

18 May 2023

## Markets rally overnight (US regionals +7%) – Aus jobs data at 11:30am

- **Global markets.** It was a strong overnight session for US stocks, with markets opening marginally up, then continuing to rally throughout the day. For the session, all major US indices added >1%, with the small cap Russell 2000 leading the group, +2.2%, followed by the Nasdaq (+1.3%) and S&P and Dow (both +1.2%). In Europe, stocks ended mixed in a tight range of +/- 0.4%.
- **Regional bank index +7%.** The major driver of last night's strength was a sharp move in US regional banks – the **KRE Index** was +7% - after **Western Alliance** (+10%) announced its deposits had grown by more than \$2bn since the end of the quarter – easing worries about the health of the sector. Other troubled names including **Pacwest** (+22%) rallied in sympathy.
- **Yields move higher.** In fixed income news, yields on US Treasuries continued to move higher, with the 2-year closing at 4.17%, up nearly 50bps from its lows of last week (and the cycle). The 10-year was also bid (yield +3bps) though not to the extent of the shorter-end. The yield curve remains heavily inverted at -60bps (and actually moved 6bps further into inverted territory last night).
- **In other markets,** the **USD** was marginally higher against a basket of currencies (+0.3%), while the **AUD** was flat and **commodities** were mixed – **tin** higher, **copper/oil** flat, **gold** lower. And finally the **VIX Index** fell 6% to sit comfortably below a level of 17 on equity market strength.
- **Local jobs data out today.** In economics, today's major event will be the release of local jobs data at 11:30am, with unemployment expected to remain flat at 3.5% vs last month, while 25k jobs are to be added (down from 53k last month). Elsewhere, the ECB's Lagarde will speak alongside three separate Fed speakers over the course of the day.

World Indices	Close	Prior	% Δ
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Local Markets

All Ordinaries	7,389.3	7,424.1	-0.5%
ASX 200	7,199.2	7,234.7	-0.5%
ASX Emerging Companies	2,066.8	2,071.2	-0.2%

US Markets

Dow Jones	33,420.8	33,012.1	1.2%
S&P500	4,158.8	4,109.9	1.2%
Nasdaq	12,500.6	12,343.1	1.3%
Russell 2000	1,774.5	1,736.2	2.2%

Asian & European Markets

Shanghai Composite	3,284.2	3,291.0	-0.2%
Nikkei	30,093.6	29,843.0	0.8%
Hang Seng	19,560.6	19,978.3	-2.1%
FTSE 100	7,723.2	7,751.1	-0.4%
DAX 30	15,951.3	15,897.9	0.3%
CAC 40	7,399.4	7,406.0	-0.1%

S&P500 Sectors	Close	Prior	% Δ
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Financials	539.8	528.8	2.1%
Energy	601.9	589.7	2.1%
Consumer Discretionary	1,177.6	1,154.1	2.0%

Economic Releases	Time	F'cast	Prior
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Employment Change	11:30	25k	53k
Unemployment Rate	11:30	3.5%	3.5%
ECB's Lagarde Speaks	19:00		
US Weekly Jobless Claims	22:30		
3 x Fed Speakers	Various		

Key BW Names	Close	Prior	% Δ
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Forbidden Foods	0.032	0.027	18.5%
Prospech Ltd	0.035	0.033	6.1%
Hydralyte	0.066	0.066	0.0%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	72.72	72.81	-0.1%
Gold	1,983	1,990	-0.3%
Gold (Aus)	2,977	2,987	-0.3%
Silver	23.75	23.70	0.2%
Uranium (Spot)	53.63	53.40	0.4%
Tin (Futures)	24,855	24,524	1.3%
Copper	3.75	3.76	-0.3%

Other Markets	Close	Prior	% Δ
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DXY Index	102.9	102.6	0.3%
AUD/USD	0.6662	0.6662	0.0%
2-Year Treasury Yield (%)	4.169	4.080	9 bp
10-Year Treasury Yield (%)	3.569	3.543	3 bp
US 2-10-Year Spread	-0.600	-0.537	-6 bp
VIX Index	16.87	17.99	-6.2%