

MARKET UPDATE

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Dollar rises, yuan slumps as China's COVID unrest spooks markets

The dollar climbed on Monday as protests in China against the government's anti-COVID policies made investors turn away from riskier assets and consigned the Chinese yuan to a more than two-week low against the safe-haven greenback.

The protests have flared across China and spread to several cities in the wake of an apartment fire that killed 10 people in Urumqi in the country's far west. Hundreds of demonstrators and police clashed in Shanghai on Sunday night.

Investors were worried over how the government in Beijing would react to the wave of civil disobedience when COVID cases are rising.

"We're really looking at the government response to what's happening ... the government response is so unpredictable, and of course that just means derisking," said Chris Weston, head of research at Pepperstone.

The offshore yuan fell to an over two-week low in Asian trading and was last roughly 0.4% lower at 7.2242 per dollar.

Asia stocks slide on China COVID protests, India near record highs

Most Asian stock markets slumped on Monday amid worsening protests in China against the Government's strict zero-COVID policy, while Indian stocks traded near record highs as markets positioned for smaller interest rate hikes in the country.

Chinese stocks fell sharply, with the blue-chip Shanghai Shenzhen CSI 300 index down 1.7%, while the Shanghai Composite index lost 1.2%. Hong Kong stocks were the worst performers in Asia with the Hang Seng logging a 2.1% decline.

Chinese protestors clashed with the police in several major cities over the weekend, amid growing discontent with movement and activity curbs under the government's strict zero-COVID policy. A deadly fire in the country's far west, which was reportedly worsened by lockdown measures, triggered the latest, albeit unprecedented, round of civil disobedience. decline in the yen this year, as rising interest rates in other countries saw traders sell the yen in favour of better yields.



Asia FX hit by China COVID unrest, dollar rises on safe haven flow

Most Asian currencies fell on Monday as worsening civil unrest in China over its strict anti-COVID policy rattled sentiment, while the dollar rose as fears of a Chinese economic slowdown drummed up safe haven demand.

China's yuan fell 0.4% to 7.1997 against the dollar and traded at an over two-week low, while the offshore yuan fell 0.2%. While both currencies trimmed initial losses, their outlook remained bleak.

Chinese protestors clashed with the police in several major cities over the weekend, amid growing public discontent over the government's strict anti-COVID measures. A deadly fire in Ürümqi, which was linked to the lockdown measures, triggered a wave of protests in the country.

The unrest could now potentially further hamper Chinese economic growth, which is already reeling from the country's strict anti-COVID measures this year. China is also grappling with a record-high increase in daily COVID-19 cases.

Currencies of countries with a high trade exposure to China fared poorly. The Taiwan dollar and South Korean won fell 0.2% each.

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