

16 June 2022

Stocks rally as Fed commits to fighting inflation, local jobs data today

- FOMC summary.** The major event overnight was of course the Fed's latest rate decision for June and the accompanying Statement of Economic Projections, with highlights including (1) **a 75bp rise in the benchmark rate** (as expected), (2) a reduction to 2022-2024 **GDP estimates** of between 0.1% and 1.1%, (3) a rise in the **unemployment rate** over 2022-2024 of between 0.2%-0.5%, (3) higher than previously anticipated **PCE and core PCE** over the same periods, and (4) a median **Fed funds rate for 2022-2024** of 3.4%/3.8%/3.4% (up from 1.9%/2.8%/2.8%) and a modest lift in its **terminal rate assumptions** to 2.5% (from 2.4%).
- Powell commentary.** The big takeaway from Powell's press conference was a re-iterated resolve to tackle inflation – even if that meant unemployment would head higher – with Powell noting that he would see a return to 2% inflation and unemployment at 4.1% (ie. higher than today) as a “successful outcome”. Powell further noted the FOMC was “absolutely determined” to keep inflation expectations in check, while confirming the Fed was “not trying to induce a recession”.
- Market reaction.** The market's reaction was swift, and broadly positive, with US indices rallying sharply in the hours post Fed-release. For the session, the Nasdaq was the best performing index – up 2.5% - while all other major's added 1.0% - 1.5%. In Europe, where markets were closed at the time of the Fed news, indices were still higher in a range of 1.2% - 1.4% for the day.
- In other markets,** the **USD** fell somewhat aggressively on the back of the Fed – off 0.6% against a basket of currencies and 1.8% against the **AUD** – as **Treasury yields** collapsed along the curve, including a 20bp fall in the 2-year and 19-bp fall in the 10-year. Elsewhere, **commodities** were mixed, with **gold** and **silver** up, **spot uranium** flat (equities were up) and the **tin** price hit once again, down 6% for the day.
- Futures higher.** Following the strong lead from Wall Street, ASX futures are pointing to a strong open of +0.4%. In economics, today will see local employment figures out, a BOE rate decision and US initial jobless claims later tonight.

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

Local Markets

All Ordinaries	6,785.8	6,881.2	-1.4%
ASX 200	6,601.0	6,686.0	-1.3%
ASX Emerging Companies	2,027.1	2,084.6	-2.8%

US Markets

Dow Jones	30,668.5	30,364.8	1.0%
S&P500	3,790.0	3,735.5	1.5%
Nasdaq	11,099.2	10,828.4	2.5%
Russell 2000	1,731.1	1,707.8	1.4%

Asian & European Markets

Shanghai Composite	3,305.4	3,288.9	0.5%
Nikkei	26,326.2	26,629.9	-1.1%
Hang Seng	21,308.2	21,068.0	1.1%
FTSE 100	7,273.4	7,187.5	1.2%
DAX 30	13,485.3	13,304.4	1.4%
CAC 40	6,030.1	5,949.8	1.3%

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

NZ GDP Growth (QoQ)	8:45	0.6%	3.0%
Cons. Inflation Expectations	11:00		5.0%
Employment Change	11:30	25k	4k
Unemployment Rate	11:30	3.8%	3.9%
BOE Rate Decision	21:00	1.25%	1.00%
US Initial Jobless Claims	22:30	215k	229k

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

Forbidden Foods	0.098	0.090	8.9%
LiveHire	0.275	0.255	7.8%
Hydralyte	0.175	0.170	2.9%
Selfwealth	0.145	0.145	0.0%

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

Oil - West Texas Crude	116.24	118.45	-1.9%
Gold	1,833.8	1,808.8	1.4%
Gold (Aus)	2,617.8	2,629.4	-0.4%
Silver	21.69	21.05	3.0%
Uranium (Spot)	48.75	48.75	0.0%
Tin (Futures)	31,025	32,895	-5.7%

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

DXY Index	104.85	105.48	-0.6%
AUD/USD	0.7005	0.6879	1.8%
AUD/GBP	0.5767	0.5731	0.6%
AUD/EUR	0.6700	0.6602	1.5%
AUD/YEN	94.03	93.15	0.9%
AUD/NZD	1.1153	1.1060	0.8%
AUD/CAD	0.9024	0.8909	1.3%

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

VIX Index	29.62	32.69	-9.4%
2-Year Treasury Yield (%)	3.222	3.423	-20 bp
10-Year Treasury Yield (%)	3.289	3.480	-19 bp
US 2-10-Year Spread	0.067	0.057	1 bp

Disclosure: BW Equities advise that they and persons associated with them may have an interest in the above securities and that they may earn brokerage, commissions, fees and other benefits and advantages in connection with the making of a recommendation or a dealing by a client in these securities or by seeking to do business with companies covered in this report. Investors should consider investment risks and conflicts highlighted at the end of this report and not only consider this report in making an investment decision.