

WEEKLY MARKET RECAP: February 21 – February 25, 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.

Escalating geopolitical tensions over the weekend with Russia and Belarus extending military drills in the eastern part of Ukraine caused markets to start the week on a cautious note. US markets were closed on Monday in observance of Presidents Day. German Manufacturing PMI arrived at 58.5 in February vs. 59.5 expected. Euro hovered well above 1.1350, following the release and extended its gains amid the risk-on market mood, as investors remain hopeful for de-escalation of the Russian-Ukraine conflict. Mixed UK Preliminary Manufacturing and Services PMIs led GBP near daily highs at 1.3639. The People's Bank of China left their 5-year loan prime rate unchanged at 4.60%, as expected and the 1-year loan prime rate unchanged at 3.70% also as expected.

Russian President Vladimir Putin announced early on Tuesday the recognition of Donetsk and Luhansk regions in the Eastern Ukraine as independent nations. This was deemed as a big escalation that made a military confrontation between Ukraine and Russia significantly more likely. German IFO Business Climate Index continued to improve in February. The reading came in higher than the market expectations of 96.4, at 98.9. EUR/USD edged higher on the upbeat data and kept trading in the 1.1340 area. The economic activity in the US manufacturing sector continued to expand in February, at a faster pace than it did in January, with IHS Markit's Manufacturing PMI rising to 57.5 (preliminary) from 55.5. This reading came in above market's expectation of 56.0. According to the latest Consumer Confidence survey conducted by the US Conference Board, US Consumer Confidence fell to 110.5 in February from 111.1 in January. The DXY does not seem to have reacted to the latest Consumer Confidence figures and continues to pivot either side of the 96.00 level.

Early Wednesday, the market mood stayed moderately upbeat with US stocks futures indexes rising between 0.15% and 0.25%. The Reserve Bank of New Zealand met market expectations by lifting the cash rate by 25bps. RBNZ Governor Adrian Orr spoke at the February post-monetary policy decision press conference on Wednesday, noting that 50 bps hikes cannot be ruled out in the future. NZD/USD kept pushing higher on the comments from Governor Orr, trading in the 0.6775 region. Eurozone's Inflation came in at 5.1% in January, on a yearly basis, according to Eurostat's final reading of the Eurozone CPI report for the month. The reading was in line with the estimates of 5.1% and 5.1% previous. Gold pushed higher on Wednesday towards \$1910 and eyeing weekly highs just above it.

Early morning on Thursday, Russia has launched an attack on Ukraine during the Asian trading hours and triggered an intense flight to safety in financial markets. Following reports of Russia carrying out missile strikes on Ukraine's infrastructure and border guards, Ukrainian President Volodymyr Zelenskyy announced a country-wide martial law. Traditional safe-haven assets, such as gold, the JPY and the CHF, continue to gather strength early Thursday and the US Dollar Index trades at its highest level in nearly a month above 96.50. The US Department of Labor released the Prelim GDP q/q and Unemployment Claims reports which both came out as expected. US Dollar Index showed no reaction to this data with the focus remaining on geopolitics. Gold surged higher and reached its strongest level since early January near \$1,970. Brent crude rallied during the day, breaking the \$100 per barrel barrier for the first time since July 2014.



Markets stayed relatively quiet early on Friday with investors bracing for another turbulent day. Ukrainian media reported Russian forces have entered the Obolon district, which is approximately 10 km from Kyiv - the capital city. Adding to this, gunfire was heard in Kyiv's historic city centre. There were also mentions of Russian air missiles being spotted in the north of Kyiv. On other news according to the latest release by the US Census Bureau, US Durable Goods Orders rose by 1.6% MoM in January compared to market expectations for a 0.8% rise in sales. Markets did not show any significant reaction to the report mainly because investors are focus on the Ukraine-Russia conflict. Gold, after the Thursday's rally made a U turn and was last seen traded just below the \$1.900 mark while OIL came down a lot, after hitting 100USD and is now traded just above \$90 per barrel.

Thanks for reading! Have a great weekend.

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