

# Inflation, global growth, and recession fears driving current risk aversion

By [Andre Cilliers](#)

26 Jun 2023

The hawkishness of central banks is driving the risk aversion in markets as they continue to battle high inflation.



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Over the past week, there has been a flurry of interest-rate hikes around the world, which has raised concerns for the global growth outlook and pushed investors back to the safety of the dollar.

This weekend's failed coup in Russia has further stoked investor unease, with the Russian rouble hitting a 15-month low while Chinese data shows a slowing economy.

The Chinese yuan has opened nearly 6% weaker this morning, trading near the 7.2200 level. The euro is holding just above 1.0900 while the pound is at 1.2735, and the yen is weaker at 143.75. US Treasury yields are flat, and US equity futures are slightly firmer after a weak close on Friday.

## Rand weakens amid EM decline

The rand fell 0.75% on Friday, hitting its short-term target of R18.75 as risk sentiment soured and the dollar firmed against the majors.

The rand will remain susceptible to international moves, and the R19.00 level is now within range once again. Friday saw portfolio outflows of around R3,4bn while importer demand has picked up as we trade for month-end. News over the weekend that President Putin will be skipping the Brics summit has relieved some of the political pressure on the government for now.

## Commodities trading within tight bounds

Precious metal prices closed reasonably flat last week and have opened firmer this morning but remain range-bound as recession fears weigh.

Base metals closed softer last week on demand concerns as the expected recovery in the Chinese economy recovery post-Covid fails to materialise.

Copper is trading just above the \$8,400 mark, while nickel is around the \$21,100 level. Brent crude failed to get the expected short-term boost from the political upheaval in Russia, reflecting the markets' overriding concerns over slowing global growth.

Brent is trading flat at \$74.00, while WTI is at \$70.50.

## 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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