

DAILY MARKET ANALYSIS 19-05-2022

Finland and Sweden formally applied to join NATO on Wednesday in another step toward the Western military alliance's expansion. The full accession process could take a year, and the countries will need to overcome objections from Turkey, which blocked swift approval of their applications. The status of the besieged Azovstal steelworks complex in Mariupol, a heavily destroyed port city in southern Ukraine, remains unknown. Ukraine was tight-lipped about how many soldiers may still be in the plant. Shanghai's Deputy Mayor Zhang Wei announced plans on Thursday to gradually reopen public transport and allow the resumption of work in zero-COVID areas, as the city prepares for the end of a six-week lockdown. China's export growth slowed to single digits in April, the weakest since the onset of the pandemic, while imports barely changed as COVID-19 curbs halted factory production and slashed demand.

Stocks

US stock futures steadied on Thursday after the Dow and S&P 500 posted their biggest declines in two years, as disappointing quarterly results from major retailers weighed on the markets. In regular trading on Wednesday, the Dow fell 3.57% and the S&P 500 tumbled 4.04% for their biggest one-day drop since June 2020, while the Nasdaq Composite plunged 4.73%.

European stocks declined on Thursday as global markets are rattled by fears over rampant inflation. The negative trade for European stocks comes after regional markets closed lower on Wednesday as fears over inflation rattled markets on both sides of the Atlantic. The pan-European Stoxx 600 fell 1% in early trade, with retail stocks shedding 2% to lead losses as all sectors and major bourses slid into negative territory.

Most Asia-Pacific markets fell sharply in Thursday trade after heavy losses on Wall Street overnight. Hong Kong's Hang Seng index led losses regionally, falling 2.25% by the afternoon. Mainland Chinese stocks declined, with the Shanghai Composite fractionally lower while the Shenzhen Component declined 0.247%. The Nikkei 225 in Japan fell 1.75% while the S&P/ASX 200 in Australia slipped 1.61%.

Currencies

- DXY left behind Wednesday's marked gains and extended the chopiness seen so far this week. Safe-haven currencies retreated Thursday after a deputy mayor said Shanghai will start to allow more businesses in zero-Covid areas to resume normal operations from the beginning of June, as the city looks forward to the end of lockdown. The index was last seen hovering around the 103.30 mark.
- EUR/USD traded in positive territory above 1.0500 in the European session on Thursday as the dollar weakens amid falling US Treasury bond yields. As investors wait for the ECB to publish the accounts of its April policy meeting, markets remain risk-averse, limiting EUR/USD's upside.
- GBP/USD regained positive traction on Thursday and recovered a part of the overnight slump. The pair maintained its bid tone through the early part of the European session and was last seen trading near the daily high, around the 1.2375-1.2380 region.
- The Australian Dollar held its ground after the April unemployment rate came in at 3.9% as forecast and against 4.0% previously. This is the lowest Australian unemployment rate since the 1970s. The AUDUSD pair eases from the daily top of 0.7024 to the 0.7000 threshold heading into Thursday's European session.

- The USD/JPY pair weakened further below the 128.00 mark during the first half of the European session and dropped to a one-week low. The pair struggled to capitalize on its early positive move, instead met with a fresh supply in the vicinity of the 129.00 round figure and turned lower for the second successive day.

Bonds

Treasury yields fell Thursday, pushing prices higher, as investors continued to seek shelter in bonds from a steep sell-off in equities. The yield on the benchmark 10-year Treasury note fell 5 basis points to 2.83%. The yield on the 30-year Treasury bond moved 5 basis points lower to 3.02%.

Commodities

Gold pushed higher in the European session on Thursday and climbed to fresh session highs above \$1,825. With the benchmark 10-year US Treasury bond yield losing nearly 2% on the day, XAU/USD is gathering bullish momentum.

WTI crude fell almost 2% to below \$108 a barrel on Thursday, extending a 4% drop in the past two sessions, as traders weigh concerns over tight global supplies and a pending EU ban on Russian oil against the prospect of a global economic slowdown. Brent crude also decreased over 1% to below \$108 per barrel on Thursday.

Up Ahead –Friday 20-05-2022

- GBP Retail Sales m/m
- GBP MPC Member Pill Speaks