DAILY MARKET ANALYSIS 28-03-2022

Global markets are watching events in Ukraine closely more than a month after Russia began its invasion of the country. Ukrainian President Volodymyr Zelenskyy has reiterated that his country is prepared to discuss adopting a neutral status as part of a peace deal with Russia. Talks between Ukraine and Russia are set to continue this week, with delegations from both countries scheduled to meet face-to-face in Turkey today.

Concerns surrounding the coronavirus in Asia are mounting, as China faces the worst covid outbreak since Wuhan. China's Covid outbreak is worsening, and several cities are reportedly entering lockdowns under the country's "Covid Zero" policy. Shanghai, a key Asian financial hub, will enter a nine-day lockdown today after daily Covid cases hit a record high. Public officials announced a suspension of all factory activity and told non-essential workers to work from home.

Stocks

U.S. stock futures were slightly lower Sunday evening as investors look ahead to a series of key economic reports and continue to keep a close eye on the Federal Reserve's planned interest rate hikes. Dow Jones futures shredded 0.37%, the S&P 500 (SPX) slipped 0.38%, and futures on the Nasdaq 100 (NDX) dropped 0.4%.

European stocks moved higher on Monday as investors continue monitoring developments in the war between Ukraine and Russia. The pan-European Stoxx 600 added 0.7% by mid-morning, with insurance stocks climbing 1.3% to lead gains as almost all sectors and major bourses entered positive territory.

Asian shares were mixed on Monday as worries about the pandemic, inflation and the war in Ukraine weighed on market sentiment. Japan's benchmark Nikkei 225 NIK, -0.73% slipped 0.3%, while Australia's S&P/ASX 200 XJO, +0.08% gained 0.3%. Hong Kong's Hang Seng HSI, +1.31% surged 1.5% while the Shanghai Composite index SHCOMP, +0.07% edged 0.1% lower.

Currencies

• DXY clinched new tops beyond the 99.00 barrier. The index advances for the fourth consecutive session on Monday and manages to reclaim the area beyond the 99.00 yardstick on the back of the persistent selloff in the risk complex and helped by the unabated move higher in US yields.

• EUR/USD came under further downside pressure and revisited the 1.0950/40 band in response to the firmer demand for the greenback at the beginning of the week.

• GBP/USD maintained its offered tone through the early European session and was last seen trading around mid-1.3100s. The pair kicked off the new week on a weaker note and extended last week's retracement slide from the 1.3300 round-figure mark amid sustained US dollar buying interest.

• The AUD/USD pair remained confined in a narrow trading band heading into the European session and consolidated its recent strong gains to the YTD peak. The pair was last seen trading in the neutral territory, around the 0.7515-0.7520 region.

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• The Japanese yen slipped to a six-year low on Monday, after the Bank of Japan stepped into the market to stop government bond yields from rising above its key target. The dollar rose to as high as 125.09 yen in morning trade, its strongest since December 2015, and was last seen at 124.05.

Bonds

U.S. 5-year and 30-year Treasury yields on Monday inverted for the first time since 2006, raising fears of a possible recession. The yield on the 5-year Treasury note rose 6 basis points to 2.6361% , while the 30-year yield was down less than 1 basis point to 2.6004%. The 2-year yield jumped nearly 8 basis points to 2.3805% and the benchmark 10-year was up 1 basis point to 2.5066%.

Commodities

Gold witnessed heavy selling on Monday and reversed the recent gains to a near two-week high. Hopes for a diplomatic solution to end the war in Ukraine undermined the safe-haven XAU/USD. Hawkish Fed expectations, rising US bond yields, stronger USD added to the intraday selling bias. The yellow metal was last seen traded around $1932.10 per ounce.

Oil prices fell more than $5 on Monday as fears over weaker fuel demand in China grew after its financial hub of Shanghai launched a planned two-stage lockdown on Monday to contain a surge in COVID-19 infections. The market kicked off another week of uncertainty, buffeted on one side by the ongoing war between Ukraine and Russia, the world’s second-largest crude exporter, and the expansion of COVID-related lockdowns in China, the world’s largest crude importer. U.S. West Texas Intermediate (WTI) crude slid 4.8%, or $5.48, to trade at $108.42 while Brent traded $5.27, or 4.4%, lower at $115.44 per barrel.

Up Ahead – Tuesday 29-03-2022

- USD JOLTS Job Openings
- USD CB Consumer Confidence