

## **DAILY MARKET ANALYSIS 10-05-2022**

Russia's President Vladimir Putin attempted to justify his unprecedented invasion of Ukraine on Monday, which was "Victory Day" in Russia — one of the most important events on the country's national calendar, marking the Soviet defeat of Nazi Germany. The West was "preparing for the invasion of our land, including Crimea," Putin said without providing evidence. He added that NATO was creating threats at Russia's borders. Moscow has threatened a "military technical response", putting the Nordic countries - and their neighbors - at risk of escalation. Meanwhile, China is tightening pandemic restrictions in Shanghai and expanding a mass testing sweep in Beijing as officials chase the elusive goal of wiping out Covid-19 cases in the community.

### **Stocks**

US major indices slipped on Tuesday after Wall Street extended a sharp selloff that sent all three major averages to their lowest levels in over a year. Dow Jones fell 0.4%, while S&P 500 and Nasdaq 100 were each down about 0.5%. In regular trading on Monday, the S&P 500 dropped 3.2% and the Dow declined 1.99% to their lowest since March 2021. The Nasdaq Composite also plunged 4.29%, accelerating a selloff in the tech-heavy index to its weakest since late 2020.

European stocks advanced on Tuesday as global markets looked to rebound from a broad sell-off in recent days, prompted mainly by concerns over inflation and rising interest rates — and the potential for a global recession. The pan-European Stoxx 600 added 1.1% in early trade, with autos climbing 2.2% to lead gains as all sectors and major bourses entered positive territory.

Most Asia-Pacific markets mostly fell on Tuesday after heavy losses overnight on Wall Street that saw the tech-heavy Nasdaq Composite dropping more than 4%. Mainland Chinese stocks bucked the broader trend and outperformed the broader region. The Shanghai Composite recovered from earlier losses to rise 0.17% while the Shenzhen Component climbed 0.39%. The Nikkei 225 in Japan fell 0.91% while the S&P/ASX 200 in Australia fell 1.42%.

### **Currencies**

- The dollar index rose above the 104 mark on Monday, hitting a fresh 20-year high, as expectations of further Federal Reserve monetary tightening to combat inflation and fears of slowing global economic growth drove investors into the safety of the dollar. Uncertainties surrounding the outlook for inflation, the war in Ukraine and Chinese lockdowns were among the factors that spurred safe-haven demand for the dollar. The Index was last seen traded around 103.60.
- EUR/USD has lost its recovery momentum after having advanced higher toward 1.0600 earlier in the day and retreated to the 1.0550 area. In the absence of high-tier macroeconomic data releases, market participants will pay close attention to comments from central bank officials.
- GBP/USD has been fluctuating in a relatively tight range above 1.2300 so far on Tuesday after having closed the first day of the week virtually unchanged. The British pound is struggling to capitalize on risk flows, suggesting that the pair stays vulnerable with the dollar's market valuation dominating the pricing action.
- The Australian dollar hit its lowest level in nearly two years against the dollar on Tuesday and other commodity currencies also fell, hurt by fears of slowing global economic growth. The Aussie dollar dropped as low as \$0.6908, its weakest since July 2020, having fallen 1.7% overnight.

- The USD/JPY pair lacked any firm direction on Tuesday and seesawed between tepid gains/minor losses through the first half of the European session. The pair was last seen trading around the 130.15 region, nearly unchanged for the day.

### **Bonds**

The 10-year U.S. Treasury yield fell on Tuesday morning, but held above the 3% mark, amid lingering fears around inflation. The yield on the benchmark 10-year Treasury note fell 6 basis points to 3.0164%. The yield on the 30-year Treasury bond moved 7 basis points lower to 3.1322%.

### **Commodities**

Gold rose on Tuesday as the dollar in which it is priced steadied, prompting some investors to buy the metal ahead of U.S. inflation data that could impact the Federal Reserve's monetary policy. Spot gold was up 0.3% at \$1,859.05 per ounce, recovering slightly after falling as much as 1.7% on Monday on the dollar's rally.

Oil prices tumbled more than 1% on Tuesday, extending the previous day's steep declines as coronavirus lockdowns in top oil importer China, a strong dollar and growing recession risks fed worries about the outlook for global demand. Brent crude fell \$1.31, to \$104.63 while U.S. West Texas Intermediate crude fell \$1.25 to \$101.84 a barrel after hitting an intraday low of \$100.44.

### **Up Ahead –Wednesday 11-05-2022**

- EUR ECB President Lagarde Speaks
- USD CPI m/m
- USD Core CPI m/m