

15 June 2023

## Fed pauses but signals a further 2 hikes this year, futures +0.3%

- **Fed skips a meeting.** The big news overnight was a Fed pause/skip (depending on your view), with its headline rate held at 5.00%-5.25%. In his follow-up press conference, Chair Powell made sure to note that July would be 'a live meeting', with markets still pricing in a 2/3rds change of a hike next month.
- **Economic Projections.** Last night also doubled as a 'dot plot' meeting – which gave the market a look at Fed members' expectations for the next few years. Key takeaways included (1) modestly higher GDP estimates, (2) a lower unemployment rate, (3) core PCE above prior estimates (3.9% in 2023 vs 3.6% previously), and (4) the median forecast for rates this year now peaking at 5.6% vs 5.1% prior.
- **Market reaction.** US stocks initially sold-off on the hawkish dot plot, before rallying throughout Powell's presser and into the close. Ultimately, the Nasdaq led the day (+0.4%), S&P was modestly higher (+0.1%) and the Dow (-0.7%) and Russell (-1.2%) closed in the red. In Europe, stocks were all higher for the day.
- **In other markets,** rates were largely unphased – the 2-year ended +1bps and 10-year -4bps. The **USD** fell 0.3% against a basket of currencies, **gold** and **silver** were flat and +1% respectively and industrial metals were strong – **tin** +3%, **copper** +1%. Finally, the **VIX Index** fell 5% now that CPI and Fed meeting have passed.
- **Futures +0.3%.** Despite the lacklustre lead from US stocks, it appears local markets will still open higher when trading commences – up 21 points, or ~0.3% at the time of writing.
- **Jobs on deck.** Finally, it will be a big day for local economics, with inflation expectations out at 11am and jobs data at 11:30am – expectations are for 15k job additions and a flat unemployment rate at 3.7%. Internationally, the ECB will make its rate call, while US retail sales and weekly jobless claims are due.

World Indices	Close	Prior	% Δ
<u>Local Markets</u>			
All Ordinaries	7,354.2	7,329.1	0.3%
ASX 200	7,161.7	7,138.9	0.3%
ASX Emerging Companies	2,038.5	2,043.6	-0.2%

<u>US Markets</u>			
Dow Jones	33,979.3	34,212.1	-0.7%
S&P500	4,372.6	4,369.0	0.1%
Nasdaq	13,626.5	13,573.3	0.4%
Russell 2000	1,874.1	1,896.3	-1.2%

<u>Asian &amp; European Markets</u>			
Shanghai Composite	3,229.0	3,233.7	-0.1%
Nikkei	33,502.4	33,018.7	1.5%
Hang Seng	19,408.4	19,521.4	-0.6%
FTSE 100	7,602.7	7,594.8	0.1%
DAX 30	16,310.8	16,230.7	0.5%
CAC 40	7,328.5	7,290.8	0.5%

S&P500 Sectors	Close	Prior	% Δ
Information Technology	3,046.9	3,012.5	1.1%
Energy	610.8	617.7	-1.1%
Healthcare	1,512.9	1,530.1	-1.1%

Economic Releases	Time	F'cast	Prior
Aus Cons. Inflation Expectations	11:00		5.0%
Aus Employment Change	11:30	15k	-4k
Aus Unemployment Rate	11:30	3.7%	3.7%
ECB Rate Decision	22:15	4.00%	3.75%
US Retail Sales	22:30	-0.1%	0.4%
US Weekly Jobless Claims	22:30	249k	261k
ECB Press Conference	23:15		

Key BW Names	Close	Prior	% Δ
Iperionx Ltd	1.610	0.950	69.5%
Jervois Mining	0.069	0.070	-1.4%
Selfwealth	0.160	0.165	-3.0%

Commodities	Close	Prior	% Δ
Oil - West Texas Crude	68.68	69.42	-1.1%
Gold	1,944	1,943	0.0%
Gold (Aus)	2,859	2,872	-0.4%
Silver	23.92	23.67	1.1%
Uranium (Spot)	57.75	57.75	0.0%
Tin (Futures)	26,850	26,045	3.1%
Copper	3.86	3.83	0.7%

Other Markets	Close	Prior	% Δ
DXY Index	103.0	103.3	-0.3%
AUD/USD	0.6800	0.6768	0.5%
2-Year Treasury Yield (%)	4.684	4.677	1 bp
10-Year Treasury Yield (%)	3.792	3.827	-4 bp
US 2-10-Year Spread	-0.892	-0.850	-4 bp
VIX Index	13.88	14.61	-5.0%