

DAILY MARKET ANALYSIS 04-05-2022

The Fed will announce its big interest rate decision this afternoon, with markets largely expecting the central bank to hike rates by half a percentage point as it looks to rein in inflation, along with announcing a plan to cut its balance sheet from June. Investors are keeping an eye on the war in Ukraine, with the EU lining up additional oil sanctions on Russia as Russian forces continue to bombard targets in eastern Ukraine. The European Union is set to announce sanctions on Russian oil imports. That comes as Russian forces launch more attacks on eastern Ukraine and the blockaded Azovstal steel plant in Mariupol. Elsewhere yesterday, U.S. President Joe Biden pressed Congress to pass his massive \$33 billion Ukraine aid package during a visit to a Lockheed Martin plant in Alabama that manufactures Javelin anti-tank missiles. In the meantime, Beijing announced earlier in the day that they shut more than 40 metro stations and 158 bus routes to limit the spread of the virus.

Stocks

US stocks were little changed on Wednesday as investors braced for an expected interest rate hike from the Federal Reserve, with traders watching for an even more hawkish tone from the central bank. Overnight stateside, the S&P 500 climbed 0.48% to 4,175.48. The Dow Jones Industrial Average advanced 67.29 points, or 0.2%, to 33,128.79. The Nasdaq Composite rose 0.22% to 12,563.76.

European markets were muted on Wednesday as global investors await a crucial monetary policy decision from the U.S. Federal Reserve. The pan-European Stoxx 600 slid 0.2% in early trade. Basic resources dropped 1.6% to lead losses while travel and leisure stocks gained 0.8%.

Shares in Asia-Pacific were lower in Wednesday trade, with investors looking ahead to the U.S. Federal Reserve's interest rate decision expected later stateside. Hong Kong's Hang Seng index shed 1.12% while the S&P/ASX 200 in Australia sat fractionally lower. Markets in Japan and mainland China are closed on Wednesday for holidays.

Currencies

- The dollar index firmed up around 103.5 on Wednesday, holding just below a 20-year high ahead of an expected interest rate hike from the Federal Reserve, with traders watching for an even more hawkish tone than many expect from the central bank.
- EUR/USD has been having a difficult time making a decisive move in either direction since the beginning of the week with investors remaining on the side-lines while gearing up for the Federal Reserve's policy decisions. The pair was last seen traded around the 1.0530 region.
- GBP/USD is trading above 1.2500, recovering amid a minor pullback in the US dollar ahead of the Fed's expected hawkish actions. Concerning Brexit headlines and the BOE's dilemma could keep the further upside elusive in cable.
- The AUD/USD pair built on its steady intraday ascent and climbed to a fresh daily high, around the 0.7135 region. A combination of supporting factors assisted the AUD/USD pair to gain positive traction for the second successive day and inch back closer to the overnight swing high.
- USD/JPY is moving in an extremely narrow trading band near 130.00 for the third straight day on Wednesday as markets remain indecisive ahead of the critical Fed interest rate decision.



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Commodities

Gold struggled to capitalize on the overnight bounce from the \$1,850 area, or the lowest level since February 16 and edged lower during the first half of trading on Wednesday. The XAU/USD remained on the defensive through the early European session and was last seen trading around the \$1,865 region.

Oil prices jumped on Wednesday ahead of an announcement by the U.S. Federal Reserve and further sanctions on Russia by the European Union, offsetting demand worries in top importer China. Brent crude had risen \$2.94, or 2.8%, to \$107.91 a barrel amid thin trading volume, with China and Japan closed for holidays. West Texas Intermediate crude rose \$3.02, or 3%, to \$105.43 a barrel.

Up Ahead –Thursday 05-05-2022

- GBP BOE Monetary Policy Report
- GBP Official Bank Rate
- USD Unemployment Claims