MARKET UPDATE

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Dollar drops as risk appetite improves after Fed minutes

The U.S. dollar was broadly weaker on Thursday as investors, encouraged by the prospect of a slower pace of interest rate hikes by the Federal Reserve, placed bets on riskier assets.

The eagerly awaited readout of the Nov. 1-2 Fed meeting showed officials were largely satisfied they could now move in smaller steps.

"I think now it is almost certain that we'll see the FOMC slow its pace of tightening from December," said Carol Kong, a currency strategist at the Commonwealth Bank of Australia (OTC:CMWAY) (CBA).

The dollar index, which measures the greenback against six major peers, was down 0.14% at 105.75, after sliding 1% overnight.

The Fed raised its key rate by three-quarters of a percentage point this month, for the fourth straight time in an effort to tame stiflingly high inflation.

Asia FX surges as less hawkish Fed minutes dent dollar

Most Asian currencies rose on Thursday, while the dollar retreated as relatively dovish signals from the Federal Reserve ramped up expectations that U.S. inflation has peaked and that the central bank will lower its pace of future rate hikes.

The South Korean won was among the best performers for the day, rallying 0.8% after the Bank of Korea hiked interest rates by a relatively smaller 25 basis points. The central bank is trying to avoid economic shocks from high interest rates, amid signs of growing stress in the bond market. But the central bank gave no signs that it will stop tightening policy. But traders will also be watching for any cues from the Fed on when it plans to soften its hawkish stance. Asian currencies were buoyed by recent expectations that the Fed will ease its pace of rate hikes to 50 bps in December.

Oil drops as Russian price cap proposal eases concerns about tight supply

Oil declined on Thursday, hovering around two-month lows, as the Group of Seven(G7) nations' proposed range for a price cap on Russian oil was higher than current trading levels, alleviating concerns over tight supply.

A greater-than-expected build in U.S. gasoline inventories and widening COVID-19 controls in China added to downward pressure.

Brent crude futures dipped 50 cents, or 0.6%, to $84.91 a barrel by 0702 GMT, while U.S. West Texas Intermediate (WTI) crude futures fell by 46 cents, or 0.6%, to $77.48 a barrel.

Both benchmarks plunged more than 3% on Wednesday on news the planned price cap on Russian oil could be above the current market level.

The G7 is looking at a cap on Russian seaborne oil at $65-$70 a barrel, according to a European official, though European Union governments have not yet agreed on a price.

A higher price cap could make it attractive for Russia to continue to sell its oil, reducing the risk of a supply shortage in global oil markets.

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