MARKET UPDATE

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Oil rises on prospects of less aggressive U.S. rate hike

Oil prices rose on Friday amid prospects of a less aggressive U.S. rate hike, although worries about a recovery in demand capped gains.

Brent crude futures for September delivery rose 94 cents, or 1.0%, to $100.04 a barrel by 0630 GMT, while WTI crude rose 63 cents, or 0.7%, to $96.41 a barrel.

"Oil is trading very much to the beat of Federal Reserve policy and the implications it could have on both demand destruction and the U.S. dollar," said Stephen Innes, managing partner at SPI Asset Management.

"With the market falling back to base-case 75 (basis point) hike next week versus 100 (basis point) yesterday, oil prices and the broader market have a little more breathing room today," Innes said.

Dollar catches breath as Fed officials leave market pondering over rates path

The dollar hovered below a near two-decade high in Asian trading on Friday, having slipped overnight after two Federal Reserve policymakers said they favoured a smaller rate rise than the 100 basis points (bps) that investors were betting on.

The dollar index, which measures the currency versus six counterparts, edged 0.03% higher to 108.60, after reaching and then falling back from the highest since September 2002 at 109.29 on Thursday.

Traders had ramped up bets that the Fed would go for a super-sized tightening at their July 26-27 meeting after data on Wednesday showed consumer price inflation racing at the fastest pace in four decades.

But those bets were pared after Fed Governor Christopher Waller and St. Louis Fed President James Bullard both said they favoured another 75 bps hike for this month, in spite of the inflation figures.

Marching into the clammy grip of recession

A look at the day ahead in markets from Saikat Chatterjee.

China's economic growth data on Friday is a stark reminder of the challenges facing global policymakers.

Gross domestic product fell 2.6% in the second quarter from the previous quarter, official data showed, compared with expectations for a 1.5% decline. That means official forecasts of a 5.5% expansion this year now look a tad optimistic.

While COVID-19 lockdowns implemented across the world's second biggest economy is a major factor, there is no hiding the fact that confidence remains weak and restrictions remain in place in vast swathes of the country.

Prospects of weaker growth from China will certainly hurt the global economy but policymakers are in no mood to relent. This week alone has seen steep hikes in Canada, New Zealand, South Korea and surprise tightening in Singapore and the Philippines.

Italian Bonds Open a Touch Higher as President Rejects Draghi's Resignation

Italian bond prices rose in early trading in Europe on Friday, after President Sergio Mattarella rejected the resignation of Prime Minister Mario Draghi.

By 02:30 AM ET (0630 GMT), the yield on the benchmark Italian 10-Year bond was back down at 3.34%, having risen as high as 3.53% on Thursday when Draghi decided to offer his resignation after the 5 Stars Movement (M5S) refused to back a vote of confidence in his government. Yields move inversely to prices.

Mattarella asked Draghi instead to address parliament next week, buying time for the country's politicians to come to some sort of compromise.

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