DAILY MARKET ANALYSIS 17-06-2022

The Bank of Japan (BOJ) announced on Friday that it left its monetary policy settings unchanged. In its policy statement, the BOJ reiterated that it will be paying close attention to developments in forex markets and their impact on Japan's economic activity. The Switzerland National Bank surprised markets with an unexpected 50 bps hike, while the Bank of England moved as planned and made its fifth consecutive 25 bps hike. Two things we learned from this. On the one hand, the Fed is far more aggressive than any other central bank. On the other, global policymakers are much more scared about the economic situation than what they let see. Meanwhile, the leaders of Germany, France and Italy, criticised in the past by Kyiv for support viewed as too cautious, visited Ukraine on Thursday and offered the hope of EU membership to a country pleading for weapons to fend off Russia's invasion.

Stocks

US stock futures rose on Friday as Wall Street tries to find its footing after a brutal week of selling. In regular trading on Thursday, the Dow lost over 700 points, falling below the 30,000 level, while the S&P 500 and Nasdaq tumbled 3.3% and 4.1%, respectively, bringing all three benchmarks to levels not seen since late 2020.

European markets were cautiously higher on Friday but remained on course for a bruising week as global stocks reacted to policy tightening from major central banks. The pan-European Stoxx 600 nudged 0.4% higher in early trade, with travel and leisure stocks gaining 1.3% while oil and gas stocks fell 1.7%.DAX in Germany traded 0.6% higher, CAC 40 in France climbed 0.6%, while the FTSE 100 in the U.K. fell 0.4%.

Shares in Asia-Pacific struggled for direction on Friday, following sharp declines on Wall Street as investors weighed the possibility of aggressive monetary policy tightening leading to a recession. The Nikkei 225 in Japan fell 1.77% to close to 25,963. In Hong Kong, the Hang Seng index recovered from earlier losses to rise 1.15%, as of its final hour of trading. Mainland China stocks closed higher, with the Shanghai Composite up 0.96% to 3,316.79 while the Shenzhen Component gained 1.483% to 12,331.14.

Currencies

- The dollar index bounced back above 104 on Friday after coming under pressure in the prior two sessions, tracking a rebound in Treasury yields as investors reassessed the likely path for US monetary policy against a backdrop of high inflation and a challenging growth outlook. Markets also took stock of policy moves from other major central banks this week, with the Swiss National Bank and the Bank of England raising their own benchmark rates, while the Bank of Japan kept its ultra-easy policy unchanged.

- EUR/USD consolidated Thursday's gains but managed to hold above 1.0500 on Friday. The data published by Eurostat showed that the HICP inflation was 8.1% on a yearly basis in May, matching the flash estimate and the market expectation.

- GBP/USD recovered above 1.2300, shrugging off the broad US dollar strength. The pair capitalized on the return of risk flows in European trading. Investors reassess the BOE policy guidance, with doors open for a 50 bps August rate hike.

- The AUD/USD pair struggled to capitalize on its strong gains recorded over the past two trading sessions and met with a fresh supply on Friday. The pair continued losing ground through the early European session and weakened further below 0.7000 hitting a fresh daily low in the last hour.

- The Japanese yen weakened as much as 1.8% to 134.6 per dollar on Friday, sliding back towards 24-year lows, after the Bank of Japan kept its ultra-easy monetary settings unchanged, continuing its policy divergence with global peers. The central bank also resisted market pressure on the yen and government bonds, amid speculations earlier this week mainly among foreign investors that the bank may tweak its current yield control policy.

Bonds

The 10-year US Treasury note yield tumbled below the 3.3% level as investors dumped stocks and rushed into safe-haven assets on concerns that an aggressive tightening from central banks could tip economies into a recession. European bond yields sharply rebounded on Thursday as investors digested rate hikes by major central banks.

Commodities

Gold fell on Friday, as a higher dollar and rising U.S. Treasury yields weighed on demand for greenback-priced bullion and put prices on track for their biggest weekly drop since mid-May. At the time of press the yellow metal was trading around $1.847 per ounce.

Oil prices recovered on Thursday from a steep drop in the previous session, supported by tight oil supply and peak summer consumption, after a U.S. rate hike sparked fears of slower economic growth and less fuel demand. Brent crude rose to $119.28 a barrel while U.S. West Texas Intermediate (WTI) crude was seen traded around $116 per barrel.

Up Ahead –Monday 20-06-2022

- FOMC Member Bullard 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.*