

MARKET UPDATE

27/06/2022

Dollar Down over Recession Fears

The dollar was down on Monday morning in Asia over recession fears following weakening U.S. consumer confidence.

The U.S. Dollar Index that tracks the greenback against a basket of other currencies edged down 0.20% to 103.98 by 1:32 AM ET (0532 GMT).

The USD/JPY pair fell 0.28% to 134.79.

The AUD/USD pair was down 0.22% to 0.6933, and the NZD/USD pair inched up 0.06% to 0.6318.

The USD/CNY pair inched down 0.07% to 6.6850, while the GBP/USD pair edged up 0.18% to 1.2284.

U.S. University of Michigan consumer sentiment released on Friday showed that consumer confidence was at a record low in June, prompting investors' bets on U.S. interest rate hikes.

Oil extends gains ahead of G7 discussions on Russian exports

Oil prices extended gains on Monday as investors stood on guard for any moves against Russian oil and gas exports that might come out of a meeting of leaders of the Group of Seven (G7) nations meeting in Germany.

The prospect of more supply tightness loomed over the market as western governments sought ways to cut Russia's ability to fund its war in Ukraine, even though G7 leaders were also expected discuss a revival of the Iran nuclear deal - which might lead to more Iranian oil exports.

Producer nations in OPEC+, which includes Russia, will likely stick to a plan for accelerated oil output increases in August when they meet on Thursday, sources said.

But, for now, the pressing supply worries outweighed growing concerns over the potential for a global recession following a string of downbeat U.S. economic data.

ECB's Pivot Toward Rate Hikes Feeds Fears of New Bond Crisis

European Central Bank policy makers gather on a Portuguese hillside on Monday with the sinking feeling that their rush to tackle the inflation shock they failed to forecast risks both a recession and echoes of the euro area's sovereign debt crisis.

As President Christine Lagarde and colleagues meet in the resort of Sintra for their version of the Federal Reserve's Jackson Hole conference, they face competing tasks: Cool the fastest consumer-price growth in the euro's history without delivering an economic downturn or sparking a 2012-style spike in borrowing costs in Italy, the region's third-largest economy, and other vulnerable states.

Markets are already sounding an alert on what may lie ahead. Italian government bond yields jumped past 4% this month for the first time since 2014 as investors took fright at the ECB's plan to raise interest rates in July for the first time in a decade.

Russia slips into default zone as payment deadline expires

Russia looked set for its first sovereign default in decades as some bondholders said they had not received overdue interest on Monday following the expiry of a key payment deadline a day earlier.

Russia has struggled to keep up payments on \$40 billion of outstanding bonds since its invasion of Ukraine on Feb. 24, as sweeping sanctions have effectively cut the country off from the global financial system and rendered its assets untouchable to many investors.

The Kremlin has repeatedly said there are no grounds for Russia to default but it is unable to send money to bondholders because of sanctions, accusing the West of trying to drive it into an artificial default.

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