

## **DAILY MARKET ANALYSIS 23-05-2022**

Over the weekend, Russia continued its push into Ukraine's eastern Donbas region with heavy strikes on numerous locations, including Severodonetsk — a strategic target as forces attempt to push through from Donetsk to Luhansk. Ukraine is set to be top of the agenda at the World Economic Forum in Davos Monday, as business leaders gather at the annual event. Ukrainian President Volodymyr Zelenskyy will be addressing the summit via video link. Elsewhere, Shanghai's central Jingan district, a key commercial area of the Chinese financial hub, will require all supermarkets and shops to shut and residents to stay home to carry out mass testing until Tuesday. Additionally, the city of Beijing reported 99 new coronavirus cases on Sunday, up from 61 on Saturday, reviving concerns over officials imposing tighter restrictions. Nevertheless, these developments don't seem to be having a significant impact on risk perception so far on the day.

### **Stocks**

U.S. stock moved higher on Monday after major benchmark indices finished the week lower amid a broad market sell-off as stubbornly high inflation and tightening central bank policies soured risk appetite. Dow Jones edged up 0.7%, S&P 500 added 0.9% and Nasdaq 100 gained 1.1%.

European stock markets traded higher Monday, with improved German business sentiment helping the tone despite worries about inflation and rising interest rates weighing heavily on the global economic outlook. DAX in Germany traded 1% higher, the CAC 40 in France rose 0.4%, and the U.K.'s FTSE 100 climbed 0.9%.

Asian stocks weakened on Monday as investors worried inflation and rising interest rates would hamper the global economic outlook and China's COVID-19 situation weighed on sentiment, with tech firms particularly hit. MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.3% as the region's major markets traded in the red. Hong Kong's Hang Seng Index slid 1.27% while Japan's Nikkei stock index bucked the regional trend and was 0.7% higher.

### **Currencies**

- The dollar index weakened to its lowest level in more than a month at 102 as a relief rally across equities and signs of progress in China's effort to bring coronavirus outbreaks under control spooked investors away from the safe-haven currency. Further downward pressure came from a stronger euro and pound on mounting evidence that other major central banks, particularly the ECB and the Bank of England, would be forced to act more aggressively to tame record inflation.
- The euro rallied on Monday after the European Central Bank president said policymakers would likely lift interest rates out of negative territory by September, while the dollar extended its recent slide. The common currency pushed higher towards 1.0700, as the euro capitalizes on the upbeat German IFO and hawkish ECB Chief Lagarde.
- GBP/USD gained traction for the third straight day and climbed to over a two-week high. The GBP/USD pair maintained its bid tone through the first half of the European session and was last seen trading near a two-and-half-week peak, just above 1.2580.
- Following Friday's modest downtick, the AUD/USD pair attracted fresh buying on the first day of a new week and was supported by a combination of factors. The Australian dollar continued drawing support from the Reserve Bank of Australia's hawkish signal that a bigger interest rate hike is still

possible in June amid the upside risks to inflation. The pair now seems to have entered a bullish consolidation phase and was last seen traded above the 0.7110 area.

- The USD/JPY pair recovered a major part of its early lost ground and climbed to the 127.50 area, back closer to the top end of its daily range during the early European session. A combination of supporting factors assisted the pair to attract some dip-buying on Monday, though modest US dollar weakness kept a lid on any further gains.

### **Bonds**

The benchmark 10-year US Treasury bond yield is up nearly 2% on the day above 2.8%. Core government debt has been rallying since last week as investors rushed into safe-haven assets amid lingering concerns that soaring inflation and an aggressive tightening from central banks could tip major economies into a recession.

### **Commodities**

Gold continued scaling higher on Monday and climbed to a near two-week high. The XAUUSD extended its steady intraday ascent through the first half of the European session and climbed to a nearly two-week high, around the \$1,863 zone.

Oil prices gained on Monday with U.S. fuel demand, tight supply and a slightly weaker U.S. dollar supporting the market, as Shanghai prepares to reopen after a two-month lockdown that fuelled worries about a sharp slowdown in growth. Brent crude rose \$1.12 to \$113.67 a barrel while U.S. West Texas Intermediate (WTI) crude climbed 96 cents to \$111.24.

### **Up Ahead –Tuesday 24-05-2022**

- EUR German Flash Manufacturing PMI
- GBP Flash Manufacturing PMI
- USD Flash Manufacturing PMI
- USD Fed Chair Powell Speaks
- EUR ECB President Lagarde Speaks

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