

MARKET UPDATE

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Dollar Down Despite a Potential U.S. Interest Rate Hike

The dollar was down on Tuesday morning in Asia ahead of the U.S. Federal Reserve policy decision.

A 50bp hike from the (Reserve Bank of Australia) next week is all but a foregone conclusion – the main risk is for a larger hike,” ANZ Bank analysts said.

“But this would require a very, very high CPI number, given that the RBA has more flexibility with its monthly meetings.”

Oil rises for a second day on supply tightness concerns

Oil prices rose on Tuesday for a second day on increasing concerns about tightening European supply after Russia, a key oil and natural gas supplier to the region, cut gas supply through a major pipeline.

Russia tightened its gas squeeze on Europe on Monday as Gazprom (MCX:GAZP) said supplies through the Nord Stream 1 pipeline to Germany would drop to just 20% of capacity.

Crypto exchange Coinbase faces SEC probe over securities

The U.S. Securities and Exchange Commission (SEC) is investigating whether Coinbase (NASDAQ:COIN) Global Inc improperly let Americans trade digital assets that should have been registered as securities, Bloomberg News reported on Monday.

In an emailed response, a Coinbase spokesperson told Reuters that the company does not list securities on its platform, while its legal head Paul Grewal said they looked forward in engaging with the SEC on the matter.

"We are confident that our rigorous diligence process — a process the SEC has already reviewed — keeps securities off our platform," Grewal added.

China money rate falls to 1-1/2 year low ahead of month-end demand

China's key money market rate touched a 1-1/2-year low on Tuesday, showing little sign of stress due to ample liquidity ahead of month-end peak demand for cash.

The elevated liquidity levels also prompted some market participants to wonder if the easy cash conditions would be sustainable as they were turning their attention to this week's policy meeting for more guidance.

The volume-weighted average of overnight repurchase agreements, or repos, traded in the interbank market fell to 1.0183% by around midday on Tuesday, the lowest since Jan. 8, 2021.

Banks and companies usually have higher cash demand towards the end of the month to meet various administrative requirements and payment needs, which pulls cash out of the banking system to drive money rates higher.

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