

# MARKET UPDATE

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## Asia FX rallies on China reopening fervour, dollar hits 5-month low

Most Asian currencies rose sharply on Monday as more Chinese cities relaxed some anti-COVID measures, while improving risk appetite and expectations of smaller rate hikes saw the dollar sink to an over five-month low.

The yuan was the best performer for the day, rising 0.9% to 6.9628 - its strongest level against the dollar since mid-September. The offshore yuan also rose nearly 1%.

Several Chinese cities relaxed movement curbs and testing mandates over the weekend, drumming up hopes for a broader scaling back of the government's strict zero-COVID policy.

## Oil rallies over 2% on China reopening, OPEC holds output steady

Oil prices rose sharply on Monday as more Chinese cities began relaxing strict anti-COVID measures, ramping up hopes for a full reopening, while the OPEC kept production steady at its latest meeting,

Several Chinese cities, including economic hubs Shanghai and Beijing, relaxed some movement and testing measures over the past week, drumming up hopes for a nationwide reversal. Reports also suggested that the government is planning to announce such a move in the coming weeks.

Such a scenario would be largely positive for crude markets, given China's status as the world's largest oil importer. Dwindling demand in the country due to its strict anti-COVID policies was a major source of selling pressure on oil markets this year.

Brent oil futures jumped 2.3% to \$87.38 a barrel in early Asian trade, while West Texas Intermediate crude futures surged 2.1% to \$81.66 a barrel. Crude prices also logged strong gains last week, as Chinese cities began scaling back some anti-COVID measures.

Crude markets had logged big swings in the past week in anticipation of the OPEC meeting, which is its last for the year. The cartel will now meet only in February 2023 to decide on future production, although it will then have much more data on a Chinese reopening and global economic trends.



## Dollar slips as easing COVID curbs in China lift sentiment

The dollar slid across the board on Monday as traders piled into riskier assets after more Chinese cities eased some of their COVID related restrictions, stoking hopes of an eventual reopening of the world's second biggest economy.

Financial hub Shanghai and Urumqi in the far west were among the cities that announced an easing of coronavirus curbs over the weekend following recent, unprecedented protests against the government's uncompromising "dynamic zero-COVID" strategy.

"It may seem like they are baby steps but nonetheless quite a strong sign of China taking calibrated steps in the direction of reopening," said Christopher Wong, a currency strategist at OCBC in Singapore.

China is soon set to announce a nationwide easing of testing requirements as well as allowing positive cases and close contacts to isolate at home under certain conditions, people familiar with the matter told Reuters last week.

The dollar weakened below 7.0 yuan in offshore trade, while the onshore yuan jumped roughly 1.4% to as high as 6.9507 on Monday morning, its strongest since Sept. 13.

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