

DAILY MARKET ANALYSIS 21-03-2022

The US dollar remained bid, as the market turned risk-averse today amid a prolonged Russia-Ukraine war. Escalation of the conflict sapped investors' confidence after Ukraine refused to surrender the embattled southern port city of Mariupol as Russia warned of humanitarian 'catastrophe'. As the crisis intensified, it poured cold water on hopes for diplomacy seen over the previous week. Traders also weighed in the hawkish comments from Fed officials amid the fallout of the call between US President Joe Biden and China's President Xi Jinping. President Biden warned China of consequences if it supported Russia's invasion of Ukraine. Mounting tensions surrounding the Ukraine crisis re-ignited the rally in oil prices, as European Union (EU) mulls whether to impose an oil embargo on Russia. The EU leaders and Biden are scheduled to meet today to firm up the West's response to Moscow. Traders now look forward to the speeches by ECB President Christine Lagarde and Fed Chair Jerome Powell later in the day, in absence of the first-tier economic news on both sides of the Atlantic.

Stocks

Last week, the three major averages notched their best week since November 2020, boosted largely by growth stocks. The S&P 500 surged 6.1% from Monday to Friday. The Dow Jones Industrial Average ended the week 5.5% higher, and the technology-focused Nasdaq Composite spiked 8.1%. U.S. stock futures were lower in early morning trading Monday after the S&P 500's best week since 2020.

Dow Jones Industrial Average futures edged down 146 points, or 0.4%, as Boeing dropped more than 8% in the premarket after a China Eastern Airlines Boeing 737 passenger plane crashed. S&P 500 futures slipped 0.3%, and Nasdaq 100 futures declined 0.4%.

Hong Kong's Hang Seng index, which rose more than 1% in early trade, erased gains and closed 0.89% lower at 21,221.34. The city's benchmark index finished more than 4% higher last week following a volatile week which swung between big gains and losses.

Currencies

- US Dollar Index (DXY), trades without a clear direction around 98.20 at the beginning of the week. Following Friday's bounce off weekly lows in the 97.70 region, the index is so far charting an inconclusive session on Monday amidst a mild rebound in US yields and a steady geopolitical front news wise.
- EUR/USD started the trading week around the mid-1.1000s amidst the absence of traction in either direction, the recovery in yields on both sides of the ocean and no relevant news from the Russia-Ukraine front. No reaction was noted in the European currency after ECB's Chairwoman C.Lagarde said earlier in the session that she does not see elements of stagflation in the current context, at the time when she also ruled out any sync with the Fed's policies.

- GBP/USD extended its correction from last weeks highs and continues to trade in the mid-1.3100s and continues to struggle ahead of the 1.3200 mark.
- USD/JPY is trading around a flat line below the six-year highs of 119.40 reached last Friday, as markets remain in limbo amid renewed Ukraine tensions and hawkish Fed.
- The AUD/USD pair edged lower heading into the European session and was last seen hovering near the lower end of its daily trading range, just below the 0.7400 round-figure mark.

Bonds

U.S. Treasury yields climbed on Monday morning, as investors remained focused on developments in the Russia-Ukraine war. The yield on the benchmark 10-year Treasury note rose 4 basis points to 2.1888%. The yield on the 30-year Treasury bond moved 2 basis points higher to 2.4429%.

German 10y bund yields left behind the recent weakness and advance to the 0.40% region.

Commodities

Gold found support from the renewed geopolitical concerns and rebounded 0.3% during Monday's APAC mid-day trading session after falling 3.4% last week. The yellow metal was last seen traded in a flat line around \$1925.

WTI remains on the front foot around \$107.20, up nearly 3.0% on a day after refreshing weekly tops around \$107.90 during Monday's late Asian session.

Up Ahead – Tuesday 22-03-2022

- AUD RBA Gov Lowe speaks
- EUR ECB President Lagarde speaks
- CHF SNB Chairman Jordan speaks