



The morning catch up: ATO to dip again as Wall Street flattens out

Proactive Investors (AU)

December 19, 2024 Thursday 10:41 PM EST

Copyright 2024 Proactive UK Ltd All Rights Reserved



Length: 1030 words

Byline: Jonathan Jackson

Body

It's set to be another down day for the ASX, with ASX 200 futures trading down 50 points (-0.61%) to 8,114, as of 8:30 am.

The ASX200 closed sharply lower yesterday, shedding 141 points (-1.70%) to end at 8,168. The Information Technology (-2.52%), Materials (-2.02%), and Financials (-1.89%) sectors led the declines.

In contrast, the Consumer Staples (-0.65%), Industrials (-0.68%), and Utilities (-1.11%) sectors fared slightly better, outperforming the broader market.

Investor sentiment took a hit following a hawkish rate cut by the US Federal Reserve, just days before Christmas. The index plummeted 180 points in early trading before recovering slightly to finish the session down 141 points, erasing gains made after the US election.

"We believe the sell-off on Wall Street that inspired yesterday's carnage was more likely a position wash than the result of an unexpected policy shift. For that reason, we think the Santa Claus rally has been postponed rather than cancelled," IG Markets analyst Tony Sycamore noted.

Wall Street flat after big selloff

US stock markets closed relatively unchanged overnight after the prior session's Fed-induced selloff. The Dow Jones Industrial Average rose by 14 points, breaking a ten-session losing streak.

The morning catch up: ATO to dip again as Wall Street flattens out

On the economic front, the final estimate for third-quarter GDP was revised upwards to 3.1%, compared to the previous 2.8%. Additionally, initial jobless claims fell by 22,000 to 220,000 in the first week of December, outperforming market expectations of 230,000.

The data highlights the resilience of the US economy and aligns with the Federal Reserve's outlook that fewer interest rate cuts may be required in the coming year.

The Fed's more hawkish tones were not something that risk markets were prepared for just six days out from Christmas and were the catalyst to flush some of the speculative excesses that flowed into risk assets, including stocks and Bitcoin, following the US election," Sycamore said. "Looking ahead, attention turns to tonight's Core PCE inflation data, which is expected to rise to 2.9% YoY in November, up from 2.8% prior. The rates market is pricing in 36 bp of rate cuts for 2025 rebounding from the 31bp we saw post the FOMC meeting yesterday."

European retreat

European sharemarkets declined on Thursday as investors retreated from riskier assets following the US Federal Reserve's signal of a slower pace of interest rate cuts in 2024.

The real estate sector, particularly sensitive to interest rate movements, led the losses, falling 2.4%, with technology shares matching the decline.

The Bank of England maintained its benchmark interest rate at 4.75%, in line with expectations, though policymakers were divided on the decision to hold rates steady.

Meanwhile, Sweden's central bank reduced its key interest rate by 0.25 percentage points, as anticipated, and Norway's central bank left its policy rate unchanged at a 16-year high of 4.50%.

The continent-wide FTSEurofirst 300 index slid 1.5%, while the UK's FTSE 100 index in London declined 1.1%.

Currencies and commodities

Currencies mixed as US dollar strengthens

Currencies showed mixed movements against the US dollar in European and US trade on Thursday.

- The euro declined from US\$1.0421 to US\$1.0354 and settled near US\$1.0360 at the US close.
- The Australian dollar rose from 62.13 US cents to 62.63 US cents before finishing near 62.40 US cents.
- The Japanese yen weakened from 154.99 yen per US dollar to JPY157.80, closing around JPY157.40.

Commodities retreat on cautious monetary outlook

Global oil prices fell as central bankers in the US, Europe, and Asia signalled a cautious approach to easing monetary policy, raising concerns about reduced economic activity impacting oil demand in 2024.

- Brent crude dropped by 51 US cents, or 0.7%, to US\$72.88 per barrel.
- US Nymex crude fell by 67 US cents, or 0.9%, to US\$69.91 per barrel.

Base metal prices also retreated, weighed down by a stronger US dollar, which climbed to a near two-year high after the US Federal Reserve indicated a slower pace of rate cuts in 2024.

- Copper futures fell 1.9%.
- Aluminium futures declined 0.8%.
- Gold prices slid as US economic data reinforced expectations of cautious monetary policy from the Federal Reserve.

The morning catch up: ATO to dip again as Wall Street flattens out

- Gold futures fell US\$45.20, or 1.7%, to US\$2,608.10 an ounce, with spot gold trading near US\$2,596 an ounce at the US close.
- Iron ore futures followed suit, losing US65 cents, or 0.6%, to settle at US\$104.08 a tonne, as concerns over demand in China and the Fed's policy outlook dampened sentiment.

What about small caps?

The S&P/ASX Small Ordinaries fell 1.61% yesterday to 3,067.00. The index is down 2.25% for the week.

It is now starting to move into a quiet period for news, but you can read about the following and more throughout the day.

- Silver Mines Ltd has released an updated Mineral **Resource** Estimate and Ore Reserve Estimate for the Bowdens Silver Deposit. The Bowdens Silver Project now boasts a significant increase in Ore Reserves to 71.7 million ounces of silver, marking a milestone for the company's flagship project.
- [Leeuwin Metals Ltd \(ASX:LM1\)](#) has entered into a binding share sale agreement with **Ramelius Resources** Ltd to acquire 100% of Marda Operations Pty Ltd. Marda Operations holds the highly prospective Marda Gold Project, situated in Western Australia's renowned Goldfields region.
- [Provaris Energy Ltd \(ASX:PV1, OTC:GBBLF\)](#) provided an update on its activities in Norway, advancing hydrogen supply chain development into Europe. The company also continues to progress its proprietary hydrogen carrier technology, aligning with its strategic focus on renewable energy solutions.
- Cyprium Metals Ltd has successfully completed Tranche 1 of a two-tranche placement, raising A\$13.5 million (before costs). The placement saw the issuance of 483,203,140 fully paid ordinary shares at A\$0.028 per share, as announced on 13 December 2024.
- Premier1 Lithium Ltd announced its success in securing a refundable Research & Development tax offset of A\$889,546 for the 2023-24 financial year, following approval by the Australian Taxation Office. This boost supports the company's ongoing innovation initiatives.

Load-Date: December 19, 2024