MARKET UPDATE

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Dollar in doldrums as euro near 9-month peak, yen bounces

The dollar hovered near a nine-month low to the euro and gave back recent gains against the yen on Tuesday, as traders weighed the risks of a U.S. recession and the path for Federal Reserve policy.

The U.S. dollar index - which measures the greenback against a basket of six peers, including the euro and yen - slipped 0.12% to 101.89, heading back towards the 7-1/2-month low of 101.51 reached last week.

The euro added 0.08% to $1.0880, taking it closer to Monday's peak of $1.0927, the strongest since April.

"The U.S. is no longer the cleanest shirt in the global economic laundry," said Ray Attrill, head of foreign-exchange strategy at National Australia Bank (OTC:NABZY), who expects the dollar index to fall to 100 by end-March and the euro to rise to $1.10.

Money market traders see only two more quarter point rate hikes by the Fed to a peak of around 5% by June, with two quarter point cuts following before year-end. The Fed itself has insisted 75 basis points of more tightening is likely on the way.

Oil mixed as investors weigh China demand and U.S. outlook.

Crude oil prices edged higher in Asian trade on Tuesday amid hopes of a fuel demand recovery from top importer China, although concerns about a slowdown in the U.S. economy capped gains.

Brent crude was down 7 cents to $88.12 per barrel by 0715 GMT, after rising to a session high of $88.36. U.S. West Texas Intermediate (WTI) crude rose 5 cents to $81.67, after climbing to $81.88 earlier in the session.

Commodities such as crude oil, refined petroleum products, LNG, and soybeans are set to benefit from a rebound in China's demand, analysts at Goldman Sachs (NYSE:GS) said.

Crude oil prices in physical markets have started the year with a rally, as China, no longer held back by pandemic controls, has shown signs of more buying and as traders have worried that sanctions on Russia could tighten supply.

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Bitcoin investors take control.

The domino downfall of FTX and other crypto custodians is enough to make the most trusting investor grab their bitcoin and shove it under the mattress.

Indeed, holders big and small are taking "self-custody" of their funds, moving them from crypto exchanges and trading platforms to personal digital wallets.

In a sign of this shift among retail investors, the number of bitcoin held in smaller wallets - those with under 10 bitcoin - rose to 3.35 million as of Jan. 11, up 23% from the 2.72 million held a year ago, according to data from Coin Metrics.

As a percentage of total bitcoin supply, wallet addresses holding under 10 bitcoin now own 17.4%, up from 14.4% a year ago.

"A lot of this really depends on how frequently you're trading," said Joshua Peck, founder of hedge fund TrueCode Capital. "If you're just going buy and hold for the next 10 years, then it's probably worth making the investment and learning how to custody your assets really, really well."

The stampede has been turbocharged by the FTX scandal and other crypto collapses, with large investors leading the way.

The 7-day average of daily movement of funds from centralized exchanges to personal wallets jumped to a six-month high of $1.3 billion in mid-November, at the time of FTX collapse, according to data from Chainalysis.