

DAILY MARKET ANALYSIS 02-05-2022

Beijing announced Sunday that it will ban all restaurants dining and shut down Universal Studios, ordering residents to provide proof of a negative covid test to enter public venues. This comes as the nation heads into a five-day holiday season. Meanwhile, Shanghai city is set to ease the lockdown restrictions amid fewer than 10,000 cases reported for the second straight day on Monday. The latest developments on the war in Ukraine are that the United Nations and the International Committee of the Red Cross began evacuating civilians from the besieged southern port city of Mariupol during the weekend, and the operation will continue today. Zelenskyy met with U.S. House Speaker Nancy Pelosi and a Congressional delegation in Kyiv. He called the U.S. a “leader in strong support” for Ukraine. House Speaker Nancy Pelosi said additional U.S. support for Ukraine is on the way following U.S. President Joe Biden’s massive aid package proposal.

Stocks

US stock futures were little changed on Monday after the tech-heavy Nasdaq Composite posted its worst month since 2008, pressured by soaring inflation, the prospect of faster rate hikes and underwhelming earnings from some of the largest technology companies. The Dow fell 2.8%, while the S&P 500 and Nasdaq Composite dropped 3.6% and 4.2%, respectively.

Europe’s major stock indices traded lower on Monday, with France’s CAC 40 erasing 1% and leading losses, while the pan-European Stoxx 600 and the German DAX fell 0.8% each, amid thin trading volumes as markets were closed in the UK and China for holidays. Market sentiment was dominated by growth woes, after PMI readings of China’s manufacturing and services confirmed a worsening contraction in both sectors over the weekend, reflecting stringent lockdowns and other restrictions in major cities.

Shares in Asia-Pacific were mixed in Monday trade, with data released over the weekend showing Chinese factory activity contracted in April. In Japan, the Nikkei 225 rose 0.14%. Australia stocks declined, with the S&P/ASX 200 falling 1.33%. Elsewhere, markets in Hong Kong, mainland China, Singapore and Taiwan are closed on Monday for a holiday.

Currencies

- The US Dollar Index (DXY) regained upside traction and advanced past the 103.00 mark at the beginning of the week. The index quickly reversed Friday’s decline and resumed the strong upside above the 103.00 mark on Monday.
- The Euro was around \$1.05 in the beginning of May, remaining close to low levels not seen since December of 2016, amid a stronger dollar as the Fed is expected to deliver a 50bps rate hike in the fed funds rate this week, which would be the second consecutive rate hike and the biggest since 2008.
- The GBP/USD pair recovered its modest intraday losses and was last seen trading in neutral territory, around the 1.2575-1.2580 region during the early European session. The pair struggled to capitalize on Friday’s strong recovery move from its lowest level since July 2020 and edged lower on the first day of a new week amid the emergence of fresh US dollar buying.
- The Australian dollar held below \$0.71 on Monday, hovering at its lowest in three months, as bets for a more aggressive US monetary tightening outweighed the prospect of higher interest rates at

home. The Reserve Bank of Australia is set to decide on monetary policy on Tuesday where it is expected to raise interest rates for the first time in more than a decade to tame surging inflation.

- The USD/JPY pair maintained its bid tone through the early European session and was last seen hovering near the daily high, just above the 130.00 mark. A combination of supporting factors assisted the USD/JPY pair to attract fresh buying on the first day of a new week and reversed a part of Friday's retracement slide.

Bonds

U.S. Treasury yields continued their push higher on Monday, as investors monitored economic data and monetary policy on the first trading day of May. The yield on the benchmark 10-year Treasury note rose 5 basis points to 2.9416%.

Commodities

Gold prices dipped on Monday as elevated U.S. Treasury yields pressured demand for zero-yield bullion, ahead of a key U.S. Federal Reserve meeting later this week where the central bank is expected to aggressively raise its interest rates. Spot gold was last seen traded around \$1884.50 per ounce.

Oil prices fell on Monday in holiday-sapped trade in Asia as concerns about weak economic growth in China, the world's top oil importer, outweighed fears of potential supply stress from a looming European Union ban on Russian crude. Brent crude fell \$1.13, or 1.1%, to \$106.01 a barrel, while U.S. West Texas Intermediate (WTI) crude fell \$1, or 1%, to \$103.69 a barrel.

Up Ahead –Tuesday 03-05-2022

- AUD Cash Rate
- AUD RBA Rate Statement
- USD JOLTS Job Openings