

DAILY MARKET ANALYSIS 24-08-2022

Another dramatic spike in natural gas prices appears to have ended any hopes that Europe's inflation battle is set to ease, with financial markets now bracing for higher prices, a faster pace of interest rate hikes and a deeper economic downturn. Just a few weeks ago, signs that inflation in the United States - which tends to lead world economic shifts - might be peaking boosted stocks and lowered government borrowing costs. Investors bet central banks would now pay more attention to slowing economies, with a peak in the rate-hiking cycle nearing.

Stocks

U.S. stock futures were flat in early premarket trading on Wednesday as Wall Street tries to halt further losses ahead of Powell's speech on Friday. Back in Europe, investors will be perusing the European Central Bank's accounts of its latest monetary policy discussions, due to be published on Wednesday.

Currencies

- EUR/USD Bears are pausing for the second day but remain in play after hitting new lowest in two decades. Tuesday's bullish Doji and oversold conditions on daily chart suggest that the action may hold in a limited consolidation before resuming lower, as technical picture is bearish and heavily weighed by negative fundamentals.
- GBP/USD has lost its traction and declined to a fresh daily low below 1.1800 during the European trading hours on Wednesday. The cautious market mood ahead of US data releases seems to be helping the greenback stay resilient against its major rivals.
- USD/JPY pair remains on track to test the July 14 high near 139.40. "Japan will end its requirement for boosted inbound travellers to show a negative covid test result to enter the country. This will go into effect on September 7. With the economy showing signs of slowing, it's clear that policymakers are looking to boost tourism in the coming months. Of note, the weak yen should help promote foreign visitors."
- AUD/USD pair reverses an intraday dip to sub-0.6900 levels and climbs back closer to the top end of its daily range during the early part of the European session. The pair, however, lacks follow-through buying and is currently trading with modest intraday losses, around the 0.6915-0.6920 region.



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Cryptos

Institutional investor sentiment has been on the rocks for some time now. This follows the market trend with bitcoin falling below \$22,000 and the total crypto market cap finally making its way below \$1 trillion once more. With this, institutional investors continue to show a more bearish attitude toward the market. The numbers for last week are in, and the outflows from various digital assets show that big money is not betting on bitcoin.

Commodities

Gold After having climbed above \$1,750 earlier in the day, gold reversed its direction and dropped toward \$1,740 ahead of the American session. The benchmark 10-year US Treasury bond yield turned positive on the day above 3.05% and weighed on XAU/USD.

Up Ahead –Thursday 25-08-2022

- USD Prelim GDP q/q
- USD Jackson Hole Symposium

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