

Fundamentals:

U.S. stocks closed lower in volatile trading on Wednesday following a policy announcement by the Federal Reserve that raised interest rates by an expected 50 basis points, but its economic projections see higher rates for a longer period.

The central bank raised interest rates by half a percentage point on Wednesday and projected at least an additional 75 basis points of increases in borrowing costs by the end of 2023, as well as a rise in unemployment and a near-stalling of economic growth.

The Fed's latest quarterly summary of economic projections shows U.S. central bankers see the policy rate - now in the 4.25%-to-4.5% range - at 5.1% by the end of next year, according to the median estimate of all 19 Fed policymakers, up from the 4.6% view at the end of September.

In comments after the statement, Fed Chair Jerome Powell said it was too soon to talk about cutting rates as the focus is on making the central bank's policy stance restrictive enough to push inflation down to its 2% goal.

Economic data on Tuesday, which showed cooling consumer inflation for November, had heightened expectations a move by the Fed to halt rate hikes might be on the horizon next year.

The Dow Jones Industrial Average fell 142.29 points, or 0.42%, to 33,966.35, the S&P 500 lost 24.33 points, or 0.61%, to 3,995.32 and the Nasdaq Composite dropped 85.93 points, or 0.76%, to 11,170.89.

Nearly all of the 11 major S&P sectors ended the session in negative territory, with healthcare the sole advancer. Financials, down 1.29%, were the worst performing sector.

Despite the Fed statement, U.S. Treasury yields were slightly lower after initially jumping in the wake of the announcement.

The strategy of aggressive interest rate increases by major central banks around the world this year has increased worries the global economy could be pushed into a recession and weighed heavily on riskier assets such as equities this year.

Each of the three major averages on Wall Street are on track for their first yearly decline since 2018, and their biggest yearly percentage decline since the financial crisis of 2008.

Tesla Inc slipped 2.58% after a Goldman Sachs analyst trimmed the price target for the electric-vehicle maker's stock.

Charter Communications Inc tumbled 16.38% as brokerages cut their price targets following the telecom services firm's mega-spending plans for a higher-speed internet upgrade.

U.S. Treasury yields were little changed to slightly lower in choppy trading on Wednesday as bond investors stuck to the view that the Federal Reserve will soon have to pivot from an ultra-hawkish stance to something more neutral.

The Fed on Wednesday raised interest rates by a widely expected 50 basis points (bps), and struck a hawkish tone in its statement, suggesting rates will remain higher next year though at a slower pace.

U.S. yields rose immediately after the Fed decision, while a closely monitored part of the U.S. Treasury yield curve measuring the gap between yields on two- and 10-year Treasury notes, deepened its inversion to -77.1 bps.

That part of the yield curve, which typically foreshadows recession, was at -66 bps right before the Fed statement.

The Fed projected at least an additional 75 bps of increases in borrowing costs by the end of 2023. Its projection of the target federal funds rate rising to 5.1% in 2023 is slightly higher than investors expected heading into this week's two-day policy meeting.

Fed funds futures, based on CME's FedWatch, showed a 59% chance of a 25-bps increase at the Jan. 31-Feb. 1 meeting. Prior to the Fed decision, rate markets have factored in two 25-bps hikes in the next two meetings.

Fed Chair Jerome Powell was also particularly hawkish in his comments, noting that ongoing rate hikes are appropriate to get sufficiently restrictive. He added that the Fed has more work to do.

In afternoon trading, the yield on 10-year Treasury notes was down 2.9 bps at 3.473%.

The U.S. 30-year Treasury bond yields was flat at 3.526%.

On the shorter end of the curve, the two-year U.S. Treasury yield, which reflects step interest rate expectations, slipped 1.1 bps to 4.217%.

The breakeven rate on five-year U.S. Treasury Inflation-Protected Securities (TIPS) was last down at 2.30% and is a forward-looking inflation indicator. The level suggested investors expect inflation to average around 2.3% for the next five years. It dropped to as low as 2.283%, the lowest since late September.

The 10-year TIPS breakeven rate hit a low of 2.205%, a 2-1/2-month low. It was last at 2.209%.

(Source: Reuters)

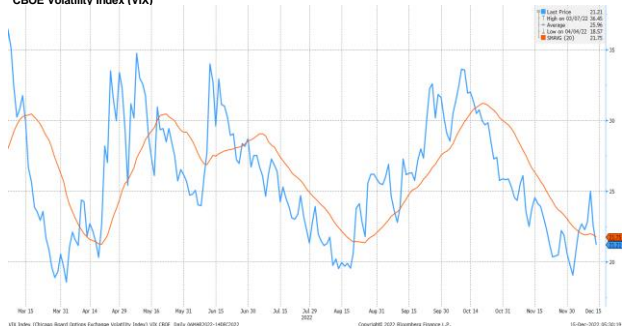
Contract	Close	Change	High	Low
E-Mini Dow MAR 23	34,239.00	-88.00	34,674.00	33,962.00
E-Mini S&P MAR 23	4,030.75	-16.750	4,090.75	3,997.00
E-Mini NASDAQ MAR 23	11,869.00	-70.50	12,069.50	11,729.00
Micro Russell 2K JUN 22	1826.5	-7.6	1849.4	1807.8
USD Nikkei MAR 23	27,925.0	-30.0	28,165.00	27,835.00
Euro Dollar DEC 22	95.26	0.003	95.26	95.24
US Dollar Index	103.63	-0.353	104.16	103.45
DJIA	33,966.35	-142.290	34,395.65	33,704.17
S&P 500	3,995.32	-24.330	4,053.76	3,965.65
NASDAQ	11,170.89	-85.920	11,352.09	11,065.24
Nikkei 225	28,156.21	201.360	28,195.69	27,993.78
Hang Seng	19,673.45	77.250	19,859.75	19,528.71
Straits Times	3,278.57	7.290	3,293.47	3,274.96
DAX	14,460.20	-37.690	14,470.74	14,375.95
CAC	6,730.79	-14.190	6,733.85	6,694.33
FTSE100	7,495.93	-6.960	7,504.49	7,461.68

Historical Volatility	10 Days	30 Days	60 Days	90 Days
E-Mini Dow Futures	14.60	18.28	21.20	21.22
E-Mini S&P Futures	17.03	24.01	25.74	25.11
E-Mini Nasdaq Futures	9.08	11.58	14.84	15.07

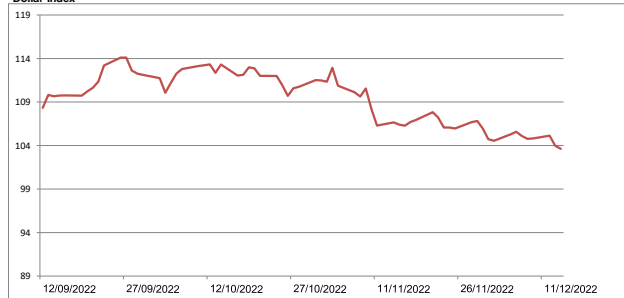
U.S. Government Treasuries Yield



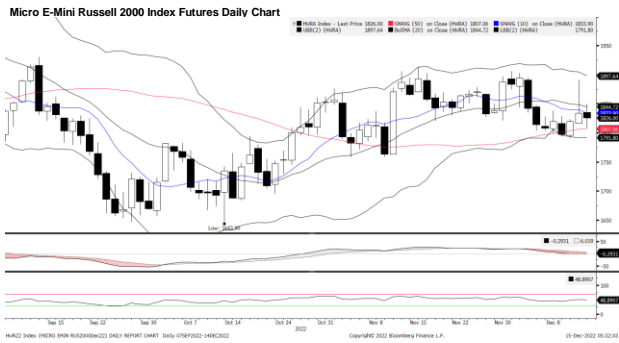
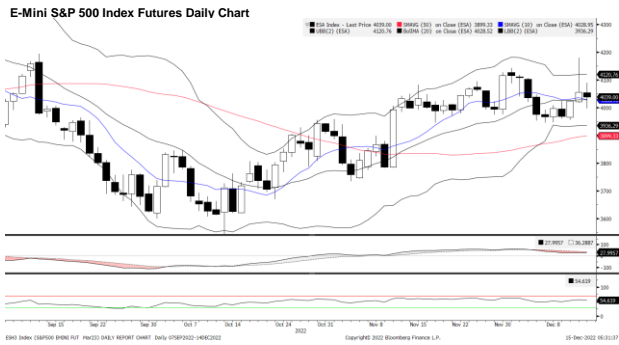
CBOE Volatility Index (VIX)



Dollar Index



Economic Releases	Period	Survey	Actual	Prior	Revised	
12/14/2022 20:00	MBA Mortgage Applications	Dec-09	--	3.20%	-1.90%	--
12/14/2022 21:30	Import Price Index MoM	Nov	-0.50%	-0.60%	-0.20%	-0.40%
12/14/2022 21:30	Import Price Index ex Petroleum MoM	Nov	-0.50%	-0.30%	-0.20%	--
12/14/2022 21:30	Import Price Index YoY	Nov	3.20%	2.70%	4.20%	4.10%
12/14/2022 21:30	Export Price Index MoM	Nov	-0.50%	-0.30%	-0.30%	-0.40%
12/14/2022 21:30	Export Price Index YoY	Nov	5.70%	6.30%	6.90%	7.40%
12/15/2022 03:00	FOMC Rate Decision (Upper Bound)	Dec-14	4.50%	4.50%	4.00%	--
12/15/2022 03:00	FOMC Rate Decision (Lower Bound)	Dec-14	4.25%	4.25%	3.75%	--
12/15/2022 03:00	Interest on Reserve Balances Rate	Dec-15	4.40%	4.40%	3.90%	--
12/15/2022 21:30	Empire Manufacturing	Dec	-0.9	--	4.5	--
12/15/2022 21:30	Retail Sales Advance MoM	Nov	-0.20%	--	1.30%	--
12/15/2022 21:30	Retail Sales Ex Auto MoM	Nov	0.20%	--	1.30%	--
12/15/2022 21:30	Retail Sales Ex Auto and Gas	Nov	0.10%	--	0.90%	--
12/15/2022 21:30	Retail Sales Control Group	Nov	0.10%	--	0.70%	--
12/15/2022 21:30	Initial Jobless Claims	Dec-10	232k	--	230k	--
12/15/2022 21:30	Continuing Claims	Dec-03	1668k	--	1671k	--
12/15/2022 21:30	Philadelphia Fed Business Outlook	Dec	-10	--	-19.4	--
12/15/2022 22:15	Industrial Production MoM	Nov	0.10%	--	-0.10%	--
12/15/2022 22:15	Capacity Utilization	Nov	79.80%	--	79.90%	--
12/15/2022 22:15	Manufacturing (SIC) Production	Nov	-0.10%	--	0.10%	--
12/15/2022 23:00	Business Inventories	Oct	0.40%	--	0.40%	--



Technical Analysis

Dow			S&P			Nasdaq			Micro Russell						
1st Resistance:	34753	2nd Resistance:	35266	1st Resistance:	4091.21	2nd Resistance:	4151.67	1st Resistance:	12047.04	2nd Resistance:	12225.07	1st Resistance:	1853.90	2nd Resistance:	1881.30
1st Support:	33725	2nd Resistance:	33212	1st Support:	3970.29	2nd Resistance:	3909.83	1st Support:	11690.97	2nd Resistance:	11512.93	1st Support:	1799.10	2nd Resistance:	1771.71
MACD:	339.641			MACD:	27.953573			MACD:	60.672			MACD:	-0.254		
MACD DIFF:	-108.364			MACD DIFF:	-8.323888			MACD DIFF:	-13.761			MACD DIFF:	-6.290		
RSI:	57.328			RSI:	54.569679			RSI:	52.915			RSI:	48.977		

Strategy

	Long:	Profit target:	Stop-loss:	Long:	Profit target:	Stop-loss:	Short:	Profit target:	Stop-loss:	Short:	Profit target:	Stop-loss:
Dow	33725	34063	33557	33212	33544	33046	34753	34405	34926	35266	34914	35443
S&P	3970.29	4009.99	3950.44	3909.83	3946.93	3890.28	4091.21	4050.30	4111.67	4151.67	4110.16	4172.43
Nasdaq	11690.97	11907.87	11632.51	11512.93	11628.06	11455.37	12047.04	11926.56	12107.27	12225.07	12102.62	12296.20
Micro Russell	1799.1	1817.09	1790.11	1771.71	1789.42	1762.85	1853.8975	1835.36	1863.17	1881.295	1862.48	1890.70

Source: Bloomberg

Kenanga Futures Sdn Bhd (353603-X)

Dealing Desk: (603) 2172 3820 Fax: (603) 2172 2729 Email: futures@kenanga.com.my

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