

DAILY MARKET ANALYSIS 29-03-2022

The market mood was sour, helping the American dollar to end the day on Tuesday with gains against most major rivals. The initial catalyst came from the Bank of Japan. The central bank announced it would be buying an unlimited amount of 10-year JGBs at 0.25% in an attempt to defend the yield cap. This is the second time the central bank has intervened in the FX market this year.

Bank of England Governor Andrew Bailey warned about swings in commodity markets posing a risk to financial stability. He also noted that there are risks on both sides to inflation.

On the war front, Russian lawmaker Ivan Abramov on Monday said a refusal by the G7 to pay for Russian gas in roubles would lead to an unequivocal halt in supplies. German Finance Minister Christian Lindner responded that his country is ready if Moscow retaliates against the G-7 and that companies must resist Russia's demands for gas payments in RUB. Ukraine and Russia are set to meet in Istanbul on today for their first peace talks in over two weeks.

Stocks

U.S. stocks struggled to find direction and swung between small gains and losses for most of the day on Monday but picked up momentum in late trading to end the day sharply higher. At the market close, the S&P 500 rose 0.71% to 4,575, climbing for the third day in a row, Dow Jones clambered 0.27% to finish the session near the 34,955 zone and Nasdaq 100 outperformed its peers, rallying 1.58% to 14,987, its best level since February 10

European stocks are expected to build on gains from the previous day, opening higher ahead of another round of Ukraine-Russia talks. The U.K.'s FTSE index is seen opening 29 points higher at 7,508, Germany's DAX 93 points higher at 14,555, France's CAC 40 up 40 points at 6,652 and Italy's FTSE MIB 181 points higher at 24,289

Stocks across Asia-Pacific rose, following a tumble in oil prices overnight. Hong Kong's Hang Seng index jumped 0.45%, as casino and tech stocks rose. Japan's Nikkei 225 was 0.51% higher while Australia's S&P/ASX 200 jumped 0.77%, as bank stocks rose.

Currencies

- The U.S. Dollar Index moved lower on Tuesday, capped by a rise in the Euro and a slight improvement in the Japanese Yen. The index traded on the defensive for the first time after four consecutive daily advances on the back of the re-emergence of some buying interest in the risk-associated space.
- The euro rose on Tuesday as Ukrainian and Russian negotiators met in Turkey for the first direct talks in more than two weeks. The sentiment around the single currency improved further and motivated EUR/USD to climb to 2-day highs near 1.1090.
- The GBP/USD pair quickly recovered a few pips from a near two-week low touched yesterday and was last seen trading around the 1.3175-1.3180 region, nearly unchanged for the day.
- AUD/USD attracted some dip-buying on Tuesday and was supported by a combination of factors. The Australian dollar drew some support from better-than-expected domestic Retail Sales data, which

showed a 1.8% growth as against consensus estimates pointing to a 1% rise. The pair climbed to a fresh daily high during the early European session and is now looking to build on the momentum further beyond the 0.7500 round-figure mark.

- The Japanese yen has stabilized on Tuesday, after taking investors on a wild ride on Monday. USD/JPY climbed almost 300 points before retreating and was last seen trading in the 123.60 area.

Bonds

The benchmark 10-year US Treasury bond yield stayed relatively quiet below 2.5% after reaching a multi-year high of 2.55% on Monday. The yield was up 2 basis points to 2.4975% while the 30-year Treasury bond was up 1 basis point to 2.5862% and the 5-year Treasury note rose 3 basis points to 2.6023%.

Commodities

Gold continued to lose ground in today's trading following yesterday's stiff, nearly \$35 selloff as ongoing talks in Istanbul between Ukraine and Russia raised hopes of a ceasefire. The bright metal was last seen traded in the \$1907.10 area.

Oil prices rose on Tuesday, recovering some of the previous session's losses as Kazakhstan's supplies continued to be disrupted and major producers showed no sign of being in a hurry to boost output significantly. Brent crude rose \$1.54, or 1.4%, to \$114.02 a barrel and U.S. West Texas Intermediate (WTI) crude was up \$1.34, or 1.3%, at \$107.30. Both benchmarks had lost about 7% on Monday.

Up Ahead – Tuesday 29-03-2022

- EUR ECB President Lagarde Speaks
- USD ADP Non-Farm Employment Change
- USD Final GDP q/q
- USD Crude Oil Inventories