

11 May 2023

Headline CPI miss (4.9% vs 5.0%), sends yields lower and stocks higher

- Global markets.** It was a whipsaw overnight session for stocks in the US, with indices bouncing around in a range of >1% following the release of US CPI data. After initially opening up ~1%, the S&P quickly faded over the balance of the session to be trading lower heading into the final hour of trade. Ultimately, a late rally saw the S&P close up 0.4%, while the Nasdaq added 1%, Russell 0.6% and the Dow slightly lower (-0.1%). European markets all ended modestly down for the day.
- US CPI.** The key economic event overnight was release of US CPI before the open, with the closely-watched core measure falling in-line with estimates, on both a YoY and MoM basis (at 5.5% and 0.4% respectively). However, there was some reprieve on headline inflation, where a YoY print of 4.9% was slightly below estimates for 5.0% and last month's print of the same level.
- Yields.** The abovementioned CPI miss saw a bid come in for bonds, which in-turn pushed yields lower along the curve. For the day, the 2-year lost 11bps and closed comfortably below 4% (implying ~10 cuts over the coming 2 years), while the 10-year yield also fell, but more-modestly, by 8bps. The yield curve remains heavily inverted at -47bps.
- In other markets,** it was another solid night for the **uranium** sector, with key ETFs +1% following a strong session yesterday. Elsewhere, **oil** lost 1%, **gold** and **silver** were both down and **tin** was ~flat. The **USD** didn't do much (-0.2%) against a basket of currencies, despite CPI and the move in yields. And finally, the **VIX Index** fell another 7% and ended in the low 16s.
- Futures lower.** Despite the strong lead from Wall Street, it appears local stocks will open lower when trading commences this morning – with ASX futures currently off by 12 points, or ~0.2% at the time of writing. Major economic news today includes a BOE rate decision, Chinese CPI and US PPI.

World Indices	Close	Prior	% Δ
<u>Local Markets</u>			
All Ordinaries	7,452.3	7,456.7	-0.1%
ASX 200	7,255.7	7,264.1	-0.1%
ASX Emerging Companies	2,118.9	2,113.8	0.2%
<u>US Markets</u>			
Dow Jones	33,531.3	33,561.8	-0.1%
S&P500	4,137.6	4,119.2	0.4%
Nasdaq	12,306.4	12,179.6	1.0%
Russell 2000	1,759.5	1,749.7	0.6%
<u>Asian & European Markets</u>			
Shanghai Composite	3,319.2	3,357.7	-1.1%
Nikkei	29,122.2	29,242.8	-0.4%
Hang Seng	19,762.2	19,867.6	-0.5%
FTSE 100	7,741.3	7,764.1	-0.3%
DAX 30	15,896.2	15,955.5	-0.4%
CAC 40	7,361.2	7,396.9	-0.5%
Economic Releases	Time	F'cast	Prior
Cons. Inflation Expectations	11:00	5.0%	4.6%
Westpac Cons. Confidence	11:30		85.8
China Inflation (YoY)	11:30	0.4%	0.7%
BOE Rate Decision	21:00	4.50%	4.25%
US PPI (MoM)	22:30	3.0%	-0.5%
US Weekly Jobless Claims	22:30		
Key BW Names	Close	Prior	% Δ
Lotus Resources	0.215	0.185	16.2%
Frontier Energy	0.470	0.440	6.8%
Elementos	0.150	0.145	3.4%
Commodities	Close	Prior	% Δ
Oil - West Texas Crude	72.77	73.71	-1.3%
Gold	2,030.4	2,036.4	-0.3%
Gold (Aus)	2,996.1	3,012.4	-0.5%
Silver	25.39	25.64	-1.0%
Uranium (Spot)	53.30	53.30	0.0%
Tin (Futures)	25,970	25,995	-0.1%
Copper	3.85	3.90	-1.3%
Other Markets	Close	Prior	% Δ
DXY Index	101.44	101.61	-0.2%
AUD/USD	0.6777	0.6760	0.3%
VIX Index	16.47	17.71	-7.0%
2-Year Treasury Yield (%)	3.916	4.028	-11 bp
10-Year Treasury Yield (%)	3.445	3.521	-8 bp
US 2-10-Year Spread	-0.471	-0.507	4 bp