MARKET UPDATE

19/01/2023

Oil prices dip as markets gauge U.S. inventory build

Oil prices fell further on Thursday as industry data signalled another big weekly build in U.S. crude inventories, while weak economic data and a potential rise in interest rates fanned growing fears over a looming recession.

Data from the American Petroleum Institute showed that U.S. oil inventories grew 7.6 million barrels last week, bucking expectations for a drop for a second consecutive week.

The figure usually heralds a similar trend in official data from the U.S. Energy Information Administration, which is forecast to show a draw of 593,000 barrels later in the day.

The API indicator came after data on Wednesday showed that U.S. retail sales and industrial production fell much more than expected in December. The readings ramped up concerns over a potential recession in the world's largest oil consumer, which could weigh on overall crude demand this year.

Asia FX weakens on recession woes.

Most Asian currencies retreated on Thursday as weak U.S. economic data pushed up fears of a potential recession, while the Japanese yen recouped most of its recent losses on speculation that the Bank of Japan may yet increase its yield control range.

The yen was the best-performing Asian currency for the day, rising 0.5% to 128.29 against the dollar.

The currency had plummeted as much as 2.5% on Wednesday after the BOJ unexpectedly maintained its current course of yield curve control. But speculation that rising inflation will push the bank into eventually altering its ultra-loose policy saw the yen recover sharply from intraday lows.

Columbia University academic Takatoshi Ito, who is considered to be a candidate to join the BOJ, said on Thursday that hotter-than-expected inflation could eventually push the central bank into widening its benchmark bond yield range this year - a move that is positive for the yen.

Japanese consumer inflation data is due this Friday, and is expected to read at 4%, twice the BOJ's annual target.

+357 25 752 420 +357 25 752 450 info@ausprime.eu
Spyrou Kyprianou 41 Avenue, Steratzias Court 2, 1st floor, Flat 103, 4003, Mesa Geitonia, Limassol

Dollar climbs on safe haven bids.

The dollar rose broadly on Thursday as growth concerns about the U.S. economy drove demand for the safe-haven greenback, while the yen rebounded as speculators doubled down on bets that the Bank of Japan would shift away from its yield curve control policy.

Weak U.S. data released on Wednesday showed that retail sales fell by the most in a year in December and manufacturing output recorded its biggest drop in nearly two years, stoking fears that the world's largest economy is headed for a recession.

"Those weak data really reinforced market concerns about an imminent U.S. recession ... (which) really supported the dollar, and I think that will become a growing narrative in the coming months," said Carol Kong, a currency strategist at Commonwealth Bank of Australia (OTC:CMWAY) (CBA).

Sterling fell 0.15% to $1.2330, pulling further away from the previous session's one-month high of $1.2435, while the euro steadied at $1.0795, but was similarly some distance from Wednesday's nine-month high of $1.08875.

The fresh wave of risk aversion - compounded by news of job cuts by tech giants Microsoft (NASDAQ:MSFT) and Amazon (NASDAQ:AMZN) - also kept the dollar in bid.

+357 25 752 420 +357 25 752 450 info@ausprime.eu
Spyrou Kyprianou 41 Avenue, Steratzias Court 2, 1st floor, Flat 103, 4003, Mesa Geitonia, Limassol