

MARKET UPDATE

22/12/2022

Asia FX rises ahead of PCE data

Most Asian currencies rose on Thursday while the dollar retreated further ahead of key economic data that is expected to provide more cues on inflation, with the Japanese yen resuming its ascent after the Bank of Japan tweaked its ultra-dovish policy this week.

The yen was the best performer for the day, rising 0.5% and coming close to a four-month high hit on Wednesday. The currency rallied sharply after the BOJ unexpectedly widened its yield control range for government bonds - a move that could herald more policy tightening next year.

The dollar index and dollar index futures fell 0.3% each on Thursday, with focus now turning to revised U.S. GDP data for the third quarter, and more importantly, the personal consumption expenditure price index reading for November.

The PCE index is the Federal Reserve's preferred inflation gauge and is expected to show that inflation eased further in November, when it is released on Friday. Markets will be watching to see how close the reading comes to the Fed's target range, given that the index is so far trending well above the 2% mark.

Oil rises on tight U.S. stocks as winter blast hits

Oil prices climbed for a fourth straight day on Thursday with U.S. crude, heating oil and jet fuel stocks growing tighter just as a wintry blast hits the United States and travel is set to soar for its holiday season.

Brent crude futures gained 13 cents, or 0.16%, to \$82.33 at 0713 GMT, extending gains of around 2.7% from the previous session. U.S. West Texas Intermediate (WTI) crude futures rose 17 cents, or 0.22%, to \$78.46 a barrel.

Both benchmark contracts jumped on Wednesday after government data showed U.S. crude inventories fell by much more than analysts had expected, posting a drop of 5.89 million barrels for the week ending on Dec. 16. [EIA/S]

Distillate stocks, which include heating oil and jet fuel, also declined, going against expectations for a build.

The falling stockpiles come as demand for heating oil is set to soar with a powerful winter storm hitting the United States, with sub-zero wind chills expected as far south as Texas and record-breaking lows forecast for Florida and eastern states.



ECB's might raise interest rates at current pace for a while - ECB's de Guindos

The European Central Bank may raise interest rates at its current pace for a "period of time" to curb inflation, said Vice-President Luis de Guindos.

"We have no choice but to act," he said in an interview with Le Monde paper published on Thursday. "Increases of 50 basis points may become the new norm in the near term."

"If we do nothing, the situation would be worse because inflation is one of the factors behind the current recession,"

The steps the ECB had taken so far were going to have an impact on inflation, "but we still need to do more".

The ECB last week eased the pace of its interest rate hikes but stressed that significant tightening remained ahead while laying out plans to drain cash from the financial system as part of a dogged fight against inflation.

De Guindos also said he was concerned that markets could underestimate the persistence of inflation and that they might consider fiscal policy to be incompatible with monetary policy.

Banks have a solid capital position and can withstand a shock, de Guindos said, adding that he had more doubts about non-banks, notably hedge funds, which have highly illiquid assets and accumulated risky assets.

Important Note: The information found on Ausprime platform is intended only to be informative, is not advice nor a recommendation, nor research, or a record of our trading prices, or an offer of, or solicitation for a transaction in any financial instrument and thus should not be treated as such. The information provided does not include any specific investment objectives, financial situation and needs of any specific person who may receive it. The past performance is not a reliable indicator of future performance and/or results. Past Performance or Forward-looking scenarios are not a guarantee of future performance. Actual results may differ materially from those anticipated in forward-looking or past performance statement