



DAILY MARKET ANALYSIS 10-03-2022

These are undoubtedly volatile days for the financial markets. The US consumer price index rose 0.8%MoM in February, which leaves the annual rate of inflation at 7.9%, a new 40 year high. Food rose 1% MoM and energy was up 3.5% MoM—so stripping this out this gives core inflation of 0.5% MoM and 6.4% YoY. All this is exactly in line with market expectations.

Stocks

- Strong **US equity** gains yesterday helped lift Asia Pacific markets today.
- Tokyo led the move with a nearly 4% gain in the **Nikkei**.
- **US stocks** remain under selling pressure, with the three major indexes trading in the negative territory, although off their daily lows. Worries about US inflation sent futures on the Dow Jones, S&P 500, NASDAQ, and Russell 2000, as well European equities lower in trading on Thursday.
- **European stocks** fell Thursday, as the region's central bank surprised with plans for a faster exit from its bond-buying program, while a lack of progress on negotiations between Ukraine and Russia also weighed on investors.

Currencies

- **The Dollar Index** regains some composure and reclaims the 98.00 mark and above on Thursday.
- EUR/USD rose sharply after the European Central Bank (ECB) announced that it will end the Asset Purchase Program (APP) in the third quarter. However, policymakers noted that if “the medium-term inflation outlook changes and financing circumstances become incompatible with further progress toward our 2% target, we will alter our net asset purchase schedule in terms of magnitude and/or length. The pair reversed its direction and started to decline toward 1.1000 on ECB President Lagarde's cautious comments.
- **GBP/USD** rose toward 1.3200 but lost its traction in the early American session. The risk-averse market environment, which is reflected by falling US stock indexes, is helping the dollar gather strength and the pair trades in the negative territory below 1.3150.
- The **Japanese Yen** rose above 116 for the first time since Feb.
- The **AUD/USD** and **NZD/USD** were proving resilient, while most of the other major currencies were softer. Emerging market currencies were mixed.

Bonds

- The **US yield on 10-year** Treasury note briefly hits 2% as yields climb following hot CPI report
- **Germany's 10-year yield** Bund surged to an over 3-week high of 0.27%, clawing back all losses from a sell-off due to the war in Ukraine, after a surprisingly hawkish ECB monetary policy decision.
- **Britain's 10-year yield** rose toward 1.5%, the highest in near three weeks, as investors weighed stagflation concerns and rate hike prospects.

Commodities

- **Gold** peaked near \$2070 on Tuesday, edged lower today but then recovered slightly, after yesterday's 2.7% slide.
- **Oil** recovered after yesterday's 13.2% plunge, though we expect the gains to be short-lived and more volatility.

Up Ahead - Friday 11/03/2022

- UK GDP figures are released.
- Canada releases its employment data
- Michigan consumer sentiment figures