

DAILY MARKET ANALYSIS 27-05-2022

President Volodymyr Zelenskiy urged the West to stop playing around with Russia and impose tougher sanctions on Moscow to end its "senseless war" in Ukraine, adding his country would remain independent, the only question was at what price. Three months into its invasion of Ukraine, Russia has abandoned its assault on the capital Kyiv and is trying to consolidate control of the industrial eastern Donbas region, where it has backed a separatist revolt since 2014. Elsewhere, Bloomberg reported on Friday that Chinese Premier Li Keqiang warned of dire consequences if they fail to prevent the economy from sliding further and noted that a contraction in the second quarter must be avoided. Meanwhile, the US and Taiwan are reportedly planning to announce economic talks to deepen their ties, which could be seen as a factor that could cause US-China geopolitical tensions to escalate.

Stocks

US stock indices were little changed on Friday after a broad rally on Wall Street overnight, with the major averages set to snap weekly losing streaks. In regular trading on Thursday, the Dow rose 1.61%, the S&P 500 added 1.99% and the Nasdaq rallied 2.68%. On a weekly basis, the Dow is up 4.4% so far and is on track to snap an eight-week decline. The S&P 500 and Nasdaq are also up 4% and 3.4%, respectively, this week and are set to snap seven straight weeks of losses.

European stocks were cautiously higher on Friday as global markets head for a positive week, with fears over monetary policy tightening subsiding slightly. The pan-European Stoxx 600 nudged 0.2% higher in early trade, with basic resources adding 1.5% to lead gains while utilities slid 1%. DAX in Germany traded 0.4% higher, the CAC 40 in France rose 0.5%, while the U.K.'s FTSE 100 traded flat.

Shares in Asia-Pacific rose in Friday trade, with investors monitoring shares of Alibaba in Hong Kong after the Chinese tech giant posted better-than-expected fourth-quarter earnings on Thursday. Hang Seng index in Hong Kong climbed 2.77% while mainland Chinese stocks also edged higher, with the Shanghai Composite up 0.52% while the Shenzhen Component advanced 0.449%. The Nikkei 225 in Japan gained 0.56% and in Australia, the S&P/ASX 200 climbed 1%.

Currencies

- The U.S. dollar sank to a one-month low versus major rivals on Friday as traders lowered Federal Reserve rate hike expectations amid signs the central bank might slow or even pause its tightening cycle in the second half of the year. The dollar index, which measures the greenback against a basket of six peers, fell as low as 101.43 for the first time since April 25. A rally in Asian stocks also sapped demand for the greenback as a haven.
- EUR/USD has regained its traction and continued to push higher after having closed above 1.0700 on Thursday. The pair remains on track to post gains for the second straight week. EUR/USD was last seen traded in the 1.07450 area.
- The British pound appreciated to above \$1.26, close to its highest in four weeks, on optimism that the new Cost of Living Support package will help boost consumer spending. Chancellor Rishi Sunak announced a new £15 billion support package, targeted toward millions of low-income households, and brings the total cost of living support to £37 billion this year.



- AUD/USD gained strong positive traction on Friday and climbed to a fresh multi-week high. The pair maintained its bid tone through the first half of the European session and was last seen trading near a three-week high, just below mid-0.7100s.
- USD/JPY stayed on the back foot and traded just above 127.00 early Friday. Bank of Japan Governor Haruhiko Kuroda noted on Friday that they are not expecting prices to rise sustainably unless accompanied by wage hikes.

Bonds

The yield on benchmark 10-year Treasury notes dipped to 2.7468% while the two-year yield, which rises with traders' expectations of higher Fed fund rates, softened to 2.4678% compared with a close of 2.4888%. German 10-year bond yields eased to 0.982% and UKs 10Y Bond Yield was last seen at 1.95%.

Commodities

Gold prices rose on Friday as the dollar continued to weaken and helped put bullion on track for a second straight weekly rise amid cooling bets for a more aggressive Federal Reserve monetary policy. XAU/USD was last seen hovering around the \$1856.80 per ounce mark.

Oil prices hovered around a two-month high on Friday, with Brent crude on track for its biggest weekly jump in 1-1/2 months, supported by the prospect of an EU ban on Russian oil and the coming summer driving season in the United States. Brent crude rose to as high as \$118.17 earlier in the session. WTI crude was up 18 cents at \$114.30 a barrel.

Up Ahead –Monday 30-05-2022

- USD FOMC FOMC Member Waller Speaks

**The information presented above is intended for informative and educational purposes, should not be considered as investment advice, or an offer or solicitation for a transaction in any financial instrument and thus should not be treated as such. Past performance is not a reliable indicator of future results.*