



Why the TSX Skyrocketed Nearly 700 Points Today

Description

What happened?

The [Canadian stock market](#) suddenly zoomed up this morning after the latest inflation data from the United States boosted investors' confidence. In intraday trading, the **TSX Composite Index** touched its highest level since August 26, well beyond the 20,000 level, adding nearly 700 points from its previous close. At the time of writing, the main TSX benchmark was trading with a solid 3.3% at 19,989, and if the market maintains these gains by the end of the session, it would be the index's best single-day gains since April 2020.

So what?

Before the market opening bell on Thursday, the U.S. Bureau of Labor Statistics [revealed](#) that the core consumer price index (CPI) rose 0.3% in October — a significantly slower pace than 0.6% in the previous month. Notably, October's core CPI numbers were also much lower than Street's prediction of 0.5%.

In general, the change in CPI data is closely watched by the Federal Reserve and other authorities to get an idea about the latest inflationary trends. A much lower-than-expected CPI number could mean that inflation might have already peaked.

More importantly, reduced inflationary pressures could encourage the Fed to slow down the pace of rate hikes in the coming months, which could be the primary reason for investors' positive reaction today, leading to renewed buying pressure in the growth stocks. This factor justifies why nearly all key sectors on the [Toronto Stock Exchange](#) staged a big rally today, mainly led by strong gains in technology and healthcare sectors.

To give you an idea, TSX [tech stocks](#) like **Shopify**, **Nuvei**, and **Lightspeed Commerce** were among the top gainers on the TSX today, as they jumped by well more than 10% each.

Shopify price

Now what?

Clearly, today's massive stock market rally tells us how closely investors have been watching the inflationary trends. If you don't know already, high inflation and rapidly rising interest rates have been two of the biggest reasons for driving a massive [market crash](#) in 2022 — especially in high-flying growth stocks.

While the latest inflation numbers triggered a sharp rally in the TSX index today, other key economic indicators, including from the labour market, will now remain on investors' radar in the near term. More hints of cooling inflationary pressures might help businesses improve their profitability going forward and regain investors' confidence. Given the possibility of a sharp recovery, long-term investors may still want to buy fundamentally strong stocks at a bargain right now before it's too late.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:LSPD (Lightspeed Commerce)

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Date

2025/08/29

Date Created

2022/11/10

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