

## DAILY MARKET ANALYSIS 21-06-2022

The American dollar ended Monday with modest losses against most major rivals. The better tone of European indexes and a holiday in the US, however, resulted in choppy trading across the FX board. European Central Bank President Christine Lagarde testified before the Committee on Economic and Monetary Affairs of the European Parliament and repeated that the central bank intends to raise the key interest rate by 25 bps in their July policy meeting. Furthermore, she added that they will hike rates in September as inflation is “undesirably high.” The Ukraine war has reduced gas flows from Russia to the Union, with major countries looking to revive coal-fired power plants as an alternative. The Kremlin noted that they are to send gas to the EU, claiming gas flows have fallen because of missing turbines in NordStream because of sanctions. Brexit woes continue to hurt the pound after the UK government announced plans to change parts of the Northern Ireland Protocol, despite the EU claiming it breaches international laws.

### Stocks

Stock futures contracts tied to the three major indices were up roughly 2% on Tuesday morning, putting Wall Street on track to begin a holiday-shortened week higher amid bargain hunting for beaten-down stocks.

European stocks moved higher on Tuesday, continuing a recovery seen at the start of the week. The pan-European Stoxx 600 index added 0.5% by mid-afternoon, paring earlier gains of more than 1%. Autos climbed 1.3% to lead gains while utilities slipped 1.1%. DAX in Germany traded 1.1% higher, the CAC 40 in France rose 1.4%, and the UK's FTSE 100 climbed 0.6%.

Asia-Pacific markets were mostly buoyant on Tuesday. Mainland Chinese stocks struggled for gains, with the Shanghai Composite dipping 0.26% to close at 3,306.71 while the Shenzhen Component sat 0.51% lower at 12,423.86. Hong Kong's Hang Seng index climbed 1.66% while Australia's S&P/ASX 200 rose 1.41% to end the day at 6,523.80.

### Currencies

- The dollar index, which tracks the greenback against six major peers was down 0.2% at 104.23, with eyes on Federal Reserve Chair Jerome Powell's testimony to Congress, which kicks off on Wednesday. Two other Fed policymakers are due to make public remarks later on Tuesday, with traders watching their comments closely for clues about the interest rate trajectory.
- The euro rose on Tuesday, drawing support from the European Central Bank's plans to raise interest rates to contain inflation. The common currency advanced toward 1.0600 earlier in the day but with the greenback starting to erase a portion of its daily losses, the pair has retreated to the 1.0550 area.
- GBP/USD has turned south after having advanced beyond 1.2300 in the European morning. Despite the risk-positive market environment, the greenback holds its ground ahead of the American session, causing the pair to erase its daily gains. Cable was last seen traded around the 1.2280 area.
- AUDUSD is retreating from daily highs of 0.6988, as bulls take a breather after the latest leg higher. The extended rebound in the aussie comes on the heels of the ongoing sell-off in the US dollar across its major peers, as risk-on flows dominate the European session and dent the buck's safe-haven appeal. The pair was last seen traded just below the 0.6980 area.

- The USD/JPY pair caught aggressive bids on Tuesday and surged past the 136.00 mark, hitting its highest level since October 1998 during the early North American session. The pair was last seen trading around the 136.25 region, up over 0.85% for the day.

### **Bonds**

The U.S. 10-year yield was at 3.2844%, down from last week's peak of 3.495% - its highest since 2011 - which came the same day the Fed raised interest rates by a massive 75 basis points. European bond yields rose, with the benchmark 10-year German yield up 12 basis points on the day at 1.78%.

### **Commodities**

Gold prices eased on Tuesday as headwinds from an uptick in U.S. Treasury yields amid prospects of more interest rate hikes offset support from a retreat in the dollar. Gold continued with its struggle to gain any meaningful traction on Tuesday and remained confined in a narrow trading band for the second successive day. The yellow metal was last seen trading in neutral territory, around the \$1,835 area.

Oil prices rose almost \$2 on Tuesday on high summer fuel demand while supplies remain tight because of sanctions on Russian oil after its invasion of Ukraine. Brent and WTI crude rose to \$115.93 and \$111.82 per barrel respectively.

### **Up Ahead –Wednesday 22-06-2022**

- GBP CPI y/y
- CAD CPI m/m
- USD Fed Chair Powell Testifies

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