

11 February 2022

## Hottest inflation print in 40yrs sends yields soaring – US 2yr +27bps

- **US inflation at 7.5%.** The big news overnight was of course the release of US inflation data, with the headline print of 7.5% YoY being the fastest rate of inflation in 40 years, while the core reading was also a 40-year high at 6.0% - both coming in ahead of expectations. On a MoM basis, both measures were 0.6%, flat with last month's print, and disappointing those hoping for some moderation in the pace of inflationary pressures.
- **Yields soar, curve flattens.** On the above news (and hawkish comments from the FOMC's Bullard later in the session), yields ripped – particularly at the short end – with the US 2-year closing at 1.61%, up by 27bps for the session, while the 10-year also added 10bps and closed above 2% for the first time since 2019. The relative moves saw the yield curve flatten by 14bps and is now sitting at just 44bps (as measured by the 2-year-10-year spread).
- **Equity markets.** Unsurprisingly, equity markets did not respond well to the rising inflationary and rate environment, with all major indices in the US giving up >1% for the day, with the tech-heavy Nasdaq leading the declines, off 2.1% for the day. From a sector perspective, the declines were broad-based with 10 of the S&P's 11 sectors lower (**staples** were up 0.4%), with **tech** and **real estate** sectors the worst hit.
- **In other markets,** the **USD** moved higher against a basket of currencies (+0.2%), the **AUD** was mostly weaker and **commodities** were mixed – with **tin**, **oil** and **spot uranium** all gaining, while **gold**, **copper** and **silver** were lower. Finally, the **VIX Index** rose 20% on account of the day's volatility.
- **Futures off 0.8%.** Given the overnight news and poor lead from Wall Street, it appears local stocks will open sharply lower when trading commences this morning – with ASX futures currently down by 55 points, or 0.8%. In economics, RBA Governor Lowe is due to speak at 9:30am this morning.

World Indices	Close	Prior	% Δ
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### Local Markets

All Ordinaries	7,595.5	7,572.8	0.3%
ASX 200	7,288.5	7,268.3	0.3%
ASX Emerging Companies	2,657.0	2,637.9	0.7%

### US Markets

Dow Jones	35,241.6	35,768.1	-1.5%
S&P500	4,504.1	4,587.2	-1.8%
Nasdaq	14,185.6	14,490.4	-2.1%
Russell 2000	2,051.2	2,083.5	-1.6%

### Asian & European Markets

Shanghai Composite	3,485.9	3,480.0	0.2%
Nikkei	27,696.1	27,579.9	0.4%
Hang Seng	24,924.4	24,830.0	0.4%
FTSE 100	7,672.4	7,643.4	0.4%
DAX 30	15,490.4	15,482.0	0.1%
CAC 40	7,101.6	7,130.9	-0.4%

Economic Releases	Time	F'cast	Prior
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RBA Governor Lowe Speaks	09:30		
German Inflation	18:00	4.9%	5.3%
UK GDP	18:00	6.4%	6.8%
Michigan Cons. Sentiment	02:00	67.5	67.2

Key BW Names	Close	Prior	% Δ
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Forbidden Foods	0.180	0.160	12.5%
Lotus Resources	0.275	0.250	10.0%
LiveHire	0.420	0.400	5.0%
Elementos	0.625	0.600	4.2%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	90.00	90.1	-0.1%
Gold	1,826.7	1,832.8	-0.3%
Gold (Aus)	2,551.9	2,551.6	0.0%
Silver	23.19	23.30	-0.5%
Uranium (Spot)	43.00	42.75	0.6%
Tin (Futures)	43,111	42,930	0.4%

Currency	Close	Prior	% Δ
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DXY Index	95.69	95.54	0.2%
AUD/USD	0.7158	0.7183	-0.3%
AUD/GBP	0.5282	0.5307	-0.5%
AUD/EUR	0.6265	0.6287	-0.3%
AUD/YEN	83.10	82.98	0.1%
AUD/NZD	1.0735	1.0747	-0.1%
AUD/CAD	0.9109	0.9101	0.1%

Other Markets	Close	Prior	% Δ
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VIX Index	23.99	19.96	20.2%
2-Year Treasury Yield (%)	1.613	1.366	18.1%
10-Year Treasury Yield (%)	2.052	1.947	5.4%
US 2-10-Year Spread	0.439	0.581	-24.4%

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