

Investment Daily

12 July 2024

S&P 500 fell on tech sell-off, as Treasuries rose after soft CPI data

In **the US**, the **S&P 500** was down 0.9% on Thursday, led by a sell-off in tech heavyweights, as investors rotated to financials, real estate and small caps amid lower Treasury yields and Fed easing expectations. The earning season kicks off today.

US Treasuries rallied (yields dropped) and the yield curve steepened as softer-than-expected June CPI inflation data fuelled market expectations for Fed rate cuts, and following a soft 30-year Treasury debt auction. 10-year yields fell 7bp to 4.21%, as 2-year yields dropped 11bp to 4.51%.

European stock markets rose on Thursday, driven by a downside surprise in US CPI inflation. The Euro Stoxx 50 increased by 0.3%. The German DAX and the French CAC both rose 0.7%. In the UK, the FTSE-100 was up 0.4%.

European government bonds rose (yields fell) as US Treasuries moved higher. 10-year German yields fell 7bp to 2.46%, as 10-year French yields ended 6bp down at 3.12%. In the UK, 10-year gilt yields declined 6bp to 4.07%.

Asian stock markets broadly tracked US stocks' overnight gains on Thursday ahead of key US CPI inflation data. Tech names in the region outperformed following an upbeat quarterly result of a major chipmaker. Japan's Nikkei 225 rallied 0.9% as Korea's Kospi added 0.8%. Chinese equities also fared well as the regulator tightened short-selling rules. Hong Kong's Hang Seng rallied 2.1%, while China's Shanghai Composite advanced 1.1%. Elsewhere, India's Sensex was flat-lined.

Crude oil prices edged higher on Thursday as investors weighed some signs of rising US summer fuel consumption and the IEA's forecast of weaker 2024 global crude demand. WTI crude for August delivery settled 0.6% higher at USD82.6 a barrel.

S&P 500 fell amid tech sell-off; Treasury yield curve bull steepened

European stocks and government bonds rose

Asian stocks were largely higher

Key Data Releases and Events

Releases yesterday

US CPI inflation surprised on the downside in June, falling 0.1% mom after no change in May, driven by lower energy prices. The core posted a 0.1% mom increase in June following May's 0.2% mom rise, below the market consensus amid renewed signs of disinflation in the service sector. Shelter and owners' equivalent rent (OER) inflation softened over the month.

UK GDP posted a 0.4% mom increase in May after flat-lining in April, higher than market expectations, aided by a rebound in construction output amid widespread strength.

Releases due today (12 July 2024)

Country	Indicator	Period	Survey	Prior
India	CPI (yoy)	Jun	4.8%	4.8%
India	Industrial Production (yoy)	May	4.9%	5.0%
US	PPI Final Demand (mom)	Jun	0.1%	-0.2%

In **India, CPI inflation** should be unchanged in June at 4.8% yoy whilst industrial production is expected to rise 4.9% yoy in May compared to a 5.0% yoy increase in April.

US final demand PPI is expected to rise 0.1% mom in June after a 0.2% mom fall in May.

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