

## **DAILY MARKET ANALYSIS 25-03-2022**

US President Joe Biden said late Thursday that he thinks Russia should be removed from the G20. Biden further noted that they were coordinating with the G7 and the European Union on food and energy security.

U.S. consumer sentiment continued to worsen in late March to a fresh decade low as inflation erodes incomes, heightened by uncertainty over Russia's invasion of Ukraine.

The University of Michigan's sentiment index dropped to 59.4 from 59.7 earlier in the month, data released Friday showed.

### **Stocks**

U.S. stock volatility continued to grip equities on Friday, with the Dow Jones and the S&P 500 paring early gains to trade around the flatline while the tech-heavy Nasdaq underperformed by falling nearly 1%.

European stock markets see modest gains, with investors staying cautious as energy prices remain elevated after the recent rally while geopolitical tensions surrounding the Russia-Ukraine conflict persist.

Asian stock markets traded mixed on Friday, Chinese stocks fell, the Shanghai Composite fell 1.2% while the Shenzhen Component declined 1.9% , Hong Kong's Hang Seng dropped 2.47% on Friday, accelerating losses from the previous session. The Nikkei 225 rose 0.14%

### **Currencies**

- The dollar index retreats early Friday after closing the previous two days in positive territory as geopolitical tensions keep rising globally and the Fed continues to send hawkish messages to the markets, the greenback looks set to resume the ascent following some consolidation, with the overall uptrend staying intact. It lost the most ground versus AUD, EUR, and CHF, in that order, while the only currency against which the greenback eked out some gains was JPY.
- EUR/USD turns slightly softer after poor German business climate reading, the EURUSD remained around 1.1000 in the last week of March, close to the lowest since May 2020 amid a general dollar strength after comments from Fed Chair signalling a 50bps rate hike in May prompted a rush to the dollar.
- The GBP/USD started to edge higher during the Asian trading hours on Friday and seems to have steadied above 1.3200. The data published by the UK's Office for National Statistics showed on Friday that Retail Sales contracted by 0.3% on a monthly basis in February, compared to the market expectation for an increase of 0.6%.
- The AUD/USD pair has continued to consolidate gains, spending a second consecutive week above the 0.7700 level, Aussie rallying Base metals provide modest support to the Aussie, such as Copper and Palladium reached record highs in the last few days amid prevalent optimism related to a global post-pandemic economic comeback.

- USD/JPY rises to its strongest level since December 2015 at 122.42 late Thursday.

## **Bonds**

The 10-year U.S. Treasury yield went through the roof on Friday to 2.5%, the highest level since May 2019, as the benchmark debt security fell in price, eclipsing pre-pandemic levels as traders scrambled to price in faster tightening. Another seven and a half quarter-point rate increases are now baked in for this year, which would push the federal funds rate to around 2.25% by December.

Germany's 10-year Bund yield rose to 0.58% in the end of March, the highest since May of 2018, after hawkish remarks from major central banks brought investors to anticipate accelerated monetary tightening cycles. Fed policymakers expressed further support for a 50bps hike in the funds rate in the central bank's next meeting, instead of the previously expected 25bps. At the same time, all-time high inflation in the euro area extended the bond selloff that saw money markets price two quarter-point hikes in 2022, compared with previous expectations of one such increase.

## **Commodities**

Spot gold (XAU/USD) ignored rising yields and rose to its highest level in 10 days above \$1,960 on Friday after jumping 1.9% in the previous two sessions, as investors looked to hedge against risks arising from the Ukraine crisis and a commodity-driven rise in inflation. In 2022 has picked up the pace with a world of fundamentals, high inflation is the primary driver for Gold, The war in Ukraine caused a dash to the safe haven, which was always short-term

Oil prices turned positive on Friday, with WTI crude futures rebounding toward \$114 per barrel on reports of missile strike and fire at Saudi Aramco facility. US crude is up almost 10% this week, after having fallen for the past two weeks, fueled by fears of further supply disruptions due to sanctions against Russia, a prolonged shutdown of the Caspian Pipeline Consortium terminal damaged by a major storm and a decline in US crude inventories. Also, the US and its allies are discussing a possible further coordinated release of oil from storage to help calm markets roiled by the Russia-Ukraine conflict.

## **Up Ahead** – Monday 28-03-2022

- GBP BOE Gov Bailey Speaks
- USD Prelim Wholesale Inventories m/m