

DAILY MARKET ANALYSIS 13-05-2022

In a statement published early Friday, Deputy mayor Wu Qingat of China's Shanghai city said that they are aiming to reach zero-Covid infections at the community level by mid-May. Shanghai will aim to open up, ease traffic restrictions and open shops in an orderly manner," the mayor added. Elsewhere, Russian forces are investing "significant effort" around the Ukrainian cities of Iziyum and Severodonetsk in an attempt to achieve a breakthrough toward the eastern regions of Slovyansk and Kramatorsk, the U.K.'s Ministry of Defence has said. Meanwhile, top diplomats from the Group of Seven (G-7) wealthy nations gathered in northern Germany on Thursday for a three-day meeting focused on Russia's invasion.

Stocks

US indices rose on Friday after a mixed overnight session, but the major averages were still headed for big weekly losses as rising interest rates, persistent inflation and a weakening global economic outlook continued to weigh on the markets. Dow futures edged up 0.4%, S&P 500 futures gained 0.6% and Nasdaq 100 futures jumped 1%.

European stocks advanced on Friday as global markets looked to regain some ground after a bruising week, with investors assessing the outlook for inflation and interest rates. The pan-European Stoxx 600 added 1% in early trade, with banks climbing 1.9% to lead gains as all sectors and major bourses entered positive territory. DAX in Germany traded 1.2% higher, the CAC 40 in France rose 1.3%, and the U.K.'s FTSE 100 climbed 1.3%.

Shares in Asia-Pacific rose on Friday, with markets seeing a rollercoaster week as investors assess the inflation and the global economic outlook. The Nikkei 225 in Japan closed 2.64% higher at 26,427.65 and the Hang Seng index jumped 2.68% to finish the trading day at 19,898.77. Mainland Chinese stocks closed higher, with the Shanghai Composite up 0.96% to 3,084.28 while the Shenzhen Component gained 0.585% to 11,159.79.

Currencies

- US Dollar Index sheds some ground after hitting fresh peaks in levels last seen in December 2002 just below 105.00 the figure on Thursday. The index came under some selling pressure on Friday against the backdrop of a mild improvement in the risk-associated universe and was last seen hovering around the 104.60 area.
- EUR/USD has retreated below 1.0400 with the dollar regathering its strength on rising US Treasury bond yields. Eurostat reported that Industrial Production in the EU contracted at a softer pace than expected in March, but the shared currency failed to capitalise on that data.
- GBP/USD has lost its traction following a short-lived recovery attempt and dropped below 1.2200. Ahead of the consumer confidence index data from the US, rising US Treasury bond yields help the greenback find demand and weigh on the pair.
- The Australian dollar weakened past \$0.695 to its lowest in nearly two years, as fears of a global economic slowdown pressured commodity-linked currencies, while higher-than-expected US inflation data reinforced bets on aggressive Federal Reserve tightening.

- USD/JPY gained some positive traction on Friday and recovered further from a two-week low. The pair retreated nearly 75 pips from the daily high and was seen trading with only modest gains, near the 128.65-128.70 region during the early European session.

Bonds

The yield on the 10-year US Treasury note, which sets the tone for corporate and household borrowing costs worldwide, consolidated at around 2.90% as investors reassessed the outlook of tightening monetary policy against a challenging growth outlook.

Commodities

Gold prices held ground near a three-month low on Friday as the strongest dollar in two decades continued to sap demand for greenback-priced bullion, setting up what could be the metal's fourth consecutive weekly fall. In choppy price action, spot gold was flat at \$1,823.25 per ounce, hovering near its lowest level since Feb. 7 hit earlier in the session.

Oil prices extended gains on Friday but were headed for their first weekly loss in three weeks as worries about inflation and China's COVID lockdowns slowing global growth offset concerns about dwindling fuel supplies from Russia. Brent crude was up \$1.81 at \$109.26 a barrel while U.S. West Texas Intermediate (WTI) crude climbed \$1.55 to \$107.68 a barrel.

Up Ahead –Monday 16-05-2022

- CNY Retail Sales y/y
- EUR EU Economic Forecasts
- USD Empire State Manufacturing Index
- GBP Monetary Policy Report Hearings