

MARKET UPDATE

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Stocks in Asia slump on rate jitters.

Asian shares slid on Friday and were on course for their steepest one-day percentage decline in a week after stronger-than-expected U.S. consumer prices figures bolstered the case for the Federal Reserve to keep rates higher for longer.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 1.2%, having scaled a three-week peak on Thursday.

It is, however, still set for a decent gain of 1.4% for the week, snapping a three-week losing streak.

The sour mood was set to continue in Europe, with Eurostoxx 50 futures down 0.19%, German DAX futures losing 0.14% and FTSE futures 0.05% lower.

Inflation reports from Sweden, Spain and France due later in the day will be in focus.

An increase in U.S. consumer prices for September contained a surprise surge in rental costs and traders now see a stronger chance that the Fed will end up delivering another hike this year.

Dollar firm after US inflation report.

The dollar held firm on Friday after stronger-than-expected U.S. consumer inflation revived prospects that the Federal Reserve will have to keep rates higher for longer.

At the same time, investors digested producer and consumer prices data out of China that showed deflationary pressures were slightly stronger than expected.

"What we've got is a fairly weak growth story (from China), and that's weighing on the price numbers," according to Rob Carnell, head of research at ING, who said that could put more pressure on the government to further support the economy.

Bloomberg News reported earlier in the week that China is considering raising its budget deficit for 2023 as the government prepares to unleash a new round of stimulus to help the economy meet the official growth target.

"But I would hasten to say, I don't think we're expecting anything big" as far as stimulus, Carnell added.

CPI data for September reveal further challenges with the 'last mile' in pushing inflation persistently back towards the 2% target," said David Doyle, Macquarie head of economics

European stocks edge lower, European inflation data in focus.

European stock markets are expected to open in a subdued fashion Friday as investors digest China's economic performance, heightened geopolitical tensions ahead of the release of more inflation data.

At 02:00 ET (06:00 GMT), the DAX futures contract in Germany traded largely flat, CAC 40 futures in France dropped 0.4% and the FTSE 100 futures contract in the U.K. fell 0.1%.

Inflation back in focus

European markets were already set to start on the back foot after Thursday's U.S. consumer price data stoked expectations that the Federal Reserve could yet hike interest rates once more before the end of the year.

There's inflation data from Spain and France later Friday for investors to study, the day after ECB policymaker Francois Villeroy de Galhau repeated his view that the European Central Bank should keep its key interest rate at its current level - the highest in its 25-year history - for as long as necessary to ensure inflation returns back to its 2% goal.

French CPI is expected to fall 0.5% on the month in September, an annual rise of 4.9%, while the Spanish equivalent is expected to rise 0.2% on the month, up 3.5% on the year.

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