

11 November 2022

Markets rally hard overnight on soft CPI print, ASX futures +2.7%

- Global markets.** It was an incredibly strong night for equities as softer-than-expected CPI data put a bid under all asset classes, from stocks, to commodities, to bonds. For the session, all major US averages were higher in a range of 4% (Dow) to 7% (Nasdaq), with the latter having its 3rd best day since October 2008. Over in Europe, stocks were similarly strong, with major averages closing up 1% to 4%.
- CPI summary.** While headline CPI came in only slightly below forecasts (7.7% YoY vs 7.9%), it was the MoM results and under-the-surface details which really put a rocket under stocks. MoM Core CPI was 0.3% (down from 0.6%) and annualising at just 3.6%, while inflation ex-housing was actually off 0.1% on a MoM basis – noting that many real-time indicators for housing show it is also declining, which may show up in CPI with a lag.
- Beaten-down sectors lead.** In sector news, it was **info tech** (+8.3%) and **consumer discretionary** (+7.7%) leading the charge, after having come under pressure for much of the year. Drilling down further, beaten down sub-sectors like high growth growth were stronger still, with **ARKK** (often seen as a proxy for high-growth tech) up by 15% in its best single day ever. Other notable tech moves included **Robinhood** (+10%), **Amazon** (+12%), **Nvidia** (+14%) and **Tesla** (+7%).
- Yields collapse.** On the same cold-CPI thematic, bonds were bid heavily along the curve, in their best day since Covid with yields on the 2-year **Treasury** falling an incredible 39bps, while the 10-year was off 27bps for the day. The 60/40 portfolio had its 7th best day in the past 40 years, as measured by the S&P and 10-year.
- In other markets,** the **USD** collapsed, off 2.5% as measured by the DXY. This move in-turn put a bid under commodities, with **oil** up 1%, **gold** +3%, **tin** +2%, **silver** +3% and **copper** +2%. Elsewhere, the **VIX Index** fell 10% on account of the day's equity market strength.

World Indices	Close	Prior	% Δ
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Local Markets

All Ordinaries	7,145.7	7,187.4	-0.6%
ASX 200	6,964.0	6,999.3	-0.5%
ASX Emerging Companies	2,137.3	2,149.0	-0.5%

US Markets

Dow Jones	33,715.4	32,513.9	3.7%
S&P500	3,956.4	3,748.6	5.5%
Nasdaq	11,114.2	10,353.2	7.4%
Russell 2000	1,867.9	1,760.4	6.1%

Asian & European Markets

Shanghai Composite	3,036.1	3,048.2	-0.4%
Nikkei	27,446.1	27,716.4	-1.0%
Hang Seng	16,081.0	16,358.5	-1.7%
FTSE 100	7,375.3	7,296.3	1.1%
DAX 30	14,146.0	13,666.3	3.5%
CAC 40	6,556.8	6,430.6	2.0%

Economic Releases	Time	F'cast	Prior
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German Inflation	18:00	10.4%	10.0%
UK GDP, 3m Average	18:00	-0.5%	-0.3%
Michigan Cons. Sentiment	2:00	59.5	59.9

Key BW Names	Close	Prior	% Δ
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Family Zone Cyber Security	0.325	0.300	8.3%
Frontier Energy	0.540	0.535	0.9%
Elementos	0.280	0.280	0.0%
Selfwealth	0.210	0.210	0.0%

Commodities	Close	Prior	% Δ
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Oil - West Texas Crude	86.30	85.63	0.8%
Gold	1,755.6	1,704.9	3.0%
Gold (Aus)	2,649.1	2,652.3	-0.1%
Silver	21.69	21.03	3.1%
Uranium (Spot)	50.00	50.00	0.0%
Tin (Futures)	20,120	19,750	1.9%

Currency	Close	Prior	% Δ
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DXY Index	107.78	110.49	-2.5%
AUD/USD	0.6627	0.6428	3.1%
AUD/EUR	0.6489	0.6420	1.1%
AUD/YEN	93.24	94.10	-0.9%
AUD/GBP	0.5653	0.5662	-0.2%
AUD/NZD	1.0987	1.0926	0.6%
AUD/CAD	0.8823	0.8695	1.5%

Other Markets	Close	Prior	% Δ
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VIX Index	23.53	26.09	-9.8%
2-Year Treasury Yield (%)	4.324	4.716	-39 bp
10-Year Treasury Yield (%)	3.817	4.092	-27 bp
US 2-10-Year Spread	-0.507	-0.624	12 bp