

DAILY MARKET ANALYSIS 28-06-2022

Major pairs seesawed between gains and losses but held on to familiar levels. Market players are juggling with mounting inflation and recession concerns, and central bankers juggling to tame inflation without halting economic progress. The mood was generally positive at the weekly opening but soured after S&P downwardly reviewed economic growth. It now expects the EU economy to advance a modest 2.6%, while foresees US growth at 1.6%, well below the estimated potential growth rate of around 2%. Meanwhile, as the Group of Seven meeting in Germany concludes on Tuesday, another big summit is beginning — the meeting of the NATO alliance in Spain. The summit is arguably the most important meeting of the alliance in recent months, with member countries and non-NATO allies, such as Australia and South Korea, set to discuss the war in Ukraine and how to confront an increasingly aggressive Russia.

Stocks

US stock futures slipped further on Tuesday after closing the previous session lower, as technology shares came under renewed selling pressure. Those moves followed modest losses in Wall Street on Monday as the major indexes failed to sustain momentum from last week's rally. The Dow shed 0.2%, the S&P 500 fell 0.3% and the Nasdaq Composite lost 0.7%.

European markets opened in the green on Tuesday, spurred on by a lift in sentiment in Asia, where stocks jumped on news that China will ease some COVID restrictions. The pan-European STOXX 600 index traded 0.32% higher at 416.40. Germany's DAX, the CAC 40 in France and the FTSE in the U.K. also rose.

Shares in the Asia-Pacific region were higher on Tuesday as investors weigh economic concerns. Hong Kong's Hang Seng index reversed earlier losses to climb 0.7% in its final hour of trade. Japan's Nikkei 225 rose 0.66% to close at 27,049.47 while Australia's S&P/ASX 200 was 0.86% higher at 6,763.6 at the end of the day. The Shanghai Composite was up 0.89% at 3,409.21, and the Shenzhen Component advanced 1.23% to close at 12,982.69.

Currencies

- The dollar index steadied near the 104 level on Tuesday, holding recent declines, as softening inflation expectations prompted investors to reassess bets that the Federal Reserve will continue to aggressively raise interest rates. Traders turned cautious toward the dollar as some high-frequency data indicators showed cooling economic momentum, while observing a broader drop in commodity prices.
- The EUR/USD pair continued with its struggle to conquer the 1.0600 round-figure mark and oscillated in a range through the early part of the European session on Tuesday. The shared currency continued drawing support from the European Central Bank's clear signal that it will kick start the interest rate hike cycle in July.
- The GBP/USD pair extended its sideways price move for the third successive day and remained confined in over a one-week-old trading range, below the 1.2300 round-figure mark. The recent sharp decline in commodity prices eased concerns about a further rise in inflationary pressures and forced investors to reassess the prospects for aggressive Fed rate hikes.

- The AUD/USD pair attracted fresh buying on Tuesday and climbed to a four-day high, around the 0.6965 region during the first half of the European session. The risk-on mood benefitted the risk-sensitive aussie amid subdued USD demand.
- The USD/JPY pair attracted fresh buying in the vicinity of the 135.00 psychological mark on Tuesday and turned positive for the third successive day. The momentum pushed spot prices to a three-day high during the early part of the European session, with the pair last seen traded above the 136.00 mark.

Bonds

The 10-year US Treasury note yield consolidated above 3.1%, bouncing further from a two-week low of 3.0% as investors assessed the outlook for monetary policy ahead of the US PCE reading for May due later this week. Germany 10Y Bond Yield and United Kingdom 10Y Bond Yield were at 1.55% and 2.38% respectively on Tuesday.

Commodities

Gold prices were steady on Tuesday, as traders refused to commit in either direction in the absence of market-moving catalysts. A move by Britain, the United States, Japan, and Canada to ban new imports of Russian gold is being seen as largely symbolic within the global bullion market, as Russian exports to the West have already dried up. Gold was last seen around \$1.827 per ounce.

Oil prices rallied for a third day on Tuesday as major producers Saudi Arabia and the United Arab Emirates looked unlikely to be able to boost output significantly while political unrest in Libya and Ecuador added to those supply concerns. U.S. West Texas Intermediate (WTI) crude rose \$1.13 to \$110.7 a barrel and Brent crude advanced \$1.26 to \$116.35.

Up Ahead –Wednesday 29-06-2022

- ALL OPEC Meetings
- EUR ECB President Lagarde Speaks
- GBP BOE Gov Bailey Speaks
- USD Fed Chair Powell Speaks

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