

MARKET UPDATE

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Dollar Gains on Soaring Yields; Sterling Slumps on Political Strife

The U.S. dollar climbed in early European trade Tuesday after a hefty rate hike by Australia's central bank prompted further inflation concerns, causing U.S. bond yields to soar.

The Reserve Bank of Australia raised its key rate by 50 basis points earlier Tuesday, a more hawkish move than the 25 basis point increase that most had expected, while also committing to doing "what is necessary" to cool inflation.

Deutsche Bank launches Berlin tech hub

Deutsche Bank said on Tuesday that Berlin was now one of a handful of technology centres the lender runs around the world and sources said many staff who worked at the bank's offices in Russia had moved to the new German operation.

Germany's biggest bank is winding down its operations in Russia, joining a list of Western firms heading for the exit after Moscow's invasion of Ukraine.

The bank had about 1,500 technology workers at centres in Russia, accounting for about 10% of its global workforce.

Tech leads Europe shares lower on tighter monetary policy fears

European shares fell on Tuesday as investors worried about the squeeze to economic growth from aggressive monetary policy tightening by central banks in a bid to tame rising inflation.

The pan-European STOXX 600 index fell 0.5%, giving back half of Monday's gains, with tech shares leading declines.

Australia's central bank raised interest rates by the most in 22 years and flagged more tightening to battle rising prices. This comes as investors await a European Central Bank (ECB) meeting and U.S. inflation data this week.



Euro zone investor morale improves but economy still in downturn

Investor morale in the euro zone rose more than expected in June, the first increase after Russia's invasion of Ukraine, a survey showed on Tuesday, as many companies have not yet felt as much impact from inflation and supply bottlenecks as feared.

Sentix's index for the euro zone rose to -15.8 points in June from -22.6 in May, which had been the weakest figure since June 2020.

A Reuters poll had pointed to a June reading of -20.0.

"As impressive as the improvement in the situation and expectations values may appear at first glance, this is unlikely to mark a turnaround," Sentix Managing Director Manfred Huebner said in a statement.

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