

Market Comment | Encouraging US economic data fuelled upward trend in US sovereign yields

Global Financial Markets Unit
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- A barrage of positive economic data in the US bolstered **optimism** and reinforced the upbeat mood in markets caused by yesterday's speech by Janet Yellen. US **core inflation** ([see](#)) and **retail sales** ([see](#)) beat expectations in January. These encouraging economic data along with investors' perception of **Yellen's speech** as hawkish ([see](#)), significantly pushed up implied probabilities of a **rate hike by the Fed in March**. As a result, both **US treasury** yields and the **USD** continued their recent upward trend, reaching one-month highs.
- In line with this encouraging economic outlook, **European sovereign bond yields** also followed the path of US Treasuries, indicating an optimistic view of global economic growth that also supports equity prices - especially the banking sector-.
- **Oil prices** showed high volatility, coinciding with today's US crude oil inventories data, which showed a significant increase. This factor, along with a stronger dollar, led some EM currencies to slightly appreciate (RUB, TRY, MXN).

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Table 1

Source: Bloomberg, Datastream and Haver

* With one day delay

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