

## **DAILY MARKET ANALYSIS 26-04-2022**

Russia's invasion of Ukraine entered its third month with the conflict being responsible for the death of thousands and the worst refugee crisis Europe has seen since World War II. Russia has said that the threat of a nuclear war is very significant, with Foreign Minister Sergei Lavrov stressing the risks should not be underestimated. However, he also added that there was a danger the risks were being "artificially" inflated. Meanwhile, Washington wants to see Russia "weakened" as it arms and supports Ukraine, Défense Secretary Lloyd Austin said Monday following a visit to Kyiv, the first high-level visit to Ukraine from a U.S. official since the war began. Elsewhere, China's capital city of Beijing reported a spike in Covid cases over the weekend and warned more would be found since the virus had spread undetected in the city for a week.

### **Stocks**

Market sentiment recovered towards the end of Monday's Wall Street trading session. After falling about 1.6% following the market open, the S&P 500 reversed course to close 0.57% higher in a late-session rally. This is as the Nasdaq 100 and Dow Jones gained 1.36% and 0.7% respectively.

European stocks opened higher on Tuesday as market sentiment rallied after a sell-off in regional markets at the start of the week. The pan-European Stoxx 600 index opened 0.4% higher with all sectors in positive territory expect for utilities.

Asian markets turned around from early declines on Tuesday after plunging the previous day, despite Covid fears in China as Beijing expands mass testing. The Shanghai composite was up 0.41%, while the Shenzhen component jumped 0.74%. Elsewhere, Hong Kong's Hang Seng index moved higher by 1.5% and Japan's Nikkei 225 rose 0.5%.

### **Currencies**

- The dollar index advanced for the fourth consecutive session on Tuesday and recorded new cycle peaks just below 102.00. The index climbed to around a two-year high against the euro and an 18-month high versus the pound as fears about the economic impact of China's Covid-19 lockdowns and an aggressive pace of U.S. rate hikes sent investors scrambling for safety.
- The euro weakened to below \$1.07 against a dollar, a fresh two-year low, failing to get a boost from pro-EU Macron's re-election. Risk sentiment remains clouded by the war in Ukraine that is entering the third month, surging inflation, and central banks tightening which may translate into a slowdown in global growth.
- The British pound depreciated further to below \$1.275, the lowest since September 2020 weighed down by poor economic data and less hawkish Bank of England expectations. This forced investors to scale back their bets on future interest rate hikes by the Bank of England and supports prospects for a further depreciating move for the GBP/USD pair amid absent relevant economic releases from the UK.
- The Australia dollar held below \$0.724 on Tuesday, hovering near 2-month lows, amid expectations of faster Federal Reserve policy tightening and as concerns about the impact of Covid lockdowns on

Chinese demand sank commodity prices. Meanwhile, investors await the latest inflation numbers due on Wednesday which are expected to be the highest since the global financial crisis.

- The USD/JPY pair remained on the defensive through the early European session and was last seen trading with modest intraday losses, just below the 128.00 mark. The Bank of Japan (BOJ) announced that it will conduct consecutive unlimited fixed-rate purchase operations for Japanese Government Bonds.

### **Bonds**

The yield on Britain's 10-year Gilt eased to around 1.9% after breaking above 2% for the first time since November 2015 as investors scaled back bets on future monetary policy tightening from the Bank of England while the benchmark 10-year US yield declined toward 2.8%, retreating from an over 3-year high of 2.98% hit last week.

### **Commodities**

Gold prices climbed on Tuesday as investors sought the safe-haven asset amid fears over global growth and soaring inflation, though bets of aggressive U.S. interest rate hikes kept bullion pinned near four-week lows hit in the previous session. The bright metal was last seen traded around \$1907 per ounce.

Oil prices opened slightly higher on Tuesday, after falling sharply the prior session on worries that continued Covid-19 lockdowns in China would eat into demand and as the U.S. dollar rose to a two-year high. Brent crude was at \$102.57, up 25 cents, or 0.2% and U.S. West Texas Intermediate climbed to \$98.70, up 16 cents, or 0.2%.

### **Up Ahead –Wednesday 27-04-2022**

- AUD CPI q/q
- AUD Trimmed Mean CPI q/q