

DAILY MARKET ANALYSIS 15-08-2022

Brent crude oil opened the trading week lower after last weeks relief rally took prices up towards the \$100 per barrel mark. Chinese economic data earlier this morning (see economic calendar below) extended Brent's downward spiral as well as the broader commodities space, hurting demand-side forecasts. In an unexpected move, the Chinese central bank (PBoC) slashed its key lending rate to help stimulate the economy and lessen the blow stemming from their long standing property crisis and the impact of their COVID-19 policies on supply chains. Rate cuts however, are not have the desired effect as consumers and businesses alike are hesitant to take on more/new debt.

Stocks

It's been a head-scratching week in various asset classes — one that left investors and traders coming away with different conclusions about what lies ahead after data releases showed U.S. inflation easing more than forecasters expected.

Currencies

- EUR/USD extends losses to test 1.0200, undermined by a broad rebound in the US dollar after dismal Chinese data soured sentiment. Growing recession fears in the Eurozone amid the deepening energy crisis weigh down on the euro.
- GBP/USD is dropping below 1.2100, as the US dollar rebounds amid a negative shift in risk sentiment amid weak China data. BOE's Bailey shows readiness for a 'review' on UK PM Candidate Truss' criticism. Critical UK data and Fed minutes are in focus this week.
- USD/JPY The Japanese Yen has appreciated dramatically in the aftermath of US CPI coming in softer than anticipated. It gained around 1.6% against the US Dollar in the North American session, with USD/JPY trading as low as 134.03 at one stage. The US Dollar is weaker against every major currency.
- AUD/USD is falling hard towards 0.7050, as the selling interest around the Aussie dollar remains unabated amid resurfacing concerns over China's economic recovery.

Bonds

The bond market has been flashing warnings of a possible economic downturn and more than half of the respondents in a BofA Securities FX and rates sentiment survey are concluding inflation will still require persistently tight policy, or more rate hikes.

Commodities



Gold price erases Friday's rebound to test the critical 50 DMA at \$1,782. China-led risk-aversion inspires the US dollar rally while yields recover. Focus shifts to US Retail Sales and Fed minutes for the next big move in XAU/USD.

Up Ahead –Tuesday 16-08-2022

- AUD Monetary Policy Meeting Minutes
- CAD CPI m/m

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