

DAILY MARKET ANALYSIS 25-04-2022

Investors grow increasingly concerned over the global economy slowing down amid the protracted Russia-Ukraine conflict, coronavirus-related lockdowns in China and the major central banks' willingness to tighten their policies at an aggressive pace. Ukrainian presidential adviser Mykhailo Podoloyak said over the weekend that Russian forces were "continuously attacking" the steel plant in Mariupol, where the Ukrainian forces are holding out. Investors in Europe are also digesting the result of the French presidential election on Monday. France's Emmanuel Macron have comfortably beaten his rival Marine Le Pen in Sunday's election, securing a second term as president on his pro-business and pro-EU agenda.

Stocks

U.S. stock index futures fell on Monday, signalling a fresh round of selloff on Wall Street as fears over China's COVID-19 outbreaks spooked investors already concerned about aggressive U.S. interest rate hikes. Dow, S&P 500 and Nasdaq each fell about 0.5%.

European stocks were sharply lower on Monday as the sell-off in global markets continues into the new trading week. The pan-European Stoxx 600 index was down 2% by mid-morning with nearly all sectors in negative territory apart from utilities.

Asian markets are also being buffeted by concerns over China's Covid wave as the world's second-largest economy struggles to contain its worst outbreak of the virus despite harsh lockdowns in its largest city, Shanghai. The Shenzhen component tumbled around 6%, while the Shanghai composite declined 5.09%.

Currencies

- The dollar index gained further above 101.5 on Monday, hitting fresh 2-year highs, supported by the prospect of faster Federal Reserve policy tightening and as investors sought safety due to economic and geopolitical uncertainties.
- EUR/USD has lost its traction after having recovered toward 1.0750 on upbeat German IFO data in the European morning. With safe-haven flows dominating the financial markets, however, the greenback preserves its strength and continues to weigh on the pair.
- GBP/USD continues to push lower toward 1.2700 on Monday, pressured by disappointing UK data and the risk-averse market environment. Wall Street's main indexes remain on track to start the day sharply lower, suggesting that the dollar is likely to hold its ground in the second half of the day.
- AUD/USD slumped under 0.7200 on Monday to its lowest since late February, a drop of over 1.0% on the day. The pair is being weighed by concerns about widening lockdowns in China and associated sharp downside in global commodity markets.
- The USD/JPY pair edged lower on the first day of a new week, albeit lacked follow-through selling and remained well within Friday's broader trading range. The pair traded with a mild negative bias through the first half of the European session and was last seen hovering around 128.24.



Bonds

The benchmark 10-year US yield declined toward 2.82% on Monday, retreating from an over 3-year high of 2.98% hit last week, as concerns over global growth appeared to trump expectations of faster Federal Reserve policy tightening for now. Investors piled back into safe-haven bonds as fears grew that Beijing was on the verge of joining Shanghai in lockdowns to contain Covid-19, hurting growth in the world's second-largest economy.

Commodities

Gold stays on the back foot and falls toward \$1,900 on Monday after having lost 2% last week. Although the benchmark 10-year US T-bond yield is down sharply on Monday, the broad-based dollar strength is forcing XAU/USD to push lower.

WTI and Brent crude futures tumbled almost 5% to around \$97 and \$102 per barrel respectively on Monday, extending a 5% decline from last week and hitting their lowest in nearly 2 weeks, amid mounting concerns that prolonged Covid lockdowns in China and rapid rate hikes in the US would weigh on global economic growth and fuel demand.

Up Ahead –Tuesday 25-04-2022

- USD Core Durable Goods Orders m/m
- USD CB Consumer Confidence