

MARKET UPDATE

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Dollar in demand as growth outlook darkens, yuan up as China eases curbs

The dollar crept higher on Wednesday as some of the biggest U.S. banks warned of an impending recession, which dampened appetite for riskier assets and kept the greenback in demand.

Top bankers from JPMorgan Chase & Co (NYSE:JPM), Bank of America (NYSE:BAC) and Goldman Sachs (NYSE:GS) said overnight that the banks are bracing for a worsening economy next year, as inflation and high interest rates cuts into consumer demand.

Against the dollar, sterling was last 0.03% lower at \$1.2131, after falling 0.4% overnight.

The greenback rose 0.2% against the Japanese yen to 137.30 yen, following a 0.16% overnight gain.

"We've been forecasting a recession in the U.S., the UK, the euro zone and Japan ... It's part of our baseline," said Joseph Capurso, head of international and sustainable economics at Commonwealth Bank of Australia (OTC:CMWAY).

Stocks sputter as growth fears deepen despite China COVID shift

Asia's stock markets slipped on Wednesday as reality bit on hopes for a soft economic landing in the United States, curbing investors' enthusiasm about China's major shift in its tough zero-COVID policy.

Warnings from big U.S. banks about a likely recession next year pushed the S&P 500 lower for a fourth straight session on Tuesday and the brakes have come on a rally that has lasted almost two months.

Oil also fell sharply and, with Brent futures at \$79.50 a barrel, is back where it began the year.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.2% and Japan's Nikkei fell 0.7%.

Some of the optimism that had driven the rally is being put to the test," said Shane Oliver, head of investment strategy at Australia's AMP (OTC:AMLTF)

Oil steady as China revival hopes offset Russia uncertainty

Oil futures were little changed in Asia on Wednesday as hopes of improved Chinese demand offset uncertainty about how a Western cap on Russian oil prices would play out, keeping markets on edge after a sharp fall in the previous session.

Brent crude futures edged up 3 cents, or 0.04%, to \$79.38 a barrel by 0717 GMT, after they fell below \$80 for the second time in 2022 during the previous trading session.

U.S. crude futures mostly traded sideways and were down 9 cents or 0.12% to \$74.16 a barrel.

Brent's slump on Tuesday was the largest daily decline since late September, which have traded in a \$62 range this year.

Expectations of rising China demand continued to be a positive driver, as the country posted fewer new COVID-19 infections for the second consecutive day and announced sweeping changes in its tough anti-virus policy.

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