

# MARKET UPDATE

18/11/2022

## **Gold pressured by hawkish Fed, copper slammed by China COVID woes**

Gold prices rose slightly on Friday but were set to end the week lower as hawkish comments from Federal Reserve officials boosted the dollar with the prospect of more interest rate hikes, while concerns over rising COVID-19 cases in China walloped copper.

Bullion prices were also subject to some profit taking after they raced to a near three-month high earlier this week. Concerns over an escalation in the Russia-Ukraine conflict drove safe haven demand for the yellow metal earlier this week, although a de-escalation in tensions swiftly reversed this.

Gains earlier this week were swiftly cut short by strength in the dollar and Treasury yields, after a slew of Fed speakers suggested that while the central bank will hike rates at a slower pace in the coming months, it is far from pausing its rate hikes.

## **Asia FX edges higher, but hawkish Fed speak limits gains**

Asian currencies rose slightly on Friday as they recovered from a series of bruising sessions, with sentiment remaining constrained after hawkish signals from the Federal Reserve drummed up fears of more rate-hike action by the central bank.

China's yuan was among the best performers in the region, rising 0.4%. But the currency was set to lose about 0.3% this week as concerns over rising COVID-19 cases and softening economic growth weighed.

The Japanese yen rose 0.2% as data showed consumer inflation surged to a 40-year high in October. The reading, which heralds increasing pressure on the Japanese economy, drove speculation that the Bank of Japan may be forced into eventually tightening monetary policy.

The bank has maintained ultra-low interest rates for the better part of a decade and has so far given no indication that it plans to raise them. But this has also caused a sharp decline in the yen this year, as rising interest rates in other countries saw traders sell the yen in favour of better yields.



## Dollar on track for weekly gain as Fed pushes back on pivot

The dollar was headed for its best week in a month on Friday, as hawkish remarks from Federal Reserve officials and stronger-than-expected retail sales data put the brakes on a pullback that was triggered by signs of softening inflation.

It was helped overnight, too, by a 0.4% fall in sterling after Britain's budget for tax rises and spending cuts disappointed investors.

St Louis Fed President James Bullard was the latest Fed official to push back on market hopes for a pause in interest rate hikes, saying that even on dovish assumptions, the funds rate needs to rise to at least 5-5.25% to curb inflation, from 3.75-4% currently.

More pessimistic assumptions would recommend it climb above 7%, he said.

The dollar rose modestly on the yen following Bullard's comments and is up about 1% for the week but was straddling 40 per dollar as the day wore on, off highs of 140.495 yen.

**Important Note:** The information found on Ausprime platform is intended only to be informative, is not advice nor a recommendation, nor research, or a record of our trading prices, or an offer of, or solicitation for a transaction in any financial instrument and thus should not be treated as such. The information provided does not include any specific investment objectives, financial situation and needs of any specific person who may receive it. The past performance is not a reliable indicator of future performance and/or results. Past Performance or Forward-looking scenarios are not a guarantee of future performance. Actual results may differ materially from those anticipated in forward-looking or past performance statement