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DAILY MARKET ANALYSIS 25-07-2022

The US dollar edged higher on the first day of a new week amid a modest uptick in the US Treasury bond yields. This, in turn, offered some support to the USD/JPY pair, though a combination of factors held back bulls from placing aggressive bets and kept a lid on any meaningful upside.The market worries about a global economic downturn were further fuelled by the disappointing release of the flash PMI prints from the Eurozone and the US on Friday. This continued weighing on investors' sentiment, which underpinned the safe-haven Japanese yen and capped the USD/JPY pair.

Stocks

European stock indices recouped earlier losses on Monday, lifted by shares of banks despite at the start of a busy week, which will see an interest rate decision by the US Fed and a large batch of corporate earnings. The Fed is most likely seen raising borrowing costs by 75 bps on Wednesday, although some investors priced in a one-in-ten possibility of a 100 bps super rate hike. On the earnings front, Ryanair Q2 profits beat analyst forecasts, Vodafone saw its July-quarter revenue go up by 1.6% y-o-y, driven by its UK division, while Philips' earnings missed expectations as the Dutch medical gear maker also cut its 2022 guidance. On the data front, Germany's Ifo Business Climate Index fell to an over 2-year low of 88.6 in July, compared with analyst forecasts of 90.2, as businesses fret over gas shortages and high energy prices. The DAX was up 0.4% and the regional EuroStoxx 50 was almost flat.

Currencies

• German IFO Business Climate Index plunged to 88.6 in July versus last month's 92.2 and the consensus estimates of 90.5.Meanwhile, the Current Economic Assessment dropped to 97.7 points in the reported month as compared to June's 99.4 and 98.2 anticipated.The IFO Expectations Index – indicating firms' projections for the next six months, fell sharply to 80.3 in July from the previous month's 85.5 reading and the market forecast of 83.0.

• EUR/USD is trading near 1.0250, recovering ground as the US dollar meets fresh supply amid a sudden positive shift in risk sentiment. Investors shrug off global economic slowdown worries and disappointing German IFO data.

• GBP/USD is advancing above 1.2000 amid the return of risk flows, which weigh negatively on the safe-haven US dollar. The UK political uncertainty and worries over recession persist amid expectations of a 50 bps BOE rate hike in August.

• USD/JPY Dollar's selloff in tandem with U.S. yields on Friday after rebound from 137.03 (AUS) to 137.95 and firm break of 137.03 suggests

erratic fall from July's 24-year peak at 139.39 would head to 135.45, however, oversold condition would keep price above 135.00/10 and yield rebound later.

• AUD/USD pair attracts dip-buying near the 0.6880-0.6875 region on Monday and gains traction through the first half of the European session. The momentum lifts spot prices to the 0.6955 region in the last hour, back closer to a one-month high touched on Friday.

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

Wheat prices rose sharply on Monday as a missile strike on the Ukrainian port of Odesa over the weekend raised doubts about whether it will be possible to implement last week's agreement to open a corridor for grain exports from the war-torn country.Russia, Ukraine, the United Nations and Turkey signed the deal on Friday to reopen three Ukrainian Black Sea ports for grain exports. The deal is valid for 120 days and targets monthly exports of 5 million tonnes.

Up Ahead –Tuesday 26-07-2022

- USD CB Consumer Confidence

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