

DAILY MARKET ANALYSIS 30-05-2022

Major Chinese cities Beijing and Shanghai began to relax Covid controls over the weekend as the local case count dropped. Nationwide, the number of new cases with symptoms on the mainland fell to 20 on Sunday, down from 54 a day earlier. The capital city of Beijing reported eight new Covid cases for Sunday, while Shanghai recorded six. The loosening of restrictions comes about two months after Shanghai, China's largest city, ordered people to stay in their apartments for mass virus testing. Beijing city had begun tightening Covid controls about a month ago, but only locked down some neighbourhoods. The European Union will continue to work toward an agreement to embargo Russian oil after attempts to do so on Sunday failed. The talks are largely held up by Hungary, a major user of Russian oil and whose leader Viktor Orban has been on friendly terms with Russia's Vladimir Putin. Meanwhile, Russian forces continue to pound Ukrainian positions in the country's Donbas, which Moscow has described as an "unconditional priority."

Stocks

US stocks ended higher for a 3rd consecutive session on Friday, with the Dow adding nearly 600 points and the S&P 500 and the Nasdaq advancing 2.3% and 3.1% respectively. Consumer spending surpassed expectations in April, suggesting demand remained robust to start Q2 and may support a GDP expansion this year. US markets will be closed today for Memorial Day.

European stock markets traded higher Monday, helped by gains in Asia as major Chinese cities begin to ease mobility restrictions even as elevated Spanish inflation increased the pressure on the European Central Bank. DAX in Germany traded 0.8% higher, the CAC 40 in France rose 0.9%, while the U.K.'s FTSE 100 climbed 0.5%.

Asia-Pacific stocks were up on Monday morning, boosted by China's easing of some COVID-19 restrictive measures and U.S. shares' best week since November 2020 before Monday's Memorial Day holiday. Japan's Nikkei 225 jumped 2% and in Australia, the S&P/ASX 200 rose 0.91%. China's Shanghai Composite gained 0.55% while the Shenzhen Component inched up 0.04%.

Currencies

- The dollar index hovered one-month lows around 101.5 on Monday, as investors reassessed expectations about the Federal Reserve's monetary tightening plans and as fears of a global recession have somewhat receded. The Fed-preferred core PCE index slowed to 4.9% year-on-year in April from 5.2% in March, a still-elevated level that nonetheless indicated that price pressure could be easing a bit.
- The euro extended gains to above \$1.0770, the highest in four weeks after ECB President Christine Lagarde said the central bank is likely to exit negative interest rates by the end of the third quarter. Traders were already boosting bets for higher borrowing costs after hawkish comments from ECB Knot and ECB Villeroy de Galhau last week.
- GBP/USD is moving back and forth in a narrow range below 1.2650, at the mercy of the USD price action. The pair is trading at 1.2644, up 0.17% so far, at the press time.
- The AUD/USD pair is holding itself strong near the previous week's high at 0.7180 as a risk-on impulse has been preferred by the market participants on expectations of a slippage in the US Nonfarm Payrolls (NFP).

- The USD/JPY pair gained some positive traction on Monday and held on to its modest intraday gains through the first half of the European session. The pair was last seen trading around the 127.25-127.30 area, up 0.15% for the day.

Bonds

The 10-year US Treasury note yield, which sets the tone for corporate and household borrowing costs worldwide, remained little changed around 2.74% on Friday, as traders digested PCE data. Core PCE price inflation, Fed's preferred inflation gauge, fell to 4.9% from a year earlier in April, the lowest in 4 months, pointing out that price increases could be slowing.

Commodities

Gold prices firmed in choppy trading on Monday, as a weakening dollar buoyed greenback-priced bullion, although gains were capped by some investors turning to riskier assets in Asia. A weaker dollar makes bullion more attractive for buyers holding other currencies. Spot gold was last seen traded around \$1,854.86 per ounce.

Oil prices rose on Monday, hitting their highest in more than two months, as traders waited to see whether a planned European Union meeting would reach an agreement on banning Russian oil imports. The Brent crude was up 54 cents at \$119.97 a barrel while the U.S. West Texas Intermediate (WTI) crude jumped 62 cents to \$115.69 a barrel.

Up Ahead –Tuesday 31-05-2022

- CAD GDP m/m
- USD CB Consumer Confidence

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