

DAILY MARKET ANALYSIS 07-04-2022

The American dollar retained its strength on Wednesday, as the focus remained on geopolitical tensions and aggressive central banks. US President Joe Biden announced an executive order which will ban new investments in Russia. European leaders, on the other hand, were unable to reach an agreement on banning Russian coal, although they said it was due to a technical issue and that they will discuss it again on Today. Meanwhile, European Commission President Ursula von der Leyen said that new sanctions against the Kremlin would not be the last. The US Federal Reserve unveiled the Minutes of its latest meeting, which reminded market players of the aggressive stance of the central bank.

Stocks

Market sentiment soured on Wednesday during the Wall Street trading session. S&P500 index traded at 4,471.63 this Thursday April 7th, decreasing 43.97 or 0.97 percent since the previous trading session. Nasdaq shed 322 or 2.17% while Dow Jones fell about 0.2%.

European markets were muted on Thursday morning as the U.S. Federal Reserve's monetary tightening plans and the ongoing war in Ukraine continue to guide sentiment. The pan-European Stoxx 600 index nudged 0.2% higher in early trade, with health care stocks gaining 0.9% while the oil and gas sector dropped 1.2%.

Asia-Pacific markets fell on Thursday following two days of declines on Wall Street. The Nikkei 225 in Japan fell 1.77%, while the Topix slid 1.72%. The Shanghai composite was down 0.99%, while the Shenzhen component dropped 1.18%. Hong Kong's Hang Seng index slipped 1.31% and the Hang Seng tech index was 2.12% lower.

Currencies

- The dollar index held above 99.5 on Thursday, hovering levels not seen since May of 2020, amid increasing expectations the Fed will tighten monetary policy faster to fight rising inflation. Minutes from the last FOMC meeting showed the Fed will likely reduce its balance sheet by \$95 billion a month from May, which is higher than the monthly reduction made in 2017-2019.
- The euro fell to around \$1.09, closing in on a nearly 2-year low of \$1.0804 hit on March 7th, dragged down by concerns over the outlook of the bloc's economy amid the war in Ukraine and surging inflation.
- GBP/USD gained some positive traction on Thursday, though struggled to capitalize on the move. British pound retreated a few pips from the daily high touched during the early European session and was last seen trading with modest intraday gains, around the 1.3080-1.3085 region.
- The AUD/USD pair maintained its offered tone through the first half of the European session and was last seen hovering near the weekly low, around the 0.7475 region. The pair witnessed some follow-through selling for the second successive day on Thursday and extended this week's sharp retracement slide from the highest level since June 2021, around the 0.7660 area.
- USD/JPY attracted dip-buying near the 123.45 area on Thursday, though lacked follow-through. The pair recovered its modest intraday losses and climbed back closer to the daily high, around the 123.75-123.80 region during the early European session.

Bonds

On Wednesday the US yield on the 10-year note surged above 2.63%, its highest level since March 2019. Investors anticipate an aggressive looming policy tightening cycle as major central banks sought to tame inflation, currently running at records levels. Germany's 10-year Bund yield, the benchmark for Europe, rose to as high as 0.65%, closing in on its highest level since May 2018 while the yield on Britain's 10-year Gilt rose to above 1.7%.

Commodities

Gold prices held steady after Wednesday's release of the minutes of the Federal Reserve meeting in March, as the metal's appeal as a safe haven and inflation hedge offset an expected 50 basis point rate hike by the U.S. central bank. Gold price wavers within a familiar trading band around \$1,925.

After rising earlier in the session, WTI crude steadied around a 3-week low of \$96 per barrel on Thursday, following a 5.6% drop in the previous session, as traders reassessed news that consuming nations will release a huge amount of oil from strategic reserves to offset supply lost from Russia. Brent crude erased earlier gains to trade around \$100 per barrel, the lowest in three weeks and after tumbling 5.2%

Up Ahead – Friday 08-04-2022

- CAD Employment Change
- CAD Unemployment Rate