

DAILY MARKET ANALYSIS 06-06-2022

The US economy added 390,000 jobs in May, according to the latest Non-farm Payrolls (NFP) report released by the US Bureau of Labour Statistics on Friday. That was above the median economist forecast for a gain of 325,000 jobs, though slightly lower versus April's 436,000 gain (revised up from 428,000). Despite the headline NFP beat, the Unemployment Rate remained steady at 3.6% versus an expected drop to 3.5%, while the U6 Underemployment Rate rose to 7.1% from 7.0% a month earlier. Meanwhile, in China, authorities announced over the weekend that Beijing will allow residents to return to work from Monday and schools will resume from June 13 onwards. Additionally, traffic bans in most areas of Beijing will be lifted as well. Elsewhere, Russia struck Kyiv with missiles for the first time in more than a month, and President Vladimir Putin said he would hit new targets in Ukraine if Western nations supplied the country with longer-range missiles.

Stocks

US stock indices rose on Monday after a losing week on Wall Street, as a robust jobs report bolstered the Federal Reserve's aggressive stance against surging inflation. Futures contracts tied to the three major indexes were all trading in positive territory. S&P 500 and Nasdaq added 1% and 1.4%, respectively while Dow Jones shed 0.9%.

European shares rose on Monday helped by miners and luxury stocks as China eased more COVID-19 restrictions, while investors kept an eye out for U.S. inflation data and details from a European Central Bank meeting later this week. The pan-European STOXX 600 index rose 0.6% while London's FTSE 100 jumped 1.1% after an extended weekend.

Shares in Asia-Pacific were mixed in Monday trade, as a private survey showed another contraction in China's service sector activity for May. Chinese stocks led gains among the region's major markets, with the Shanghai Composite up 1.05% while the Shenzhen Component surged 2.521%. Hong Kong's Hang Seng index advanced 1.09%. In Japan, the Nikkei 225 climbed 0.7% while Australia's S&P/ASX 200 fell 0.33%.

Currencies

- The dollar index firmed up above the 102 mark on Monday, holding onto gains from last week. The index extended the erratic performance seen in past sessions and revisited the 102.00 area on the back of the better mood in the risk complex and further upside in US yields.
- The euro edged higher on Monday as risk appetite picked up while investors awaited a European Central Bank (ECB) policy meeting later this week. The European currency trades in an upbeat mood and pushes EUR/USD back to the mid-1.0700s at the beginning of the week.
- GBP/USD is trading strongly bid above 1.2550 so far this Monday, looking to retest the 1.2600 level ahead of the UK's vote of confidence in PM Boris Johnson. In doing so, cable has reversed most of Friday's US NFP-led losses, as the US dollar retreats across the board amid the return of risk flows and holiday-thinned light trading.

- AUD/USD holds lower ground near 0.7200, down for the second consecutive day after reversing from a six-week high, as market sentiment dwindles ahead of the key Reserve Bank of Australia (RBA) monetary policy verdict. Also challenging the Aussie pair buyers is the cautious mood ahead of this week's US Consumer Price Index (CPI) for May.
- USD/JPY rose more than 300 pips last week and stayed relatively quiet above 130.50 on Monday. Bank of Japan (BOJ) Governor Haruhiko Kuroda reiterated that Japan is absolutely not in a situation that warrants policy tightening.

Bonds

The benchmark US 10-year Treasury yield rose above 2.95%, approaching the 2018-high of 3.15% hit in May, as strong job growth added to expectations of tighter policy by the Federal Reserve. The yield on the German 10-year Bund continued to rise to approach 1.29% in the second week of June, holding at levels not seen since June of 2014, as the ECB is expected to start raising rates this quarter.

Commodities

Gold prices edged higher on Monday, supported by a slight pullback in the U.S. dollar and Treasury yields, although bullion's outlook remained vulnerable to aggressive interest rate hikes by major central banks. Spot gold was last seen traded around \$1.853 per ounce.

Oil prices jumped on Monday, with Brent rising above \$120 a barrel after Saudi Arabia hiked prices for its crude sales in July, signalling tight supply even after OPEC+ agreed to accelerate output increases over the next two months. Brent crude was up 91 cents at \$120.63 a barrel while U.S. West Texas Intermediate (WTI) crude was up 93 cents at \$119.80.

Up Ahead –Tuesday 07-06-2022

- AUD Cash Rate
- AUD RBA Rate Statement
- CAD Ivey PMI

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