

DXY index at historic high



By Andre Cilliers

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The DXY index has climbed to levels last seen in December 2002 as the dollar surges against most currencies



Source: iStock

Yesterday saw another big risk-off move as US Treasury yields spiked ahead of tomorrow's Fed FOMC interest rate decision. Markets are already pricing in a 50bp rate hike, but the focus will be on the outlook going forward.

Rand update

The rand lost nearly 2.2% as it closed at R16.15 versus Friday's R15.81 close. The rand touched R16.19 levels at one point in the day as very thin liquidity exacerbated the move weaker. This morning we were sitting at R16.15, and the currency is likely to remain under some pressure going into tomorrow.

The Reserve Bank of Australia hiked its policy interest rate for the first time since the end-2010 today, by 25bps to 0.35%. This was more than the consensus expectation for a 15bps move and has pushed the Aussie Dollar around 1.0% stronger.

Commodity update

The strong dollar hit metal prices as well, with Gold and Palladium losing 1.7% and 4.5%, respectively, while Platinum was relatively flat. This morning found Gold a touch softer at \$1,858, Platinum flat at \$937, and Palladium up at \$2,235. Brent closed marginally firmer at \$107.50 yesterday and opened unchanged this morning, with WTI also flat at \$105.10.

International update

US bond yields all jumped yesterday as markets anticipate a 50bp rate hike from the Fed tomorrow. The 30y, 10y, and 5y yields all traded above 3.0% at one point yesterday. This morning we had the 30y-yield quoted at 3.03%, the 10y-yield at

2.99%, the 5y-yield at 3.01%, and the 2y-yield at 2.73%.

The DXY index has climbed to levels last seen in December 2002 as the dollar surges against most currencies. The DXY is currently at 103.60, with the dollar trading at 1.0508 against the euro, 1.2514 against the pound, and 130.17 against the yen.

Wall Street closed higher last night, and US futures opened further in the green this morning. Asian markets are trading stronger as well, with the Shanghai, the big mover at 2.41% higher.

ABOUT ANDRE CILLIERS

Andre is the Currency Risk Strategist at TreasuryONE. Andre's career in treasury spans more than 30 years. He has gained his extensive currency risk experience in both the banking and corporate arena. Before joining TreasuryONE, Andre headed up the treasury department for a Tier One German international bank in South Africa.

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