

3 May 2023

US stocks lower as bank concerns spread, Fed rate decision tonight

- **Global markets.** A myriad of weak economic news and pre-FOMC concerns caused strong selling in US equities overnight. All indices lost over -1%, with the small cap Russell 2000 being the biggest loser, slipping 2.1%, followed by the Nasdaq (1.4%), S&P 500 (-1.2%) and the Dow (-1.1%). Elsewhere, the hotter than expected headline EU inflation also caused strong selling in European equities, whilst Asian indices were ~flat.
- **Regional banks.** It was a bloodbath for regional banks overnight, as First Republic Bank marked the third bank failure this year. Following this, shorters looked for their next targets, with **PacWest** being the focus – for day, it fell -29%, while **Metropolitan Bank** and **Western Alliance** fell -27% and -25% respectively.
- **In other markets,** commodities remained relatively resilient, as investors flocked into **gold**, which added +1.7% on the day, surging above \$2000/oz. **Silver** followed suit, improving by +1.6% while **WTI Crude** lost -0.2%. Battery metals had a mixed performance, with **tin** adding +2.2% whereas **copper** fell -0.7%. In the currency market, the USD appreciated against a basket of currencies, causing the **DXY** to add +0.4%, now sitting at 101.9. Finally, the **VIX** jumped >10% overnight, closing at 17.8.
- **Fed meets tonight.** Over the next 24 hours, some important economic events are occurring which will likely have material impacts on financial markets. The major event will be the Fed's May rate decision (expected to be a +25bp hike), followed by a press conference. Other economic releases include the US ISM Services PMI data and Australian Services PMIs and retail sales figures.
- **Futures.** Following the weak performance of US equities overnight, the ASX is set to slip at the open, with ASX futures down -41 points or -0.6% as of writing.

World Indices	Close	Prior	% Δ
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Local Markets

All Ordinaries	7,459.8	7,524.2	-0.9%
ASX 200	7,267.4	7,334.6	-0.9%
ASX Emerging Companies	2,133.5	2,139.8	-0.3%

US Markets

Dow Jones	33,684.5	34,051.7	-1.1%
S&P500	4,119.6	4,167.9	-1.2%
Nasdaq	15,314.6	15,535.9	-1.4%
Russell 2000	1,732.1	1,769.2	-2.1%

Asian & European Markets

Shanghai Composite	3,323.3	3,285.9	1.1%
Nikkei	29,158.0	29,123.2	0.1%
Hang Seng	19,933.8	19,894.6	0.2%
FTSE 100	7,773.0	7,870.6	-1.2%
DAX 30	15,726.9	15,922.4	-1.2%
CAC 40	7,383.2	7,491.5	-1.4%

S&P500 Sectors	Close	Prior	% Δ
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Communication Services	194.7	198.2	-1.8%
Financials	537.3	550.0	-2.3%
Energy	619.3	647.0	-4.3%

Economic Releases	Time	F'cast	Prior
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Aus Services PMI	9:00		48.6
Aus Retail Sales	11:30		0.2%
US ISM Services PMI	0:00	51.8	51.2
Fed Rate Decision	4:00	5.25%	5.00%
Fed Press Conference	4:30		

Key BW Names	Close	Prior	% Δ
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Jervois Mining	0.105	0.091	15.4%
Hydralyte	0.066	0.065	1.5%
Frontier Energy	0.420	0.415	1.2%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	71.53	71.66	-0.2%
Gold	2,016	1,981	1.7%
Gold (Aus)	3,024	2,988	1.2%
Silver	25.35	24.96	1.6%
Uranium (Spot)	53.30	53.83	-1.0%
Tin (Futures)	26,650	26,088	2.2%
Copper	3.87	3.89	-0.7%

Other Markets	Close	Prior	% Δ
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DXY Index	101.9	101.6	0.4%
AUD/USD	0.6665	0.6632	0.5%
2-Year Treasury Yield (%)	3.992	4.143	-15 bp
10-Year Treasury Yield (%)	3.429	3.572	-14 bp
US 2-10-Year Spread	-0.563	-0.571	1 bp
VIX Index	17.78	16.08	10.6%