

DAILY MARKET ANALYSIS 17-08-2022

Following Tuesday's choppy action, the US Dollar Index regained its traction early Wednesday and climbed above 106.60 with investors turning cautious. The Gross Domestic Product data for the second quarter will be featured in the European economic docket. Later in the day, July Retail Sales data from the US will be looked upon for fresh impetus before the FOMC published the minutes of its July meeting at 1800 GMT. Reflecting the souring market mood, US stock index futures are down between 0.2% and 0.4% in the early European session.

Stocks

European stock markets edged higher Wednesday, but gains are limited ahead of the release of key Eurozone growth data. By 03:35 ET (07:35 GMT), the DAX in Germany traded 0.1% higher, the CAC 40 in France rose 0.1%, and U.K.'s FTSE 100 traded largely flat. European stocks have benefited of late from stronger-than-expected corporate earnings, but growth concerns remain a dominant theme, offering potential risks ahead for profits that could sap the market's momentum.

Currencies

- EUR/USD is extending choppy trading below 1.0200 amid a downgrade to the Eurozone Q2 GDP and risk-aversion. The US dollar pauses its renewed upside ahead of Fed minutes. The euro remains vulnerable to recession fears and the gas crisis.
- GBP/USD is trading above 1.2100 in the European session on Wednesday as investors assess the implications of surging UK inflation on the BOE's next policy move. The US dollar fails to hold the upside amid souring risk sentiment ahead of US data and Fed minutes.
- USD/JPY extends its consolidation phase following strength to just shy of the psychological 140.00 barrier. In the opinion of economists at Credit Suisse, the pair is expected to consolidate for a lengthier period of time.
- AUD/USD pair struggles to capitalize on the overnight late rebound and meets with a fresh supply on Wednesday. The pair remains on the defensive through the early European session and is currently placed near a one-week low, just below the 0.7000 psychological mark.

Bonds

The 10-year US Treasury note yield consolidated above the 2.8% level as investors awaited minutes from the Federal Reserve's meeting to gauge the economy's health and the pace of interest rate hikes. While some recent inflation reports showed evidence that price growth could be slowing, the job market remains extremely tight, making it challenging to handle the actual picture of the US economy. Meanwhile, the Federal Reserve has been reassuring markets that a dovish pivot is unlikely. However, it has constantly avoided putting exact numbers on the size of the next rate hike in September.



Commodities

Gold remains in a range. However, a major “double top” continues to threaten, as strategists at Credit Suisse note.

Up Ahead –Tuesday 18-08-2022

- AUD Unemployment Rate

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