

DAILY MARKET ANALYSIS 28-04-2022

As the European Union is preparing to respond to Russia's decision to stop exporting gas to Poland and Bulgaria, Russian President Vladimir Putin said that the west's plan to suffocate Russia's economy had failed and reiterated that they will reach all of their objectives in Ukraine. Meanwhile, earlier in the day there were reports that energy companies in Germany, Austria, Hungary and Slovakia were planning to pay for Russian gas in roubles, which European Commission President Ursula von der Leyen said would be a breach of sanctions imposed against Russia. The Bank of Japan (BOJ) announced early on Thursday that it kept the monetary policy settings unchanged as widely expected. BOJ Governor Haruhiko Kuroda said that they need to continue the current powerful monetary easing in a patient way. "Western central banks are normalising their policy but Japan is not in such a situation given its economy and price trend," Kuroda further noted, highlighting the policy divergence.

Stocks

US stock futures jumped on Thursday after a lackluster session on Wall Street, as investors reacted positively to an earnings report from Meta Platforms. Nasdaq 100 futures rallied 1.2%, while S&P 500 and Dow futures gained 0.8% and 0.2%, respectively. The moves came as shares of Meta surged 18.4% in afterhours trading on earnings beat and a growth in daily users, providing some relief in the beaten-up tech sector.

European shares extended gains for a second straight session on Thursday, as a slew of forecast-beating earnings reports helped set aside fears around slowing global economic growth. The pan-European Stoxx 600 climbed 1% in early trade, with autos jumping 2.4% to lead gains as all sectors and major bourses entered positive territory.

Asia-Pacific stocks were higher in Thursday morning trade, as investors in the region watched for market reaction to the Bank of Japan's latest monetary policy decision. Mainland Chinese stocks edged higher, with the Shanghai Composite rising 0.75% while the Shenzhen Component gained 0.283%. In Hong Kong, the Hang Seng index surged 1.59%. The Nikkei 225 in Japan rose 0.61% while the S&P/ASX 200 in Australia gained 1.05%.

Currencies

- The dollar index broke above the 103 mark for the first time since January 2017, buoyed by expectations of faster Federal Reserve policy tightening, while fears about the economic impact of China's Covid-19 lockdowns and war in Ukraine boosted the dollar's safe-haven appeal.
- The euro weakened toward \$1.05 against a dollar, the lowest since April 2017, as investors are coming to terms that the European Central Bank faced with slowing economic growth and surging inflation due to the war in Ukraine would not be able to raise the borrowing cost as fast as the Federal Reserve.
- After having dropped below 1.2500 for the first time since July 2020 in the early European morning, GBP/USD has managed to erase its daily losses to turn positive on the day above 1.2550. The pair remains oversold in the near term and an extended correction could be witnessed in case the greenback loses its strength on an uninspiring growth report.
- The Australian dollar rose above \$0.715 on Wednesday, recovering slightly after sliding to 2-months lows in the previous session, underpinned by higher-than-expected consumer inflation data. The

annual inflation rate in Australia surged 5.1% in the 1st quarter of 2022 from 3.5% in the previous quarter, rising faster than the 4.6% growth forecast and marking the highest reading in 20 years.

- The Japanese yen hit the key 130 per dollar mark on Thursday for the first time since April 2002, after the Bank of Japan doubled down on its massive stimulus program and a pledge to keep interest rates ultra-low to support a fragile economy.

Bonds

The benchmark 10-year US yield hovered just above 2.80%, 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.

Commodities

Gold prices fell to a 10-week low on Thursday, as an elevated U.S. dollar hurt demand for greenback-priced bullion, while an impending Federal Reserve interest rate hike also dented the metal's appeal as an inflation hedge. XAU/USD has witnessed an intense sell-off that has dragged the precious metal to a low of \$1,875.64 in the Asian session.

Oil prices dropped on Thursday as investor remained cautious about dwindling fuel demand in China, the world's biggest oil importer, due to COVID-19 restrictions. Brent crude fell \$1.48, or 1.41%, to \$103.84 a barrel. U.S. West Texas Intermediate crude slipped \$1.39, or 1.36%, to \$100.63 a barrel.

Up Ahead –Friday 29-04-2022

- EUR CPI Flash Estimate y/y
- CAD GDP m/m
- USD Core PCE Price Index m/m