

DAILY MARKET ANALYSIS 04-04-2022

There seems to be a positive shift in risk sentiment at the start of the week as investors, once again, turn optimistic about a diplomatic solution to the Russia-Ukraine conflict. The economic docket will not be featuring any high-impact data releases on Monday and market participants will remain focused on geopolitical headlines. Over the weekend, a top Ukrainian negotiator said they have reached an agreement on enough elements of a potential peace agreement that it is ready to be discussed between Russian President Vladimir Putin and Ukrainian President Volodymyr Zelensky. Meanwhile, US Secretary of State Antony Blinken said that the west could lift sanctions on Russia depending on the outcome of the upcoming negotiations.

Stocks

US stock futures swung between small gains and losses on Monday as investors focused on developments in Russia's conflict in Ukraine amid new reports of war crimes. S&P500 traded at 4,551.84 today, increasing 15.45 or 0.34 percent since the previous trading session while Nasdaq traded at 14915 increasing 23 or 0.15 percent.

European shares edged higher on Monday led by a rally in healthcare stocks, with investors keeping an eye out for more Western sanctions after Ukraine accused Russia of war crimes. The pan-European STOXX 600 index was up 0.3% after ending last week up 1% while FTSE 100 stock rose 0.4%. Frankfurt's DAX and the Parisian CAC 40 slipped 0.5% as investors grew worried about new sanctions against Russia.

Shares in Asia-Pacific were mostly higher on Monday, with Hong Kong's Hang Seng index leading gains as shares of Chinese tech climbed after a recent signal by Chinese authorities of progress toward resolving an audit dispute, which had threatened U.S.-listed Chinese firms with delisting. The Hang Seng index gained 2.1% while Nikkei 225 in Japan swung between positive and negative territory in Monday trading before closing 0.25% higher at 27,736.47. Markets in mainland China are closed on Monday and Tuesday this week for holidays.

Currencies

- US Dollar Index firmed up above 98.5 on Monday after rising for two straight sessions, as a strong US jobs report strengthened the case for more aggressive Federal Reserve rate hikes to tame decades-high inflation.
- EUR/USD has extended its daily slide during the European trading hours toward 1.1000. Despite the relatively upbeat market mood on Monday, the greenback continues to gather strength on the back of rising US Treasury bond yields. In the absence of high-tier data releases, investors eye geopolitical headlines.
- GBP/USD gained positive traction on Monday and reversed the previous day's modest losses. The pair edged higher through the early European session and climbed to a fresh daily high, around the 1.3135 region.

- The Australian dollar firmed up above \$0.75 on Monday, hovering at its highest levels in nearly five months, as traders braced for the RBA meeting this week. Although the Reserve Bank of Australia is not expected to move rates amid a pledge to stay patient on policy, investors will be watching for any softening of that commitment.
- After fluctuating wildly last week, USD/JPY stayed calm on Monday and is trading in positive territory above 122.50 after Japan's finance minister said last week the Bank of Japan targets stable price inflation, not foreign exchange rates

Bonds

The benchmark 10-year Treasury yield consolidated around 2.40%, approaching an almost three-year high of 2.56% hit earlier this week, as markets anticipate an aggressive looming policy tightening cycle amid a tightening job market and runaway inflation.

The yield on the German 10-year Bund fell to below 0.5%, moving away from a nearly 4-year high of 0.74% hit on March 29th, while The yield on Britain's 10-year Gilt dropped under 1.6%, the lowest in two weeks from a 3-1/2-year high of 1.75% hit on March 28th, as the BoE softened its tone during the March meeting while the Fed said it could raise rates by 50bps in the next meetings if needed.

Commodities

Gold started the new week under modest bearish pressure and declined toward the lower limit of last week's range. XAUUSD hovered around \$1,920 an ounce on Monday, following a 1.7% decline last week, after a strong US jobs report strengthened the case for more aggressive Federal Reserve rate hikes to tame inflation.

WTI crude swung between gains and losses to trade around \$100 a barrel on Monday as traders weigh tight supply and the possibility of more sanctions on Russia against a coordinated release of strategic reserves from consuming nations and a Covid-19 outbreak in China.

Up Ahead – Tuesday 05-04-2022

- AUD Cash Rate
- AUD RBA Rate Statement
- USD ISM Services PMI
- USD FOMC Member Brainard Speaks