

# **MARKET UPDATE**

**11/01/2023**

## **Asian shares touch six-month high, focus firmly on U.S. CPI data**

Asian shares rose to a six-month high on Wednesday while the dollar steadied, as investors waited for U.S. inflation data for cues on the Federal Reserve's interest rate policy.

MSCI's broadest index of Asia-Pacific shares outside Japan rose as much as 0.82% to touch six-month high of 538.56, while Japan's Nikkei gained 1%. Australia's S&P/ASX 200 index rose 0.90%.

Futures indicated the buoyant mood was set to continue in Europe, with the Eurostoxx 50 futures up 0.54%, German DAX futures up 0.57% and FTSE futures up 0.37%.

Fed Chair Jerome Powell, in a speech on Tuesday, refrained from commenting on rate policy but said the Fed's independence was essential for it to battle inflation, leading U.S. stocks to end higher.

Investor attention will squarely be on the U.S. consumer price index (CPI), scheduled to be released on Thursday. The data is expected to show December's headline annual inflation at 6.5%, versus 7.1% in November.

## **Oil falls as rising U.S. stockpiles, economic uncertainty renew demand concerns**

Oil prices fell on Wednesday as an unexpected build in crude and fuel inventories in the United States, the world's biggest oil consumer, and economic uncertainty reignited demand worries.

Both contracts rose on Monday and Tuesday, rebounding from a sharp selloff in the first week of 2023.

U.S. crude oil stockpiles jumped by 14.9 million barrels in the week ended Jan. 6, sources said, citing data from the American Petroleum Institute (API). At the same time, distillate stocks, which include heating oil and jet fuel, rose by about 1.1 million barrels.

Analysts polled by Reuters had expected crude stocks to fall by 2.2 million barrels and distillate stocks to drop by 500,000 barrels.

## Dollar stands firm while traders await CPI

The dollar mostly held its ground on Wednesday in spite of downward pressure from lower bond yields and higher stocks, as traders waited on this week's U.S. consumer price data to see whether it will confirm that inflation is in retreat.

The Australian dollar wobbled its way about 0.4% higher to \$0.6918 after data showed the annual pace of inflation increased to 7.3% in November, leaving room for more rate hikes. The New Zealand dollar also crept up 0.1% to \$0.6378. [AUD/]

The U.S. dollar was steady elsewhere, loitering at \$1.0743 per euro, just above a five-month low, in the lead-up to U.S. inflation data due on Thursday.

The greenback has lost about 11% against the common currency since hitting a 20-year peak in September, as investors have started to anticipate easing inflation and with it a falling dollar as the need for more interest rate hikes wanes.

But for the past month or so the euro has struggled to make further headway, and traders have been cautious in selling dollars while the U.S. Federal Reserve continues to promise hikes and the global economic outlook is bleak.

"It's becoming harder to argue a stronger dollar story, very clearly," ING chief economist Rob Carnell said.

"But it still remains a difficult one to argue a really strong euro story," he said, which is holding back wider losses for the dollar as the euro/dollar pair sets the broad tone.

The dollar was steady at 132.30 Japanese yen and \$1.2161 per British pound. U.S. government bond yields, which have been attracting investors to the dollar, fell overnight and upbeat sentiment in equities lifted stock markets.

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