

MARKET UPDATE

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Asia FX Slips as Weak China Data Weighs, Fed Meeting Awaited

Most Asian currencies retreated on Monday as weak Chinese economic data weighed on sentiment, while markets hunkered down ahead of a Federal Reserve meeting starting this week.

China's yuan fell 0.2%, while the offshore yuan lost 0.2% after data showed the country's manufacturing sector unexpectedly shrank in October. Overall business activity also unexpectedly contracted as several economic hubs experienced a resurgence in COVID-19 cases.

The reading ramped up concerns over slowing economic activity in China, with the country still reeling from a slew of lockdowns this year. Economic hubs including Wuhan and Chengdu recently reintroduced COVID curbs after a rise in infections.

Investors remain wary of any further economic disruptions in China, particularly after Beijing reiterated its commitment to its strict zero-COVID policy.

Oil declines over \$1 on China COVID curbs, weak factory activity data

Oil prices fell over \$1 on Monday following weaker-than-expected factory activity data out of China and on concerns its widening COVID-19 curbs will curtail demand.

Brent crude futures dropped \$1.10, or 1.2%, to \$94.67 a barrel by 0710 GMT, after slipping 1.2% on Friday.

U.S. West Texas Intermediate (WTI) crude was at \$86.83 a barrel, down \$1.07, or 1.2%, after settling down 1.3% on Friday.

Brent and WTI, however, are on track for their first monthly gains since May, up 7.7% and 9.3% respectively, so far.

"The purchasing managers' index (PMI) data contracting adds to the post-China congress party blues for oil markets. It is not difficult to draw a straight line from weaker PMIs to China's COVID-zero policy," said Stephen Innes, managing partner of SPI sset Management.

Dollar steadies as Fed looms; yen fragile

The dollar advanced on Monday as bets cooled that the U.S. Federal Reserve could signal a slowdown in its aggressive rate-hiking cycle, ahead of its key policy meeting this week and as domestic data points to underlying inflation pressure.

The greenback moved broadly higher in Asia trade, particularly against the Japanese yen, rising more than 0.5% and pushing above the 148 yen level.

The yen last traded 147.82 per dollar, further pressured by the Bank of Japan's (BOJ) decision to keep ultra-low interest rates on Friday, and BOJ Governor Haruhiko Kuroda's still-dovish comments in the face of rising interest rates elsewhere.

The pound and the euro each declined more than 0.2% against the dollar, which has recouped some of last week's losses, after having

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