

DAILY MARKET ANALYSIS 23-03-2022

Ukrainian President Volodymyr Zelenskyy said on Tuesday that they were ready to discuss commitment not to join NATO and added that they could also discuss the status of Crimea and Donbass after the ceasefire. Meanwhile, the Wall Street Journal reported that US President Biden was planning to sanction "hundreds of Russian lawmakers" as early as Thursday. Commenting on the economic impact of the Russia-Ukraine conflict, International Monetary Fund (IMF) Managing Director Kristalina Georgieva said that the war would slow economic growth but added that they were not yet expecting a global recession. Markets remain relatively quiet early Wednesday as investors await FOMC Chairman Jerome Powell's speech, February New Home Sales data from the US and the European Commission's preliminary Consumer Confidence report for March.

Stocks

U.S. stocks are seen opening marginally lower Wednesday, as investors continue to digest the recent moves by the Federal Reserve ahead of U.S. President Joe Biden's trip to Europe to discuss further sanctions on Russia.

Dow Futures contract was down 110 points, or 0.3%, S&P 500 Futures traded 17 points, or 0.4%, lower and Nasdaq 100 Futures dropped 85 points, or 0.6%.

Markets in the Asian domain part ways with the Chinese stocks as the latter has shown subdued performance in the Tokyo session while other markets are performing stronger. Hang Seng surged 1.58%, Nifty 50 jumps 0.43% while Japan's Nikkei225 outperforms by gaining 2.58%. Meanwhile, the China A50 is trading flat to negative.

Currencies

- DXY reversed Tuesday's pullback and targeted 99.00. Dollar Index resumed the weekly recovery, although a test/surpass of the 99.00 still remains elusive for USD-bulls.
- EUR/USD remains depressed and comes under renewed selling pressure against the backdrop of persistent geopolitical worries and firmer speculation that the Federal Reserve could now embark on a more aggressive tightening of its monetary conditions.
- The GBP/USD pair edged lower through the first half of the European session and dropped to a fresh daily low, around the 1.3215 region. The fact that the Bank of England had softened its language around the need for future rate hikes at the last week's meeting turned out to be a key factor that acted as a headwind for the British pound.
- The AUD/USD pair has extended its gains today after overstepping the last week's high of 0.7418 on Tuesday. In the Tokyo session, the asset is performing lacklustre, hovering around Tuesday's high at 0.7477. The pair has been performing stronger after hitting a low of 0.7165 last week and was seen trading around 0.7450

- USD/JPY is up on the day by some 0.3% at 121.07 and has travelled between a low of 120.75 and 121.41 so far. The pair has made a fresh high since January 2016 on growing expectations that the Fed will deliver a sharp response to the inflationary problem.

Bonds

The 10-year U.S. Treasury yield fell slightly on Wednesday morning but hovered above 2.37%, amid concerns about the war in Ukraine and inflation. The yield on the benchmark 10-year Treasury note dipped less than a basis point to 2.3753% at 5 a.m. ET. The yield on the 30-year Treasury bond rose less than a basis point to 2.5932%.

In addition, German 10y bund yields correct lower and retest the 0.48% area following recent fresh cycle highs. The knee-jerk in yields follows the same performance in the rest of the global cash markets.

Commodities

Gold Price continues to trade uneventfully above the \$1,900 level, advancing on Wednesday amid the softer tone of equities as government bonds recover from Tuesday's collapse. XAUUSD hit an intraday high of \$1,936.04 a troy ounce, now trading around \$1,928.

Oil prices edged higher Wednesday after industry data pointed to another drop in U.S. crude inventories, while European countries continue to debate sanctions on Russian energy exports. Brent crude futures were up \$3.13, or 2.7%, at \$118.61 a barrel while U.S. West Texas Intermediate (WTI) crude futures rose \$2.69, or 2.5%, to \$111.96 a barrel.

Up Ahead – Thursday 24-03-2022

- EUR German Flash Manufacturing PMI
- USD Core Durable Goods Orders m/m
- USD Unemployment Claims
- USD Flash Manufacturing PMI