

8 March 2023

Powell opens the door to larger hikes, markets drop 1-2% as a result

- **Powell testimony highlights.** The main event in markets overnight was the fronting of Fed Chair Powell to Congress for his first day of semiannual testimony. The main message from the testimony was that markets should expect 'the ultimate level of interest rates [to be] higher than previously anticipated', while also opening the door to larger rate increases in future, if necessary.
- **Global markets.** Powell's hawkish testimony was taken poorly by markets, with US equities ended deep in the red. All four of the major US indices lost over 1%, with the Dow Jones (-1.7%) losing the most, followed by the S&P (-1.5%), Nasdaq (-1.2%) and the Russell 2000 (-1.0%). Elsewhere, Asian and European indices were also down, with the Nikkei being the exception.
- **Yield curve >100bps.** Treasuries reacted with extreme divergence across the curve, with the short-end underperformed sharply – the 2-Year rose +12bps, crossing over a 5.00% yield for the first time since 2007, while the 10-Year lost -1bp. As a result, the 2-10-Year spread deepened 13bps, sending the inverted yield curve below -100bps for the first time since 1981.
- **In other markets,** it was a weak day for commodities across the board, as **WTI Crude** lost -4.0%, falling back below \$80/bbl, **gold** fell -1.7% and **silver** -4.5%. Battery metals were also weak with **tin** falling -1.0% and **copper** -2.5%. In the currency market, the USD appreciated against a basket of currencies, causing the **DX** to gain +1.2%, closing at 105.6. Lastly, the **VIX** jumped +5.1% and finished the session at 19.6.
- **Futures and economics.** Following the weak performance of US equities, the ASX is set to drop at the open, with ASX futures down -60 points or -0.8% as of writing. Today, key foreign economic news is being released, such as the Eurozone GDP figures, Canada's Balance of Trade and Germany's retail sales figures.

World Indices	Close	Prior	% Δ
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Local Markets

All Ordinaries	7,562.7	7,525.7	0.5%
ASX 200	7,364.7	7,328.6	0.5%
ASX Emerging Companies	2,137.2	2,139.4	-0.1%

US Markets

Dow Jones	32,856.5	33,431.4	-1.7%
S&P500	3,986.4	4,048.4	-1.5%
Nasdaq	11,530.3	11,675.7	-1.2%
Russell 2000	1,879.6	1,899.2	-1.0%

Asian & European Markets

Shanghai Composite	3,285.1	3,322.0	-1.1%
Nikkei	28,309.2	28,237.8	0.3%
Hang Seng	20,534.5	20,603.2	-0.3%
FTSE 100	7,919.5	7,929.8	-0.1%
DAX 30	15,559.5	15,653.6	-0.6%
CAC 40	7,339.3	7,373.2	-0.5%

S&P500 Sectors	Close	Prior	% Δ
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Materials	512.7	523.1	-2.0%
Real Estate	236.2	242.3	-2.5%
Financials	582.2	597.4	-2.5%

Economic Releases	Time	F'cast	Prior
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German Retail Sales	18:00	-6.1%	-6.4%
Eurozone GDP	21:00	1.90%	2.30%
Fed Chair Powell Testimony	2:00		

Key BW Names	Close	Prior	% Δ
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Lotus Resources	0.210	0.210	0.0%
Selfwealth	0.190	0.190	0.0%
Alderan Resources	0.007	0.007	0.0%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	77.39	80.59	-4.0%
Gold	1,814	1,846	-1.7%
Gold (Aus)	2,753	2,743	0.4%
Silver	20.08	21.03	-4.5%
Uranium (Spot)	50.88	50.63	0.5%
Tin (Futures)	24,310	24,545	-1.0%
Copper	3.97	4.07	-2.5%

Other Markets	Close	Prior	% Δ
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DX Index	105.6	104.3	1.2%
AUD/USD	0.6589	0.6731	-2.1%
2-Year Treasury Yield (%)	5.011	4.888	12 bp
10-Year Treasury Yield (%)	3.966	3.975	-1 bp
US 2-10-Year Spread	-1.045	-0.913	-13 bp
VIX Index	19.60	18.65	5.1%