Financial markets rallied globally following lower-than-expected US consumer prices. October CPI was unchanged m/m from September (vs 0.1% expected) and rose 3.2% y/y (vs 3.3% expected), down from September’s 3.7%. The market now expects the Fed to cut rates in May, ahead of June as was priced before the release of inflation data.

In this context, US treasury yields fell sharply (-19 bps on the short end and long end of the curve), with the 2Y which was stuck above 5% touching 4.84% and the 10Y falling below 4.5%. The trend spread to the euro area where sovereign bond yields lost more than 10 bps and periphery economies’ risk premia shortened.

The main stock indices posted gains above 1% led by interest-rate sensitive tech giants. The US dollar fell against major currencies, leaving the euro around $1.08. In commodities markets, gas and Brent prices were mostly unchanged. Today, US October retail sales will be on the spotlight, giving further clues of the state of the economy.
Main advanced stock markets
Index (100=Three years ago)

Emerging economies stock markets
Index (100=Three years ago)

Yield on 10-year public debt: U.S. and Germany
(%)

Risk Premium on 10-year debt: Italy, Spain, and Portugal
(basis points)

Exchange rate: Advanced-economy currencies
(Dollars per euro)

Exchange rate: Emerging economies Index
Index (100=Three years ago)

Brent oil price
(US$/barrel)

Dutch TTF Natural gas price
(€/MWh)