

DAILY MARKET ANALYSIS 04-08-2022

The UK central bank announced the sixth rate hike in the current cycle and raised its key interest rate by 50 bps to 1.75%. The reason for the sharp hike is increasing inflationary pressure. According to the BoE, the labor market remains tight and domestic cost and price pressures are high. The central bank now forecasts inflation to peak at 13% in the fall. Inflation concerns obviously outweighed the economic slowdown – the BoE expects a recession in the UK from the fourth quarter.

Stocks

U.S. stocks opened mixed on Thursday as investors awaited the jobs report for July for hints about the direction of the economy. At 10:02 AM ET, the Dow Jones Industrial Average was down 55 points, or 0.2%, while the S&P 500 was up 0.1% and the NASDAQ Composite rose 0.3%. New jobless claims inched up to 260,000, near a seven-month high, but investors were watching for Friday's report on jobs for July to get a more complete picture of the labor market. Job openings fell below 11 million in June, according to data earlier this week.

Currencies

- EUR/USD is having a difficult time making a decisive move in either direction and trading in a tight range below 1.0200. The sharp decline witnessed in the US Treasury bond yields and the disappointing Jobless Claims data limit the dollar's gains in the American session.
- GBP/USD has managed to erase a small portion of its daily gains during BOE Governor Bailey's press conference and stabilized near 1.2100. The BOE hiked its policy rate by 50 bps but noted that it expects the UK economy to tip into recession in Q4.
- USD/JPY Despite resumption of recent decline from July's 24 -year peak of 139.39 to a fresh 7-week trough of 130.41 (Tuesday), subsequent rally in tandem with US yields to 134.54 in New York yesterday suggests low is made and above 134.54 would encourage for stronger retracement to 134.90.

Bonds

Treasury yields edged higher early Wednesday, after a rise Tuesday in a choppy session in which they had initially fallen as jitters over House Speaker Nancy Pelosi's visit to Taiwan sparked safe-haven buying. Pelosi's trip angered Beijing, which considers Taiwan part of its territory and vowed to respond.

Commodities

Gold has extended its rally and climbed toward \$1,790 on Thursday before retreating modestly. After the BOE said that it forecasts a recession in the fourth quarter, global bond yields turned south, allowing XAU/USD to gather bullish momentum.



Up Ahead –Tuesday 05-08-2022

-  AUD RBA Monetary Policy Statement
- USD Average Hourly Earnings m/m

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