

MARKET UPDATE

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Oil rally stalls on surprise U.S. inventory build, Fed in focus

Oil prices fell slightly on Wednesday after three sessions of stellar gains as data pointed to an unexpected build in U.S. inventories despite a major pipeline outage, while markets awaited more cues on monetary policy from the conclusion of a Federal Reserve meeting.

Crude markets rallied sharply over the past three sessions as an outage in the Canada-U.S. Keystone Pipeline and softer-than-expected U.S. inflation data drove up hopes that supplies will tighten while economic conditions will improve and spur a recovery in demand.

But industry data released on Tuesday showed that U.S. oil inventories likely grew more by nearly 8 million barrels in the week to December 9, subverting expectations for a draw of 3.9 million barrels.

The reading likely heralds a similar trend in official government data due later in the day, which is forecast to show inventories fell by 3.6 million barrels. Markets will also be watching for any more releases from the U.S. Strategic Petroleum Reserve, after the government stopped drawing from the reserve last month.

Dollar weak after soft U.S inflation data, focus switches to Fed

The U.S. dollar struggled to gain a foothold on Wednesday after a sharp dive overnight on cooler-than-expected inflation data, which fuelled expectations that the Federal Reserve will chart a slower rate hike path later in the day.

After delivering four consecutive 75 basis points hikes, the U.S. central bank is widely expected to increase interest rates by 50 basis points as it concludes its two-day meeting on Wednesday.

The euro was flat against the dollar at \$1.0627, not far off a six-month high of \$1.0673 it touched in the previous session.

The dollar index, which measures the greenback versus six major currencies, was flat at 104.05, having made a six-month low of 103.57 in the wake of the inflation data.

It is down 9% since hitting a 20-year high in September as the expectations of high and rising U.S. interest rates which fuelled dollar gains have started to ease off.

Binance CEO says deposits returning to exchange

Deposits are returning and "things seem to have stabilised" at Binance, its chief executive said on Wednesday, a day after it had a sharp increase in withdrawals and paused some stablecoin transactions.

On Tuesday, blockchain data firm Nansen said that Binance had seen withdrawals of \$1.9 billion in the last 24 hours and that the exchange said it "temporarily paused" withdrawals of the USDC stablecoin.

"Things seem to have stabilised," CEO Changpeng Zhao wrote in a tweet. "Yesterday was not the highest withdrawals we processed, not even top 5."

The \$1.9 billion of withdrawals of tokens based on the Ethereum blockchain marked the largest daily outflow over a 24-hour period since June 13, the Nansen data showed.

How crypto exchanges such as Binance and its now-bankrupt former rival FTX handle customer deposits is under close scrutiny from users and regulators.

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