

DAILY MARKET ANALYSIS 11-03-2022

Global risk sentiment remains mostly clouded amid the economic consequences of war in Ukraine. Developments surrounding Ukraine keep setting the tone for equity markets, currencies, oil prices, and even cryptocurrencies. Risk trades bounced ahead of the North American trading session on Friday. Russian President Vladimir Putin said that there was a positive shift in talks with Ukraine despite reports of talks breaking down on Friday.

Stocks

- U.S. stocks are seen opening higher Friday, ending a volatile week on a positive note on the back of raised hopes of a diplomatic solution to the war in Ukraine. NASDAQ Nasdaq jumping 1.5%.
- In Asia, Nikkei closed down -2.05% shedding some of its nearly 4% gain on Thursday, the Bank of Japan will also hand down its policy decision in the following week.
- Hong Kong's Hang Seng index, which earlier fell more than 3%, partially recovered but still closed 1.61% lower at 20,553.79 as Chinese tech stocks listed in the city declined
- European equity markets extended gains while US stock index futures turned positive in recent trading

Currencies

- The U.S. dollar index, which tracks the greenback against a basket of its peers, (DXY) rose after the release as prices completed the intra-day recovery from the sharp drop around the time Putin announced there were positive shifts during recent talks.
- EUR/USD is maintaining this week's recovery, recovered toward 1.1050 during the European trading hours on Friday, A perceivably dovish ECB yesterday post rate announcement hushed Euro bulls after gains earlier this week. The European Central Bank kept its interest rate steady at 0% as it handed down its own policy decision on Thursday.
- GBP/USD lost its traction and dropped below 1.3100 during the American trading hours on Friday. The broad-based dollar strength on rising yields continues to weigh on the pair ahead of the weekend.
- The Japanese spikes to fresh multi-year high, eyeing to reclaim 117.00 mark, Signs of stability in the equity markets dented demand for the safe-haven JPY. Thursday's strong US CPI print underpinned the USD and remained supportive.
- The AUD/USD is set to end the week on a lower note, despite increased risk appetite on earlier news that Russian President Vladimir Putin claimed that the discussions with Ukraine had taken a positive turn.

Bonds

- The US yield on 10-year Treasury yields rose after the U.S. report, which also showed the sharpest increase in 40 years. The benchmark 10-year Treasury yield broke above the key 2% level, a sharp move from its weekly lows of 1.67% as investors anticipate a looming policy



tightening cycle. Investors widely expect that the U.S. Federal Reserve will hike interest rates when it hands down its policy decision on Mar. 16.

- Germany's 10-year yield Bond surged to an over 3-week high of 0.27%, clawing back all losses from a sell-off due to the war in Ukraine, after a surprisingly hawkish ECB monetary policy decision. The ECB anticipated plans to end asset purchases in the third quarter, as price pressures outweighed risks steaming from the Ukraine conflict. Meanwhile, market participants await European Union leaders to unveil the bloc's policy response to Russia's invasion of Ukraine.
- Britain's 10-year yield rose toward 1.5%, the highest in near three weeks, as investors weighed stagflation concerns and rate hike prospects. The UK announced new sanctions against Russia, namely a ban on all Russian aircraft from overflying the country and seizing any plane in the UK, after committing to phase out oil purchases from Russia by 2022.

Commodities

- The positive shift witnessed in risk sentiment on renewed optimism for a de-escalation of the Russia-Ukraine conflict is weighing on gold on Friday. XAU/USD is trading below \$1,990 heading into the weekend
- Oil In the past few days, crude oil price saw a major increase above \$100.00 against the US Dollar. Crude oil futures dropping 2.10% on Thursday but up slightly in this morning in premarket action. In fact, most oil-related commodities traded lower, including Brent crude, West Texas crude, RBOB gasoline and heating oil. Other commodities where Russia is a big player have also fallen.

Up Ahead - Next week, the Fed meeting will be the key focus for financial markets.

- Inflation continues to rise, and the Federal Reserve is expected to start taking action to combat it with a quarter-point rate hike next week.
- February's CPI was a hot 7.9%. In March, consumer inflation could be close to 9% or more, one economist said.
- Rising oil prices have created an even bigger inflation problem for the Fed, and they ultimately could be a big factor in determining the fate of the economy and interest rates.
- The Federal Reserve's March meeting represents a critical turning point for monetary policy: Officials are all but certainly going to raise interest rates for the first time since 2018, marking an end to the U.S. central bank's extraordinary coronavirus crisis-era stimulus.
- After March, how many more times will the Fed hike rates — and by how much?