MARKET UPDATE

16/02/22

European Stock Futures Edge Higher; Russian Troop Withdrawal Eases Tensions

European stock markets are expected to open a touch higher Wednesday, continuing in the previous session's positive tone after Russia announced it had pulled some troops back from the Ukraine border.

The move raised hopes that armed conflict in the region can be avoided.

Global stock markets surged on Tuesday, with both the DAX and the CAC 40 climbing approximately 2%, as the Russian defence ministry published footage to show it was returning some troops to base after exercises.

UK inflation hits nearly 30-year high of 5.5%

British consumer prices rose at the fastest annual pace in nearly 30 years last month, intensifying the squeeze on households and reinforcing the chances that the Bank of England will raise interest rates for a third meeting in a row.

The annual rate of consumer price inflation rose to 5.5% in January, the highest since March 1992, the Office for National Statistics said on Wednesday, above expectations from economists in a Reuters poll for it to hold at December's 5.4%.

Malaysia keeps March crude palm oil export duty at 8%

Malaysia has maintained its March export tax for crude palm oil at 8% and raised its reference price, a document on the Malaysian Palm Oil Board website showed on Wednesday.

The world's second-largest palm exporter calculated a reference price of 5,277.58 ringgit ($1,261.07) per tonne for March. The February reference price was 4,907.14 ringgit a tonne.

Japan's yen back in favour as a funding currency, but with more risks

As the Bank of Japan asserts its standing as a lone dove among its peers, the yen is reclaiming its status as the world's most popular funding currency.

The trade comes with risks though, given the yen could revert to being a safe haven if tensions over Ukraine heighten or if an aggressive Federal Reserve triggers a markets selloff.

The yen's conventional role as the cheap currency investors could borrow and use to finance 'carry' trades in higher-yielding markets was somewhat diluted during the coronavirus pandemic, as other central banks cut their rates to zero too.