

DAILY MARKET ANALYSIS 30-06-2022

The forex space was driven by comments from the Federal Reserve's Chairman, Jerome Powell. He explained that there is a risk the US central bank's interest rate hikes will slow the economy too much. He added that the bigger risk, however, is persistent inflation. Powell made these comments at a European Central Bank conference. Investors continue to worry that an aggressive push by the Fed to dampen inflation will drag the economy into a recession and that has put a bid back into the safe-haven US dollar, sinking all other ships. Inflation fears are being fanned further by oil prices, which extended their rise into the fourth day. During the Asian trading hours, the data from China showed that the business activity in the private sector expanded in June following April and May's contraction. Meanwhile, in a historic move yesterday, NATO invited Sweden and Finland to join the alliance. That was made possible after a deal was forged with Turkey to accept the membership bids after initial objections from Ankara.

Stocks

US stock futures slipped on Thursday ahead of June's last trading day, with the S&P 500 heading for its worst first half since 1970 as markets were pressured by economic and geopolitical factors since the start of the year. Futures contracts tied to the three major indices all traded in negative territory. Those moves followed a lackluster session on Wednesday, with the Dow rising 0.27%, while the S&P 500 and Nasdaq shed 0.07% and 0.03%, respectively.

European stock markets slumped Thursday, ending a tough month on a gloomy note, weighed by concerns like aggressive monetary tightening to curb inflation will cause a severe global economic slowdown. The DAX in Germany traded 2.2% lower, the CAC 40 in France fell 2.1%, and the UK's FTSE 100 dropped 1.7%.

Chinese markets rose on Thursday as government data showed factory activity grew in June, but most other Asia-Pacific indexes fell. The Shenzhen Component gained nearly 2%, and the Shanghai Composite advanced 1.31%. The Hang Seng index in Hong Kong was up fractionally. The Nikkei 225 in Japan dropped 1.49% while in Australia, the S&P/ASX 200 fell 0.92%.

Currencies

- The dollar index traded above 105 on Thursday, hovering close to a 20-year high of 105.79 reached in mid-June, underpinned by the Federal Reserve's firm hawkish stance, while also benefiting from safe-haven demand amid fears of a global recession. Speaking at a European Central Bank event on Wednesday, Fed Chair Jerome Powell said it was important to bring down inflation, even if it meant economic pain, with similar remarks from ECB President Christine Lagarde.
- Following a short-lasting recovery attempt in the early European session, EUR/USD has met fresh bearish pressure and declined below 1.0400. EUR/USD has failed to stage a convincing rebound after having closed the previous two days deep in negative territory.
- The GBP/USD pair managed to defend and attract some buying near the 1.2100 mark on Thursday, stalling its recent downfall to a nearly two-week low. The pair maintained its bid tone through the early part of the European session and was last seen trading just above mid-1.2100s.

- The Australian dollar edged higher to 0.6883 helped by data showing China's factory activities expanded in June, for the first time since February, as authorities lifted COVID lockdowns in major cities such as Shanghai.
- The USD/JPY pair witnessed some selling on Thursday and snapped a four-day winning streak to its highest level since September 1998, around the 137.00 mark touched the previous day. The pair remained depressed through the first half of the European session, though showed resilience below the 136.00 mark and has now recovered a few pips from the daily low.

Bonds

The 10-year US Treasury note yield extended its decline towards the 3% mark, a level not seen in three weeks, as investors continued to pile into safe-haven assets amid concerns that tightening financial conditions could tip the US economy into a recession.

Commodities

Gold was mostly quiet on Thursday, but faced its worst quarter since early 2021, as a remarkable showing from the dollar kept investors away, with bullion's outlook clouded by top central banks adopting aggressive tactics against stubborn inflation. XAUUSD was last seen traded around \$1.812 per ounce.

Oil prices were largely steady in volatile trading on Thursday as the market weighed concerns over global supply against a build in U.S. fuel product inventories. U.S. West Texas Intermediate (WTI) crude rose 20 cents to \$109.98. Brent crude was up 28 cents at \$112.73 a barrel.

Up Ahead –Friday 01-07-2022

- USD ISM Manufacturing PMI

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