

DAILY MARKET ANALYSIS 27-04-2022

Officials in Shanghai city said Wednesday, lockdowns will be eased in districts with no coronavirus community spread. The city will allow limited movements in restricted areas in these districts, the authorities added. China reported 14,298 new covid cases on April 26 vs. 17,812 a day earlier. This comes after the Chinese capital Beijing kicked off mass testing for millions of residents after a spike in covid cases. Back in Europe, tensions over the Russia-Ukraine conflict were heightened after Gazprom, Russia's state-owned energy giant, informed Poland and Bulgaria that it would halt gas supplies from Wednesday. Russia is demanding payments for its gas in rubles as sanctions over its invasion of Ukraine bite, something that most western countries are not prepared to comply with.

Stocks

U.S. major indices were higher early Wednesday morning after the major averages continued their April sell-off amid concerns of an economic slowdown, and Wall Street considered earnings that came in after the bell. Dow Jones Industrial rose 254 points, or 0.77%. S&P 500 was 0.58% higher while Nasdaq 100 gained 0.36%.

European stocks opened around the flatline on Wednesday as global markets remain mixed, with fears persisting over the global growth outlook. The Euro STOXX 600 was down 0.3%, while Germany's DAX weakened 1.2%. Britain's FTSE 100 slipped 0.1%.

Shares in Asia-Pacific were mixed in Wednesday trade. Mainland Chinese stocks attempted to bounce back from days of losses. The Shanghai Composite gained around 0.4% while the Shenzhen Component climbed 1.314%. Hong Kong's Hang Seng index rose about 0.1%. Elsewhere, the Nikkei 225 in Japan declined 1.34% while Australian stocks also traded in negative territory, with the S&P/ASX 200 0.63% lower.

Currencies

- The US Dollar Index (DXY), which gauges the buck vs. a bundle of its main competitors, keeps the buying pressure well and sound past the 102.00 mark on Wednesday. The index extended the rally for the fifth consecutive session and has quickly left behind the key 102.00 barrier to clinch new highs in levels last seen back in March 2020.
- EUR/USD extends the leg lower to the area below 1.0600. The pair lost ground for the fifth session in a row midweek amidst the continuation of the strong march north in the dollar and persistent geopolitical concerns, particularly around the potential EU embargo on Russian oil.
- The GBP/USD pair edged lower through the first half of the European session and slipped below the mid-1.2500s, or its lowest level since July 2020 in the last hour. Cable continued losing ground for the fifth straight day amid sustained USD buying.
- AUD/USD staged a solid bounce from the two-month low in reaction to stronger Australian CPI. The pair trimmed a part of its intraday gains and was last seen trading just above the mid-0.7100s, still up around 0.50% during the early part of the European session.

- The Japanese yen traded below 128 per dollar on Wednesday, pausing its rapid decline amid reports that Japan and the US likely discussed the idea of coordinated currency intervention to stem further yen falls in last week's bilateral finance leaders' meeting.

Bonds

In the German debt markets, the 10y bund yields hover around 0.80% amidst the renewed multi-session weakness, whereas US yields regain some upside traction following the recent corrective leg. The yield on Britain's 10-year Gilt eased just below 1.9% after breaking above 2% for the first time since November 2015 as investors scaled back bets on future monetary policy tightening from the Bank of England.

Commodities

Gold prices fell on Wednesday as the U.S. dollar consolidated at its highest level in more than two years and pressured demand for greenback-priced bullion. Gold remained depressed through the early European session and was last seen trading just below the \$1,900 mark, well within the striking distance of the monthly low touched earlier this week.

WTI and Brent rose above \$102 and \$105 per barrel respectively on Wednesday, extending gains in the previous session, after Russia said it would cut natural gas supply to Poland and Bulgaria from Wednesday, escalating an energy crisis at a time the EU is considering a ban on Russian crude imports.

Up Ahead –Thursday 28-04-2022

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- JPY BOJ Outlook Report
- USD Advance GDP q/q