

DAILY MARKET ANALYSIS 08-08-2022

Stocks

Stock futures rose on Monday morning, following the S&P 500's third straight weekly gain, as investors shifted focus to a key inflation report this week. Futures on the Dow Jones Industrial Average gained 139 points or 0.4%. S&P 500 futures and Nasdaq 100 futures advanced 0.5% and 0.6%, respectively. Monday's gain follows a weekly rise for the S&P 500 and the Nasdaq Composite as a surprisingly strong monthly jobs report eased some recession fears. The resilient labor market also signaled that the economy could withstand more rate hikes from the Federal Reserve.

Currencies

- EUR/USD has traded choppily this morning around the 1.02 level. Looking ahead, economists at Rabobank continue to see further downside potential for the EUR on a one to three-month view.
- GBP/USD is holding onto the recovery gains near 1.2100 during the European trading hours on Monday. Following the NFP-inspired rally, the greenback is staying in a consolidation phase at the beginning of the week as investors reassess the Fed's rate outlook.
- USD/JPY Dollar's jump on robust U.S. NFP Friday and then break of 134.54 (Wed top) to 135.49 in New York signals correction from July's 24-year peak at 139.39 has possibly ended at 130.41 (Tuesday) and further gain to 135.75 is envisaged, reckon 135.96 should cap upside and yield correction.
- AUD/USD The sharp drop in AUD to 0.6870 came as a surprise (we were expecting sideways-trading). Despite the decline, downward momentum has not improved by much and AUD is unlikely to weaken further. For today, AUD is likely trade sideways between 0.6880 and 0.6945.

Bonds

The yield on the 10-year US treasury note jumped to 2.8% after fresh jobs data surpassed market expectations in multiple gauges, strengthening bets that the Fed will continue its aggressive hiking momentum. 528 thousand non-farm payrolls were added to the American economy in July, more than double of expectations, while the unemployment rate dropped to 3.5% and wages grew by 0.5% on the month. Stronger labor market figures add to recent hawkish comments by Fed policymakers, which remain fully committed to taming surging inflation.

Commodities

Gold price is licking its wound below the \$1,800 mark, awaiting a fresh catalyst for the next leg lower. Risk-on flows have returned at the start of the week, fuelling a broad-based US dollar retreat while the Treasury yields also ease. Investors assess the implications of a super-sized Fed rate next months, the odds for which now stand at 70% after a big upside surprise in the US Nonfarm Payrolls for July.



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