

## **DAILY MARKET ANALYSIS 17-05-2022**

There are reports that Shanghai adds no new covid cases outside quarantine for the third day which is underpinning risk appetite. However, Shanghai had already set out plans for the return of more normal life from 1 June and the end of a painful Covid-19 lockdown that has lasted more than six weeks and contributed to a sharp slowdown in China's economic activity. Elsewhere, U.K.'s Defence Ministry stated that Russia will likely continue relying heavily on massed artillery strikes as it tries to regain momentum in its advance on the eastern Donbas region. Ukrainian forces said they have pushed back the Russian military in the region around Kharkiv in north-eastern Ukraine, and near the border with Russia, continuing a counteroffensive that has prompted Russian troops to withdraw from around Ukraine's second-largest city.

### **Stocks**

US stock futures edged higher on Tuesday following another volatile session on Wall Street, as concerns about rising interest rates, high inflation and the prospect of a global economic slowdown continued to weigh on sentiment. In regular trading on Monday, the Dow eked out a 0.08% gain, pushed higher by Chevron and UnitedHealth. Meanwhile, the S&P 500 erased intraday gains to end 0.39% lower, while the tech-heavy Nasdaq Composite underperformed with a 1.2% loss.

European stocks advanced on Tuesday as global markets try to build on some positive momentum seen at the start of the new trading week. The pan-European Stoxx 600 added 0.8% in early trade, with travel and leisure stocks climbing 1.6% to lead gains as almost all sectors and major bourses entered positive territory.

Shares in Asia-Pacific were higher in Tuesday trade as Hong Kong stocks led gains regionally. The Hang Seng index surged 2.23% by Tuesday afternoon in the city as Chinese tech stocks jumped. Mainland Chinese stocks edged higher, with the Shanghai Composite up 0.29% while the Shenzhen Component rose 0.726%. The Nikkei 225 in Japan climbed 0.3% while the S&P/ASX 200 in Australia advanced 0.21%.

### **Currencies**

- DXY broke below the 104.00 mark amidst risk-on trade. The index shed ground for the third consecutive session on Tuesday and extends further the rejection from last week's 19-year tops around the 105.00 neighbourhood. In the meantime, investors will closely follow the speech by Chief Powell at the Wall Street Journal Future of Everything Festival in New York later today.
- EUR/USD has managed to build on Monday's modest gains and climbed above 1.0450 early Tuesday. The improving market mood is making it difficult for the greenback to find demand, helping the pair continue to push higher. Eyes on EU growth and US Retail Sales data.
- GBP/USD has extended its daily rally and climbed to its highest level in 12 days above 1.2450. The upbeat jobs report from the UK and the risk-positive market environment fuels the pair's impressive performance on Tuesday ahead of key macroeconomic data releases from the US.
- AUD/USD gained strong positive traction for the third successive day on Tuesday. The pair maintained its bid tone through the early European session and was last seen trading near a multi-day high, comfortably above the 0.7000 psychological mark.

- USD/JPY traded almost flat during the European session in the 1.2930 area. Investors are bracing for outperformance from the US Retail Sales data amid higher interest rates while the Bank of Japan (BOJ) will stick to its conservative monetary policy as BOJ's Governor Harihuko Kuroda stated that the economy has failed in achieving its pre-pandemic growth levels.

### **Bonds**

The yield on benchmark 10-year Treasury notes rose to 2.9203% compared with its Monday U.S. close of 2.879%, while two-year yields, which rise with traders' expectations of higher Fed fund rates, edged up to 2.61%. Germany's 10Y Bond Yield was at 0.99% percent today while Britain's 10-year Gilt yield was last seen at 1.81%.

### **Commodities**

Gold prices firmed on Tuesday, as a pullback in the dollar supported demand for greenback-priced bullion and countered pressure from a recovery in U.S. Treasury yields. Gold stayed relatively quiet and fluctuated in a tight range above \$1,820 after having posted modest daily gains on Monday.

Oil prices inched lower on Tuesday as Hungary resisted a European Union push for a ban on Russian oil imports, a move that would tighten global supply, with investors taking profits on a recent rally. Brent crude fell 11 cents to \$114.13 a barrel and U.S. West Texas Intermediate (WTI) slid 22 cents, to \$113.98 a barrel. Both benchmarks gained more than 2% on Monday, following a 4% jump on Friday.

### **Up Ahead –Wednesday 18-05-2022**

- AUD Wage Price Index q/q
- GBP CPI y/y
- CAD CPI m/m