

MARKET UPDATE

06/10/2022

Asia FX Recovers, But Hawkish Fed Caps Gains

Most Asian currencies recovered from recent losses on Thursday as pressure from the dollar and Treasury yields eased slightly, although hawkish signals from the Federal Reserve kept gains muted.

The South Korean won was the best performer in the region, surging 0.8% after the South Korean government warned that it will intervene in currency markets to support the currency.

Economic ructions in South Korea and headwinds from rising U.S. interest rates battered the won this year, pushing it to a 13-year low.

The offshore Chinese yuan rose 0.5% and recovered further from a record low hit last month. Chinese onshore markets were closed for a week-long holiday.

But reports from local media suggested that holiday spending remained steady in the country, which could indicate underlying economic health despite headwinds from COVID-related lockdowns this year.

German Factory Orders Fell 2.4% in August, After Big Upward Revision in July

The problems of Europe's largest manufacturing sector continued in August, as incoming orders to German factories notched their biggest drop in five months.

New orders fell 2.4% from July, adjusted for seasonal effects and inflation, and were down 4.1% from a year ago, Statistics Office Destatis said.

Analysts had expected a rise of 0.7%.

The numbers reinforce a picture of an increasingly sharp contraction in the German economy due to the war in Ukraine and Russia's weaponization of its energy supplies to Europe. Germany was the largest destination for Russian natural gas exports before the Kremlin's invasion in February.



Oil hovers near three-week highs after OPEC+ agrees to slash crude output

Oil prices stabilised near three-week highs on Thursday after OPEC+ agreed to further tighten global crude supply with a deal to slash production by about 2 million barrel per day, the largest reduction since 2020.

Brent crude futures for December settlement edged down 8 cents to \$93.29 per barrel by 0656 GMT after settling 1.7% higher in the previous session.

U.S. West Texas Intermediate (WTI) crude futures for November delivery slid 15 cents to \$87.61 per barrel, building on a 1.4% rise on Tuesday.

The agreement between the Organization of Petroleum Exporting Countries (OPEC) and allies including Russia, a group known as OPEC+, comes ahead of a European Union embargo on Russian oil and would squeeze supplies in an already tight market, adding to inflation.

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