

# MARKET UPDATE

**15/02/2023**

## **Dollar gains as inflation remains sticky, sterling retreats**

The U.S. dollar climbed higher in early European trade Wednesday after U.S. consumer inflation remained elevated in January, while sterling fell after a drop in the U.K. CPI rate.

At 03:10 ET (07:10 GMT), the Dollar Index, which tracks the greenback against a basket of six other currencies, traded 0.3% higher at 103.457.

Headline U.S. consumer inflation came in at 6.4% year-on-year for January, higher than the 6.2% economists had expected, while the widely watched year-on-year core figure, which takes out volatile items like energy and food, came in at 5.6%, ahead of the predicted 5.5%.

These figures suggest that inflation is proving difficult to tame, even after a series of interest rate hikes, opening up the likelihood that the Federal Reserve will see a higher end point for these increases than the market had originally envisioned.

## **U.S. stock futures drift lower ahead of retail sales, fresh corporate earnings**

U.S. stock futures pointed broadly lower on Wednesday, as investors looked ahead to fresh retail sales data and a new slate of corporate results.

The major indexes were mixed on Tuesday in a day of volatile trading following the release of figures showing that inflation remained resilient in January despite a series of interest rate hikes by the Federal Reserve, suggesting more increases are likely in the short-term.

The blue-chip Dow Jones Industrial Average closed down 156 points or 0.46% and the broad-based S&P 500 slipped by 1 point to 0.03%. The Nasdaq Composite bucked the wider trend, rising 68 points or 0.57%.

Traders will be watching for more economic data out of the U.S., as well as earnings from major companies, throughout the day. Retail sales - a gauge of the health of the American consumer - are scheduled to come out at 08:30 ET, with the reading expected to move up by 1.8% in January compared to December after it fell by 1.1% in the prior month.



## Oil drops on U.S. inventory jump and interest rate worries

Oil dropped for a second day on Wednesday as an industry report pointed to ample supplies in the United States and expectations of further interest rate hikes sparked concern over fuel demand and the economic outlook.

U.S. crude stocks rose by a more than forecast 10.5 million barrels, according to market sources citing American Petroleum Institute (API) figures ahead of official Energy Information Administration (EIA) data at 1530 GMT.

"Simply put, the U.S. is swimming in oil," said Stephen Brennock of oil broker PVM.

Brent crude futures fell 46 cents, or 0.5%, to \$85.12 a barrel by 1130 GMT and U.S. West Texas Intermediate (WTI) crude dropped 60 cents, or 0.8%, to \$78.46.

U.S. inflation data and remarks from central bank officials that have been perceived as indications that interest rates will go higher for longer also weighed on the market.

Federal Reserve officials on Tuesday said that the U.S. central bank will need to maintain gradual increases to interest rates to beat inflation and suggested that price pressures driven by a hot jobs market could push borrowing costs higher than previously expected.

Also applying downward pressure on crude was the announcement this week that the United States would sell 26 million barrels of oil from the nation's strategic reserve, which is already at its lowest level in about four decades.

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