

16 February 2023

Markets rally overnight despite higher rates, Aus jobs data at 11:30am

- **Global markets.** After trading lower for the 1st half of last night's trading session, US stocks rallied sharply into the close and ended near the highs of the day, as investors brushed off some extremely strong economic data (ie. higher rates for longer). For the session all major indices gained, with the Russell strongest of the pack, +1.0%, followed by the Nasdaq (+0.9%) and S&P (+0.3%). In Europe stocks also added ~1% for the day.
- **Strong economic data.** Overnight saw a string of hot economic prints from the US – including retail sales, which were 3% higher MoM being well above expectations for 1.8%. While elsewhere, the NAHB housing market index read 42, vs 37 expected and up from 35 last month. Elsewhere, the Empire State manufacturing index also crushed expectations at -5.8 vs -18 expected.
- **USD strong.** Amongst other major assets, the key overnight move was in the **USD** which rallied 0.6% against a basket of other currencies, and saw the **AUD** depreciate by 1.2%. This in-turn weighed on virtually all **commodities**, with **oil**, **gold**, **silver**, **copper** and **tin** all lower by up-to 2%. The **VIX** lost 4% on account of the equity market strength.
- **Yields higher.** In fixed income news, yields were broadly higher – particularly at the long-end – with the 10-year **Treasury** yield ticking up to 3.8%, a full 40bps higher than the beginning of the month. The yield curve remains heavily inverted (2s-10s) at -82 bps.
- **Futures higher.** Coming off a fairly lacklustre day yesterday (ASX -1.1%), it appears local stocks will open higher this morning – with futures up by 36pts or ~0.5% at the time of writing. It will also be a big day for local economics, with **consumer inflation expectations** due at 11am, followed at 11:30am by the **February jobs report** – where expectations are for the addition of 20k jobs and a flat unemployment rate of 3.5%

World Indices	Close	Prior	% Δ
<u>Local Markets</u>			
All Ordinaries	7,559.1	7,628.6	-0.9%
ASX 200	7,352.2	7,430.9	-1.1%
ASX Emerging Companies	2,192.7	2,209.7	-0.8%

<u>US Markets</u>			
Dow Jones	34,128.1	34,089.3	0.1%
S&P500	4,147.6	4,136.1	0.3%
Nasdaq	12,070.6	11,960.2	0.9%
Russell 2000	1,958.8	1,939.9	1.0%

<u>Asian & European Markets</u>			
Shanghai Composite	3,280.5	3,293.3	-0.4%
Nikkei	27,501.9	27,602.8	-0.4%
Hang Seng	20,812.2	21,113.8	-1.4%
FTSE 100	7,997.8	7,953.9	0.6%
DAX 30	15,506.3	15,380.6	0.8%
CAC 40	7,300.9	7,213.8	1.2%

S&P500 Sectors	Close	Prior	% Δ
Communication Services	184.0	181.8	1.2%
Consumer Discretionary	1,194.8	1,181.1	1.2%
Energy	675.6	687.8	-1.8%

Economic Releases	Time	F'cast	Prior
Cons. Inflation Expectations	11:00		5.6%
Employment Change	11:30	20k	-15k
Unemployment Rate	11:30	3.5%	3.5%
US PPI	0:30	0.4%	-0.5%
US Weekly Jobless Claims	0:30		
3x Fed Speakers	Various		

Key BW Names	Close	Prior	% Δ
Frontier Energy	0.430	0.400	7.5%
Elementos	0.320	0.303	5.8%
Lotus Resources	0.230	0.230	0.0%

Commodities	Close	Prior	% Δ
Oil - West Texas Crude	78.59	79.10	-0.6%
Gold	1,838	1,855	-0.9%
Gold (Aus)	2,661	2,654	0.3%
Silver	21.66	21.86	-0.9%
Uranium (Spot)	51.00	51.00	0.0%
Tin (Futures)	26,550	26,675	-0.5%
Copper	4.03	4.09	-1.6%

Other Markets	Close	Prior	% Δ
DXY Index	103.8	103.3	0.6%
AUD/USD	0.6907	0.6988	-1.2%
2-Year Treasury Yield (%)	4.620	4.618	0 bp
10-Year Treasury Yield (%)	3.797	3.751	5 bp
US 2-10-Year Spread	-0.823	-0.867	4 bp
VIX Index	18.25	18.91	-3.5%

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