

## DAILY MARKET ANALYSIS 06-07-2022

The dollar remained strong on Wednesday, with EUR/USD reaching a fresh 20-year low of 1.0160. The shared currency is among the weakest amid fears of a local recession and the looming energy crisis. The FOMC released the Minutes of its latest meeting. The document showed that Federal Reserve officials agreed high inflation warranted restrictive interest rates and are open to being even more restrictive if inflation persists. Also, the majority of participants saw a downside risk to growth, while judging there was a “significant risk” higher inflation could become entrenched. Somehow, the US Federal Reserve left the doors open for another 75 bps hike. Meanwhile, Shanghai is widely expected to go into another coronavirus-related lockdown with the city's Health Commission reporting 32 new cases. Additionally, Japanese news outlets have reported that authorities were planning to tighten restrictions in Tokyo.

### Stocks

US stock futures inched up in Asian trade on Thursday after the major averages finished higher in the regular session, with investors digesting the latest meeting minutes from the Federal Reserve. Futures contracts tied to the three major indexes were each up at least 0.1%. In regular trading on Wednesday, the S&P 500 and Nasdaq Composite posted their third straight day of gains, rising 0.36% and 0.35%, respectively. The Dow also climbed 0.23% for its second positive session in three.

European stock markets traded higher Thursday, building on the previous session's gains as investors await the release of the minutes from the latest meeting of the European Central Bank. DAX in Germany traded 1.3% higher, the CAC 40 in France rose 1.4%, and the UK's FTSE 100 gained 1.1%. The pan-European Stoxx 600 added 1.5% in early trade, with autos climbing 3.8% to lead gains as all sectors and major bourses entered positive territory.

Asia-Pacific markets were mostly higher on Thursday as investors watch for market reaction to the latest Fed minutes. Japan's Nikkei 225 gained 1.44% while the S&P/ASX 200 was up 0.45%. Mainland China markets were also higher. The Shanghai Composite rose 0.51%, and the Shenzhen Component climbed around 1%. Both indexes fell on Wednesday as Covid concerns came back into focus.

### Currencies

- The dollar index traded just below 107 on Thursday, remaining close to its highest levels in 20 years after minutes from the Federal Reserve's June meeting pointed to consensus that interest rates need to rise further to prevent inflation from becoming entrenched. Policymakers emphasized the importance of fighting higher consumer prices, even if it hampers growth.
- The Euro remained below \$1.02, the lowest level in 20 years, and is on the verge of hitting dollar parity on growing concerns Russia may cut off gas supply to Europe and plunge the region into recession, which in turn would make it more difficult for the ECB to tighten monetary policy. The key pipeline Nord Stream 1 is set to shut for maintenance on July 11-21 and may not return to full capacity, threatening the bloc's objectives to fill up storage capacity before winter.
- The GBP/USD pair gained some positive traction on Thursday and moved further away from its lowest level since March 2020, around the 1.1875 region touched the previous day. The pair maintained its bid tone through the early European session and was last seen trading near the daily high, just above the mid-1.1900s.

- The AUDUSD pair once again showed resilience near the 0.6765-0.6760 area and staged a goodish bounce from over a two-year low set earlier this week. Spot prices extended the steady intraday ascent through the early part of the European session and climbed to the 0.6830-0.6835 area, reversing weekly losses.
- The USD/JPY pair seesawed between tepid gains/minor losses and remained confined in a narrow band around the 136.00 mark through the early European session. Media reports that the Bank of Japan will raise its view of inflation for 2022 to above 2% prompted some intraday selling around the USD/JPY pair on Thursday.

### **Bonds**

The yield on the benchmark US 10-year Treasury note jumped more than 10 basis points to 2.9% on Wednesday, rebounding from a five-week lows, as upbeat economic data propelled interest rate expectations higher, while investors also digested the FOMC minutes.

### **Commodities**

Gold prices edged up on Thursday from nine-month lows touched in the previous session, after a break in the dollar's rally alleviated pressure on bullion, but analysts warned that the relief was likely to be temporary. Gold was last seen trading around \$1.745 per ounce.

Brent and WTI crude extended declines for a third session on Thursday, slipping under \$100 a barrel, as fears of a potential global recession spurred concerns about oil demand. Both benchmarks closed on Wednesday at their lowest since April 11. The declines follow a dramatic fall on Tuesday despite tight global supplies. Brent crude fell 94 cents to \$99.75 a barrel and WTI slid 79 cents to \$97.74 a barrel.

### **Up Ahead –Friday 08-07-2022**

- EUR ECB President Lagarde Speaks
- CAD Unemployment Rate
- USD Non-Farm Employment Change
- USD Unemployment Rate

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