WEEKLY MARKET RECAP: February 14 – February 18, 2022

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 into the future for the US Dollar and other key correlated assets.

Tensions between Russia and Ukraine dominated the financial markets on Monday, leading to some solid safe-heaven demand. Main reason was a statement from US President Biden, who told his Ukrainian counterpart Volodymyr Zelensky on Sunday that the US would respond “swiftly and decisively” if Russia takes further steps towards invasion. US St Louis Fed President James Bullard reiterated his call for 100bps in interest hikes by July 1, a statement which benefited the US Dollar. ECB President Christine Lagarde testified before the European Parliament saying that the bank will take action at the right time to achieve its 2.0% inflation goal but also added that inflation will remain high. Lagarde’s remarks did not add anything new to what she said in previous statements thus the euro had little reaction. Gold surged to a fresh 2022 high of $1.872.85 per ounce while Crude oil also soared, trading around $95.30 per barrel.

Markets continued to remain relatively quiet on Tuesday with everybody’s eyes on geopolitics. Dollar struggled to preserve its strength against its major rivals while US Stock traded flat in the European session. The common currency remained unfazed after the announcement of the German ZEW Economic Sentiment and was traded around 1.1360. According to the latest report from the US Bureau of Labor MoM PPI came in at 1.0% in January while Core PPI metrics were also significantly hotter than expected. Gold lost nearly 1% and dropped to the $1.850 area while WTI closed the day around $92.30 per barrel.

Investors remained cautious also on Wednesday after heightened hopes for a de-escalation of the Russian-Ukraine conflict. The day started with UK releasing its latest Consumer Price Index data. UK CPI rose by 5.5% YoY in January, which was a bit higher than the expectations of 5.4%. GBP in an initial reaction to the upbeat CPI numbers hit daily highs of 1.3566 before reversing slightly to 1.3352. US Dollar didn’t see much of a reaction to the largest than expected Retail Sales data while USD/CAD saw an initial blip lower to fresh session and weekly lows in the 1.2660 area after the announcement of the Canadian CPI, which surprisingly, came out much higher than expectation, at 5.1% YoY. Finally, we had the FOMC’s minutes released which most participants suggested a faster pace on interest rates increase. US Dollar Index immediate response wad a dovish one, falling to daily lows at 95.70.

The Australian Bureau of Statistics released early on Tuesday the employment change and unemployment rate data for January. AUD/USD remained unreactive to the mixed data, printing three-day uptrend while poking weekly high. FX market did not show a notable reaction either to the data announced by the US Department of Labor about unemployment claims for the past week. The number came out a little above expectation, at 248k but investors seemed far more focused on geopolitics. Gold prices hit $1900 per ounce for the first time since June 2021.

Ukraine- Russia conflict continued to dominate the investor’s interest on Friday as well. Major pairs remained stable within familiar levels after both countries blamed each other for some shelling that took place early on Thursday in the Donbass territory. GBP/USD kept its range near-daily highs of 1.3622 on upbeat UK Retail Sales data which showed an increase of 1.3%. Canadian Retail Sales dropped by 1.8% in December vs. -2.1% which was expected. The loonie has not reacted to the announcement and kept moving flat in the 1.2700 region. Gold failed to break convincingly the $1900 level rate late on

Thursday/early hours of Friday and kept trading at around $1890 per ounce while WTI was last seen moving in the $90 per barrel area.

Thanks for reading! Have a great weekend.

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