

MARKET UPDATE

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Dollar weakens ahead of U.S. GDP release

The U.S. dollar weakened in early European trade Thursday ahead of the release of key U.S. growth data, amid concerns over banking contagion risks, a slowing economy, and a debt ceiling standoff.

At 03:15 ET (07:15 GMT), the Dollar Index, which tracks the greenback against a basket of six other currencies, traded 0.1% lower at 101.162, adding to an overnight fall of 0.4%, when it touched a near two-week low of 101.00.

The dollar has continued to fall Thursday, with the mood surrounding the currency not helped by depositors' confidence seemingly draining away from First Republic Bank (NYSE:FRC) after it revealed \$100 billion in customer withdrawals last month.

Its shares slumped 30% on Wednesday, adding to similar losses the previous session, raising questions about its long-term viability as well as the extent of future lending from similar U.S. regional lenders if they choose to hoard cash.

Fears that reduced lending will crimp further economic activity are adding to signs that U.S. economic growth is already slowing as a result of the Federal Reserve's aggressive monetary tightening to combat soaring inflation.

Oil prices find some support after heavy losses on US recession fears

Oil prices rose slightly on Thursday, finding some support after heavy losses in the previous two sessions driven by fears of a U.S. recession and an increase in Russian oil exports which dulled the impact of OPEC production cuts.

Brent crude was trading at \$78.01 a barrel, up 32 cents, or 0.4% as of 0627 GMT, while U.S. West Texas Intermediate crude added 21 cents or 0.3% to trade at \$74.51.

Oil prices dropped almost 4% on Wednesday, extending sharp losses from the previous session with recession fears overshadowing a bigger-than-expected fall in U.S. crude inventories.

As of Wednesday's close, Brent is down 4.9% for the week while WTI has lost 4.6%.

"Crude prices remain heavy following the plunge below the \$80 level as too much demand destruction hit the U.S. economic outlook," said Edward Moya, an analyst at OANDA, adding that the OPEC was right to cut output earlier this month.



European stocks mixed, results from Barclays, Deutsche Bank in focus

European stock markets traded in a mixed fashion Thursday, as investors digested a deluge of corporate earnings, with the banking sector in particular focus.

At 04:05 ET (08:05 GMT), the DAX index in Germany traded 0.1% lower, the FTSE 100 in the U.K. fell 0.2%, while the CAC 40 in France climbed 0.2%.

The quarterly corporate season is in full flow in Europe, with the banking sector to the fore.

Barclays (LON:BARC) stock rose 3.1% after the British lender reported better-than-expected first-quarter profit on Thursday after a strong performance from its credit card business.

Deutsche Bank (ETR:DBKGn) stock rose 0.5% after the German banking giant posted a better-than-expected 9% rise in first-quarter profit, its 11th straight quarterly profit, as income from higher interest rates offset a slump in revenues at the investment bank.

BBVA (BME:BBVA) stock rose 1.4% after the Spanish bank reported its first-quarter net profit rose almost 40% from the same quarter in 2022 thanks to a solid performance in Mexico, its main market.

These largely positive results in Europe have helped ease worries about contagion after U.S. regional lender First Republic Bank (NYSE:FRC) slumped 30% Wednesday, adding to similar losses the previous session, after the bank revealed \$100 billion in customer withdrawals last month, raising fears about its long-term viability.

Away from the financial sector, Unilever (LON:ULVR) stock rose 1.4% after the packaged goods giant easily beat quarterly sales forecasts on Thursday, as big price rises compensated for a small dip in volumes.

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