

DAILY MARKET ANALYSIS 21-04-2022

Investors turn cautious ahead of the speeches by the key global central bankers, with the one from Fed Chair Jerome Powell eagerly awaited to confirm the recently increased hawkishness. The European economic docket will feature the final revision to March inflation figures and the preliminary Consumer Confidence data for April. In the second half of the day, the weekly Initial Jobless Claims and Philadelphia Fed Manufacturing Survey from the US will be looked upon for fresh impetus. The war in Ukraine remains at the forefront of market participants' minds in Europe, with the second phase of the conflict, focusing on the Donbas region in eastern Ukraine, fully underway now. Russia has set a new ultimatum for surrender in the heavily destroyed city of Mariupol, where Ukrainian forces and reportedly hundreds of civilians are holed up in the Azovstal steel plant.

Stocks

The Dow Jones Industrial Average outperformed the other two major averages on Wednesday, rising 0.72% to 35,160, its best level since late March. The S&P 500, for its part, was largely flat, finishing the day at 4,459 points. Meanwhile, the Nasdaq 100 posted sharp losses, down 1.49% to 13,998, amid widespread weakness in the tech space, after Netflix's historic stock price plunge.

European stocks opened slightly higher Thursday as investors keep an eye on developments in the war between Russia and Ukraine. The pan-European Stoxx 600 index opened 0.1% higher with most sectors in positive territory apart from basic resources, financial services, healthcare, insurance, and utilities stocks.

Shares in Asia-Pacific were mixed in Thursday trade as investors continue to watch China's Covid situation along with moves in the Japanese yen. Chinese stocks led losses regionally, with the Shanghai composite shedding 1.6% while the Shenzhen component fell 1.894%. Hong Kong's Hang Seng index slipped 1.65%. The Nikkei 225 in Japan gained 1.23% while in Australia, the S&P/ASX 200 nudged 0.34% higher.

Currencies

- US Dollar Index shed ground for the second straight session and returned to the sub-100.00 levels on Thursday. The abrupt move lower in the dollar came after ECB officials opened the door to a probable interest rate hike by July.
- The euro rose in early trading in Europe on Thursday as Vice President Luis De Guindos joined a growing chorus of European Central Bank officials acknowledging the possibility of an interest rate hike as early as July. The common currency is traded just above the 1.0900 mark.
- The GBP/USD pair climbed to a one-week high, around the 1.3080-1.3085 region during the early European session, albeit quickly retreated a few pips thereafter. The pair was last seen trading just a few pips above the daily low, around the 1.3055 region.
- The Australian Dollar is inching lower on Thursday after failing to follow-through to the upside following yesterday's huge short-covering rally. AUDUSD was last seen traded around the 0.7440 area.
- USD/JPY regained positive traction on Thursday and reversed a part of the overnight. The pair trimmed a part of its intraday gains and was seen trading near the 128.00 mark during the early European session, up around 0.15% for the day.

Bonds

U.S. 10-year Treasury yields inched up after they fell from three-year highs on Wednesday. U.S. bond yields have marched higher on expectations that the Federal Reserve will aggressively hike interest rates as inflation accelerates at its fastest pace in 40 years.

Commodities

Gold prices eased on Thursday as a rebound in U.S. Treasury yields tempered bullion's safe-haven demand stemming from the Ukraine crisis and its potential impact on the global economy. Spot gold was last seen at \$1,952.50 per ounce.

Oil prices traded higher but in a narrow range on Thursday, after being rocked earlier in the week by supply losses from Libya and a worrying outlook for demand as the International Monetary Fund cut its global growth forecasts. Brent crude rose 55 cents, or 0.5%, to \$107.35 a barrel and U.S. West Texas Intermediate (WTI) gained 41 cents, or 0.4%, to 102.60 a barrel.

Up Ahead –Friday 22-04-2022

- GBP Retail Sales m/m
- EUR German Flash Services PMI
- GBP Core Retail Sales m/m
- USD Flash Manufacturing PMI
- GBP Flash BOE Gov Bailey Speaks