

DAILY MARKET ANALYSIS 08-07-2022

Following Thursday's choppy market action, investors seem to have turned cautious ahead of the US June jobs report later today. The US Dollar Index continues to edge higher above 107.00, US stock index futures are down between 0.4% and 0.6% and the 10-year US T-bond yield stays calm near 3% following the two-day rebound. The European economic docket will not be featuring any high-impact data releases ahead of the weekend. Statistics Canada will release the Unemployment Rate data for June as well. Meanwhile U.K. Prime Minister Boris Johnson resigned yesterday, bringing an acrimonious end to a nearly three-year premiership that has been beset by controversy and scandal. Speaking outside Downing Street, Johnson said the process for choosing the new leader of the Conservative Party should begin now, with a timetable to be announced next week. He said he intends to remain in place until a new Tory leader is elected.

Stocks

US stock futures eased in Asian trade on Friday after the major averages rallied in the regular session, as investors brace for a highly anticipated monthly jobs report due Friday. Dow futures fell 0.15%, while S&P 500 and Nasdaq 100 futures each lost about 0.2%. In regular trading on Thursday, the S&P 500 and Nasdaq Composite posted their fourth straight day of gains, rallying 1.5% and 2.3%, respectively. The Dow also gained 1.1% for its third winning session in four.

European stock markets edged slightly lower Friday, ending the week on a cautious note ahead of a speech by ECB President Christine Lagarde as well as the keenly awaited U.S. monthly jobs report. DAX in Germany traded 0.1% lower, the CAC 40 in France fell 0.1%, and the UK's FTSE 100 dropped 0.1%.

Asia-Pacific stocks were up on Friday morning, following a U.S. rally sparked by hopes that policymakers can tackle inflation without causing a recession. Mainland China markets reversed course to close lower. The Shanghai Composite shed 0.25% to close at 3,356.08, while the Shenzhen Component lost 0.61% to 12,857.13. Elsewhere in the region, Australia's S&P/ASX 200 advanced 0.45% while the Nikkei 225 was up 0.1% and closed at 26,517.19.

Currencies

- The dollar index held firmly above 107 on Friday, inching closer to a fresh 20-year high, as investors await US jobs data, which is expected to remain solid in June, bolstering the case for another supersized rate hike from the Federal Reserve. In the latest Fed commentary, two of the most hawkish policymakers, Christopher Waller, and James Bullard, backed raising interest rates by another 75 basis points this month to curb red-hot inflation.
- Following a brief consolidation phase during the Asian trading hours on Friday, EUR/USD came under heavy bearish pressure in the European morning and touched its weakest level since December 2002 below 1.0100. In today's session, the release of the US Nonfarm Payrolls (NFP) will be of utmost importance.
- GBP/USD came under heavy bearish pressure early Friday and fell below 1.1950. British Prime Minister Boris Johnson announced his resignation on Thursday. Bank of England (BOE) policymaker Catherine Mann argued on Thursday that the uncertainty about the inflation process was strengthening the case for front-loading interest rate rises.



- The AUD/USD pair declined firmly after hitting a high of 0.6822 in the Asian session. RBA Governor Philip Lowe indicated the board's commitment to doing what is necessary to bring down inflation and said the "size and timing of future interest rate increases will be guided by the incoming data." Aussie was last seen trading flat at the 0.6828 region.
- USD/JPY fell 0.3% to 135.63 as foreign exchange traders sought out the Japanese currency, a well-known risk-averse trade, following the news that Abe, Japan's longest-serving prime minister, was shot on Friday while campaigning for a parliamentary election. Abe was reported dead earlier today.

Bonds

The recently improved inflation expectations fail to defy the recession fears signalled by the inversion of the 2-year and the 10-year Treasury yield curve. That said, the US 2-year Treasury yields are higher today around 3.02% while the 10-year bond coupon seesaws near 3.0% at the latest.

Commodities

Gold steadied around \$1,740 an ounce on Friday, but was headed for its fourth straight weekly decline, as heightened recession fears and an increasingly restrictive US monetary policy drove investors out of bullion and into the dollar.

Oil prices slipped in early Asian trade on Friday, following a rebound in the previous session, as investors remained torn between worries over tight global supplies and fears a recession could dampen oil demand. Brent crude fell 39 cents to \$104.26 a barrel, dropping away from a near 4% rebound on Thursday. U.S. West Texas Intermediate crude slipped 35 cents to \$102.38 a barrel, having settled 4.2% higher a day earlier.

Up Ahead –Monday 11-07-2022

- JPY BOJ Gov Kuroda Speaks

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