

7 November 2022

Commodities rally sharply on Fri night, US Mid-terms/CPI this week

- **Global markets.** It was a strong end to the week, as all US indices jumped more than 1% on weak US economic data, which sparked dovish buying. The S&P 500 was the front runner, adding +1.4%, followed closely by the Dow and Nasdaq (both adding +1.3%), while the Russell 2000 closed 1.1% higher. Elsewhere, European and Asian markets also had a stellar end to the week, with all European indices adding >2%, the Shanghai Composite gained +2.4% and the Hang Seng surged a colossal +5.4% - all on China re-opening hopes.
- **Commodities ripped.** Rumours that China may be preparing to ease their strict Covid zero policy sent commodities flying on Friday night, with key moves including **WTI Crude** +5.0%, **gold** +3.2%, **silver** +7.0%, **copper** +8% and **tin** +3.0%.
- **In other markets,** the **USD** depreciated against a basket of currencies, as the **DXY** lost -1.9% (adding to commodity tailwinds). In the Treasury market, the long end underperformed, as the 2-Year lost -4bps and the 10-Year added +4bps, resulting in a +7bps swing in the 2-10-Year spread. Finally, the **VIX** slipped another -3.0%, falling below 25 for the first time in almost 2 months.
- **Futures +1.3% higher.** Following the strong Friday session in the US, the ASX is set to rise at the open, with ASX futures up 91 points or 1.3% as of writing. Today's economic news will be relatively thin, with three Fed speakers the major news – being Collins, Mester and Barkin.
- **Big week for economics.** Over the balance of the week, two major events will dominate headlines with US mid-terms to be held on Tuesday (in the US), while US CPI is then due on Thursday (early Friday morning local time). Currently, expectations are for Republicans to regain both the House and Senate, while inflation is seen moderating slightly, to 8% (from 8.2%), with Core down to 6.5% (from 6.6% previously).

World Indices	Close	Prior	% Δ
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Local Markets

All Ordinaries	7,089.3	7,050.6	0.5%
ASX 200	6,892.5	6,857.9	0.5%
ASX Emerging Companies	2,115.0	2,097.8	0.8%

US Markets

Dow Jones	32,403.2	32,001.2	1.3%
S&P500	3,770.6	3,719.9	1.4%
Nasdaq	10,475.3	10,342.9	1.3%
Russell 2000	1,799.9	1,779.7	1.1%

Asian & European Markets

Shanghai Composite	3,070.8	2,997.8	2.4%
Nikkei	27,199.7	27,663.4	-1.7%
Hang Seng	16,161.1	15,339.5	5.4%
FTSE 100	7,334.8	7,188.6	2.0%
DAX 30	13,459.9	13,130.2	2.5%
CAC 40	6,416.4	6,243.3	2.8%

Economic Releases	Time	F'cast	Prior
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3 x Fed Speakers	Various		
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Key BW Names	Close	Prior	% Δ
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Syrah Resources	0.255	0.245	4.1%
Frontier Energy	0.470	0.455	3.3%
Jervois Mining	0.500	0.490	2.0%
Family Zone Cyber Security	0.325	0.320	1.6%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	92.61	88.17	5.0%
Gold	1,672.8	1,621.5	3.2%
Gold (Aus)	2,603.5	2,575.4	1.1%
Silver	20.86	19.49	7.0%
Uranium (Spot)	49.25	50.63	-2.7%
Tin (Futures)	18,293	17,762	3.0%

Currency	Close	Prior	% Δ
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DXY Index	110.79	112.93	-1.9%
AUD/USD	0.6425	0.6296	2.0%
AUD/EUR	0.6480	0.6451	0.4%
AUD/YEN	94.47	93.28	1.3%
AUD/GBP	0.5680	0.5633	0.8%
AUD/NZD	1.0927	1.0897	0.3%
AUD/CAD	0.8696	0.8645	0.6%

Other Markets	Close	Prior	% Δ
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VIX Index	24.55	25.30	-3.0%
2-Year Treasury Yield (%)	4.679	4.716	-4 bp
10-Year Treasury Yield (%)	4.159	4.123	4 bp
US 2-10-Year Spread	-0.520	-0.593	7 bp