

14 September 2022

US CPI comes in hot (Core +0.6% MoM), stocks sink 4-5%, yields rise

- Global markets. It was a bloodbath overnight, as US inflation came in higher than anticipated – with US equities selling off from the moment of the announcement and closing at the lows of the day. The rate-sensitive Nasdaq had the worst result, losing -5.2%, with the S&P (-4.3%), Dow Jones (-3.9%) and Russell (-3.9%) all losing significant ground also. In Europe, indices somewhat felt the aftermath of the US, falling ~1.3% across the board.
- In other markets, commodities were down as a whole, as WTI Crude lost -0.4% and uranium slipped -1.4%. Indeed, gold lost -1.3%, trading just above \$1700/oz and silver lost -2.5%. Tin however added +0.8%. In the currency market, the USD rose against a basket of currencies, as the DXY (+1.6%) recrossed 110. Unsurprisingly, volatility went through the roof, as the VIX rose +14.2%.
- Futures point lower. Following the sell-off in the US, the ASX is set to drop at the open, with ASX futures down -159 points, or -2.3% as of writing. Today, important economic releases include: UK inflation and US PPI figures later this evening.
- Yield curve inverts further.** Following the greater than anticipated CPI figures, bond yields rose, with the short-end underperforming. The 2-year jumped +17bps and the 10-Year +6bps. As a result, the 2-10-Year yield curve inverted by a further -11 bps. This comes as investors price in a possible 100bps rate hike in the US next week.
- US inflation summary.** The big news overnight was of course the US inflation figures, which came in above anticipated on all metrics. The YoY inflation rate came in at +8.3% (vs 8.1% forecast), with core inflation running at +6.3% (6.1%). The core August MoM inflation was +0.6% (+0.3%) and up from +0.3% in July.

World Indices	Close	Prior	% Δ
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Local Markets

All Ordinaries	7,253.7	7,208.2	0.6%
ASX 200	7,009.7	6,964.5	0.6%
ASX Emerging Companies	2,278.5	2,257.3	0.9%

US Markets

Dow Jones	31,105.0	32,381.3	-3.9%
S&P500	3,932.7	4,110.4	-4.3%
Nasdaq	11,633.6	12,266.4	-5.2%
Russell 2000	1,831.6	1,906.1	-3.9%

Asian & European Markets

Shanghai Composite	3,263.8	3,262.1	0.1%
Nikkei	28,614.6	28,542.1	0.3%
Hang Seng	19,326.9	19,362.3	-0.2%
FTSE 100	7,385.9	7,473.0	-1.2%
DAX 30	13,189.0	13,402.3	-1.6%
CAC 40	6,245.7	6,333.6	-1.4%

Economic Releases	Time	F'cast	Prior
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UK Core Inflation	16:00	6.3%	6.2%
UK Inflation	16:00	10.2%	10.1%
US PPI	22:30	-0.1%	-0.5%

Key BW Names	Close	Prior	% Δ
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Selfwealth	0.200	0.195	2.6%
Forbidden Foods	0.090	0.088	2.3%
Family Zone Cyber Security	0.310	0.305	1.6%
Elementos	0.315	0.310	1.6%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	87.66	87.97	-0.4%
Gold	1,702.2	1,724.9	-1.3%
Gold (Aus)	2,526.9	2,503.9	0.9%
Silver	19.32	19.82	-2.5%
Uranium (Spot)	51.25	52.00	-1.4%
Tin (Futures)	21,375	21,213	0.8%

Currency	Close	Prior	% Δ
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DXY Index	110.01	108.30	1.6%
AUD/USD	0.6736	0.6889	-2.2%
AUD/GBP	0.5863	0.5898	-0.6%
AUD/EUR	0.6757	0.6807	-0.7%
AUD/YEN	97.55	98.32	-0.8%
AUD/NZD	1.1231	1.1225	0.1%
AUD/CAD	0.8875	0.8946	-0.8%

Other Markets	Close	Prior	% Δ
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VIX Index	27.27	23.87	14.2%
2-Year Treasury Yield (%)	3.746	3.577	17 bp
10-Year Treasury Yield (%)	3.415	3.358	6 bp
US 2-10-Year Spread	-0.331	-0.219	-11 bp