Weekly Newsletter – April 15, 2024

Hotter-than-expected US inflation, alongside rising tensions in the Middle East sparked a bout of risk-off sentiment – boosting commodity prices. Central Banks maintain dovish stance.

Economic Update

Economy: US CPI inflation disappoints on the upside, while producer prices continue to rise.

US: In March, the annual CPI inflation rate accelerated for a second straight month to 3.5% (*c:* 3.4%; *p:* 3.2%) reaching the highest since September 2023 – driven by energy costs.

The index for shelter and gasoline contributed over half of the monthly increase.

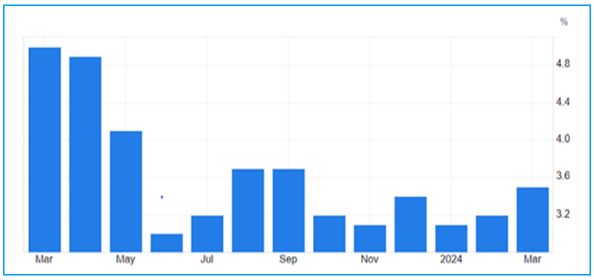
Meanwhile, annual core-CPI inflation was steady at 3.8%, the same as in the previous month, and above forecasts of 3.7%.

As well, producer prices (PPI) were up 0.2% m-o-m, marking the smallest increase in three months, following a 0.6% rise in February and below forecasts of 0.3%.

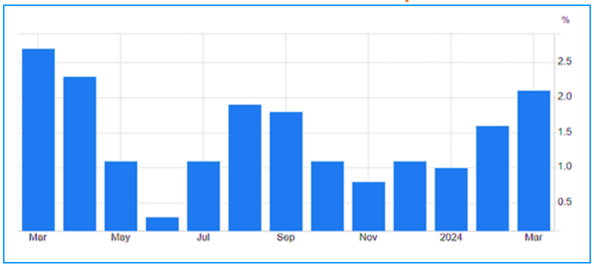
Prices for services rose 0.3%, the same as in February, led by gains in securities brokerage, dealing, investment advice, and related services.

On a y-o-y basis, the PPI rose 2.1%, the most since April 2023, after 1.6% in February, while the core index increased 0.1% on the month.

US CPI inflation rate above forecasts.



US PPI rises the most since April 2023.



Market Update

Equities: Global stocks end the week lower on Middle East tensions.

US: The S&P 500 pulled back (-1.6% w-o-w to 5,123), amid heightened fears of conflict in the Middle East and some signs of persistent inflation pressures. Growth stocks fared better than value shares, which were weighed down by interest rate-sensitive sectors, such as real estate investment trusts (REITs), regional banks, housing, and utilities.

Eurozone: Equity markets eased (Eurostoxx 50, -1.4% w-o-w, to 4,955), as pessimistic economic data from China weighed on key sectors of equities.

EMs: Equities declined (MSCI EMs, -0.4% w-o-w, to 1,042), as Chinese stocks slid (Shanghai Comp., -1.6% w-o-w, to 3,019), tracking losses in the wider Asia-Pacific region as rate concerns dampened market sentiment.

Fixed Income: US 10-year yield rises; German bund yield slides.

Global fixed incomes fell (BAML Global, -0.4% w-o-w to 263.8), and **UST yields** rose (+12bps, to 4.50%), %), as demand for safety amid heightened geopolitical tension outweighed the impact of hawkish expectations for the Fed.

In the Eurozone, the yield on the **German 10-year Bund** slid (-4bps to 2.36%), as geopolitical tensions supported government bonds for their safety.

FX: DXY gains on heightened risks; EUR hits 5-month low.

The **DXY index** strengthened (+1.7%, to 106.038), boosted by geopolitical tensions and expectations that the Fed will maintain rates higher for longer.

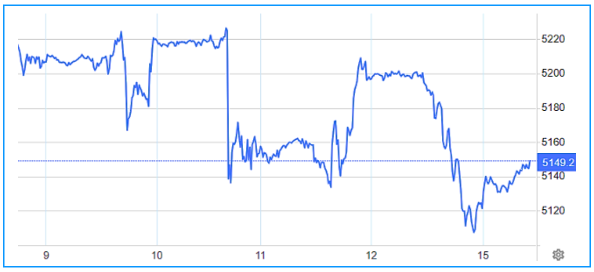
The **EUR/USD** fell (-1.8%, to 1.064), the lowest in five months, pressured by diverging scenarios for the ECM and the FOMC, and increased USD-bid buying.

Commodities: Oil falls on Fed policy rate outlook; Gold extends record rally.

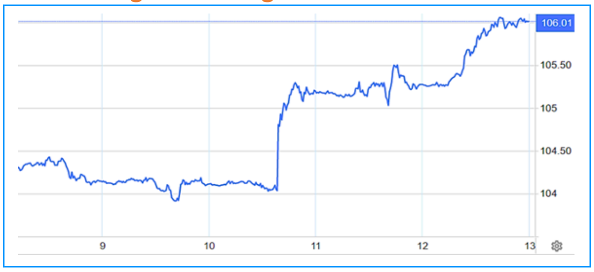
Oil prices were lower (**Brent**, -0.8% w-o-w, to 90.5 USD/b), as the impact of further restrictive policy by the Fed outweighed supply concerns from geopolitical unrest.

Gold prices rose (+0.6% w-o-w, to 2,343 USD/Oz) amid heightened inflation concerns in the US, and increased tensions in the region due to Iran's drone strikes.

US S&P 500 hit 4-week low.



DXY strengthens to highest level since November.



Gold sees robust safe-haven demand.

Week Ahead

This week, the US will be closely watched for corporate updates, with the start of the Q1 earnings season. Also, investors' focus will be on retail sales figures and speeches by FOMC officials followed by housing data. In China, attention will be on the Q3 GDP growth rate, industrial production, retail sales, house prices, and fixed asset investments. In the UK, markets will follow inflation rate, unemployment rate, and retail sales. Finally, inflation data will be released for Canada, New Zealand, South Africa, and Japan.

This report is prepared by: Burgan Bank Group – Economics & Macro Strategy Unit, Treasury Department

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