MARKET UPDATE

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Oil dips as China COVID spike dampens demand outlook

Oil prices dipped on Thursday as surging COVID-19 cases in China dimmed hopes of a recovery in fuel demand for the world's largest crude oil importer.

The scale of the latest outbreak and doubts over official data prompted some countries to enact new travel rules on Chinese visitors, even as China began dismantling the world's strictest COVID regime of lockdowns and testing.

"The lack of clarity over the virus situation in China has prompted some new travel rules from various countries, which could serve as some dampener for previous optimism," said Jun Rong Yeap, market strategist at IG.

"Heading into 2023, there are chances for oil prices to rebound but it will still boil down to the pace of China's reopening, and whether market participants have priced for the growth risks as a trade-off to tighter central bank policies," he added.

Oil markets were also buffeted by expectations of another U.S. interest rate increase in the United States, as the Federal Reserve tries to limit price rises in a tight labour market.

Asian shares slip as COVID surge in China makes investors uneasy

Asian equities weakened slightly on Thursday as soaring COVID cases in China unsettled investors and cast doubt over chances of a swift recovery for the world's second biggest economy after the relaxation of stringent COVID curbs.

MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.78%, and was set to end the last month of the year in the red, capping a brutal 2022.

Futures indicated the dour mood was likely to continue in Europe, with Eurostoxx 50 futures down 0.24%, German DAX futures 0.30% lower and FTSE futures down 0.36%.

China's health system has come under heavy stress since Beijing started dismantling its zero-COVID regime at the start of the month.

On Monday, China announced it would end quarantine requirements for inbound travellers on Jan. 8, while several countries, including the United States and Japan, have made COVID tests mandatory for travellers from China.

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Rouble sinks to 8-month low vs dollar as sanctions fears weigh

The Russian rouble slumped to an eight-month low against the dollar on Thursday, struggling under the weight of expectations that sanctions on Russian oil and gas may limit export revenues.

By 0717 GMT, the rouble was 0.9% weaker against the dollar at 72.83, its weakest point since April 27.

It lost 0.7% to trade at 76.93 versus the euro and shed 0.6% against the yuan to 10.31.

The rouble has now lost the key support of a month-end tax period that usually sees exporters convert foreign currency revenues into roubles to pay domestic liabilities, while recovering imports have combined with falling exports to also exert pressure.

"The fundamental factor in the form of the change in current account parameters, where exports have decreased and imports risen, is putting noticeable pressure on the rouble's position," said Alfa Capital in a note.

Brent crude oil, a global benchmark for Russia's main export, was down 0.9% at $82.5 a barrel.

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