

14 June 2022

Markets set to open sharply lower, yields up sharply again overnight

- **Global markets.** It has been a rough two sessions for international equities since the ASX last traded on Friday, with markets across both the US and Europe down for consecutive sessions. Overnight, the small cap Russell 2000 (-4.8%) and Nasdaq (-4.7%) were the worst performing indices – taking their rolling 2-day declines to >7%. While elsewhere, the S&P 500 lost ~4%, Dow Jones ~3% and European markets a range of 1.5% to 2.7% (with the DAX weakest of the group).
- **Yields explode.** In fixed income news, Friday night's higher-than-expected CPI print in the US continued to reverberate across markets overnight, with US **Treasury yields** exploding higher, including a 29bp rise in the 2-year and 20bp rise in the 10-year – following Friday's action, these moves saw a ~50bp 2-day move in both maturities. Of note, the 2-10 year curve also inverted briefly and now sits at a level of ~flat.
- **In other markets,** the **USD** continued its rise as the flight-to-safety left it as one of the only assets in the green overnight. Despite this ~1% rally, the price of **oil** was also modestly up (0.2%), and that was about it – **gold** lost 3%, **uranium** lost 4%, **silver** 4%, while **tin** and **copper** were also lower. With volatility also exploding over the past few days, the **VIX Index** hit a level of 34, being up 23% for the session.
- **Futures off ~4%.** Given the poor lead from US markets overnight, it is unsurprisingly likely to be a very poor start this morning. And while ASX futures were down ~180pts overnight (or ~3%), this doesn't factor the Friday night moves; which take the 2-day cumulative declines to ~4.2% (a better estimate of the opening local declines).
- **In economics,** today's major data releases include inflation from Germany, UK employment figures, economic sentiment readings from both Germany and the Eurozone and US PPI later this evening.

World Indices	Close	Prior	% Δ
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Local Markets

All Ordinaries	7,240.4	7,240.4	0.0%
ASX 200	7,019.7	7,019.7	0.0%
ASX Emerging Companies	2,248.2	2,248.2	0.0%

US Markets

Dow Jones	30,516.7	31,392.8	-2.8%
S&P500	3,749.6	3,900.9	-3.9%
Nasdaq	10,809.2	11,340.0	-4.7%
Russell 2000	1,714.6	1,800.3	-4.8%

Asian & European Markets

Shanghai Composite	3,255.6	3,284.8	-0.9%
Nikkei	26,987.4	27,824.3	-3.0%
Hang Seng	21,067.6	21,806.2	-3.4%
FTSE 100	7,205.8	7,317.5	-1.5%
DAX 30	13,427.0	13,761.8	-2.4%
CAC 40	6,022.3	6,187.2	-2.7%

Economic Releases	Time	F'cast	Prior
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Germany Inflation	16:00	7.9%	7.4%
UK Unemployment Rate	16:00	3.6%	3.7%
Eurozone Econ. Sentiment	19:00		-29.5
German Econ. Sentiment	19:00	-27.5	-34.3
US PPI	22:30	0.8%	0.5%

Key BW Names	Close	Prior	% Δ
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Lotus Resources	0.255	0.255	0.0%
Elementos	0.540	0.540	0.0%
Jervois Mining	0.665	0.665	0.0%
Family Zone Cyber Security	0.355	0.355	0.0%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	120.74	120.55	0.2%
Gold	1,820.7	1,876.8	-3.0%
Gold (Aus)	2,626.4	2,670.1	-1.6%
Silver	21.11	21.90	-3.6%
Uranium (Spot)	49.00	51.00	-3.9%
Tin (Futures)	36,203	36,203	0.0%

Currency	Close	Prior	% Δ
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DXY Index	105.20	104.15	1.0%
AUD/USD	0.6932	0.7029	-1.4%
AUD/GBP	0.5714	0.5717	-0.1%
AUD/EUR	0.6659	0.6689	-0.4%
AUD/YEN	93.16	94.68	-1.6%
AUD/NZD	1.1062	1.1074	-0.1%
AUD/CAD	0.8935	0.8993	-0.6%

Other Markets	Close	Prior	% Δ
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VIX Index	34.02	27.75	22.6%
2-Year Treasury Yield (%)	3.358	3.069	29 bp
10-Year Treasury Yield (%)	3.364	3.163	20 bp
US 2-10-Year Spread	0.006	0.094	-9 bp