

DAILY MARKET ANALYSIS 31-03-2022

Although markets became hopeful for a diplomatic solution to the Russia-Ukraine conflict after Tuesday's talks, Wednesday's headlines forced investors to turn cautious. A spokesperson for Kremlin said that they have not noticed anything that could be assessed as a "breakthrough" in their negotiations with Ukraine. Ukraine's Défense Ministry noted that Russian forces were preparing to resume offensive operations and the Pentagon stated Russia was beginning to reposition about only 20% of the troops it has arrayed around Kiev.

Stocks

U.S. stock futures were slightly higher in overnight trading Wednesday ahead of the last trading day of the month and quarter. Dow Jones rose 0.2%, S&P 500 gained 0.3% and Nasdaq 100 was up by 0.5%. Investors stateside are awaiting weekly jobless claims and personal income and spending data to be released during the day.

European stocks opened higher on the last trading day of March, a month marked by global geopolitical and economic uncertainty after Russia's invasion of Ukraine. The U.K.'s FTSE index is traded 22 points higher at 7,578, Germany's DAX 94 points higher at 14,660 and France's CAC 40 up 48 points at 6,763.

Shares in Asia-Pacific were mixed in Thursday trade as oil prices fell sharply. In the broader Asia-Pacific markets, mainland Chinese stocks declined in morning trade as the Shanghai composite shed 0.22% while the Shenzhen component slipped 1.143%. The Nikkei 225 Index rose slightly by 0.1% to around 28,070 while Hang Seng Index retreated 174 points or 0.78% to 22,056.

Currencies

- US Dollar Index remains under pressure so far this week and now trades in the area of multi-week lows around 97.70. The index sheds ground for the third session in a row and navigates the 97.70 region amidst a cautious stance in the broader risk appetite trends and the renewed demand for bonds.
- The euro edged lower on Thursday on caution about developments in Ukraine and limited progress in peace talks. The shared currency was last seen traded around the 1.1100 area.
- GBP/USD edged higher for the third straight day on Thursday amid modest USD weakness. The emergence of some USD selling during the early European session pushed the GBP/USD pair back closer to the mid-1.3100s
- AUD/USD has plunged below 0.7500 amid the underperformance of China Manufacturing PMI. Aussie dollar has been hammered in the Asian session after the China Federation of Logistics and Purchasing (CFLP) reported a poor monthly Manufacturing Purchasing Managers Index (PMI) on Thursday.

- A combination of factors dragged USD/JPY lower for the third successive day on Thursday. The USD/JPY pair edged lower through the early European session and dropped to a fresh daily low, below mid-121.00s

Bonds

The benchmark 10-year Treasury yield bottomed around 2.40%, having touched an almost three-year high of 2.56% earlier this week as investors await critical US economic data to gauge the Federal Reserve's strategy on monetary policy.

The yield on the German 10-year Bund rose to above 0.60%, the highest since March of 2018, while the yield on Britain's 10-year Gilt was around 1.6%, not far from a 3-1/2-year high of 1.75% hit on March 28th, as investors continue to sell off government debt on prospects of higher interest rates.

Commodities

Gold price is turning south once again, having run into fresh offers near the \$1,935 supply zone. The renewed downside in gold price is fuelled by the extended rebound in the US dollar across the board. A lack of progress on the Russia-Ukraine peace talks combined with concerns about China's slowdown and soaring inflation are keeping markets edgy, underpinning the dollar's safe-haven appeal.

Oil prices dove on Thursday as the United States weighed its largest-ever drawdown from its oil reserves. The United States is considering releasing up to 180 million barrels of oil over several months from strategic reserves. This factor drove oil prices lower with U.S. West Texas Intermediate falling around \$6 to \$101.76 per barrel and Brent shaving off around \$5.50 and last seen traded at the \$106 per barrel region.

Up Ahead – Friday 01-04-2022

- EUR CPI Flash Estimate y/y
- USD Non-Farm Employment Change
- USD Unemployment Rate
- USD ISM Manufacturing PMI