

DAILY MARKET ANALYSIS 24-03-2022

A veritable orgy of diplomacy is taking place in Brussels, with the West trying to coordinate an increase in pressure on Russian President Vladimir Putin through NATO, the G7 and the EU. U.S. President Joe Biden will attend all three meetings, pressing for a more complete break with Russian energy purchases. In three summits in Brussels in the course of the day, NATO leaders are expected to announce plans to double the alliance's forces on its eastern flank, while the G7 will warn Putin against using chemical and biological weapons. The focus, however, will be on the last of the three meetings, an EU summit which will also be attended by U.S. President Joe Biden. Biden and most EU leaders will be pressing to close the loopholes that currently allow Europe to continue buying Russian energy. Doing so would immediately increase the economic pressure on Russia, but would also likely trigger a recession, according to German Chancellor Olaf Scholz.

Stocks

U.S. stock futures rose early Thursday morning as investors tried to recover from declines in Wednesday's regular trading session. Dow Jones Industrial Average futures climbed 170 points, or 0.5%. S&P 500 added 0.6% and Nasdaq 100 futures rose 0.7% each.

European stock markets opened mixed on Thursday ahead of a key day for diplomacy aimed at halting Russia's war in Ukraine. Euro Stoxx 50 was up 0.1% while the best performer among major markets was France's CAC 40 with a 0.2% gain. In the U.K., the FTSE 100 was largely flat.

Asian shares were volatile on Thursday and oil prices turned lower as the latest developments in the Ukraine war and more hawkish comments from U.S. Federal Reserve officials left investors uneasy. Hong Kong's Hang Seng Index fell 0.3% while the mainland's blue-chip index slid 0.6%. Japan's Nikkei, however, reversed losses to gain 0.25% and end the session at a nine-week high, buoyed by a retreat in crude oil and buying into the end of Japan's fiscal year this month.

Currencies

- The dollar index held above 98.8 on Thursday, inching toward its highest level in nearly two years after Federal Reserve officials indicated readiness to take more aggressive action to bring inflation under control, including a possible 50 basis point rate hike in May.
- EUR/USD stayed under scrutiny and kept the downside bias well and sound below the 1.1000 yardstick. The common currency loses ground for the third session in a row on Thursday, although it managed to rebound from earlier lows in the wake of better-than-forecast preliminary results from PMIs in both Germany and the broader Euroland
- The GBP/USD pair maintained its offered tone through the first half of the European session and had a rather muted reaction to mixed UK PMI prints. The pair was last seen trading around 1.3200, down nearly 0.35% for the day.

- The AUD/USD pair recovered a few pips from the daily low and was last seen trading around the 0.7480 region, down nearly 0.20% for the day.
- USD/JPY rises for the fifth consecutive day while poking 2016 peak. Japanese Yen moved up from 121.20 to 121.70 on the session with the dollar keeping little changed for the most part elsewhere.

Bonds

The 10-year U.S. Treasury yield climbed Thursday, near recent highs. The yield on the benchmark 10-year Treasury note rose 6 basis points to 2.38% at 7:30 a.m. ET. The yield on the 30-year Treasury bond climbed 4.3 basis point to 2.56%.

Germany's 10-year Bund yield, the benchmark for Europe, rose to as high as 0.54%, the highest since October 2018, while French 10-year yields hit 1% for the first time since 2018.

Commodities

Spot gold (XAU/USD) prices hit fresh more than one-week highs on Thursday to the north of the \$1950 level, despite the slightly stronger US dollar, higher US yields and subdued tone to global equity and commodity market trade.

Oil prices were steady on Thursday as the U.S. president met other Western leaders and investors waited to see how sanctions would be tightened on Russia over its invasion of Ukraine. Benchmark Brent was up 0.3% at \$121.95 a barrel, after falling by close to \$2 earlier in the session. U.S West Texas Intermediate (WTI) was little changed at \$114.96 a barrel, after also shedding \$2 earlier.

Up Ahead – Friday 25-03-2022

- GBP Retail Sales m/m
- EUR German ifo Business Climate
- USD Revised UoM Consumer Sentiment