

DAILY MARKET ANALYSIS 18-03-2022

It was another messy session overnight with energy, equities, precious metals and currencies trading in wide choppy ranges, diverging in price direction, with no unifying sense of theme emerging. Markets are trying to make sense of a hawkish FOMC that announced a dovish rate hike and believes it can tighten aggressively while maintaining growth. Not helping was a lack of clarity from the Ukraine-Russia talks, on what so much of the market's recent asset class price action has been built on. Rhetoric from the Kremlin wasn't positive, Ukraine blindsided Western powers with security guarantees, Russian missiles kept falling, and Presidents Biden and Putin engaged in a war of words. Finally, the IEA made stark warnings about an oil supply crisis thanks to Russian production disruptions.

Stocks

Wall Street equities extended higher on Thursday as investors shrugged off geopolitical tensions as Kyiv and Moscow are reportedly moving closer to strike a ceasefire deal. Dow Jones, S&P 500 and Nasdaq 100 indexes closed +1.23%, +1.23% and +1.16% respectively.

In Japan, the Nikkei 225 index jumped 3.4% on Thursday as a weaker Yen boosted the appeal of stocks in the export-oriented country. The Hang Seng Tech Index soared almost 30% from the recent bottom, marking its largest two-day gain ever.

Currencies

- US Dollar Index (DXY), manages to regain some buying interest and moves beyond the 98.00 hurdle at the end of the week. The index attempts a mild recovery after four consecutive daily retracements on Friday, as the risk complex gives away part of the recent strong advance and geopolitical concerns appear to have returned to the markets.
- EUR/USD reached its highest level in more than two weeks at 1.1138 on Thursday but seems to have lost its bullish momentum on Friday. The pair is moving sideways below 1.1100 in the European morning.
- The Bank of England (BOE) hiked its policy rate by 25 basis points as expected on Thursday but the GBP/USD lost more than 100 pips and fell below 1.3100. The policy statement revealed a cautious stance on future rate hikes and made it difficult for the British pound to find demand. Although the pair managed to erase a large portion of its daily losses in the second half of the day, it lost its momentum and went into a consolidation phase above 1.3150.
- USD/JPY continues to fluctuate in a relatively narrow range below 119.00 after closing virtually unchanged on Thursday. In the early Asian session, the Bank of Japan (BOJ) announced that they left the monetary policy settings unchanged.
- The AUD/USD pair witnessed some selling during the early part of the European session and was last seen trading near the daily low, around the 0.7380-0.7375 region.

Bonds

U.S. Treasury yields dipped on Friday morning, as investors monitored negotiations between Russia and Ukraine. The yield on the benchmark 10-year Treasury note fell 5 basis points to 2.135%. The yield on the 30-year Treasury bond moved 5 basis points lower to 2.435%. Germany's 10-year yield, the benchmark for the euro zone, fell 4.5 basis points to 0.345%, after hitting 0.41% on Thursday, its highest since November 2018.

Commodities

Gold is trading in a relatively tight range below \$1,950 on Friday. Although the precious metal finds demand as a safe haven, the broad-based dollar strength is not allowing XAU/USD to gain traction.

Crude oil prices drifted higher again on Friday as fears of further escalation to the war in Ukraine predominated before retrieving back near the \$100 per barrel area.

Up Ahead – Monday 21-03-2022

- PBoC Interest Rate Decision
- JPY Bank Holiday