

## **DAILY MARKET ANALYSIS 16-03-2022**

Risk flows dominate the financial markets early Wednesday as investors remain hopeful for a diplomatic solution to the Russia-Ukraine crisis and the greenback stays on the back foot. February Retail Sales and Import Price Index data will be featured in the US economic docket ahead of the Federal Reserve's all-important interest rate decision. Consumer Price Index (CPI) data from Canada will be looked upon for fresh impetus as well. Additionally, negotiations between Russian and Ukrainian representatives are set to continue today.

### **Stocks**

Reflecting the risk-positive market atmosphere, China's Shanghai Composite Index gained more than 3% and Japan's Nikkei 225 Index rose 1.6%. In the early European session, US stock index futures are up between 0.3% and 0.8%.

### **Currencies**

- The Dollar index loses ground for the third consecutive session so far midweek amidst the better tone in the risk complex, particularly after Russia's Lavrov suggested there is certain hope in the peace talks with Ukraine.
- EUR/USD advances for the third consecutive session. Buying interest keeps the European currency supported for yet another session and lifted EUR/USD to the 1.1000 neighbourhood on Wednesday.
- The improving market mood on heightened optimism for a Russia-Ukraine peace agreement helps the British pound gather strength on Wednesday. Ahead of the Fed's policy announcements and the US Retail Sales data, the pair clings to gains above 1.3050.
- The USD/JPY pair remained confined in a narrow trading band through the first half of the European session and consolidated its recent strong gains to the multi-year peak. The pair was last seen trading around the 118.30-118.35 region, nearly unchanged for the day.
- The AUD/USD pair maintained its bid tone through the early North American session and held steady around mid-0.7200s following the release of the US Retail Sales data.

### **Bonds**

Government bonds are mostly unchanged with the benchmark US 10-year Treasury straddling 2.15% in yield.

### **Commodities**



Commodities behaved themselves after recent volatility with Brent crude oil futures recovering from yesterday's low of US\$ 97.44 bbl to be near 102 today. Similarly, the WTI contract is around US\$ 98 bbl from 93.53.

Gold steadied on Wednesday, with a weaker dollar offsetting pressure from higher U.S. Treasury yields as investors await the first pandemic-era U.S. Federal Reserve interest rate hike. Spot gold was flat at around \$1,917 per ounce , after touching its lowest since March 1 at \$1,906 on Tuesday.

**Up Ahead** – Thursday 17-03-2022

- ECB President Lagarde Speaks
- Bank of England Interest rate decision
- US Unemployment Claims