

15 December 2022

## Fed hikes another 50bps and now expects a terminal rate >5%

- **Global markets.** It was a volatile overnight session as the Fed handed down its latest rate decision, in addition to an updated Statement of Economic Projections (SEP) and Powell press conference. Prior to the above releases, the market has traded comfortably higher, although given a hawkish tilt to the Fed's messaging, stocks briskly declined to end the day lower by ~0.4%-0.8% - the Nasdaq was the laggard.
- **SEP summary.** Key takeaways from the Fed's updated SEP include (1) GDP now forecast at 0.5% next year vs 1.2% previously, (2) unemployment in 2023 seen at 4.6%, up from 4.4% previously, (3) core PCE inflation remaining higher for longer – now at 3.5% next year vs 3.1% prior, and (4) higher terminal rates, at 5.1% next year vs 4.6% expected at the September meeting.
- **In other markets,** there were big intraday moves seen in **Treasuries**, although both the 2-year and 10-year ultimately closed lower by just 1bp. The **USD** was surprisingly a little lower vs other major currencies (the **AUD** was up 0.1%). Elsewhere, **oil** (+2.7%) was higher while other **commodities** were mixed with **silver** and **nickel** up and **tin**, **gold** and **uranium** lower. And finally, the **VIX Index** was off 7% as the high-impact CPI and Fed meetings are now out of the way.
- **Another busy day for economics.** Economic data won't stop today with local jobs due and inflation expectations both due this morning. Internationally, there will be a rate decision from both the BOE and ECB today (each expected to pass on a 50bp hike) while US retail sales and industrial production and Chinese data (house prices, retail sales, fixed asset investment, IP) will all be released over the day.
- **Futures 0.9% lower.** Given the poor lead from Wall Street, it appears local stocks will open sharply lower when trading commences this morning – with ASX futures off by 61 points, or ~0.9% at the time of writing.

World Indices	Close	Prior	% Δ
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### Local Markets

All Ordinaries	7,438.7	7,389.2	0.7%
ASX 200	7,251.3	7,203.3	0.7%
ASX Emerging Companies	2,141.4	2,112.9	1.3%

### US Markets

Dow Jones	33,966.4	34,108.6	-0.4%
S&P500	3,995.3	4,019.7	-0.6%
Nasdaq	11,170.9	11,256.8	-0.8%
Russell 2000	1,820.5	1,831.7	-0.6%

### Asian & European Markets

Shanghai Composite	3,176.5	3,176.3	0.0%
Nikkei	28,156.2	27,954.9	0.7%
Hang Seng	19,673.5	19,596.2	0.4%
FTSE 100	7,495.9	7,502.9	-0.1%
DAX 30	14,460.2	14,497.9	-0.3%
CAC 40	6,730.8	6,745.0	-0.2%

S&P500 Sectors	Close	Prior	% Δ
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Healthcare	1,628.6	1,626.3	0.1%
Materials	513.4	519.2	-1.1%
Financials	573.7	581.3	-1.3%

Economic Releases	Time	F'cast	Prior
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Cons. Inflation Expectations	11:00		6.0%
Employment Change	11:30	19k	32k
Unemployment Rate	11:30	3.4%	3.4%
China Data	Various		
BOE Rate Decision	23:00	3.5%	3.0%
ECB Rate Decision	0:15	2.5%	2.0%
US Retail Sales	0:30	-0.1%	1.3%
ECB Press Conference	0:45		
US Industrial Production	1:15	0.1%	-0.1%

Key BW Names	Close	Prior	% Δ
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Hydralyte	0.110	0.100	10.0%
Frontier Energy	0.510	0.485	5.2%
Family Zone Cyber Security	0.295	0.290	1.7%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	77.40	75.37	2.7%
Gold	1,807	1,811	-0.2%
Gold (Aus)	2,580	2,642	-2.3%
Silver	23.93	23.71	0.9%
Uranium (Spot)	47.75	47.88	-0.3%
Tin (Futures)	24,375	24,585	-0.9%
Copper	3.80	3.84	-1.1%
Nickel	12.69	12.57	1.0%
Cobalt	51,755	51,755	0.0%

Other Markets	Close	Prior	% Δ
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DXY Index	103.6	104.0	-0.4%
AUD/USD	0.6862	0.6855	0.1%
2-Year Treasury Yield (%)	4.222	4.227	0 bp
10-Year Treasury Yield (%)	3.505	3.515	-1 bp
US 2-10-Year Spread	-0.717	-0.712	-1 bp
VIX Index	21.14	22.66	-6.7%

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