Global stocks hit record high as inflation fears ease

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New York, April 15 (RHC)-- Global equity markets rose to a fresh record high on Wednesday as bond yields eased after data showed inflation in the United States was not rising wildly. Most Asia-Pacific share indexes followed Wall Street higher, while benchmark U.S. Treasury bond yields continued their decline, marking a fresh three-week low.

Japan bucked the trend, with the Nikkei falling 0.4 percent as rising coronavirus cases raised doubts about an economic reopening with 100 days to go until Tokyo is scheduled to host the Olympics.

MSCI’s broadest index of Asia-Pacific shares outside Japan gained 0.6 percent. Hong Kong’s Hang Seng rallied 1.3 percent, while China’s blue-chip index jumped 0.7 percent. MSCI’s gauge of equity performance in 50 countries advanced 0.15 percent, extending its all-time peak.

The U.S. consumer price index (CPI) rose by 0.6 percent, the biggest increase since August 2012, as rising vaccinations and fiscal stimulus unleashed pent-up demand. But the data is unlikely to change

Federal Reserve Chairman Jerome Powell’s view that higher inflation in coming months will be transitory.

Powell is scheduled to speak later in the day at the Economic Club of Washington. “The market clearly braced for higher CPI readings,” Westpac strategists wrote in a client note.

They said Tuesday’s result was “clearly being interpreted within the context of the Fed’s [Federal Reserve] commitment to look through ‘transitory’ inflation impulses.”

For bond markets, the question is whether the benchmark US 10-year Treasury note yield can drop below 1.6 percent from as low as 1.611 percent on Wednesday, they wrote. Bond yields fall as their prices rise, reflecting a more cautious stance by investors. “That has been an important technical level, which if broken could see a quick move to 1.5 percent.”

The 10-year U.S. Treasury yield had surged from the start of the year to a 14-month high of 1.776 percent on March 30 on bets that enormous amounts of fiscal stimulus money would speed up a U.S. recovery, stoking a faster inflation rate than Federal Reserve policymakers anticipate.

But yields have eased this month, in part owing to the US central bank’s insistence that labour market slack will prevent the economy from overheating.
