

## **DAILY MARKET ANALYSIS 22-03-2022**

The dollar continues to outperform its rivals after starting the new week on a firm footing. The economic docket will not feature any high-tier macroeconomic data releases. Market participants will keep a close eye on central bank speak and developments surrounding the Russia-Ukraine conflict. European Union leaders and US President Joe Biden will meet later this week to discuss a further response to Russia's invasion of Ukraine. Several EU countries believed that the bloc should impose more severe sanctions, including joining the US to ban Russian oil imports. US Federal Reserve chief Jerome Powell. Spoke about the economic outlook at the National Association for Business Economics Annual Economic Policy Conference, stating that if they need to raise fed funds rate by more than 25 bps at a meeting or meetings, they will do so, adding that in times when circumstances change swiftly, Fed predictions might become out of date soon.

### **Stocks**

Wall Street equities pulled back mildly on Monday, pausing a four-day rally. Fed Chair Jerome Powell said that the central bank is prepared to raise interest rates by 50bps at its next meeting if necessary, weighing on market sentiment. Dow Jones, S&P 500 and Nasdaq 100 closed -0.58%, -0.04%, and -0.31% respectively.

Although Wall Street had closed lower after Powell's comments, stock markets in Europe opened a touch higher, with the MSCI world equity index, which tracks shares in 50 countries, up 0.2% on the day. The STOXX 600 was up 0.5%, having climbed high in recent sessions to reach a one-month high. London's FTSE 100 was up 0.6%.

Markets in the Asian domain are majorly trading positive on Tuesday after a decent recovery in the US markets in the late New York session. Japan's Nikkei 225 surges 1.50%, China A50 is mildly positive by 0.1%, and Hang Seng climbs 0.9%.

### **Currencies**

- US Dollar Index (DXY), maintained the bid bias unchanged near the 99.00 region on Tuesday. The index extends the march north for the third session in a row today and trades at shouting distance from the 99.00 barrier as market participants keep adjusting to the recent hawkish message from Chief Powell.
- EUR/USD remains on the defensive for the third straight session and retreats to the 1.0960 area in response to the intense march higher in the greenback, which in turn appears bolstered by Monday's hawkish tilt from Powell's message, higher yields and the absence of progress in the Russia-Ukraine peace dialogue.

- GBP/USD stayed under bearish pressure during the Asian trading hours and fell below 1.3130 before reversing its direction. The positive shift witnessed in risk mood seems to be helping the British pound find demand while weighing on the greenback.
- Fuelled by surging US T-bond yields, USD/JPY extended its rally and was last seen trading at its highest level since January 2016 near the 120.90 area. Japan's Chief Cabinet Secretary Hirokazu Matsuno said earlier in the day that they were not thinking of an economic stimulus package at the moment.
- After closing the first day of the week virtually unchanged, the AUD/USD pair edged slightly lower during the Asian trading hours but didn't have a difficult time regaining its direction. The pair was last seen trading at its highest level in two weeks at 0.7430, rising 0.45% on a daily basis.

### **Bonds**

The 10-year U.S. Treasury yield topped 2.34% on Tuesday morning, following hawkish comments made by Federal Reserve Chairman Jerome Powell in the previous session.

Euro zone government bond yields also rose, with Germany's benchmark 10-year yield hitting a new 2018 high of 0.51%.

### **Commodities**

Gold price remains stuck in a familiar range below \$1,940, lacking a clear direction. Amidst the hawkish Fed's outlook and the Russia-Ukraine stand-off, gold price is struggling to find a clear direction. The bright metal continues to gyrate in a \$20 narrow range so far this week, looking for a decisive break in either direction.

Brent pulled back after reaching a high of \$115 and is back around \$110 today while WTI remains close by as it hovers around \$108 as traders await today's API inventory report which is expected to show a 1-million-barrel draw.

### **Up Ahead** – Wednesday 23-03-2022

- GBP Consumer Price Index
- GBP BOE Gov Bailey Speaks
- USD Fed Chair Powell Speaks
- Crude Oil Inventories