

4 August 2022

Stocks rip higher overnight (Nasdaq +3%) despite hawkish Fed speak

- Global markets.** It was another extremely strong session for equities overnight, with all major indices in the US up by >1%, paced by the Nasdaq – which added nearly 3% for the day – and the S&P 500, which closed higher by 1.6%. Over in Europe, it was a similar story, with all indices higher in a range of 0.5% - 1.0%.
- ISM strong, hawkish Fed speakers.** The strength overnight came despite a slew of strong economic releases (ie. bolstering the case for more rate hikes), which included a huge beat in the ISM's non-manufacturing PMI (at 56.7 vs 53.5 expected). While, elsewhere, a host of Fed speakers lined up to deliver hawkish messages, yet the market took little notice – closing essentially at the highs of the day.
- Yield curve inverts further.** In fixed income markets **US Treasury** yields were higher at the short-end of the curve (2-year +3bps), while the long-end rallied (10-year -5bps), resulting in a further steepening of the 2-10-year curve to 36bps at the time of writing – the steepest such inversion since the dot com bubble of the early 2000's (again, suggesting the market is sceptical of the Fed's ability to hold rates at current levels for too long).
- In other markets,** the price of **oil** continued to soften – with **WTI crude** closing at \$91/bbl; being off >30% from its recent highs and below the levels prior to Russia invading Ukraine. Elsewhere, other major **commodities** were mixed, with **gold** and **silver** each higher, while **tin** and **uranium** closed lower. The **USD** was ~flat against a basket of currencies and the **VIX Index** fell 8% on account of the day's equity market strength.
- Futures point higher.** Unsurprisingly, given the lead from Wall Street overnight, it appears local stocks will open sharply higher when trading commences this morning – with ASX futures currently up by 32 points, or ~0.5%. In economic news, today's major releases include a **BOE rate decision** and **weekly jobless claims** from the US.

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

Local Markets

All Ordinaries	7,202.9	7,216.4	-0.2%
ASX 200	6,975.9	6,998.1	-0.3%
ASX Emerging Companies	2,245.0	2,212.3	1.5%

US Markets

Dow Jones	32,812.5	32,396.2	1.3%
S&P500	4,155.2	4,091.2	1.6%
Nasdaq	12,668.2	12,348.8	2.6%
Russell 2000	1,908.9	1,882.5	1.4%

Asian & European Markets

Shanghai Composite	3,163.7	3,186.3	-0.7%
Nikkei	27,741.9	27,594.7	0.5%
Hang Seng	19,767.1	19,689.2	0.4%
FTSE 100	7,445.7	7,409.1	0.5%
DAX 30	13,587.6	13,449.2	1.0%
CAC 40	6,472.1	6,409.8	1.0%

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

BOE Rate Decision	21:00	1.75%	1.25%
US Initial Jobless Claims	22:30	259k	256k
US Continuing Jobless Claims	22:30		1370k
Fed Speakers	Various		

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

Frontier Energy	0.300	0.250	20.0%
Jervois Mining	0.430	0.390	10.3%
Family Zone Cyber Security	0.370	0.350	5.7%
Lotus Resources	0.240	0.230	4.3%

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

Oil - West Texas Crude	91.07	93.80	-2.9%
Gold	1,763.7	1,760.1	0.2%
Gold (Aus)	2,539.0	2,543.0	-0.2%
Silver	20.01	19.97	0.2%
Uranium (Spot)	48.25	48.63	-0.8%
Tin (Futures)	24,525	25,575	-4.1%

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

DXY Index	106.38	106.35	0.0%
AUD/USD	0.6947	0.6921	0.4%
AUD/GBP	0.5721	0.5687	0.6%
AUD/EUR	0.6835	0.6807	0.4%
AUD/YEN	93.05	92.04	1.1%
AUD/NZD	1.1075	1.1063	0.1%
AUD/CAD	0.8925	0.8914	0.1%

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

VIX Index	21.95	23.93	-8.3%
2-Year Treasury Yield (%)	3.066	3.037	3 bp
10-Year Treasury Yield (%)	2.706	2.753	-5 bp
US 2-10-Year Spread	-0.360	-0.284	-8 bp