WEEKLY MARKET RECAP: December 13 – December 17,2021

Happy Friday, traders. Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to impact into the future of the US Dollar and other key correlated assets.

Busy week in the financial markets, with central banks from across the globe announcing policy changes to head off inflation risks.

Bank of Canada Governor Tiff Macklem said on Monday that BoC is focused on bringing inflation back down to target without chocking off Canada's economic recovery. USD/CAD pulled back a bit from the highs that was traded but not taken much notice of Macklem's remarks.

US PPI (MoM) rating came out well above expectations at 0.8% on Tuesday, impacting mostly S&P 500 and WTI prices. S&P 500 dropped from 4660 to 4650 and WTI slipped below $70.50.

On Wednesday the day began with the UK's CPI rating coming out showing a higher number that was expected, at 5.1 %. This caused GBP/USD to spike to 1.3264 before reversing quicky to 1.3249. Later on, the day the FED delivered what it was expected to do. FOMC agreed on leaving the Federal Funds rate unchanged providing support to the Dollar which initially rallied with the headline, but turned south within Chair Powell's press conference, ending the day lower against most of it's major rivals. Gold posted a fresh multi-month low of 1,752 recovering afterwards to settle at around 1,778. Crude oil prices advanced alongside stocks, with WTI trading at around $71.50.

Thursday kicked off with RBA's Gov Lowe speech followed by the announcement of the Employment change and Unemployment rate by the Australian Bureau of statistics. Both data were positive providing a positive sentiment to the Aussie. GBP/USD witnessed an aggressive short-covering move after the decision of the BoE to increase the Bank rate to 0.25%. The decision seemed to have disappointed investors, anticipating that the UK central bank would push back its decision to hike rates amid the rapid spread of the Omicron variant.

On the other hand, ECB decided on keeping its Deposit Facility Rate unchanged at -0.50% and confirmed, as expected, that Emergency Purchase Program would end in March 2022. Euro responded positively to the ECB's announcement, jumping from around 1.1315 to highs in the 1.1340s, before pulling back into the 1.1320s.

Central Banks

Key central banks have adopted different policies as uncertainty about the omicron COVID-19 variant's impact on economic recovery remains. The debate on the extent to which central banks should act to curb high inflation also continues. BoE became the first of the world's major central banks to raise its benchmark interest rate since the pandemic began while ECB said it would phase out an emergency bond-buying program while ramping up other stimulus measures to keep 19-nation eurozone's recovery on track. FED officials signalled that they expect to raise interest rates three times next year, a major policy pivot that reflects heightened concern about the potential for inflation to stay high.

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Thanks for reading! Have a great weekend!

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