

4 October 2022

Risk-on as yields/USD pullback, US stocks +2-3%, RBA meets today

- Global markets.** It was an extremely strong night for international equities – particularly in the US – with moves of 2-3% witnessed. For the day, the strongest performers were the Russell 2000 and Dow – both of which put on 2.7%, while the S&P added 2.6% and the tech-heavy Nasdaq was a relative laggard, given a sharp fall in key constituent **Tesla**, which gave up 9% for the day on a delivery miss announced over the weekend.
- Yields collapse.** Supporting the overnight move in stocks was a very strong pullback in yields across the curve with the US 2-year **Treasury** down 17bps over the day, while the bellweather (for risk assets) 10-year lost 19bps and finished at just 3.64% - after having briefly touched 4% just last week. The yield curve remains heavily inverted at -47bps, where it has now been for ~3 months.
- Commodities strong.** In other markets, it was also a solid session for all commodities, with **oil** up 5%, **silver** rocketing higher by 9%, **gold** up 2% and **spot uranium** 0.5% ahead. The key US Metals & Mining ETF was higher by 7% for the day. Elsewhere, the day's risk-on sentiment saw the **VIX Index** pull back 4%, while the **USD** also lost 0.5% and the **AUD** was stronger against most major crosses.
- Futures point higher.** Given the strong lead from Wall Street overnight, it appears local stocks will open sharply higher when trading commences this morning – with ASX futures currently ahead by 102 points, or ~1.6% at the time of writing.
- RBA meets today.** It will be a busy day for economic news – with the key highlight locally being the RBA's latest rate decision at 2:30pm, where expectations are for a 50bp increase in the cash rate to 2.85%. Elsewhere, housing data is due, while a total of five Fed members are due to speak, as is ECB President Christine Lagarde.

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

Local Markets

All Ordinaries	6,656.4	6,678.7	-0.3%
ASX 200	6,456.9	6,474.2	-0.3%
ASX Emerging Companies	2,010.3	2,043.3	-1.6%

US Markets

Dow Jones	29,490.9	28,725.5	2.7%
S&P500	3,678.4	3,585.6	2.6%
Nasdaq	10,815.4	10,575.6	2.3%
Russell 2000	1,708.9	1,664.7	2.7%

Asian & European Markets

Shanghai Composite	3,024.4	3,024.4	0.0%
Nikkei	26,215.8	25,937.2	1.1%
Hang Seng	17,079.5	17,222.8	-0.8%
FTSE 100	6,908.8	6,893.8	0.2%
DAX 30	12,209.5	12,114.4	0.8%
CAC 40	5,794.2	5,762.3	0.6%

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

Building Permits	11:30	5.0%	-17.2%
Home Loans (MoM)	11:30	-3.5%	-7.0%
Investment Lending (MoM)	11:30		-11.2%
RBA Rate Decision	14:30	2.85%	2.35%
5 x Fed Speakers	Various		
ECB's Lagarde Speaks	2:00		

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

Alderaan Resources	0.009	0.008	12.5%
Elementos	0.295	0.290	1.7%
Frontier Energy	0.370	0.370	0.0%
Family Zone Cyber Security	0.320	0.320	0.0%

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

Oil - West Texas Crude	83.36	79.49	4.9%
Gold	1,698.5	1,660.6	2.3%
Gold (Aus)	2,609.9	2,591.9	0.7%
Silver	20.69	19.03	8.7%
Uranium (Spot)	48.50	48.25	0.5%
Tin (Futures)	20,725	20,725	0.0%

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

DXY Index	111.66	112.17	-0.5%
AUD/USD	0.6508	0.6407	1.6%
AUD/GBP	0.5750	0.5740	0.2%
AUD/EUR	0.6623	0.6550	1.1%
AUD/YEN	94.10	92.67	1.5%
AUD/NZD	1.1386	1.1440	-0.5%
AUD/CAD	0.8873	0.8857	0.2%

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

VIX Index	30.10	31.62	-4.8%
2-Year Treasury Yield (%)	4.109	4.279	-17 bp
10-Year Treasury Yield (%)	3.636	3.829	-19 bp
US 2-10-Year Spread	-0.473	-0.450	-2 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.