

DAILY MARKET ANALYSIS 11-04-2022

With the economic calendar not featuring any high-impact data releases, investors will be keeping a close eye on Fed speak and geopolitics. Russia had reportedly continued shelling the Donetsk and Luhansk regions in eastern Ukraine over the weekend. Moreover, White House national security adviser Jake Sullivan said on Sunday that Ukrainian forces were able to push back Russian troops successfully so that they were forced to retreat and regroup. There are no headlines pointing to any progress on peace talks and market participants remain on edge. Meanwhile, Emmanuel Macron has won the first round of the French presidential election with 27.6% of the votes, compared to 23.4% for Marine Le Pen. Two candidates will face each other again in the second round.

Stocks

US Indices slipped in Asian trade on Monday ahead of a busy, holiday-shortened week, as Wall Street is set to kick off the first quarter earnings season while investors brace for another hot inflation report. Dow Jones and S&P 500 fell 0.23% and 1.19% respectively while the tech-heavy Nasdaq 100 declined 3.54%.

European markets pulled back on Monday to begin a week of key central bank meetings and U.S. inflation prints. The pan-European Stoxx 600 slipped 0.6% in early trade, with tech stocks shedding 1.5% to lead losses while banks gained 0.4%. DAX futures contract in Germany traded 0.3% lower, CAC 40 futures in France dropped 0.4% and the FTSE 100 futures contract in the U.K. fell 0.2%.

Chinese stocks led losses in Asia-Pacific markets in Monday trade as investors reacted to China's inflation data for March. The Shanghai composite was down 1.75% while the Shenzhen component tumbled 2.74%. Hong Kong's Hang Seng index dropped 2.45%. Elsewhere, the Nikkei 225 in Japan slipped 0.8% while Australia's S&P/ASX 200 bucked the overall trend regionally as it climbed slightly.

Currencies

- The dollar index traded around 100 on Monday, holding near its highest level in nearly 2 years, underpinned by rising Treasury yields amid the prospect of a more aggressive pace of Federal Reserve tightening.
- EUR/USD is traded in positive territory at around 1.0900 in the European session on Monday amid a modest selling pressure surrounding the greenback. Nevertheless, the risk-averse market environment is making it difficult for the pair to gather bullish momentum.
- GBP/USD has managed to stage a rebound toward 1.3030 after having dropped to 1.2990 during early European morning trading. The pair, however, looks vulnerable as safe-haven flows remain in control of financial markets in the European morning.
- The Australian dollar weakened past \$0.745 today, retreating further from a near 10-month high hit last week, as markets priced in a more aggressive pace of Federal Reserve tightening. Meanwhile, the Aussie still fared better than other major currencies, as the Reserve Bank of Australia abandoned its language of patience and signalled it could begin raising interest rates within months if wages and inflation data produce strong results.
- The USD/JPY pair continued scaling higher through the early European session and shot to its highest level since June 2015, around the 125.40-125.45 region as the Bank of Japan's firm commitment to

maintain ultra-easy policies contrasted sharply with other major central banks that started normalizing monetary settings.

Bonds

The benchmark 10-year yield added another seven basis points to top 2.77% on Monday as the Federal Reserve readies to cut its asset holdings and move interest rates sharply higher. Germany's 10-year Bund yield rose to 0.75% while the yield on Britain's 10-year Gilt hovered around 1.7%, close to the highest since January 2016 as investors sell off government debt on prospects of higher interest rates following hawkish comments from Fed officials.

Commodities

Gold has started the new week on a firm footing and climbed above \$1,950 despite rising US treasury bond yields. The negative shift witnessed in risk mood seems to be helping the yellow metal find demand as a safe-haven early Monday.

WTI crude fell nearly 3% to below \$96 per barrel on Monday, following the second straight weekly decline, as major consumers announced plans to release crude from strategic reserves and as lockdowns continued in top importer China. Brent also shed around 3% and was last seen traded in the \$100 pre barrel region.

Up Ahead – Tuesday 12-04-2022

- EUR German ZEW Economic Sentiment
- USD Core CPI m/m
- USD FOMC Member Brainard Speaks