

## **DAILY MARKET ANALYSIS 22-07-2022**

The European Central Bank toughened its anti-inflationary stance with a 50 basis point hike to interest rates and announced a new anti-fragmentation tool, but analysts are unconvinced that these measures will tackle the euro zone's myriad of economic challenges. The 50 basis point increase to the key rate on Thursday was broadly well received by the market and commentators, with inflation running at a record high in the 19-member common currency bloc and the ECB lagging behind its peers in kickstarting the process of monetary tightening.

### **Stocks**

The S&P 500 and the Nasdaq opened lower on Friday as social media and ad tech firms led declines after dismal quarterly revenues from Twitter (NYSE:TWTR) and Snap (NYSE:SNAP), while an upbeat forecast from American Express (NYSE:AXP) boosted the Dow.

### **Currencies**

- The Bank of Japan (BOJ), as widely expected, decided to keep its policy measures unchanged at its Jul Monetary Policy Meeting (MPM). The BOJ continued its stark divergence with its G7 peers who are on the cusp or already normalizing monetary policy, as the Japanese central bank kept persistently to its preference for easing, reiterating its pledge that it 'will not hesitate to take additional easing measures if necessary, and also it expects short- and long-term policy interest rates to remain at their present or lower levels'.
- EUR/USD has extended its recovery and reclaimed 1.0200 in the American session on Friday. After the data from the US pointed to a contraction in the private sectors business activity in early July, the dollar came under renewed selling pressure.
- GBP/USD has gathered bullish momentum and advanced above 1.2000 ahead of the weekend. The weaker-than-expected Services and Composite PMI reading from the US caused the dollar to lose interest, fueling the pair's rally.
- USD/JPY pair attracts some dip-buying near the 137.00 mark, or over a one-week low touched this Friday and reverses a major part of the overnight decline. The intraday uptick, however, falters just ahead of the 138.00 mark during the early European session.
- AUD/USD pair reverses an intraday dip to sub-0.6900 levels and inches back closer to a nearly four-week high touched earlier this Friday. The pair was last seen trading around the 0.6920 region during the first half of the European session.

### **Bonds**



A further decline in the US Treasury bond yields reflects mounting worries about the worsening economic outlook. Thursday's US macro data - Weekly Jobless Claims and the Philly Fed Manufacturing Index - also pointed to signs of a deteriorating trend in the economy. This, in turn, dragged the yield on the benchmark 10-year US government bond to its lowest level in over two weeks, which was seen as another factor that offered some support to the gold price.

## **Commodities**

**Gold** gained some follow-through traction for the second successive day on Friday and built on the overnight goodish recovery from the \$1,680 region, or its lowest level since March 2021. The momentum pushed the XAUUSD to over a one-week high, around the \$1,737 region during the North American session. That said, any meaningful upside still seems elusive, warranting some caution for aggressive bullish traders.

## **Up Ahead –Tuesday 19-07-2022**

- EUR German ifo Business Climate

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