

MARKET UPDATE

31/05/2022

Dollar Up, Euro Down Over Potential ECB hikes and Slower U.S. Pace

The dollar was up on Tuesday morning in Asia. The euro gave up some of its recent gains but was still set for its best month in a year, with markets repositioning in anticipation of interest rate hikes in Europe and potentially slower U.S. rate hikes.

The USD/CNY pair inched down 0.05% to 6.6580. Chinese data released earlier in the day showed that May 2022's manufacturing purchasing managers' index (PMI) was 49.6 and the non-manufacturing PMI was 47.8.

Euro edges down but set for largest monthly gain in a year

The euro gave back some of its recent gains on Tuesday, but was still set for its best month in a year as markets reposition in anticipation of interest rate increases in Europe and the possibility of a slower pace of U.S. rate hikes.

The euro was at \$1.0745, down 0.3%, having hit a five-week high of \$1.0786 overnight, as German inflation rose to its highest level in nearly half a century in May on the back of soaring energy and food prices.

This strengthens the case for more aggressive rate rises from the European Central Bank, which is expected to start to raise rates in July for the first time since the pandemic began.

U.S. wheat crop hit by dry winter

North Dakota farmer Dwight Grotberg wanted to plant more wheat this spring to capitalize on soaring prices since Russia's invasion of Ukraine cut grain exports and left the world short of millions of tonnes of wheat supply.

Heavy rain has prevented Grotberg from planting as much wheat crop as he wanted and is hampering farmers across the state, the top U.S. grower of spring wheat.

Instead of boosting supply, North Dakota expected to plant wheat over the smallest share of its farmland on record, according to government data.

Asian stocks perk up as China hopes overshadow inflation fears

Asian shares clawed back earlier losses on Tuesday as signs that China's economic pain may be gradually abating amid easing COVID-19 curbs overshadowed broader investor concerns about a global inflation shock.

Also lifting sentiment in the region were details of Beijing's new policy support, which includes cash handouts for hiring graduates and support for internet companies' offshore listings.

MSCI's broadest index of Asia-Pacific shares outside Japan added 0.7%, reversing losses from earlier in the session and led by gains in China and Hong Kong.

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