

21 December 2022

US markets end higher after BOJ rattles currency/fixed income markets

- **Global markets.** It was an extremely volatile night for stocks, after the BOJ announced an unexpected change in its YCC guidelines, which sent shocks across global markets – particularly within the currency and fixed income spheres. Nevertheless, after trading much lower in the pre-market, US stocks ultimately rallied throughout the day to close comfortably up. For the session, the Russell 2000 was strongest of the group (+0.6%), while the Nasdaq was only very modestly ahead. In Europe, stocks were mixed.
- **From a sector perspective,** it was once again the **Energy** (+1.8%) names leading the pack, while **Materials** (+1.2%) and **Financials** (+0.9%) were also relatively strong. The only one of the 11 S&P sectors to close in the red was **Consumer Discretionary**, which fell 0.5%.
- **Yields rocket.** As noted above, all the overnight action was in the fixed income and currency markets, with US **Treasury** yields shooting higher, particularly at the long-end, following the BOJ's decision to raise the cap on its YCC. For the day, the 10-year rose 21bps against just a 2bp move in the 2-year (seeing the curve steepen to -57bps from -77bps in the prior session).
- **In other markets,** the **Yen** moved 4% against the **USD**, for its largest one day move this century. This saw the **DX** end 0.7% lower, although most of this was of course Yen-driven. It was a good night from a **commodity** perspective, with **oil**, **gold**, **silver** and **tin** all sharply higher (including a very large, >5% move in silver). And finally, the **VIX Index** fell 4% to close at a level of just 21.
- **Futures higher.** Given the strong lead from Wall Street overnight and the fact that local stocks were sold off heavily during yesterday's session, it appears the ASX will open sharply higher when trading commences this morning – with futures currently up by 58 points, or ~0.8% at the time of writing.

World Indices	Close	Prior	% Δ
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Local Markets

All Ordinaries	7,199.6	7,321.0	-1.7%
ASX 200	7,024.3	7,133.9	-1.5%
ASX Emerging Companies	2,063.5	2,106.5	-2.0%

US Markets

Dow Jones	32,849.8	32,757.5	0.3%
S&P500	3,821.6	3,817.7	0.1%
Nasdaq	10,547.1	10,546.0	0.0%
Russell 2000	1,751.0	1,738.6	0.7%

Asian & European Markets

Shanghai Composite	3,073.8	3,107.1	-1.1%
Nikkei	26,568.0	27,237.6	-2.5%
Hang Seng	19,094.8	19,352.8	-1.3%
FTSE 100	7,370.6	7,361.3	0.1%
DAX 30	13,884.7	13,942.9	-0.4%
CAC 40	6,450.4	6,473.3	-0.4%

Economic Releases	Time	F'cast	Prior
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Westpac Leading Index	10:30		-0.1%
German Cons. Confidence	18:00	-38.0	-40.2
US CB Cons. Confidence	02:00	101.0	100.2

Key BW Names	Close	Prior	% Δ
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Elementos	0.260	0.250	4.0%
Jervois Mining	0.275	0.270	1.9%
Selfwealth	0.200	0.200	0.0%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	76.09	75.19	1.2%
Gold	1,818.2	1,787.3	1.7%
Gold (Aus)	2,682.3	2,670.8	0.4%
Silver	24.18	22.99	5.2%
Uranium (Spot)	47.75	47.75	0.0%
Tin (Futures)	23,890	23,410	2.1%

Other Markets	Close	Prior	% Δ
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DX Index	104.00	104.73	-0.7%
AUD/USD	0.6679	0.6690	-0.2%
VIX Index	21.49	22.42	-4.1%
2-Year Treasury Yield (%)	4.266	4.245	2 bp
10-Year Treasury Yield (%)	3.692	3.480	21 bp
US 2-10-Year Spread	-0.574	-0.765	19 bp

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