

# Investment Daily

14 August 2024

## US stocks and Treasuries rose on positive PPI data, ahead of CPI report

**US equities** rallied on Tuesday amid lower Treasury yields as a cooler-than-expected producer inflation data reinforced investor expectation that Fed would start cutting rates in September, before today's CPI report. The S&P 500 ended 1.7% higher, as the tech-heavy Nasdaq recorded a sharper 2.4% gain.

**US Treasuries** gained (yields declined) after below-estimate PPI readings, and amid ongoing concerns over geopolitical developments in the Middle East. 10-year yields dropped 6bp to 3.84%.

**European stock markets** rose on Tuesday as investors await key US and UK CPI data today. The Euro Stoxx 50 index closed 0.5% higher led by utilities and healthcare. The German DAX and French CAC 40 rose 0.5% and 0.3%, respectively. In the UK, the FTSE-100 was up 0.3%.

**European government bonds** rose (yields lower) as recent volatility continues to recede. The 10-year German bund yields lost 4bp to 2.18% and the 10-year French yields were 5bp lower at 2.92%. Peripheral bonds in Italy and Spain also tracked the gains. Meanwhile, in the UK 10-year gilt yields were down 3bp to 3.89%.

**Asian stock markets** broadly advanced on Tuesday, led by the rallies in Japanese stocks before the macro data releases in the US. Japan's Nikkei 225 rose 3.4% on return from a holiday amid a weaker Japanese yen. Hong Kong's Hang Seng and China's Shanghai Composite gained 0.4% and 0.3%, respectively. Elsewhere, India's Sensex bucked the regional trend to slide 0.9% as the MSCI announced adjustments in the stock's weighting in its benchmark index.

**Crude oil prices** retreated on Tuesday following recent rallies as the IEA expects a supply surplus in global oil markets in Q4 should OPEC+ proceed with plans to boost production, with investors also keeping an eye on lingering geopolitical risks. WTI crude for September delivery settled 2.1% lower at USD78.4 a barrel.

**US stocks and Treasuries gained before CPI data**

**European stocks and government bonds rose**

**Asian stocks broadly rose**

## Key Data Releases and Events

### Releases yesterday

In the **UK**, the **unemployment rate** slowed down to 4.2% in June from 4.4% in May, while further deceleration in wage growth may help ease inflationary pressures.

### Releases due today (14 August 2024)

Country	Indicator	Period	Survey	Prior
New Zealand	RBNZ Official Cash Rate	Aug	5.50%	5.50%
UK	CPI (yoy)	Jul	2.3%	2.0%
US	CPI (yoy)	Jul	3.0%	3.0%

The **Reserve Bank of New Zealand** may leave policy rates on hold at 5.50% in today's meeting, but some economists expect a 25bp cut in consideration of a weakening economic momentum.

**UK headline CPI inflation** is expected to remain around its 2% target, the market is focused on core inflation, which was running at 3.5% yoy in June.

In the **US**, **CPI inflation** is forecast to stay at 3.0% yoy in July. A moderation in US core CPI would mark the third straight month of benign inflation readings, bolstering the case for the Fed to cut rates.

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