Investment Daily

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US stocks rose after CPI data

US stocks rose and Treasury yield curve flattened after CPI data

US equities rose on Wednesday as the latest CPI prints were broadly in line with market expectations and reinforced the disinflation trend. The S&P 500 added 0.4%, driven by the gains in financials and energy.

US Treasuries were mixed and the yield curve flattened modestly after the US CPI data releases. 10-year yields stayed flat at 3.84%, as 2-year yields were up 3bp to 3.96%

European stocks rose, with government bonds little changed

European stock markets rose on Wednesday as the key US and UK CPI data were modestly surprised to the downside. The Euro Stoxx 50 index closed 0.7% higher led by cyclicals and industrials. The German DAX rose 0.4% and French CAC 40 closed 0.8% up. In the UK, the FTSE-100 was up 0.6%.

European government bonds were little changed as recent volatility continues to recede. The 10-year German bund yields were broadly stable at 2.18%, as were the 10-year French yields at 2.92%. Peripheral bond yields edged down. Meanwhile, the UK showed the most movement, with the 10-year gilt yields down 7bp to 3.82% on better than expected core inflation data .

Asian stocks were mixed

Asian stock markets traded mixed but mostly higher on Wednesday, tracking US peers' overnight rallies before the US CPI release. Japan's Nikkei 225 rose 0.6% despite renewed concerns over the political outlook after Prime Minister Fumio Kishida stepped down. Korea's Kospi climbed 0.9%, and India's Sensex edged 0.2% higher. Chinese equities bucked the regional trend to drop. Hong Kong's Hang Seng slid 0.4% ahead of some key tech names' quarterly earnings, as China's Shanghai Composite lost 0.6% following weak Chinese credit data.

Crude oil prices extended declines on Wednesday as investors continued to assess demand outlook following a mixed US weekly stockpile data, with an unexpected increase in oil inventory and a larger-than-expected drop in gasoline inventory. WTI crude for September delivery settled 1.7% lower at USD77.0 a barrel.

Key Data Releases and Events

Releases yesterday

In the **US**, the annual increase in **CPI** inflation slowed to below 3% for the first time since early 2021 and was marginally lower than expected. Core inflation (excludes food and energy) was in line with forecasts, but consistent with the economy continuing to revert to a disinflationary trend, further bolstering expectations for the Federal Reserve to lower the policy rate in September.

In the **UK**, headline **CPI** inflation rose 2.2% yoy in July, versus 2.0% yoy in June, marking the first rise in inflation this year. However, the closely watched services inflation figure was softer than expected, providing some measure of confidence to the Bank of England that underlying inflationary pressures are receding.

The **Reserve Bank of New Zealand** reduced its cash rate for the first time since March 2020, and signalled more easing over the coming months, indicating that inflation is approaching its 1-3% target.

Releases due today (15 August 2024)

Country	Indicator	Period	Survey	Prior
Japan	GDP (sa, qoq)	Q2 (P)	0.6%	-0.6%
China	Retail Sales (yoy)	Jul	2.6%	2.0%
China	Industrial Production (yoy)	Jul	5.2%	5.3%
United Kingdom	GDP (qoq)	Q2 (P)	0.6%	0.7%
Norway	Norges Bank Sight Deposit Rate	Aug	4.50%	4.50%
US	Retail Sales (mom)	Jul	0.4%	0.0%
US	NAHB Housing Market Index	Aug	43.0	42.0

In **Japan**, Q2 **GDP** data was better than consenus, which expanded by 0.8% sa qoq following a 0.6% contraction in Q1. Private consumption increased by 1% sa qoq after shrinking in the previous four quarters.

In the **UK**, the consensus forecast is for growth to moderate slightly in Q2 **GDP** but remain relatively robust, suggesting the Bank of England does not need to rush to cut the policy rate again.

In **Norway,** Norges Bank will likely keep its policy interest rate steady at a 16-year high to bring down inflation.

In the **US**, retail sales are expected to rise in July after remaining unchanged in June. A downside surprise to this figure could further add to growing fears the economy is slowing more quickly than previously expected.

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