

DAILY MARKET ANALYSIS 09-06-2022

Markets stayed quiet early Thursday and major currency pairs continue to fluctuate in familiar ranges ahead of the European Central Bank's (ECB) highly anticipated policy announcements. European Central Bank's (ECB) governing council decided to keep its benchmark deposit rate at -0.50%, as unanimously expected by market participants. The bank also said that it intends to raise interest rates by 25 bps at the July meeting, after having ended its Asset Purchase Programme (APP) on 1 July. The ECB added that a larger than 50 bps rate hike might be appropriate at the September meeting. The US Department of Labor announced there were 229,000 initial jobless claims in the week ending on 4 June, above the prior week's reading of 202,000 and expectations for a rise to 210,000. That pushed the four-week average higher to 215,000 from 207,000 a week earlier.

Stocks

US stock indices tracking the broader market were up roughly 0.5%, getting on track to rebound as investors continue to assess the outlook for inflation and economic growth ahead of Friday's highly anticipated May US consumer price report. A hot inflation reading could bolster expectations that the Federal Reserve will continue to aggressively hike rates in the second half of this year, even with signs of economic slowdown and an extremely tight job market.

European stocks pulled back on Thursday after the European Central Bank confirmed plans to begin hiking interest rates in July, while downgrading its growth forecasts and raising inflation projections. The pan-European Stoxx 600 was down 0.9% by mid-afternoon following the decision. Basic resources fell 1.7% to lead losses while travel and leisure stocks were up by 0.4%.

Asia-Pacific stocks were mostly lower in Thursday trade, with mainland Chinese markets falling despite the release of better-than-expected May trade data. The Shanghai Composite in mainland China slipped 0.76% on the day to 3,238.95 while the Shenzhen Component dropped 1.851% to 11,810.58. Hong Kong's Hang Seng index shed around 0.9%, as of its final hour of trading. In Japan, the Nikkei 225 closed slightly higher at 28,246.53 while over in Australia, the S&P/ASX 200 dropped 1.42%, closing at 7,019.70.

Currencies

- The dollar index firmed up around 102.5 on Thursday, remaining in a tight trading range, as investors brace for US inflation data that could guide the Federal Reserve's rate hike timeline. The US consumer price index for May due out on Friday is expected to have gained 5.9% on the year, after an annual rise of 6.2% in April, based on consensus forecasts.
- EUR/USD has lost its traction after having advanced toward 1.0800 earlier in the session. With ECB President Lagarde refraining from committing to a 50 bps rate hike in September, the shared currency is struggling to preserve its strength and allowing the pair to edge lower. EURUSD was last seen trading around the 1.0700 mark.
- Ahead of key risk events including the ECB's imminent monetary policy announcement followed by US Consumer Price Inflation on Friday, GBP/USD continues to languish well within recent ranges. The pair was last seen trading below 1.2500s at around 1.2535.

- The AUD/USD pair has displayed a subdued performance in the Asian session and continued the similar performance in the European session. The major is struggled to establish above 0.7180 despite the upbeat trade data by China's National Bureau of Statistics. Aussie was last seen trading around 0.7150.
- The USD/JPY pair witnessed an intraday turnaround from its highest level since February 2002, around mid-134.00s touched earlier this Thursday and snapped a four-day winning streak. The corrective pullback extended through the first half of the European session and dragged spot prices to a fresh daily low, around the 133.40-133-35 region in the last hour.

Bonds

The 10-year US Treasury note yield, consolidated above 3% as investors assessed the outlook for tightening monetary policy ahead of a critical US inflation reading. Inflation in the US is expected to stay above 8% increasing pressure on the Federal Reserve to stick to aggressive rate hikes.

Commodities

Gold prices were slightly down on Thursday, restrained by a rise in Treasury yields ahead of key U.S. jobs and inflation data this week that could influence the Federal Reserve's rate-hike roadmap for fighting inflation. Spot gold was down 0.2% at \$1,850.44 per ounce at the time of press.

Oil prices hovered near three-month highs on Thursday after parts of Shanghai imposed new Covid-19 lockdown measures, though news of China's stronger-than-expected exports in May boosted the demand outlook. Brent crude dipped 29 cents to \$123.29 a barrel, while U.S. West Texas Intermediate crude was at \$121.76 a barrel, down 35 cents.

Up Ahead –Friday 10-06-2022

- CAD Employment Change
- CAD Unemployment Rate
- USD Core CPI m/m

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