MARKET UPDATE

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Oil slips on concerns higher interest rates to crimp demand

Oil edged lower on Tuesday on expectations that further interest rate hikes in the United States, the world's biggest oil user, will slow economic growth and limit fuel demand.

Brent futures for March fell 33 cents to $79.32 a barrel, a 0.4% drop, by 0719 GMT. U.S. West Texas Intermediate crude dipped 29 cents, or 0.4%, to $74.34 per barrel.

Both benchmarks climbed 1% on Monday, after China, the world's biggest oil importer and second-largest consumer, opened its borders over the weekend for the first time in three years.

Two United States Federal Reserve officials this week expected the Fed policy rate - now at 4.25% to 4.5% - to need to rise to a 5% to 5.25% range to bring higher inflation rates under control.

"(The expectation) is more hawkish than what markets are pricing at the moment (4.75-5% range)," said Yeap Jun Rong, Market Analyst at IG in a note, adding that the upcoming speech from Fed chair Jerome Powell later on Tuesday could mirror the hawkish tone with some pushback as well.

Bitcoin digs in for a bumpy new year

Bitcoin's looking steady in 2023. But it's only been a week.

Cryptocurrencies have crept into the new year, licking their wounds after the carnage of 2022. The overall global crypto market cap has risen 5% to $871 billion since Jan. 1, but it's still down over 57% from this time last year.

Bitcoin itself has gained 4.3% since the start of 2023, though stuck in a narrow range between $16,500 and $17,300. The world's biggest cryptocurrency is eerily subdued, with its 7-day volatility dropping to levels not seen since October 2018, according to Refinitiv Eikon data.

"It will be a year for the patient, as we do not anticipate prices nearing former all-time highs in 2023," said Vetle Lunde, senior analyst at Arcane Research.

Cryptocurrency spot trading volumes remain similarly muted after slumping about 48% in December versus the previous month to $544 billion, their lowest level since December 2019, CryptoCompare data showed.

Asia shares dip on hawkish Fed remarks

Asian shares fell on Tuesday, commodities shed recent gains from China's reopening, and oil traded lower following hawkish comments from two U.S. Federal Reserve officials overnight, with investors turning cautious ahead of key inflation data.

MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.17%.

"The main theme overnight was cautiousness in the equity space as stocks pared gains after hawkish comments from two Fed officials. Raphael Bostic and Mary Daly said the Fed would likely hike (interest) rates to above 5% and hold them there for some time," Commerzbank (ETR:CBKG) said in a client note.

The S&P500 index began the week on a bullish tone with a more than 1.4% increase in early U.S. trading on Monday before giving up all the gains to close a touch lower.

U.S. treasury notes and the U.S. dollar remained under pressure, with the yield on U.S. 10-year notes edging higher on Tuesday by 2.23 basis point to 3.5393%, from 3.517% late on Monday.

The dollar index stayed flat.

"Sentiment may turn more cautious ahead of the U.S. CPI (consumer price index) release on Thursday, dampening the 'risk on' trades initiated as a result of the optimism around China's reopening," Mizuho Bank said in a note.

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