

4 May 2022

Risk assets rally sharply overnight as Powell takes 75bps off the table

- Global markets.** It was an extremely strong overnight session for risk assets as the US Fed handed down its latest rate decision (a 50bp hike), yet offered up some dovish messaging in its subsequent press conference. For the day, all major US indices added ~3%, while the **USD** fell by ~1% and in-turn supported a solid move higher in **commodities** – with **oil, gold, silver, tin** and **uranium** all ending well up.
- Fed rate decision.** As was largely expected, the Fed Funds Rate was raised by 50bps to 0.75%-1.00%, while the accompanying policy statement referenced “ongoing increases” at future meetings. Elsewhere, reduction to the Fed’s balance sheet (or QT) was also announced and will begin from June at a rate of US\$47.5bn/month and slowly rise to US\$95bn per month within three months.
- Powell presser.** The market’s initial reactions to the above rate and QT decisions were relatively muted, yet comments from Fed Chair Powell in his follow-up press conference saw markets rally sharply into the close. In particular, the Fed Chair’s confirmation that “a 75 basis point increase is not something that the committee is actively considering” and comments the US economy had “a good chance to have a soft, or soft-ish landing” were particularly well received.
- In other markets,** bonds rallied sharply – especially at the short-end – with 2-year **Treasury** yields falling 13bps over the session, while the 10-year fell 3bps to finish the session at 2.95%. Elsewhere, given the day’s equity market strength and removal of ‘Fed risk’, the **VIX Index** fell by 13% back to a level of 25. And finally, the **AUD** was stronger against all major crosses and closed the session ~2% higher against the **USD**.
- Futures guide 0.4% higher.** Unsurprisingly, given the strong overnight lead from Wall Street, it appears local stocks will open sharply higher this morning when trading commences – with ASX futures currently up by 31 points, or ~0.4% at the time of writing. In economic news, today will see balance of trade and building permit figures released locally and a BoE rate decision later this evening.

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

| Local Markets | | | |
|--------------------------|----------|----------|-------|
| All Ordinaries | 7,564.8 | 7,587.6 | -0.3% |
| ASX 200 | 7,304.7 | 7,316.2 | -0.2% |
| ASX Emerging Companies | 2,472.8 | 2,532.3 | -2.3% |
| US Markets | | | |
| Dow Jones | 34,061.1 | 33,128.8 | 2.8% |
| S&P500 | 4,300.2 | 4,175.5 | 3.0% |
| Nasdaq | 12,964.9 | 12,563.8 | 3.2% |
| Russell 2000 | 1,949.9 | 1,898.9 | 2.7% |
| Asian & European Markets | | | |
| Shanghai Composite | 3,047.1 | 3,047.1 | 0.0% |
| Nikkei | 26,818.5 | 26,818.5 | 0.0% |
| Hang Seng | 20,869.5 | 21,101.9 | -1.1% |
| FTSE 100 | 7,493.5 | 7,561.3 | -0.9% |
| DAX 30 | 13,970.8 | 14,039.5 | -0.5% |
| CAC 40 | 6,395.7 | 6,476.2 | -1.2% |

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

| | | | |
|------------------------|-------|---------|---------|
| Balance of Trade | 11:30 | A\$8.5b | A\$7.5b |
| Building Permits (MoM) | 11:30 | -12.5% | 43.5% |
| BoE Rate Decision | 21:00 | | |

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

| | | | |
|-------------------|-------|-------|-------|
| Hydralyte | 0.275 | 0.250 | 10.0% |
| Alderan Resources | 0.024 | 0.023 | 4.3% |
| Selfwealth | 0.220 | 0.220 | 0.0% |
| LiveHire | 0.310 | 0.310 | 0.0% |

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

| | | | |
|------------------------|---------|---------|------|
| Oil - West Texas Crude | 107.75 | 103.60 | 4.0% |
| Gold | 1,883.0 | 1,869.0 | 0.8% |
| Gold (Aus) | 2,682.3 | 2,632.0 | 1.9% |
| Silver | 22.96 | 22.61 | 1.5% |
| Uranium (Spot) | 54.25 | 53.88 | 0.7% |
| Tin (Futures) | 40,875 | 40,375 | 1.2% |

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

| | | | |
|-----------|--------|--------|-------|
| DXY Index | 102.51 | 103.46 | -0.9% |
| AUD/USD | 0.7254 | 0.7101 | 2.2% |
| AUD/GBP | 0.5744 | 0.5681 | 1.1% |
| AUD/EUR | 0.6833 | 0.6747 | 1.3% |
| AUD/YEN | 93.84 | 92.38 | 1.6% |
| AUD/NZD | 1.1084 | 1.1029 | 0.5% |
| AUD/CAD | 0.9243 | 0.9114 | 1.4% |

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

| | | | |
|----------------------------|-------|-------|--------|
| VIX Index | 25.42 | 29.25 | -13.1% |
| 2-Year Treasury Yield (%) | 2.654 | 2.784 | -13 bp |
| 10-Year Treasury Yield (%) | 2.946 | 2.979 | -3 bp |
| US 2-10-Year Spread | 0.292 | 0.195 | 10 bp |