

## **DAILY MARKET ANALYSIS 30-03-2022**

Renewed optimism for a diplomatic solution to the Russia-Ukraine conflict allowed risk flows to dominate the financial markets on Tuesday and caused the greenback to lose interest. The dollar stays on the back foot early Wednesday as focus shifts to ADP Employment Change and Q4 GDP data from the US. Additionally, investors will keep a close eye on geopolitical developments. Following Tuesday's talks, the Russian Defence Ministry announced that it will scale down military activity around Kyiv and Chernihiv. Moreover, one of the negotiators for Ukraine noted that they made enough progress to hold a meeting between Ukrainian President Volodymyr Zelenskyy and his Russian counterpart Vladimir Putin.

### **Stocks**

US equities ended the Wall Street trading session in positive territory amid an optimistic market mood, as Russia-Ukraine jitters eased, thus boosting market participants' sentiment. The S&P 500, the Dow Jones Industrial Average, and the heavy-tech Nasdaq recorded gains between 0.97% and 1.84%, finishing at 4,631.60, 35,294.19, and 14,787.13, respectively.

European stocks retreated on Wednesday following the latest round of talks between Russia and Ukraine, aimed at finding a solution to the conflict. The pan-European Stoxx 600 fell 0.5% in early trade, with autos shedding 1.6% to lead losses, while oil and gas stocks gained 2.1%.

Shares in Asia-Pacific were largely higher in Wednesday trade as investors watch for developments surrounding the war in Ukraine. Hong Kong's broader Hang Seng index jumped 1.38%, as of its final hour of trading. Japanese stocks lagged the broader region as the Nikkei 225 slipped 0.8% to close at 28,027.25 and Australia's S&P/ASX 200 climbed 0.67% to end the trading day at 7,514.50.

### **Currencies**

- The dollar index has nosedived after a week-long upswing on receding safe-haven demand. The continuation of the upbeat momentum in the risk complex forces the US Dollar Index (DXY) to shed further ground and revisit the 98.00 region on Wednesday.
- EUR/USD advances for the third consecutive session and trades in levels last seen in early March on the back of the persevering appetite for riskier assets and the investors' exodus from the greenback. The European currency extends the optimism for another session and lifts EUR/USD to fresh 4-week highs in the vicinity of 1.1150 on Wednesday.
- GBP/USD edged higher for the second successive day amid a broad-based USD weakness. The pair held on to its modest intraday gains through the early European session and was last seen trading just a few pips below the daily high, around the 1.3120-1.3125 region.

The AUDUSD pair resumed its positive trading to settle above 0.7500 barrier again, reinforcing the expectations of continuing the bullish trend

- A combination of factors dragged USD/JPY lower for the second successive day on Wednesday. The USD/JPY pair managed to recover nearly 60 pips from the multi-day low and was last seen trading just below the 122.00 mark, still down nearly 1% for the day.

### **Bonds**

U.S. Treasury yields dipped on Wednesday morning, but investors continue to watch the spreads between bonds, after the 5-year and 30-year rates flipped at the start of the week. The yield on the 5-year Treasury moved 3 basis points lower to 2.4499%, while the rate on the the 30-year Treasury bond declined 3 basis points to 2.4912%. The yield on the benchmark 10-year Treasury note fell 2 basis points to 2.3707%.

### **Commodities**

Gold plunged to its weakest level since late February at \$1,890 on Tuesday. With US Treasury bond yields turning south, XAU/USD reversed its direction during the American session and continued to edge higher early Wednesday. The pair was last seen posting modest daily gains above \$1,920.

Oil prices clawed back heavy losses on Wednesday, amid tight supply and growing prospects of new Western sanctions against Russia even as signs of progress emerged from peace talks between Moscow and Kyiv. U.S. West Texas Intermediate (WTI) crude gained 82 cents, or 0.8%, to \$105.06 a barrel, erasing a 1.6% drop on Tuesday. Brent crude touched a high of \$112.78 shortly after opening and were up 86 cents, or 0.8%, at \$111.09 , reversing a 2% loss in the previous session.

### **Up Ahead** – Thursday 31-03-2022

- CAD GDP m/m
- USD Core PCE Price Index m/m
- USD Unemployment Claims
- USD Chicago PMI