

DAILY MARKET ANALYSIS 14-04-2022

The European Central Bank faces an increasingly difficult task as it meets today, with inflation surging and the economic outlook getting more uncertain as the Russia-Ukraine war drags on. With the war in Ukraine and the heavy sanctions on Russia the economic outlook for the euro zone has deteriorated sharply. Supply chain bottlenecks, high energy prices and concern about a general scarcity of commodities needed for many industrial processes is weighing on the economic outlook. At the same time, inflation rates just keep on rising and there are also tentative signs that this surge is not only down to energy prices but is more persistent. The data from the US showed on Wednesday that the annual producer inflation climbed to 11.2% in March from 10.3% in February. Later in the day, the US economic docket will feature the Retail Sales report for March and the weekly Initial Jobless Claims data.

Stocks

U.S. stocks were higher after the close on Wednesday, as gains in the Consumer Services, Basic Materials and Technology sectors led shares higher. At the close in NYSE, the Dow Jones Industrial Average gained 1.01%, while the S&P 500 index gained 1.12%, and the NASDAQ Composite index gained 2.03%.

European stock markets traded in a mixed fashion Thursday, with investors cautiously awaiting a key policy-setting meeting from the European Central Bank. DAX in Germany traded 0.3% higher, the CAC 40 in France rose 0.6%, while the U.K.'s FTSE 100 dropped 0.3%. The pan-European Stoxx 600 nudged 0.2% higher in early trade, with travel and leisure stocks gaining 1.4% while telecoms dropped 0.9%.

Shares in Asia-Pacific were higher in Thursday trade, as investors watched for market reaction following monetary policy tightening announced in South Korea and Singapore. Mainland Chinese stocks rose in Thursday trade, with the Shanghai composite up 0.73% and the Shenzhen component climbing 0.44%. In Hong Kong, the Hang Seng index also gained 0.37% and the Nikkei 225 in Japan climbed 1.1%.

Currencies

- The dollar index weakened below 99.8 on Thursday after retreating from a near 2-year high of 100.5 hit in the previous session, tracking declines in Treasury yields as traders scaled back aggressive bets on faster Federal Reserve interest rate hikes.
- The euro rose on Thursday ahead of the European Central Bank meeting expected to outline a clearer schedule for unwinding stimulus, opening up the possibility of a first rate hike later this year. After touching its lowest since early March on Wednesday, the euro rose 0.12% to \$1.09050 ahead of the meeting.
- GBP/USD gained traction for the second straight day and climbed to over a one-week high. The pair held on to its intraday gains through the first half of the European session and was last seen trading just below the mid-1.3100s, or a one-and-half-week low.
- The Australian dollar held steady at \$0.7450 on Thursday but remained under pressure after data showed the country added fewer jobs than expected in March, even as the jobless rate stayed at a 13-½-year low.

- USD/JPY witnessed some selling on Thursday and retreated further from the two-decade high. The pair managed to recover around 30 pips from the daily low and was last seen trading with only modest losses, around the 125.40 region.

Bonds

U.S. Treasury yields fell on Wednesday as investors weighed the latest batch of U.S. inflation data. The yield on the benchmark 10-year Treasury note dropped 3 basis points to 2.701%. The yield on the 30-year Treasury bond lost 2 basis points to 2.808%. The market movement came as investors digested the latest reading of US inflation data, which showed core CPI came below forecasts, indicating that inflation could be peaking.

Commodities

Gold traded flat on Thursday, but prices were set for a second consecutive weekly gain as the Ukraine crisis and broadening inflationary pressures lifted the safe-haven metal's appeal. The metal has gained about 1.4% so far in the week and was last seen traded around \$1972 per ounce.

Oil prices fell on Thursday, after rising sharply in the first half of the week, as traders weighed a larger-than-expected build in U.S. oil stocks against tightening global supply. Brent was down 45 cents, or 0.4%, at \$108.33 a barrel and West Texas Intermediate was off 69 cents, or 0.7%, at \$103.56 a barrel.

Up Ahead – Friday 15-04-2022

- AUD Bank Holiday
- EUR Bank Holiday
- GBP Bank Holiday
- USD Empire State Manufacturing Index