

22 February 2023

Equities lose >2% overnight as yields spike, 2yr back near cycle highs

- Global markets.** It was an awful night for all indices across the globe, with US equities all slammed more than -2.0%. It was the small cap Russell 2000 that led the losses, falling -3%, followed by the Nasdaq (-2.5%), Dow Jones (-2.1%) and the S&P500 (-2.0%). Elsewhere, European and Asian indices were also down, but to a lesser extent as US stocks closed at the lows of the day.
- PMIs strong, yields ripping.** Last night's main event was the release of US PMI data, which came in much stronger than anticipated. This added to mayhem in the bond market; where terminal rate expectations moved above 5.35%. Treasury yields were higher right along the curve with the 2-Year jumping +11bps, hitting its highest level since Nov and highest closing level in 16 years. The 10-Year bounced +13bps, inching closer towards a 4% yield. The 2-10-Year spread improved by +2bps yet still remains heavily inverted at -78bps.
- In other markets,** it was a quieter day for commodities overnight as **WTI Crude** fell -0.2%, holding above \$76/bbl. **Silver** gained +0.1% despite **gold** falling -0.4%. Battery metals remained strong as **tin** gained +3.1% and **copper** added +2.6%. In the currency market, the USD appreciated against a basket of currencies, causing the **DX** to increase +0.3%. Lastly, the volatility in the market saw the **VIX** jump +7.7%, reaching its highest level this year.
- Local wage data today.** Today, the Australia Wage Price Index will be announced, and it forecast to increase +3.5% YoY, up from 3.1% last month – this will of course be closely watched by the RBA and local markets. Overseas, the German inflation rate and Business Climate data will be announced, along with the FOMC minutes.
- Futures.** Following the poor performance of US equities last night, the ASX is set to slip at the open, with ASX futures down -45 points or -0.6% as of writing.

World Indices	Close	Prior	% Δ
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Local Markets

All Ordinaries	7,544.6	7,552.5	-0.1%
ASX 200	7,336.3	7,351.5	-0.2%
ASX Emerging Companies	2,182.4	2,164.2	0.8%

US Markets

Dow Jones	33,129.6	33,826.7	-2.1%
S&P500	3,997.3	4,079.1	-2.0%
Nasdaq	11,492.3	11,787.3	-2.5%
Russell 2000	1,888.2	1,946.4	-3.0%

Asian & European Markets

Shanghai Composite	3,306.5	3,290.3	0.5%
Nikkei	27,473.1	27,531.9	-0.2%
Hang Seng	20,529.5	20,887.0	-1.7%
FTSE 100	7,977.8	8,014.3	-0.5%
DAX 30	15,397.6	15,477.6	-0.5%
CAC 40	7,308.7	7,335.6	-0.4%

S&P500 Sectors	Close	Prior	% Δ
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Industrials	850.8	870.7	-2.3%
Information Technology	2,379.8	2,438.4	-2.4%
Consumer Discretionary	1,130.4	1,169.5	-3.3%

Economic Releases	Time	F'cast	Prior
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Wage Price Index	11:30	3.5%	3.1%
German Inflation Rate	18:00	8.7%	8.6%
German Business Climate	20:00	91.2	90.2
FOMC Minutes	6:00		

Key BW Names	Close	Prior	% Δ
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Hydralyte	0.072	0.068	5.9%
Forbidden Foods	0.023	0.022	4.5%
Syrah Resources	1.890	1.855	1.9%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	76.16	76.34	-0.2%
Gold	1,835	1,842	-0.4%
Gold (Aus)	2,676	2,664	0.4%
Silver	21.84	21.81	0.1%
Uranium (Spot)	51.75	51.75	0.0%
Tin (Futures)	27,525	26,700	3.1%
Copper	4.22	4.11	2.6%

Other Markets	Close	Prior	% Δ
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DX Index	104.2	103.9	0.3%
AUD/USD	0.6856	0.6913	-0.8%
2-Year Treasury Yield (%)	4.731	4.623	11 bp
10-Year Treasury Yield (%)	3.956	3.828	13 bp
US 2-10-Year Spread	-0.775	-0.795	2 bp
VIX Index	22.87	21.23	7.7%