

19 January 2023

Stocks fall ~2% overnight on poor US data, local jobs due at 11:30am

- **Global markets.** After rallying early in the overnight session on a 'bad news is good news' thematic, US stocks ultimately succumbed to fears of an imminent hard-landing recession with stocks selling off by ~2% intraday to all close at-or-near the lows of the session. For the day, the Dow (-1.8%) was worst of the majors, followed by the S&P and Russell, each losing 1.6%.
- **Economics.** The driver of overnight losses were a string of very weak economic readings in the US, key being **retail sales**, which showed MoM falls of 1.1% against expectations for just -0.8% (and -0.4% ex-autos). While **PPI** also fell 0.5% MoM vs expectations of just -0.1%. Finally, Fed speakers Bostic, Bullard and Harker all gave hawkish talks over the day.
- **Yields fall sharply.** Overnight losses came despite a very dovish move in yields, with the 2-year falling 9bps, while the 10-year fell 17bps – this saw the yield curve invert back to -73bps. Notably, the 3m-10yr is incredibly inverted at -130bps, its largest on record.
- **In FX news,** the **Yen** initially collapsed during local hours as the BOJ failed to announce any changes to its YCC plans. However, this move completely reversed (and then some) over the course of the day which saw the **DX** close essentially flat, while the **AUD** was 0.7% weaker against a basket of currencies.
- **In other markets,** commodities, like stocks, started the day strong and ultimately drifted with **oil, gold, silver, copper** and **uranium** all ending lower. **Tin** managed to buck the trend and add 1% over the day. Elsewhere, the **VIX Index** rose 5% on account of the day's equity market volatility.
- **Futures -0.4%.** Given the weak US lead it appears local stocks will open lower when trading begins this morning, although jobs data at 11:30am is likely to be the key determinant of today's performance.

World Indices	Close	Prior	% Δ
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<u>Local Markets</u>			
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All Ordinaries	7,609.5	7,597.6	0.2%
ASX 200	7,393.4	7,386.3	0.1%
ASX Emerging Companies	2,263.7	2,251.0	0.6%

<u>US Markets</u>			
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Dow Jones	33,297.0	33,910.9	-1.8%
S&P500	3,928.9	3,991.0	-1.6%
Nasdaq	10,957.0	11,095.1	-1.2%
Russell 2000	1,854.4	1,884.3	-1.6%

<u>Asian & European Markets</u>			
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Shanghai Composite	3,224.4	3,224.2	0.0%
Nikkei	26,791.1	26,138.7	2.5%
Hang Seng	21,678.0	21,577.6	0.5%
FTSE 100	7,830.7	7,851.0	-0.3%
DAX 30	15,181.8	15,187.1	0.0%
CAC 40	7,083.4	7,077.2	0.1%

S&P500 Sectors	Close	Prior	% Δ
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Cons. Staples	760.5	781.2	-2.7%
Utilities	353.5	362.2	-2.4%
Financials	585.7	596.6	-1.8%

Economic Releases	Time	F'cast	Prior
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Cons. Inflation Expectations	11:00		5.2%
Employment Change	11:30	22k	64k
Unemployment Rate	11:30	3.4%	3.4%
ECB's Lagarde Speaks	21:30		
ECB Meeting Minutes	23:30	-0.8%	-0.6%
Fed Speakers x 3	Various		

Key BW Names	Close	Prior	% Δ
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Frontier Energy	0.450	0.415	8.4%
Jervois Mining	0.320	0.305	4.9%
Lotus Resources	0.235	0.230	2.2%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	79.27	80.93	-2.1%
Gold	1,905	1,909	-0.2%
Gold (Aus)	2,745	2,732	0.5%
Silver	23.45	23.92	-2.0%
Uranium (Spot)	49.00	49.50	-1.0%
Tin (Futures)	28,750	28,475	1.0%
Copper	4.22	4.23	-0.2%

Other Markets	Close	Prior	% Δ
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DX Index	102.4	102.4	0.0%
AUD/USD	0.6939	0.6985	-0.7%
2-Year Treasury Yield (%)	4.110	4.205	-9 bp
10-Year Treasury Yield (%)	3.378	3.549	-17 bp
US 2-10-Year Spread	-0.732	-0.656	-8 bp
VIX Index	20.34	19.36	5.1%