

DAILY MARKET ANALYSIS 12-04-2022

In the absence of high-tier macroeconomic data releases on Monday, the dollar capitalized on safe-haven flows and continued to gather strength against its rivals. The UK's Ministry of Defence said today that they were expecting fighting in eastern Ukraine to intensify over the next two or three weeks. Earlier in the day, Ukrainian President Volodymyr Zelenskyy noted that they take the threat of Russia using chemical weapons seriously. Additionally, Germany's foreign minister announced on Monday that EU foreign ministers had agreed to ramp up weapon deliveries to Ukraine.

Stocks

Wall Street closed sharply lower on Monday as investors started the holiday-shortened week in a risk-off mood, as rising bond yields weighed on market-leading growth stocks ahead of crucial inflation data. All three major U.S. stock indexes ended deep in negative territory, with tech and tech-adjacent stocks pulling the Nasdaq down 2.2%.

European stock markets traded sharply lower Tuesday, with investors cautious ahead of key central bank meetings, with inflation climbing sharply, while the ongoing Ukraine conflict looks likely to intensify. DAX in Germany traded 1.9% lower, the U.K.'s FTSE 100 dropped 0.9%, while CAC 40 in France rose 1.9%.

Shares in Asia-Pacific were mixed on Tuesday, as investors continued monitoring developments surrounding the Covid situation in mainland China as well as movements in the Japanese yen. In Hong Kong, the Hang Seng index edged 0.52% higher, finishing the trading day at 21,319, Nikkei 225 in Japan led losses among the region's major markets as it fell 1.81% on the day to 26,334 while S&P/ASX 200 closed 0.42% lower at 7,454.

Currencies

- The dollar index held steady at 100 on Tuesday, holding near its highest level in nearly 2 years, underpinned by rising Treasury yields ahead of data that is expected to show rampant inflation in the US, reinforcing bets for a faster pace of Federal Reserve policy tightening.
- The euro fell on Tuesday unable to hold on to the post-French election gains, as the dollar held firm supported by high U.S. yields ahead of inflation data expected to reinforce bets of aggressive monetary tightening. The common currency fell 0.19% to \$1.08625, after surging in the previous day to \$1.09550 on the news that incumbent President Emmanuel Macron beat far-right challenger Marine Le Pen in the first round of presidential voting.
- GBP/USD fell 0.2% to 1.3009, despite Britain's unemployment rate falling to 3.8% in the three months to February, down from the previous reading of 3.9% and below its 4.0% level in early 2020, shortly before COVID-19 cases first swept Europe.
- The AUD/USD pair attracted some buying near the 0.7400 mark, or the three-week low touched earlier in the day and for now, seems to have snapped a four-day losing streak. The pair held on to its modest recovery gains through the first half of the European session and was last seen trading around the 0.7430-0.7435 region, up over 0.20% for the day.

- USD/JPY caught fresh bids on Tuesday and climbed back closer to the multi-year peak. The pair traded with a mild positive bias through the first half of the European session and was last seen hovering around the 125.65-125.70 region, up over 0.25% for the day.

Bonds

The US yield on the 10-year note, which sets the tone for corporate and household borrowing costs worldwide, surged above 2.83%, its highest level since December 2018. Investors have been selling government debt in anticipation of an aggressive looming policy tightening cycle as major central banks seek to tame inflation, currently running at records levels in Europe and 40-year highs in the US. The yield on Britain's 10-year Gilt rose past 1.8% while the German 10-year Bund climbed to above 0.8%.

Commodities

Gold prices inched lower on Tuesday as traders awaited the release of key U.S. inflation data that could support the Federal Reserve's aggressive policy stance to contain rising pricing pressures. Spot gold was down 0.1% at \$1,952.53 per ounce after hitting its highest in nearly a month on Monday.

Oil prices climbed on Tuesday as fears of a demand downturn in China eased after Shanghai relaxed some COVID-19 related restrictions, and OPEC warned it would be impossible to increase output enough to offset lost Russian supply. Brent crude was up \$1.72, or 1.75%, to \$100.20 a barrel, and U.S. West Texas Intermediate rose to \$1.76, or 1.87%, to \$96.05.

Up Ahead – Wednesday 13-04-2022

- NZD Official Cash Rate
- GBP CPI y/y
- USD PPI m/m
- CAD BOC Rate Statement