

WEEKLY MARKET RECAP: May 2 – May 6 , 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 with the Reserve Bank of Australia , changing the Cash Rates to 0.35%, from the 0.10% that was stable since November 2020. The expectations were to increase it to 0.25%, however, the Board judged that now was the right time to begin withdrawing some of the extraordinary monetary support that was put in place to help the Australian economy during the pandemic. AUDUSD jumbled 40 pips for that hour and continue to rise for the day.

Gold started the week with strong negative sentiment, showing that the yearly low can be reached again, since economy seems to start the recovery in US, while investors also are focused on the rates increase.

The week continued with the focus on the FED interest rate hikes, that was expected on Wednesday. Investors had their attention also on the Statement from Fed Chair Jerome Powell, for indications on how fast the rates on US will rise, since the next meeting will be in June. Global equity markets have suffered on April on the expectations that inflation will push Central Banks to hike rates, with FED to be the very aggressive, weighting on economic growth going forward.

The release for the rates update came as expected on Wednesday, increasing by 0.5% to reach the 1%, for the first time since 2000, as the inflation fight, heats up. The greenback dropped rapidly after the announcement, while stocks and bonds and commodities were given a push upwards. Fed Chair Powel, also said that the estimation for neutral are 2-3%, while mentioning also that if higher rates are required, they will not hesitate to do so.

On Thursday United Kingdom was the star of the day, with the Bank of England releasing their Monetary policy report, while increasing Interest Rates to 1% from 0.75%, they highest level for 13 years. Board members voted to increase unanimously, with 3 of the Board members to vote for 0.5% increase instead of

0.25%. The Bank warned that the economy is likely to slip in to recession after the summer, but inflation is leaving no other option but to increase rates to 1%. Following the release, sterling declined, 1.5% to 1.2398 against the greenback.

Heading into the weekend, Gold traders have their eyes on the NFP report that is due to be released at 12:30GMT. Particular attention may be for the average hourly earnings another indication for traders to see how inflation is unfolding.

Thanks for reading! Have a great weekend.

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