

14 March 2023

Yields collapse as rate hike expectations wind back, US CPI tonight

- **Global markets.** It was a volatile night for equities overnight, with futures trading sharply lower ahead of the cash open, before rallying through the mid-part of the session, then ultimately ending ~flat. For the day, the Nasdaq led, +0.4%, while the Russell 2000 was hardest hit (large financials weighting), off 1.6%.
- **Yields collapse.** While there was some volatility in equities overnight, all the action was to be found in the bond market – where the US 2-year **Treasury** utterly collapsed, falling 60bps over the day, to be down >1% in just the past two trading sessions. Elsewhere, the 10-year also lost 11bps (which on a normal day would have been notable) which saw the yield curve inversion reduce to just 40bps (off a recent high of >100bps).
- **Financials drag again.** From a sector perspective, it was a rather balanced night, with six sectors in the green and four in the red. However, **Financials** were once again a standout, down 3.8%, as liquidity fears continued to spread. Notable declines within the sector last night included **SVB Financial Group** (-59%), **First Pacific Bank** (-15%) and **Charles Schwab** (-12%).
- **In other markets,** the **USD** followed yields lower, falling ~1%, **commodities** were mixed – with **oil** off ~3% on global growth concerns, while **precious metals** rallied sharply on lower real yields, **silver** +6% and **gold** +2%. Elsewhere, **tin** and **copper** moved slightly higher and **uranium** was flat. The **VIX Index** closed up 7% to close at 26, after trading as high as 31 during the session.
- **Futures down ~2%.** Despite the modest lead from Wall Street, it appears local stocks will open down hard when trading commences this morning – with ASX futures currently off by 132 points.
- **US CPI tonight.** In economic news, tonight will see the release of US CPI figures at 11:30pm local time.

World Indices	Close	Prior	% Δ
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Local Markets

All Ordinaries	7,311.0	7,348.2	-0.5%
ASX 200	7,108.8	7,144.7	-0.5%
ASX Emerging Companies	2,089.3	2,107.2	-0.8%

US Markets

Dow Jones	31,819.1	31,909.6	-0.3%
S&P500	3,855.8	3,861.6	-0.2%
Nasdaq	11,188.8	11,138.9	0.4%
Russell 2000	1,744.3	1,772.7	-1.6%

Asian & European Markets

Shanghai Composite	3,268.7	3,230.1	1.2%
Nikkei	27,833.0	28,144.0	-1.1%
Hang Seng	19,696.0	19,319.9	1.9%
FTSE 100	7,548.6	7,748.4	-2.6%
DAX 30	14,959.5	15,428.0	-3.0%
CAC 40	7,011.5	7,220.7	-2.9%

S&P500 Sectors	Close	Prior	% Δ
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Real Estate	229.8	226.2	1.6%
Energy	616.5	628.8	-2.0%
Financials	525.6	546.3	-3.8%

Economic Releases	Time	F'cast	Prior
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Westpac Cons. Confidence	10:30		78.5
UK Unemployment Rate	18:00	3.8%	3.7%
US Inflation Rate	23:30	5.5%	5.6%
US Core Inflation Rate	23:30	6.0%	6.4%

Key BW Names	Close	Prior	% Δ
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Frontier Energy	0.435	0.430	1.2%
Lotus Resources	0.200	0.200	0.0%
Alderman Resources	0.007	0.007	0.0%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	74.50	76.66	-2.8%
Gold	1,914	1,876	2.0%
Gold (Aus)	2,871	2,851	0.7%
Silver	21.80	20.65	5.6%
Uranium (Spot)	50.63	50.63	0.0%
Tin (Futures)	23,210	22,912	1.3%
Copper	4.04	4.03	0.2%

Other Markets	Close	Prior	% Δ
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DXY Index	103.6	104.6	-0.9%
AUD/USD	0.6668	0.6580	1.3%
2-Year Treasury Yield (%)	3.989	4.588	-60 bp
10-Year Treasury Yield (%)	3.586	3.695	-11 bp
US 2-10-Year Spread	-0.403	-0.893	49 bp
VIX Index	26.52	24.80	6.9%