

DAILY MARKET ANALYSIS 23-06-2022

The dollar finished lower on Wednesday against most major rivals, although the slide was limited. Most major pairs remain within familiar levels, with volatility limited. The main event of the day was US Federal Reserve chief Powell's testimony before Congress. Powell kick-started his speech, saying that the central bank is strongly committed to bringing inflation back down and that the ongoing interest rate increases will remain appropriate. By the end of the event, he added that they would never take any size of rate hike off the table, regardless higher interest rates are likely to be painful and could cause a recession. Meanwhile, persistent tensions in Ukraine exacerbate commodity and food prices. German Chancellor Olaf Scholz diminished the chances of a resolution as he noted that Russian President Vladimir Putin still believes in a dictated peace.

Stocks

US stock indices were lower on Thursday after the major averages slipped overnight, weighed down by economic concerns after Federal Reserve Chair Jerome Powell acknowledged the risk of a recession. In regular trading on Wednesday, the major averages retreated into the close after rallying to start the day, with the Dow and Nasdaq Composite each losing 0.15%, while the S&P 500 shed 0.13%.

European stocks were lower Thursday, as global markets see renewed volatility after a brief recovery following last week's tumultuous trading. The pan-European Stoxx 600 dropped 1.2% in early trade, with basic resources shedding 2.1% to lead losses as all sectors and major bourses slid into negative territory. The DAX in Germany traded 1.6% lower, the CAC 40 in France fell 1.5%, and the UK's FTSE 100 dropped 0.9%.

Shares in the Asia-Pacific region were mixed on Thursday as investors continued to monitor recession concerns. Hong Kong's Hang Seng index rose nearly 1%, and the Hang Seng Tech index gained 1.42%. Mainland Chinese markets struggled for direction initially, but last traded higher. The Shanghai Composite was up 0.58%, and the Shenzhen Component was 0.782% higher. The Nikkei 225 was down 0.3% while in Australia, the S&P/ASX 200 was fractionally higher.

Currencies

- The dollar index traded around 104.6 on Thursday, holding on to its recent declines and tracking Treasury yields lower, amid growing concerns of a possible recession. Federal Reserve Chair Jerome Powell said in a testimony to Congress that the central bank is fully committed to bringing prices under control, even at the risk of an economic downturn.
- EUR/USD has lost its traction in the European morning and declined toward the 1.0500 area. The data from Germany and the eurozone showed that the private sector activity grew at a softer pace than expected in early June, reviving recession fears in the euro area.
- GBP/USD stays on the back foot and trades around 1.2200 on Thursday. The data from the UK revealed that the Services PMI stayed unchanged at 53.4 in early June, but the Manufacturing PMI declined to 53.4 from 54.6 in May, not allowing the British pound to gather strength.

- AUD/USD remained depressed for the second successive day amid the prevalent caution mood. Aussie stayed under heavy bearish pressure and traded below 0.6900 at the time of pressing. Although the PMI data from Australia came in better than expected, the AUD continues to lose interest as market participants seek refuge.
- USD/JPY licks its wounds near intraday low, at 135.50 during Thursday's European session. The yen pair's latest weakness could be linked to the mixed PMI data from Japan, as well as on chatters that the Bank of Japan's (BOJ) Yield Curve Control (YCC) policy is under threat.

Bonds

The 10-year US Treasury note yield extended its decline towards the 3% mark, a level not seen in two weeks, as investors continued to pile into safe-haven assets amid concerns that tightening financial conditions could tip the US economy into a recession. The yield on the German 10-year Bund decreased to below 1.5%, the lowest in two weeks and moving away from an 8-1/2-year high of 1.926% hit on June 16th.

Commodities

Gold prices inched lower on Thursday, pressured by expectations of aggressive interest rate hikes after the U.S. Federal Reserve chief doubled down on the central bank's fight against inflation. Fed Chair Jerome Powell indicated on Wednesday in his testimony before Congress that the central bank is "strongly committed" to bringing down inflation, while acknowledging the "possibility" of a recession. XAUUSD was last seen traded around \$1.830 per ounce.

Oil prices fell 2% in early trade on Thursday, extending losses from the previous day, as investors worried that aggressive U.S. interest rate hikes could trigger a recession and dent fuel demand. Both benchmarks tumbled around 3% on Wednesday to hit their lowest levels since mid-May.

Up Ahead –Friday 24-06-2022

- GBP Retail Sales m/m
- EUR German ifo Business Climate
- AUD RBA Gov Lowe Speaks
- USD Revised UoM Consumer Sentiment

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