WEEKLY MARKET RECAP: March 28 – April 1, 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.

The week started mostly with negative sentiment, with the major pairs declining for the day. The British pound, dropped more than 100 pips, after the BOE Governor Andrew Bailey indicated that rate hikes may not be as aggressive as previously anticipated. The Governor also said that there is a significant trade-off between inflation and output, and the world is facing a shock, to aggregate income and spending.

The dollar plunged alongside other safe-haven assets amid renewed hopes for a diplomatic solution to the Russia-Ukraine conflict. The EUR/USD pair trades just below the 1.1100 threshold, maintaining its bullish potential. GBPUSD struggled to post gains, now trading at around 1.3100. Commodity-linked currencies find room to advance at the end of the American session, with AUD/USD trading above 0.7500 and USD/CAD in the 1.2480 price zone. The USD/JPY pair settled around 122.90.

Meanwhile, the US yield curve temporarily reverted, as the 2-year and the 10-year Treasury noted were hovering around 2.40%, although that on the shorter note retreated to 2.35%. An inverted yield curve is usually seen as a sign of recession. Central banks and potential rate hikes returned to the spotlight. Financial markets are pricing in a 60 bps hike in Europe, while US Philadelphia Federal Reserve President Patrick Harker noted that rate hikes should be methodical. He said he would not rule out a 50 bps hike in May but would not commit either. Finally, he added that the balance sheet reduction could be equivalent to two quarter-point rate increase.

Crude oil (WTI) soared more than 2.5% to $107.8 on Wednesday, following a pullback in the previous session when prices briefly dip to $98.55 per barrel. On Tuesday, the market mood was buoyed after President Putin's government indicated it would reduce some military activity in Ukraine to build trust in ceasefire negotiations.

Hopes of de-escalation seem to be fading on signs that Moscow is using the ongoing peace talks as a smokescreen to regroup for a new offensive. In fact, Russian forces were reported to be continuing to shell several targets on the outskirts of Kiev overnight despite pledges to scale back combat operations around the capital.

The dollar extended a rebound versus major peers on Friday, also resuming its rally against the yen, ahead of a key U.S. jobs report that could help the Federal Reserve decide whether to order an interest rate hike of up to 50 basis-points next month.

The U.S. currency also garnered support due to its status as a pre-eminent safe haven, with peace talks between Russia and Ukraine stumbling, though they are set to resume later on Friday.
The dollar index, which gauges the greenback against six counterparts including the euro and yen, rose 0.15% to 98.465, building on Thursday's 0.50% climb.

Thanks for reading! Have a great weekend.

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