



## **US Fed jitters hit bourse as gold stocks dive; Equities**

Australian Financial Review

June 12, 2024 Wednesday

Print & First Editions

Copyright 2024 Fairfax Media Publications Pty. Limited All Rights Reserved

**Section:** MARKET WRAP; Pg. 24

**Length:** 530 words

**Byline:** Cecile Lefort

### **Body**

---

Australia's sharemarket suffered the biggest daily drop in six weeks as investors braced for the US Federal Reserve to push back on immediate rate cuts at its policy meeting this week.

Political uncertainty also weighed on the mood after the far-right made big advances in European elections and an ensuing surprise poll in France revived concerns about the future of the bloc.

The benchmark S&P/ASX 200 slumped 1.3 per cent, or 104.6 points, to 7755.4, reversing some of last week's 2 per cent advance after two major central banks buoyed hopes of lower borrowing costs. The All Ordinaries also dropped 1.3 per cent.

Of the 11 sectors, 10 flashed red, led by a heavy sell-off in materials and interest-rate-sensitive property stocks.

Index-heavy BHP shaved off 1.8 per cent to \$43.74, Rio Tinto fell 1.9 per cent to \$122.91 and Fortescue retreated 3.2 per cent to \$23.6, tracking a sharp drop in iron ore prices on concerns over demand in top consumer China.

South32 dived 5.2 per cent to \$3.67.

Gold miners also took a beating after the price of the precious metal suffered the biggest drop in three years on Friday, when a strong US jobs report dashed rate-cut hopes. Reports that China's central bank is holding off gold purchases further undermined demand.

Gold is sensitive to higher interest rates as they increase the opportunity cost of holding non-yielding bullion.

West African **Resources** was the second-biggest laggard on the index, down more than 9 per cent to \$1.395, while **Ramelius**, St Barbara and Bellevue Gold all shed more than 7 per cent.

"This isn't just a gold focus but, broadly, materials plays are out of favour," said Chris Weston, head of research at Pepperstone. "Investors are managing risk and assessing exposures ahead of the 'big two' event risks, with US CPI data and the Fed meeting throwing up the potential for rates volatility, and sizeable moves in higher beta equity and gold."

## US Fed jitters hit bourse as gold stocks dive Equities

Indeed, investors turned cautious ahead of key US consumer price data on Wednesday (AEST) and a Fed rate announcement on Thursday (AEST) where the central bank is expected to keep rates on hold but alter its quarterly projections to fewer rate cuts than forecast earlier in the year. The market is pricing in a 50 per cent chance of a Fed rate reduction in September from 70 per cent before the data.

In Australia, the market implies a one-in-three chance of a Reserve Bank rate cut by Christmas. It is fully priced for a move by July next year.

ANZ's economic team also pushed out the likely timing of the first rate cut to February from November this year, and it expects two more after that.

The big four banks all finished weaker with Westpac and National Australia Bank falling more than 1 per cent to \$26.69 and \$34.87, respectively.

In corporate news, AGL Energy fell 1.7 per cent to \$10.31 as it plans to spend \$150 million to take a 20 per cent stake in Kaluza, a technology platform that manages electricity supply and billing.

And automotive parts retailer Bapcor was among the index's top performers, soaring 14 per cent to \$4.97 after receiving an unsolicited bid from US-based Bain Capital to buy its shares at \$5.40 apiece. It was Bapcor's biggest gain in four years.

**Load-Date:** June 14, 2024

---

End of Document