

## DAILY MARKET ANALYSIS 02-06-2022

Russian forces were attempting to extend and consolidate their hold on Ukraine's industrial city of Sievierodonetsk on Thursday, edging closer to claiming a big prize in their offensive in the eastern Donbas region. But in a boost for Ukraine, locked in a grinding struggle against Russia's invading army, the United States announced a \$700 million weapons package for Kyiv that will include advanced rocket systems with a range of up to 80 km (50 miles). Russia accused the United States of adding "fuel to the fire". Russian Foreign Minister Sergei Lavrov said the supply of the rocket launchers raised the risk of a "third country" being dragged into the conflict. OPEC+ is working on making up for a drop in Russian oil output, as Russia's production has fallen by around 1 million barrels per day as a result of Western sanctions on Moscow over Ukraine.

### Stocks

US stock futures slipped on Thursday after stern comments from JPMorgan CEO Jamie Dimon, warning of an economic "hurricane" caused by the Federal Reserve and the war in Ukraine, sent Wall Street lower on the first trading day of June. In regular trading on Wednesday, the Dow lost 0.54%, while the S&P 500 and Nasdaq Composite dropped 0.75% and 0.72%, respectively.

European markets climbed Thursday as traders continued to assess new data on inflation and economic activity. The German DAX rose 0.4%, the French CAC was up 0.6% and the Italian FTSE MIB climbed 0.4%. The U.K.'s FTSE 100 is closed on Thursday and Friday for the Queen's Platinum Jubilee celebrations.

Shares in Asia-Pacific declined in Thursday trade, with Australia's April trade surplus coming in higher than expected. Hong Kong's Hang Seng index led losses regionally as it declined 1.67%, with shares of Alibaba dropping more than 3%. In mainland China, the Shanghai Composite edged 0.11% higher while the Shenzhen Component gained 0.357%. The Nikkei 225 in Japan shed 0.12% while in Australia, the S&P/ASX 200 was lower by 1.07%.

### Currencies

- DXY reversed two daily advances and returned to the 102.30 zone. The index shed ground after two consecutive daily gains in response to the re-emergence of the investors' appetite for the risk-associated universe, all against the backdrop of a renewed upside momentum in US yields.
- EUR/USD has managed to rebound following Wednesday's sharp decline. The common currency is holding in positive territory slightly below 1.0700 during the European session on Thursday. The data from the euro area showed that producer inflation rose at a softer pace than expected in April.
- GBP/USD continues to edge higher toward 1.2550 as the dollar stays on the back foot amid the improving market mood. The ADP Employment Change, Unit Labor Costs and Factory Orders data from the US will be looked upon for fresh impetus.
- AUD/USD has staged an impressive comeback in the last hours, as bulls recaptured the 0.7200 level ahead of the US ADP jobs report. The latest upswing in the aussie could be mainly linked to the broad slippage in the US dollar, as risk-on flows return in European trading.

- USD/JPY is trading under 130.00 in the European session, retreating from three-week highs of 130.24 reached earlier during the Asian trade. The pair is tracking the US dollar's price action, falling in tandem amid the return of risk appetite and easing oil prices. Further, the pullback in the US Treasury yields is also collaborating with the corrective decline in spot.

## **Bonds**

The benchmark US 10-year yield held above 2.9% on Thursday, hovering near a two-week high hit in the previous session, amid concerns over a potential reacceleration in global inflation and an even more aggressive monetary tightening from the Federal Reserve. The yield on the German 10-year Bund climbed to 1.2% on Tuesday, the highest since July 2014 on expectations of faster interest rate increases by the ECB after preliminary data showed inflation for the Eurozone, Germany, France, Italy, and Spain rose more than expected in May.

## **Commodities**

Gold held its ground on Thursday, with greenback-priced bullion caught between support from slightly lower U.S. Treasury yields and pressure from a firm dollar. The precious metal was last seen traded around the \$1855 area.

Oil prices dropped following a report that Saudi Arabia is prepared to raise crude production if Russia's output significantly falls following European Union sanctions. Brent crude was last down 2.12% at \$113.82 per barrel. U.S. crude dropped 2.18% to \$112.75 per barrel.

## **Up Ahead –Friday 03-06-2022**

- USD Non-Farm Employment Change
- USD Unemployment Rate
- USD FOMC Member Brainard Speaks

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