

MARKET UPDATE

09/12/2022

Oil prices rebound from 1-year low, but head for steep weekly losses

Oil prices rose sharply from a one-year low on Friday as traders bought into heavily discounted markets but were still set for deep losses this week as growing fears of a recession and rising interest rates eroded the outlook for crude demand.

Markets largely looked past the shutdown of the U.S.-Canada Keystone pipeline after a spill in Kansas, with analysts opining that the disruption in supply did little in the face of worsening demand.

Warnings of a U.S. recession in 2023, brought about by rising interest rates and inflation, saw crude markets plummet this week.

Brent oil futures rose 0.5% to \$76.91 a barrel in early Asian trade, while West Texas Intermediate crude futures jumped 1.2% to \$72.31 a barrel, with both contracts rebounding from their weakest levels since December 2021.

Asia FX creeps up as U.S. inflation looms, yuan outperforms this week

Most Asian currencies rose slightly on Friday while the dollar retreated in anticipation of U.S. inflation data, with the Chinese yuan set to blaze past its peers this week amid growing optimism over an economic reopening in the country.

Still, broader sentiment remained subdued, with most other Asian units set for weekly losses amid growing fears of higher interest rates and a U.S. recession.

The Chinese yuan rose 0.1% on Friday and was the best-performing currency in the region this week with a 0.8% jump.

China scaled back several anti-COVID movement curbs and testing measures this week, amid growing public ire towards the strict zero-COVID policy. The move drove up bets that the world's second-largest economy will recover sharply amid fewer COVID disruptions.

But analysts warned of a sharp spike in COVID infections after the reversal. Weak economic readings for November also showed that the economy has a long road to recovery.



Asian stocks rebound ahead of U.S. PPI, Hong Kong outperforms

Most Asian stock markets rebounded from recent losses on Friday ahead of key U.S. inflation data, although fears of a global recession and rising interest rates put most regional bourses on course for weekly losses.

Hong Kong's Hang Seng index was the best performer for the day, rising 1.7% amid growing bets that the city's government will follow Beijing in scaling back anti-COVID measures.

The Hang Seng also vastly outperformed its Asian peers for a second consecutive week, rallying nearly 6%.

China's blue-chip Shanghai Shenzhen CSI 300 index rose 0.2% and was also set to end the week 2.6% higher, while the Shanghai Composite added 1.4% this week as China scaled back several COVID-related movement curbs and testing mandates.

The move ramped up hopes over a broader reopening in the world's second-largest economy, as it faces increasing public unrest and worsening economic conditions.

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