- Futures point lower.** It appears local stocks will follow the US lead when trading commences this morning – with ASX futures currently off by 21pts. Multiple Fed speakers are due again tonight.

| World Indices | Close | Prior | % Δ |
|---------------|-------|-------|-----|
|---------------|-------|-------|-----|

| Local Markets |  |  |  |
|---------------|--|--|--|
|---------------|--|--|--|

|                        |         |         |       |
|------------------------|---------|---------|-------|
| All Ordinaries         | 7,788.3 | 7,833.2 | -0.6% |
| ASX 200                | 7,490.1 | 7,527.9 | -0.5% |
| ASX Emerging Companies | 2,736.9 | 2,776.2 | -1.4% |

| US Markets |  |  |  |
|------------|--|--|--|
|------------|--|--|--|

|              |          |          |       |
|--------------|----------|----------|-------|
| Dow Jones    | 34,496.5 | 34,641.2 | -0.4% |
| S&P500       | 4,481.2  | 4,525.1  | -1.0% |
| Nasdaq       | 13,888.8 | 14,204.2 | -2.2% |
| Russell 2000 | 2,016.9  | 2,046.0  | -1.4% |

| Asian & European Markets |  |  |  |
|--------------------------|--|--|--|
|--------------------------|--|--|--|

|                    |          |          |       |
|--------------------|----------|----------|-------|
| Shanghai Composite | 2,383.4  | 2,382.7  | 0.0%  |
| Nikkei             | 27,350.3 | 27,788.0 | -1.6% |
| Hang Seng          | 22,080.5 | 22,502.3 | -1.9% |
| FTSE 100           | 7,587.7  | 7,613.7  | -0.3% |
| DAX 30             | 14,151.7 | 14,424.4 | -1.9% |
| CAC 40             | 6,498.8  | 6,645.5  | -2.2% |

| Economic Releases | Time | F'cast | Prior |
|-------------------|------|--------|-------|
|-------------------|------|--------|-------|

|                     |         |        |          |
|---------------------|---------|--------|----------|
| AiG Services Index  | 08:30   |        | 60.0     |
| Balance of Trade    | 11:30   | A\$12b | A\$12.9b |
| Building Permits    | 11:30   | 44%    | -28%     |
| ECB Meeting Minutes | 20:00   |        |          |
| Fed Speakers        | Various |        |          |

| Key BW Names | Close | Prior | % Δ |
|--------------|-------|-------|-----|
|--------------|-------|-------|-----|

|                    |       |       |      |
|--------------------|-------|-------|------|
| Alderaan Resources | 0.028 | 0.026 | 7.7% |
| Selfwealth         | 0.203 | 0.200 | 1.3% |
| Jervois Mining     | 0.895 | 0.895 | 0.0% |
| Elementos          | 0.840 | 0.840 | 0.0% |

| Commodities | Close | Prior | % Δ |
|-------------|-------|-------|-----|
|-------------|-------|-------|-----|

|                        |         |         |       |
|------------------------|---------|---------|-------|
| Oil - West Texas Crude | 97.00   | 101.50  | -4.4% |
| Gold                   | 1,925.5 | 1,922.5 | 0.2%  |
| Gold (Aus)             | 2,564.0 | 2,535.6 | 1.1%  |
| Silver                 | 24.46   | 24.35   | 0.5%  |
| Uranium (Spot)         | 62.25   | 61.25   | 1.6%  |
| Tin (Futures)          | 44,500  | 44,550  | -0.1% |

| Currency | Close | Prior | % Δ |
|----------|-------|-------|-----|
|----------|-------|-------|-----|

|           |        |        |       |
|-----------|--------|--------|-------|
| DXY Index | 99.65  | 99.48  | 0.2%  |
| AUD/USD   | 0.7510 | 0.7582 | -0.9% |
| AUD/GBP   | 0.5749 | 0.5798 | -0.8% |
| AUD/EUR   | 0.6894 | 0.6953 | -0.8% |
| AUD/YEN   | 92.97  | 93.73  | -0.8% |
| AUD/NZD   | 1.0858 | 1.0917 | -0.5% |
| AUD/CAD   | 0.9420 | 0.9470 | -0.5% |

| Other Markets | Close | Prior | % Δ |
|---------------|-------|-------|-----|
|---------------|-------|-------|-----|

|                            |       |       |       |
|----------------------------|-------|-------|-------|
| VIX Index                  | 22.10 | 21.03 | 5.1%  |
| 2-Year Treasury Yield (%)  | 2.484 | 2.530 | -1.8% |
| 10-Year Treasury Yield (%) | 2.599 | 2.555 | 1.7%  |
| US 2-10-Year Spread        | 0.115 | 0.025 | 9 bps |

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