

# MARKET UPDATE

24/05/2022

## Dollar Drops to One-Month Low; Fed Hiking Expectations Ease

The U.S. dollar weakened in early European trade Friday, sinking to a one-month low on rising expectations that the Federal Reserve's tightening cycle could be relatively short-lived.

Additionally, EUR/USD rose 0.2% to 1.0742, GBP/USD rose 0.2% to 1.2621, both pairs climbing to levels not seen since late April, while the risk-sensitive AUD/USD climbed 0.4% to 0.7128 and NZD/USD jumped 0.4% to 0.6505.

## Asia shares join global rebound on easing of Fed hike fears, China tech boost

Asian shares on Friday extended overnight global gains thanks to strong results from regional tech firms and U.S. retailers, while investors also took comfort from Federal Reserve minutes suggesting it could pause its rapid rate hikes later this year.

The swing in sentiment left the dollar wallowing at one-month lows, with the euro rising to its highest since April 25.

However, the optimism is likely to fade when the European markets open. The pan-region Euro Stoxx 50 futures were flat, German DAX futures were down 0.02% while FTSE futures were 0.34% lower.

## Ethereum Slump Continues on Frustration at Merge Deadline

The world's second most valuable cryptocurrency continued its slide in early trading in Europe on Friday, as participants fretted about the repeated delays to a major change that aims to make it more scalable.

Vitalik Buterin, the chief architect of the Ethereum network, had told a conference in Shanghai last week that the network's planned transition to a so-called 'proof-of-stake' system - already significantly delayed - will likely last until August. The switch is set to cut the Ethereum network's energy intensity by over 99.9%, removing a key obstacle to it processing larger transaction volumes.



## High gas prices, energy security fears impede decarbonisation push

Energy security has become a top priority for importers as forecasts of tighter gas supplies and volatile prices in the next few years are keeping buyers on edge and impeding the push towards decarbonisation, energy executives said.

Europe is importing record volumes of liquefied natural gas (LNG) as gas from its top supplier Russia has been disrupted following the Ukraine crisis. That drove prices in Europe and Asia to all-time highs earlier this year, fanning inflationary pressure and retarding efforts by countries to switch to gas from coal to reduce pollution and carbon emissions.

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