

THURSDAY, JUNE 11, 2021

In Focus: Oil Burns Brighter at 2-Year High; Market Recap: Volatility in US Stocks

TAG

Dollar

Gold

Yen

Stocks

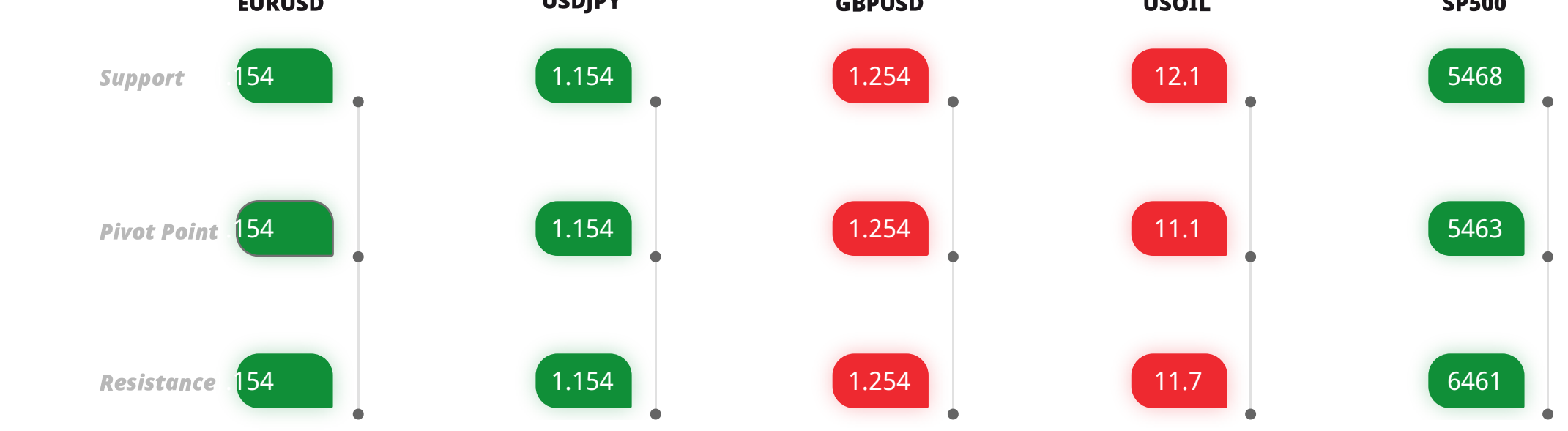
Oil

Federal Reserve

News Shaping the Markets Today

- With investors awaiting details of the reopening plan for the UK economy, the GBP/USD climbed above the 1.28 level.
- The Canadian equity market closed lower for the second consecutive session on Wednesday. With a decline in energy stocks, the S&P/TSX Composite Index dropped 0.8%.
- After trading lower on news of an increase in US crude inventories last week, oil prices gained on Wednesday after the Federal Reserve announced its decision to keep rates unchanged.
- The US budget deficit increased to \$399 billion in May, significantly better than the projections of a deficit of \$625 billion. The USD/EUR continued to decline amid high volume forex trading, however, with the Fed looking to keep interest rates low for the foreseeable future.
- Japan's government has approved an emergency budget of around \$300 billion. The Nikkei 225 pulled back this morning due to the Fed's cautious outlook for the US economy.

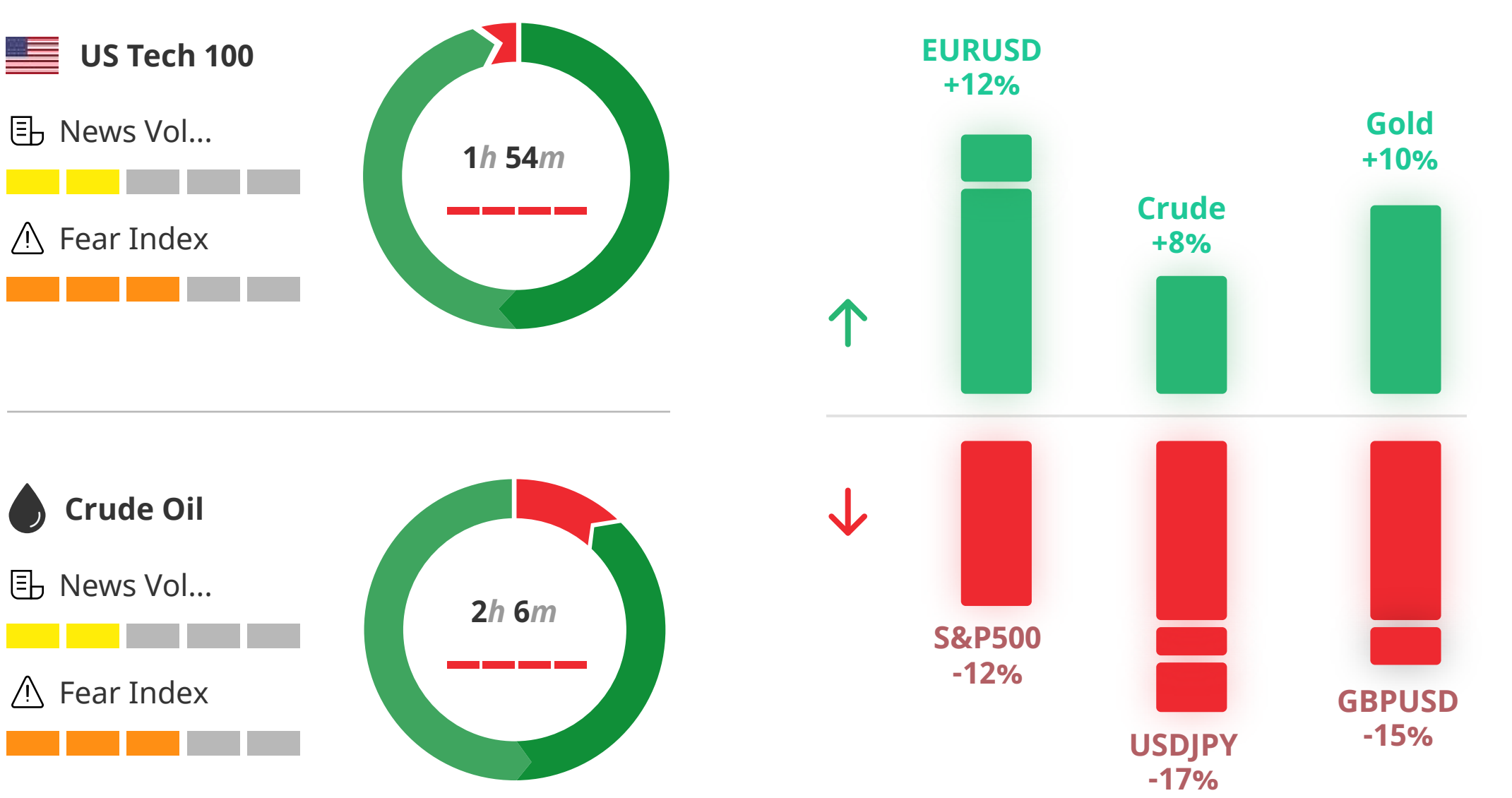
Technical Levels



Acuity Trading Dashboard

Asset Performance

Investor Sentiment



Today's Major Economic Events

<div> USD</div> <div>16:00</div> <div>Michigan Consumer Sentiment Index</div> <div>Forecast 189 Previous 185 Actual 250</div> <div>Watch Out for: EURUSD USDJPY Nasdaq</div>	<div> AUS</div> <div>16:00</div> <div>Retail Sales</div> <div>Forecast 1.1% Previous 1.3% Actual 1.1%</div> <div>Watch Out for: AUD/USD ASX Gold</div>
<div> CNY</div> <div>16:00</div> <div>GDP Growth</div> <div>Forecast 18.5% Previous 18.3% Actual 2.5%</div> <div>Watch Out for: CNY/USD SHA Oil</div>	<div> EU</div> <div>16:00</div> <div>Services PMI</div> <div>Forecast 55.2 Previous 50.5 Actual 51.2</div> <div>Watch Out for: EURUSD USDJPY Nasdaq</div>

In Focus: Oil Burns Brighter at 2 Year High



What's Happening
Crude oil gained on Tuesday, hitting the highest level in more than two years.

What Happened
With markets expecting higher energy demand during the summer driving season in the US, crude oil prices rose sharply on Tuesday.

Market sentiment was also buoyed by the OPEC+ (Organization of the Petroleum Exporting Countries and its allies) group agreeing to gradually ease output curbs at its latest meeting.

Why it Matters: During the April meeting, the OPEC+ had announced plans to increase daily oil output by 350,000 barrels in May, 350,000 barrels in June and 441,000 barrels in July, given the recovery in the global economy. Saudi Arabia, the unnamed leader of the group, also said it would gradually roll back its voluntary production cuts.

At its latest meeting, the OPEC+ agreed to maintain its existing plan to gradually lift oil output through July.

Crude prices were trading higher even before the OPEC+ decision, as investors cheered the projections given by the group's technical committee of a 6 million bpd (barrels per day) rebound in global oil demand this year.

Traders also remained optimistic about oil demand amid news of declining covid-19 cases and the reopening of economies around the world.

Oil prices were also driven by China reporting the strongest monthly increase in factory activity so far this year.

"Oil prices [on Tuesday] are rising as the market is getting increasingly confident that demand is reaching the end of the recovery tunnel, with strong usage indications coming globally, from the United States to China," said Louise Dickson, senior analyst at Rystad Energy.

Some concern remains, however, around an increase in supply due to prospects of Iran's output hitting the market this year. An agreement between the US and Iran would lift sanctions on Tehran, which would add approximately 700,000 bpd of oil in three months.

WTI (West Texas Intermediate) crude for July delivery surged 2.1% to settle at \$67.62 per barrel on the NYMEX (New York Mercantile Exchange) on Tuesday, recording the highest finish since October 2018.

August Brent rose 93 cents to close at \$70.25 a barrel on ICE Futures Europe. Among other energy commodities, July gasoline gained 3 cents to settle at \$2.17 a gallon, while July natural gas jumped 11 cents to reach \$3.10 per 1,000 cubic feet on Tuesday.

What to Watch: Traders will keep an eye on developments around the Iran deal. Markets also await API's (American Petroleum Institute) data on crude oil stockpiles, which fell by 0.439 million barrels in the week ending May 21.

The surge in crude oil could continue today, with oil futures trading higher by 0.6% at 0500 GMT.

Market Snapshot

Futures at 0500 (GMT)

EUR/USD (1.2225, 0.07%)	Dow (\$34,582, 0.09%)	Brent (\$70.64, 0.6%)
GBP/USD (1.4163, 0.10%)	S&P500 (\$4,202, 0.08%)	WTI (\$68.10, 0.6%)
USD/JPY (109.62, 0.11%)	Nasdaq (\$13,657, 0.06%)	Gold (\$1,902, -0.2%)

Market Recap: Volatility in US Stocks



US stocks will be in focus today, after closing mixed on Tuesday.

Context: US stocks remained volatile on Tuesday as traders returned from the holiday weekend.

Details: Wall Street started the first day of June on a stronger note, against the backdrop of a decline in covid-19 cases and vaccinations ramping up in the US. Over half of the population in the country has received at least one dose of the covid-19 vaccine, according to the CDC. The US stock market was closed on Monday for the Memorial Day weekend.

Airline stocks, including American Airlines, Boeing and United Airlines, traded higher on Tuesday, while shares of cruise operators Carnival and Norwegian Cruise Line also recorded gains on news of the reopening of economies.

Investors also cheered an improvement in manufacturing activity in the US. The ISM manufacturing PMI climbed to 61.2 in May, from 60.7 in April, while construction spending rose by 0.2% in April.

However, markets pared gains as the trading session progressed on Tuesday, as the optimism around a global economic rebound was dampened by lingering inflation concerns, which may force central banks to increase interest rates.

The Dow Jones index rose just 46 points to close at 34,575.31 on Tuesday, after adding as much as 300 points earlier in the session. The S&P 500 traded slightly lower by 0.05%, as gains in energy and financials were offset by weakness in tech shares.

The Nasdaq 100 also edged lower by 0.23% to settle at 13,654.59, due to the pressure on technology stocks.

What to Watch: Investors await the IBD/TIPP Economic Optimism index and the release of the Federal Reserve's Beige Book report from the US. The IBD/TIPP Economic Optimism Index, which fell by 3.5% to 54.4 in May, is expected to decline to 54 in June.

May's employment data, which is scheduled for release on Friday, can impact Wall Street shares in the near term.

The covid-19 pandemic remains one of the top concerns for markets, with total global infections surpassing 171 million.

Other Markets: European trading indices closed higher on Tuesday, with the FTSE 100, German DAX 30, French 40 and STOXX Europe 600 up by 0.82%, 0.95%, 0.66 and 0.75%, respectively.