

29 November 2022

US stocks sell-off overnight on Hawkish Fed and China concerns

- **Global markets.** After a shortened trading week in the US last week, investors returned in a risk-off mood, with all key indices falling ~1.5% - 2% on a mix of hawkish commentary from the usual Fed suspects – Bullard et al. – and concerns arising out of China as citizens protested the seemingly never-ending Covid lockdowns in the country. In Europe, stocks were also weak, all down by ~1%, with the DAX worst performing of the day.
- **Fed comments.** Key speakers overnight included Mester, who stated she “doesn’t think Fed is near a pause in tightening”, Williams who noted the “Fed still has more work to do” and Bullard, who as per usual was uber-hawkish and told markets they are “underpricing risk FOMC may be more aggressive”. As per above, these comments weighed on market sentiment.
- **From a sector perspective,** all 11 of the S&P’s sub sectors closed lower – led by **Energy** names which fell 2.7% on account of a weak **oil** price (ending the day down just 0.3%, but trading as low as \$74/bbl intraday). Elsewhere, **Real Estate**, **Materials** and **Information Technology** sectors all lost >2%.
- **In other markets,** the **USD** was stronger against a basket of currencies (+0.6%), which weighed on **commodity** markets (in conjunction with China concerns), with **copper**, **gold** and **silver** all lower for the day – this also weighed on the **AUD** which was lower against all major crosses. Elsewhere, bond yields were lower along the curve (particularly at the short-end), which saw the curve steepen to 74bps (from -80bp). And finally, the **VIX Index** shot up 8% on account of the day’s equity weakness.
- **Futures flat.** Despite the poor lead from Wall Street it appears local stocks will actually open broadly unchanged when trading commences this morning – with ASX futures currently up by 2 points at the time of writing. In economics, Eurozone consumer, economic and industrial sentiment readings are out, as is German inflation and US housing data.

World Indices	Close	Prior	% Δ
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Local Markets

All Ordinaries	7,418.6	7,447.6	-0.4%
ASX 200	7,229.1	7,259.5	-0.4%
ASX Emerging Companies	2,149.7	2,187.3	-1.7%

US Markets

Dow Jones	33,849.5	34,347.0	-1.4%
S&P500	3,963.9	4,026.1	-1.5%
Nasdaq	11,049.5	11,226.4	-1.6%
Russell 2000	1,831.0	1,869.2	-2.0%

Asian & European Markets

Shanghai Composite	3,078.6	3,101.7	-0.7%
Nikkei	28,162.8	28,283.0	-0.4%
Hang Seng	17,297.9	17,573.6	-1.6%
FTSE 100	7,474.0	7,486.7	-0.2%
DAX 30	14,383.4	14,541.4	-1.1%
CAC 40	6,665.2	6,712.5	-0.7%

Economic Releases	Time	F'cast	Prior
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EZ Cons. Confidence	21:00	-23.9	-27.5
EZ Economic Sentiment	21:00	93.5	92.5
EZ Industrial Sentiment	21:00	-0.5	-1.2
German Inflation	0:00	10.4%	10.4%
US House Price Index	1:00		-0.7%
US CB Cons. Confidence	2:00	100.0	102.5

Key BW Names	Close	Prior	% Δ
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Elementos	0.300	0.265	13.2%
Family Zone Cyber Security	0.300	0.285	5.3%
Paladin Energy	0.785	0.780	0.6%
Hydralyte	0.120	0.120	0.0%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	76.54	76.28	0.3%
Gold	1,740.7	1,754.6	-0.8%
Gold (Aus)	2,580.4	2,611.8	-1.2%
Silver	20.93	21.61	-3.1%
Uranium (Spot)	49.88	49.88	0.0%
Tin (Futures)	22,345	22,285	0.3%

Currency	Close	Prior	% Δ
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DXY Index	106.67	106.08	0.6%
AUD/USD	0.6652	0.6718	-1.0%
AUD/EUR	0.6433	0.6469	-0.6%
AUD/YEN	92.41	93.45	-1.1%
AUD/GBP	0.5563	0.5565	0.0%
AUD/NZD	1.0790	1.0794	0.0%
AUD/CAD	0.8976	0.9000	-0.3%

Other Markets	Close	Prior	% Δ
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VIX Index	22.21	20.50	8.3%
2-Year Treasury Yield (%)	4.430	4.509	-8 bp
10-Year Treasury Yield (%)	3.686	3.700	-1 bp
US 2-10-Year Spread	-0.744	-0.809	7 bp

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