

4 May 2023

Fed hikes another 25bps, Pacwest falls ~60% A/Hs, futures -0.5%

- **Fed raises another 25bp.** The big news overnight was of course the latest Fed rate decision out of the US – where to nobody's surprise – the benchmark rate was hiked by 25bps. In his subsequent press conference, Chair Powell attempted to remain as hawkish as possible stating "a decision on a pause was not made today" and further noting "it would not be appropriate to cut rates" with inflation where it stands today. Nevertheless, yields moved lower.
- **Market reaction.** Given the Fed's decision – and hawkish commentary – were largely expected, the moves in equity markets overnight were modest, with the Dow -0.8%, S&P -0.7% and Nasdaq -0.5%. Yields were also unperturbed following the decision but ultimately collapsed late in the day on yet more banking concerns (below). For the day, the 2-year and 10-year yields fell 15bp and 9bp respectively.
- **Pacwest down 58% after-hours.** Following severe selling in the prior session, shares of **Pacwest** were only modestly lower during the overnight session (-2%), although after the close the bank announced it was weighing up options including a sale. This news sent its shares -58%, weighed on bond yields, and many other banking names, including **Western Alliance** (-28%), **Bank Ozk** (-6%), **US Bancorp** (-3%), **Citizens Financial** (-5%), **Truist Financial** (-4%) and others.
- **In other markets,** there were some major moves in **commodities**, including **Oil -7%**, **Gold +2%**, **Tin +2%** and **Silver +2%**. **Copper** and **Uranium** were virtually unchanged. Elsewhere, the **USD** slipped slightly and the **VIX** was +3% higher.
- **Futures down 0.5%.** Given a poor lead from Wall Street, it appears local stocks will open lower when trading commences this morning – with ASX futures off by 35 points, or ~0.5%. In economic news, major events today will include the ECB rate decision and PMIs from regions including Italy, France, Germany and the Eurozone broadly.

World Indices	Close	Prior	% Δ
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Local Markets

All Ordinaries	7,389.0	7,459.8	-0.9%
ASX 200	7,197.4	7,267.4	-1.0%
ASX Emerging Companies	2,123.9	2,133.5	-0.4%

US Markets

Dow Jones	33,414.2	33,684.5	-0.8%
S&P500	4,090.8	4,119.6	-0.7%
Nasdaq	12,025.3	12,080.5	-0.5%
Russell 2000	1,739.3	1,732.1	0.4%

Asian & European Markets

Shanghai Composite	3,323.3	3,323.3	0.0%
Nikkei	29,158.0	29,158.0	0.0%
Hang Seng	19,699.2	19,933.8	-1.2%
FTSE 100	7,788.4	7,773.0	0.2%
DAX 30	15,815.1	15,726.9	0.6%
CAC 40	7,403.8	7,383.2	0.3%

S&P500 Sectors	Close	Prior	% Δ
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Materials	496.5	502.1	-1.1%
Financials	530.9	537.3	-1.2%
Energy	607.4	619.3	-1.9%

Economic Releases	Time	F'cast	Prior
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Aus Balance of Trade	11:30	A\$12.7b	A\$13.9b
Global PMIs	Various		
ECB Rate Decision	22:15	3.75%	3.50%
ECB Press Conference	22:45		

Key BW Names	Close	Prior	% Δ
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Elementos	0.145	0.140	3.6%
Family Zone Cyber Security	0.170	0.165	3.0%
Lotus Resources	0.185	0.180	2.8%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	66.80	71.53	-6.6%
Gold	2,060	2,016	2.2%
Gold (Aus)	3,098	3,024	2.4%
Silver	25.75	25.35	1.6%
Uranium (Spot)	53.30	53.30	0.0%
Tin (Futures)	26,510	26,088	1.6%
Copper	3.83	3.87	-0.9%

Other Markets	Close	Prior	% Δ
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DXY Index	101.2	101.6	-0.3%
AUD/USD	0.6651	0.6665	-0.2%
2-Year Treasury Yield (%)	3.838	3.992	-15 bp
10-Year Treasury Yield (%)	3.343	3.429	-9 bp
US 2-10-Year Spread	-0.495	-0.563	7 bp
VIX Index	18.34	17.78	3.1%