

DAILY MARKET ANALYSIS 23-08-2022

European stock markets traded in a mixed fashion Tuesday following the release of key economic activity data, but the overall tone remains one of caution given concerns of red-hot inflation, soaring gas prices and slowing growth. By 03:55 ET (07:55 GMT), the DAX in Germany traded 0.4% higher, the CAC 40 in France rose 0.2%, while U.K.'s FTSE 100 dropped 0.2%.

Stocks

Stock futures dipped early Tuesday morning ahead of the Federal Reserve's economic symposium at Jackson Hole this Friday, as traders remained jittery about another large interest rate hike. Futures on the Dow Jones Industrial Average (DJIA) inched 0.03% lower, while those on the S&P 500 (SPX) lost 0.06%, as of 3.37 a.m. EST, Tuesday. Meanwhile, the Nasdaq 100 (NDX) futures dipped 0.07%.

Currencies

- EUR/USD remains heavy and traded at new lows for this move near 0.9900. The next near-term target is the September 2002 low near 0.9615." "Headline manufacturing came in at 49.7 vs. 49.0 expected and 49.8 in July, services came in at 50.2 vs. 50.5 expected and 51.2 in July, and the composite came in at 49.2 vs. 49.0 expected and 49.9 in July."
- GBP/USD inched to a new 29-month low of 1.1716 early on Tuesday, increasing the risk for a downtrend extension below July's trough of 1.1758. The ongoing bearish correction follows the pullback from February's resistance line.
- USD/JPY pair is struggling to overstep the immediate hurdle of 137.40 after a decent bounce from 137.20. The upside bias in the asset is still favored as the US dollar index (DXY) is expected to recapture the 19-year high of 109.30 sooner.
- AUD/USD pair struggles to gain any meaningful traction and seesaws between tepid gains/minor losses through the first half of the European session. The pair is currently placed in neutral territory, around the 0.6875 region, just a few pips above a one-month low touched earlier this Tuesday.

Bonds

The yield on the 10-year US Treasury note topped 3%, a level not seen in a month, as investors reassessed the outlook for monetary policy following hawkish remarks from several Fed policymakers. Louis Fed President James Bullard echoed the Fed's intention to tighter monetary policy, leaning towards favouring another 75 bps hike in September. San Francisco Federal Reserve President Mary Daly highlighted the need to push interest rates to the restrictive territory to bring inflation down to its 2% target. Market moves came after minutes from the last Federal Reserve meeting signalled that a dovish pivot is unlikely until such an aggressive tightening would drag on growth.

Commodities



Gold After having closed the sixth straight day in negative territory on Monday, gold has gone into a consolidation phase below \$1,740 on Tuesday. With the benchmark 10-year US Treasury bond yield moving sideways near 3%, XAU/USD is struggling to make a decisive move in either direction.

Up Ahead –Monday 24-08-2022

- USD Durable Goods Orders m/m

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