

MARKET UPDATE

26/09/2022

Oil Prices Hover near 8-Mth Low as Recession Fears Dent Outlook

Oil prices held near eight-month lows on Monday after falling sharply last week, as markets feared that slowing global economic activity will dent demand for crude.

London-traded Brent oil futures rose 0.3% to \$85.29 a barrel, while U.S. West Texas Intermediate futures were unchanged at \$78.67 a barrel by 21:30 ET (01:30 GMT). Both contracts were trading just above their weakest level in eight months and were nursing steep losses from last week.

Prices trimmed early gains on Monday after Japanese business activity data showed manufacturing activity in the world's second-largest economy grew at a slower pace in September from the prior month.

The reading came on the heels of dismal business activity data from the Eurozone and the UK last week, which heightened fears of a global recession.

Oil prices plummeted last week after the weak economic readings. Hawkish signals from the U.S. Federal Reserve also cemented expectations for higher interest rates this year.

Australia, NZ dlrs hit new lows as traders buy dollars amid volatility

The Australian and New Zealand dollars hit fresh multi-year lows on Monday as traders, already gripped by growth fears and rate hikes, piled into the safe-haven greenback after Britain's historic tax cuts plan added to market volatility.

The Aussie fell to \$0.6487 on Monday, the lowest since May 2020, before regaining some of its composure to stand back above 65 cents at \$0.6528. That is on top of a 1.7% plunge on Friday.

Short-term resistance lies around \$0.6650, with the next bear target down at \$0.6460.

The kiwi was off 0.3% to \$0.5726, having also tumbled 1.7% in the previous session and moving closer to its 11-year low of \$0.5469 hit in the early days of the pandemic.

Risk sentiment took a turn for the worse, as traders scrambled for the exits on speculation Britain's economic plan will stretch its finances to the limit. Sterling tumbled to a record low and the dollar index rose to the highest since 2002.



Asia FX Plummets on Recession Jitters, Dollar Pressure

Most Asian currencies fell sharply against the dollar on Monday as fears of a global recession and rising interest rates in the West weighed heavily on risk-driven assets.

China's yuan was among the worst performers for the day, down 0.5% to a new 2-year low of 7.1643. The yuan fell despite several measures by the People's Bank of China to curb further losses in the currency.

The PBOC said it will raise the foreign exchange risk reserve requirements for financial institutions, making it more expensive for traders to short the currency. The central bank also fixed a bullish daily midpoint for the yuan.

The moves come as a mix of dollar strength, loose monetary policy, and weakening Chinese economic growth battered the yuan this year.

Focus is now on upcoming Chinese PMI data for September, due on Friday, for more cues on a potential Chinese economic recovery.

Other Asian currencies also plumbed multi-year lows. The Indian rupee sank to a record low of over 81 against the dollar, while the South Korean won dropped 0.8% to an over 13-year low.

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