

3 August 2022

Markets lower overnight as Pelosi's visit to Taiwan raises tensions

- **Global markets.** Global markets traded cautiously overnight, as all eyes were focused on Nancy Pelosi's controversial and "unofficial" trip to Taiwan. For this reason, US equities finished in the red. The Dow lost the most ground, slipping -1.2%, followed by the S&P (-0.7%) and the Nasdaq (-0.2%), whilst the Russell 2000 remained ~flat. Asian markets reacted worse, all losing >1% and European markets were only marginally down.
- **Pelosi lands in Taiwan.** Overnight, the 3rd highest ranking US government official, and House Speaker, Nancy Pelosi, landed in Taiwan for an "unofficial" visit, despite warnings from China that the trip would be considered "a provocative act". Interestingly, upon Pelosi's touchdown, a wave of buying occurred in US equities, as China did not immediately react to the provocation.
- **Fed speakers remain hawkish.** Further contributing to the overnight drama, numerous Fed speakers presented – with hawkish comments. Such remarks include: Fed Daly reinforcing that the Fed is "nowhere near done" fighting inflation and Chicago Fed President Evans indicating that more rate hikes would be "reasonable"
- **Yields explode.** It was a very poor night for yields overnight following the Fed's comments. The 2-Year rose 17bps and the 10-Year added 18bps – ensuring the yield curve remained well-inverted, extending its record as the most inverted yield curve since early 2000.
- **In other markets. WTI Crude** added +0.9% despite being up >2% intraday. **Gold** also touched \$1800, before settling back to ~\$1760 whilst **silver** lost -1.8%. In the currency market, the **DX** appreciated, breaking over 106 again, whilst the **AUD/USD** depreciated -1.5%.
- **Futures point lower.** Following the weak overseas session, the ASX is set to slip. As of writing, ASX futures are down ~14 points or -0.2%.

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

Local Markets

| | | | |
|------------------------|---------|---------|-------|
| All Ordinaries | 7,216.4 | 7,213.0 | 0.0% |
| ASX 200 | 6,998.1 | 6,993.0 | 0.1% |
| ASX Emerging Companies | 2,212.3 | 2,225.4 | -0.6% |

US Markets

| | | | |
|--------------|----------|----------|-------|
| Dow Jones | 32,396.2 | 32,798.4 | -1.2% |
| S&P500 | 4,091.2 | 4,118.6 | -0.7% |
| Nasdaq | 12,348.8 | 12,369.0 | -0.2% |
| Russell 2000 | 1,882.5 | 1,883.3 | 0.0% |

Asian & European Markets

| | | | |
|--------------------|----------|----------|-------|
| Shanghai Composite | 3,186.3 | 3,260.0 | -2.3% |
| Nikkei | 27,594.7 | 27,993.4 | -1.4% |
| Hang Seng | 19,689.2 | 20,165.8 | -2.4% |
| FTSE 100 | 7,409.1 | 7,413.4 | -0.1% |
| DAX 30 | 13,449.2 | 13,479.6 | -0.2% |
| CAC 40 | 6,409.8 | 6,436.9 | -0.4% |

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

| | | | |
|------------------------------|---------|------|-------|
| NZ Unemployment Rate | 8:45 | 3.1% | 3.2% |
| S&PG Services PMI | 9:00 | | 52.6 |
| Retail Sales | 11:30 | | -0.9% |
| Global PMIs | Various | | |
| US ISM Non-Manufacturing PMI | 0:00 | 52.5 | 55.3 |
| Fed's Harker Speaks | 0:30 | | |

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

| | | | |
|----------------------------|-------|-------|------|
| Family Zone Cyber Security | 0.350 | 0.320 | 9.4% |
| Selfwealth | 0.185 | 0.180 | 2.8% |
| Frontier Energy | 0.250 | 0.245 | 2.0% |
| Jervois Mining | 0.390 | 0.385 | 1.3% |

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

| | | | |
|------------------------|---------|---------|-------|
| Oil - West Texas Crude | 93.80 | 94.62 | -0.9% |
| Gold | 1,760.1 | 1,772.6 | -0.7% |
| Gold (Aus) | 2,543.0 | 2,521.9 | 0.8% |
| Silver | 19.97 | 20.34 | -1.8% |
| Uranium (Spot) | 48.63 | 48.75 | -0.3% |
| Tin (Futures) | 25,575 | 25,047 | 2.1% |

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

| | | | |
|----------|--------|--------|-------|
| DX Index | 106.35 | 105.45 | 0.9% |
| AUD/USD | 0.6921 | 0.7029 | -1.5% |
| AUD/GBP | 0.5687 | 0.5734 | -0.8% |
| AUD/EUR | 0.6807 | 0.6849 | -0.6% |
| AUD/YEN | 92.04 | 92.49 | -0.5% |
| AUD/NZD | 1.1063 | 1.1092 | -0.3% |
| AUD/CAD | 0.8914 | 0.9024 | -1.2% |

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

| | | | |
|----------------------------|--------|--------|-------|
| VIX Index | 23.93 | 22.84 | 4.8% |
| 2-Year Treasury Yield (%) | 3.037 | 2.867 | 17 bp |
| 10-Year Treasury Yield (%) | 2.753 | 2.572 | 18 bp |
| US 2-10-Year Spread | -0.284 | -0.295 | 1 bp |