BW EQUITIES RESEARCH

11 January 2023

Stocks rally as Powell says nothing new, commodities broadly higher

- **Global markets.** It was a relatively strong night for equities as the key overnight 'event-risk', namely Jerome Powell's speech, ultimately came to nothing – with the Fed Chair opting not to comment on current economic or monetary conditions at all. This lack of negative/hawkish commentary was enough for the market to take-off, with US stocks rallying throughout the 2nd half of the session. For the day the Russell 2000 and Nasdaq led, up 1.5% and 1.0% respectively, while the Dow trailed at +0.6%.

- **From a sector perspective,** 10 of the S&P's 11 sectors ended higher, with just **Staples** falling (and only by 0.2%). **Communication Services** (+1.3%) and **Consumer Discretionary** (+1.3%) led the day.

- **In other markets,** the **USD** remained relatively subdued at a level of ~103, **oil** prices were higher for much of the day before a larger-than-expected inventory build saw them ultimately trade lower, **tin** was higher again, as was **copper** and **silver** and **gold** were broadly flat. **Treasuries** were sold-off (surprisingly given the broad rally in equities), with the 10-year higher by 8bps and the curve flattened slightly to 63bps (from 68bp). Finally, the **VIX Index** fell 6% on the day and closed back at a 20 handle, despite the upcoming US CPI risk on Thursday.

- **Futures higher.** Given the strong lead from Wall Street (and yet another solid move higher for most commodities) it appears local stocks will open in the green when trading commences this morning – with ASX futures currently ahead by 30 points, or ~0.4% at the time of writing.

- **CPI and retail sales today.** In economics, today's major releases will be the 3rd iteration of Australia's new monthly CPI – with expectations looking for a 7.3% YoY print, vs 6.9% last month. While also at 11:30am retail sales for the month of December will be released - and closely watched, given its relative importance to annual sales for so many companies.

World Indices	Close	Prior	% Δ
Local Markets			
All Ordinaries	7,336.6	7,355.8	-0.3%
ASX 200	7,131.0	7,151.3	-0.3%
ASX Emerging Companies	2,194.7	2,202.0	-0.3%
US Markets			
Dow Jones	33,704.1	33,517.7	0.6%
S&P500	3,919.3	3,892.1	0.7%
Nasdaq	10,742.6	10,635.7	1.0%
Russell 2000	1,822.7	1,795.9	1.5%
Asian & European Markets			
Shanghai Composite	3,169.5	3,176.1	-0.2%
Nikkei	26,175.6	25,973.9	0.8%
Hang Seng	21,331.5	21,388.3	-0.3%
FTSE 100	7,694.5	7,724.9	-0.4%
DAX 30	14,774.6	14,792.8	-0.1%
CAC 40	6,869.1	6,907.4	-0.6%

Economic Releases	Time	F'cast	Prior
Monthly CPI	11:30	7.3%	6.9%
Retail Sales (MoM)	11:30	1.6%	-0.2%

Key BW Names	Close	Prior	% Δ
Alderan Resources	0.009	0.008	12.5%
Lotus Resources	0.230	0.220	4.5%
Frontier Energy	0.470	0.455	3.3%

Commodities	Close	Prior	% Δ
Oil - West Texas Crude	74.47	74.91	-0.6%
Gold	1,877.2	1,872.0	0.3%
Gold (Aus)	2,723.4	2,707.9	0.6%
Silver	23.61	23.63	-0.1%
Uranium (Spot)	50.00	49.88	0.2%
Tin (Futures)	25,860	25,815	0.2%
Copper	4.078	4.010	1.7%

Other Markets	Close	Prior	% Δ
DXY Index	103.27	103.20	0.1%
AUD/USD	0.6893	0.6913	-0.3%
VIX Index	20.58	21.97	-6.3%
2-Year Treasury Yield (%)	4.254	4.216	4 bp
10-Year Treasury Yield (%)	3.620	3.537	8 bp
US 2-10-Year Spread	-0.634	-0.679	5 bp