

DAILY MARKET ANALYSIS 15-04-2022

The European Central Bank (ECB) announced on Thursday that it left its policy settings unchanged following the April meeting. In the press conference, ECB President Christine Lagarde reiterated that the QE will end in the third quarter and that the first rate hike would come sometime after asset purchases are concluded. Although Lagarde acknowledged that risks to the inflation outlook were tilted to the upside in the near term, her overall dovish tone triggered a heavy euro selloff. Most financial markets will be closed until Monday amid the Good Friday Holiday.

Stocks

Wall Street closed lower on Thursday at the end of a holiday-shortened week as bond yields resumed their uphill climb and investors contended with mixed earnings and economic data. All three major U.S. stock indexes posted weekly losses ahead of the Good Friday holiday. The Dow Jones Industrial Average fell 113.36 points, or 0.33%, to 34,451.23, the S&P 500 lost 54 points, or 1.21%, to 4,392.59 and the Nasdaq Composite dropped 292.51 points, or 2.14%, to 13,351.08.

European shares closed higher on Thursday, with the pan-European STOXX 600 adding 0.7% and Frankfurt's DAX 30 up by 0.6%, as investors assessed the reduction of pandemic-era monetary support from the ECB as being roughly in line with expectations. Markets in Europe will be closed on both Friday and Monday in observance of the Good Friday and Easter Monday holidays.

Shares in Asia-Pacific mostly slipped on Friday, as China did not lower interest rates despite analysts' expectations for more stimulus. Investor focus turned to mainland Chinese stocks, with many major markets in the region closed for the Good Friday holiday.

Currencies

- The U.S. dollar index, which tracks the greenback against a basket of its peers, was at 100.543, regaining its strength to rise back above the 100 mark.
- After suffering heavy losses and plunging to its weakest level in two years at 1.0757 amid the European Central Bank's inaction on Thursday, EUR/USD staged a modest recovery. With the market action turning subdued on Easter Friday, the pair is moving sideways slightly above 1.0800.
- GBP/USD is fluctuating in a tight range above 1.3050 on Friday and remains on track to close the week modestly higher. The sharp decline witnessed in EUR/GBP after ECB's policy decisions suggest that the British pound captured some of the capital outflows out of the euro.
- The Australian dollar was little changed due to the Good Friday holiday and was last seen traded flat at 0.7404.
- USD/JPY touched its highest level in nearly 20 years above 126.50 early Friday. Japanese Prime Minister Fumio Kishida said on Friday that the Bank of Japan's monetary policy is aimed at achieving its 2% inflation target, not at manipulating currency rates.

Bonds

The US yield on the 10-year note, which sets the tone for corporate and household borrowing costs worldwide, moved to around 2.80%, approaching an over three-year high of 2.83% hit earlier this week. Germany 10Y Bond Yield was at 0.84% while the yield on Britain's 10-year Gilt rose to 1.88%

Commodities

Gold closed at \$1,973.2 an ounce on Thursday, posting its second straight weekly gain, as the Ukraine crisis and broadening inflationary pressures lifted the safe-haven metal's appeal, while investors seemed to look past impending interest rate hikes from the Federal Reserve.

WTI and Brent crude bounced back from earlier losses to \$105.9 and \$110 per barrel respectively on Thursday, extending sharp gains of the past two sessions to levels not seen in two weeks, following media reports indicating that EU leaders were closer to a phased ban on Russian oil.

Up Ahead –Monday 18-04-2022

- CNY GDP q/y
- NZD RBNZ Gov Orr Speaks
- USD FOMC Member Bullard Speaks