MARKET UPDATE

30/09/2022

Dollar Edges Lower; Sterling Bounces After GDP Surprise

The U.S. dollar edged lower in early European trading Friday as sterling and the euro stabilized near one-week highs, helped by intervention by the Bank of England and the expectation of aggressive tightening by the European Central Bank.

At 03:05 ET (07:05 GMT), the Dollar Index, which tracks the greenback against a basket of six other currencies, fell 0.3% to 111.903, close to the one-week low of 111.64 reached in the previous session.

GBP/USD traded 0.3% higher at 1.1157, having earlier climbed above 1.12 in the Asian session, taking it very close to erasing all of the sharp losses in the aftermath of the new government's unfunded tax-cutting mini budget last week.

This rebound followed the Bank of England announcing emergency bond buying, shoring up the gilt market and by association the pound.

Oil Heads for Fourth Straight Monthly Loss as OPEC Meeting Looms

Oil prices rose slightly on Friday, but were set for a fourth straight month of losses amid growing concerns over weakening demand, with focus now turning to a potential supply cut by the OPEC next week.

London-traded Brent oil futures, the global benchmark, were flat at $87.50 a barrel by 21:55 ET (01:55 GMT), while U.S. West Texas Intermediate crude futures rose 0.4% to $81.56 a barrel. Both contracts were set to lose about 9% in September.

Prices took mixed signals from Chinese manufacturing data on Friday. While the official government reading showed that activity expanded in September, a private survey showed that activity sank far more than expected.

Oil prices tumbled from annual highs this year amid growing concerns that rising interest rates will crimp economic activity, weighing on crude demand. Several major central banks, led by the Federal Reserve, have adopted an extremely hawkish stance this year.

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European shares rise; set to end painful Sept quarter lower

European stock indexes climbed on Friday, the last trading session of a painful quarter, hit by worries about the impact of aggressive policy tightening measures by central banks on economic growth and corporate earnings.

The region-wide STOXX 600 index was up 1% by 0810 GMT, led by bargain hunting in beaten-down shares of retailers, oil and gas companies, and banks, rising between 1.8% and 2%.

The index was down 5% for the July-September period and set to notch its third straight quarterly decline in what will be its longest such losing streak since 2011. For the month, it shed 6.8%.

The market has been under pressure since the Russia-Ukraine war earlier this year jolted the region and sent gas prices soaring, leading to rampant inflation, which sparked concerns about a recession due to central banks delivering hefty rate hikes.