



DAILY MARKET ANALYSIS 15-07-2022

The dollar rally that was fuelled by the hot inflation data on Wednesday extended further on Thursday and the US Dollar Index reached its strongest level in nearly two decades at 109.29. Dovish Fed commentary, however, caused the greenback to lose interest ahead of the key Retail Sales data from the US. Additionally, the Fed will release its Index of Common Inflation Expectations (CIE) for the second quarter and the University of Michigan will publish the Consumer Sentiment Survey for July. Meanwhile, the European economic docket will feature the May Trade Balance data. Earlier in the day, the data from China showed that the Gross Domestic Product (GDP) contracted by 2.6% on a quarterly basis in the second quarter. This reading came in worse than analysts' estimate for a contraction of 1.5%. On a positive note, Retail Sales in China expanded by 3.7% on a yearly basis in June.

Stocks

US stock futures rose in Asian trade on Friday as investors await more bank earnings reports, with Wells Fargo and Citigroup set to release quarterly results later in the global day. Futures contracts tied to the three major indexes edged up at least 0.3%. In regular trading on Thursday, the Dow and S&P 500 fell 0.46% and 0.3%, respectively, while the Nasdaq Composite inched up 0.03%.

European stock markets traded higher Friday, ending a difficult week on a positive note despite disappointing Chinese growth data and an uncertain political situation in Italy. The DAX in Germany traded 1.3% higher, the CAC 40 in France rose 0.5%, and the U.K.'s FTSE 100 climbed 0.8%.

Chinese markets were mixed Friday as investors watched for market reaction to China's second-quarter GDP missing expectations. The Shanghai Composite was down 0.24%, while the Shenzhen Component was up 0.196%. Elsewhere, the Hang Seng index in Hong Kong fell 1.19%, and in Australia, the S&P/ASX 200 dropped 0.77%.

Currencies

- The dollar index held steady around 108.6 on Friday, hovering near a 20-year high hit in the previous session and pausing its relentless rally, as two Federal Reserve policymakers nipped speculations for a bigger 100 basis point rate hike.
- EUR/USD has managed to stage a rebound after having plunged to its weakest level in nearly 20 years at 0.9952 on Thursday and steadied above parity in the European session. The pair remains at the mercy of the dollar's valuation, and it is likely to face renewed bearish pressure in case investors start betting on a 100 basis points rate hike in July after the US data.
- GBP/USD has recovered and steadied above 1.1800 early Friday after having suffered heavy losses on Thursday. Investors await key macroeconomic data releases from the US and the dollar could face selling pressure in case the probability of a 100 basis points (bps) rate hike in July continues to decline.



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- AUD/USD picks up bids to refresh intraday high around 0.6760 despite economic troubles at the biggest customer China. That said, the Aussie pair appears to cheer the risk-on mood during Friday's Asian session while portraying a corrective pullback from a two-year low.
- USD/JPY takes offers to refresh intraday low around 138.80 while extending the late Thursday's pullback from a multi-year high to Friday's initial Asian session. The yen pair's latest weakness could be linked to the market's inaction, as well as softer yields, not to forget the cautious mood ahead of the key US data.

Bonds

The 10-year US Treasury note yield consolidated around 3% today. The gap between 2 and 10-year bond yields widened by almost 30 basis points, the largest in over two decades. This closely watched part of the US yield curve, viewed as a proxy for recession risks, has been inverted in the last several trading sessions.

Commodities

Gold inched higher on Friday, as the dollar rally eased, although the greenback's remarkable performance overall and fears of aggressive U.S. interest rate hikes weighed on demand for bullion and set prices for a fifth straight weekly loss. Spot gold was up 0.2% at \$1,712.04 per ounce at the time of press.

Oil prices rose on Friday amid prospects of a less aggressive U.S. rate hike, although worries about a recovery in demand capped gains. Brent crude rose \$1.25 to \$100.35 a barrel while WTI crude rose 90 cents to \$96.68 a barrel. Concerns about the outlook for demand continued to keep a lid on oil prices.

Up Ahead –Monday 18-07-2022

- NZD CPI q/q
- USD MPC Member Saunders Speaks

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