

# MARKET UPDATE

**04/01/2023**

## **Dollar hands back gains ahead of release of Federal Reserve minutes**

The U.S. dollar weakened Wednesday, handing back some of the previous session's outsized gains, with traders looking for fresh clues on future U.S. monetary policy from the minutes of the Federal Reserve's December meeting.

At 02:55 ET (07:55 GMT), the Dollar Index, which tracks the greenback against a basket of six other currencies, fell 0.7% to 103.638.

The dollar index climbed 1% on Tuesday as sentiment was dented by a warning from the International Monetary Fund about a likely global recession in 2023, given economic slowdowns in the main growth-driving regions of the U.S., Europe, and China.

However, this dollar strength seems to have run out of steam, with markets now awaiting the release of the Federal Reserve's meeting minutes from December later in the session.

The Fed hiked interest rates by 50 basis points in December, a slower pace than the four previous meetings, and these minutes could help shed light on what policymakers are thinking heading into the first meeting of the year in February.

## **Russian rouble down with oil prices, trade remains thin**

The rouble opened weaker on Wednesday amid lower oil prices and thin trading volumes during public holidays in Russia.

At 0714 GMT, the rouble was 0.6% weaker against the dollar at 71.54 and had lost 1.1% to trade at 75.64 versus the euro. It had shed 0.6% against the yuan to 10.17.

Brent crude oil, a global benchmark for Russia's main export, was down 0.4% at \$81.8 a barrel.

The rouble endured a volatile year in 2022, slumping to a record low 120 per dollar in March soon after Russia shook markets by sending tens of thousands of troops into Ukraine, but then recovered on the support of capital controls and a collapse in imports.

The imposition of a Western oil price cap and embargo hurt the rouble in December, but analysts expect the currency to remain relatively resilient in 2023 thanks to Russia's strong current account surplus.



## European shares gain for third day as France inflation slows

European shares extended gains on Wednesday as a lower inflation reading from France boosted sentiment, while investors awaited euro zone business activity data and minutes from the U.S. Federal Reserve's last meeting.

The pan-European STOXX 600 rose 0.5% by 0808 GMT, while France's CAC 40 added 0.8%.

Preliminary data showed inflation in France slipped in December from a record high in the previous month, adding to a slew of encouraging data this week from improving euro zone manufacturing numbers to a slowdown in Germany's inflation.

The index has risen 2.7% so far in its first trading week of the year.

Focus is on December's euro zone business activity numbers due at 0900 GMT after data last month showed it declined for a fifth month in November, suggesting the block was sliding into a recession.

Investors also await minutes from the Fed's last meeting for cues on the central bank's monetary policy tightening path.

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