

MARKET UPDATE

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Oil rises on China recovery hopes, OPEC+ seen standing pat

Crude oil prices inched higher on Wednesday as optimism for a demand recovery in China and expectations that major producers will maintain current output policy offset global recession worries.

Brent crude rose 17 cents, or 0.2%, to \$86.30 per barrel by 0740 GMT after falling 2.3% in the prior session. U.S. West Texas Intermediate (WTI) crude climbed 7 cents, or 0.1%, to \$80.20, after a 1.8% drop on Tuesday.

"Expectations that China's fuel demand will recover in the second half of the year are growing and are likely to support market sentiment," said Hiroyuki Kikukawa, general manager of research at Nissan (OTC:NSANY) Securities.

Analysts from the Bank of America (NYSE:BAC) Securities said the reopening of the Chinese economy after years of tough COVID restrictions could unleash a large wave of pent-up demand over the next 18 months.

Gold retreats as traders lock in profit before U.S. data

Gold prices fell on Wednesday, retreating further from a near nine-month peak hit in the previous session, as some investors booked profit ahead of U.S. economic data that could steer the Federal Reserve's policy tightening path.

Spot gold slipped 0.3% to \$1,931.04 per ounce by 0730 GMT, after hitting its highest since late April on Tuesday. U.S. gold futures were down 0.1% at \$1,933.50.

"Gold prices are lower primarily due to a technical correction after hitting highs; a steady dollar also weighed on sentiment," said Hareesh V, head of commodity research at Geojit Financial Services.

Market focus is now on the fourth-quarter U.S. GDP data due on Thursday, which could set the tone for the Fed's Jan. 31-Feb. 1 policy meeting.

Gold could gain if there are signs that the U.S. economy is slowing and the Fed will soon slow its tightening pace and cut interest rates, said Ilya Spivak, head of global macro at TastyLive.



Australian dollar rallies on red-hot inflation, Asia FX muted

The Australian dollar rallied to a five-month high on Wednesday after fourth-quarter consumer inflation read higher than expected, while most Asian currencies moved little as fears of a global recession offset optimism over a potential economic recovery in China.

The Australian dollar jumped nearly 1% to 0.7115 against the dollar, its strongest level in over five months. Data showed that Australian CPI inflation rose more than expected in the December quarter, likely heralding more interest rate hikes by the Reserve Bank.

While high inflation and rising interest rates are likely to also dent the Australian economy, higher borrowing costs also make the Australian dollar appear more attractive. The Reserve Bank had hiked rates by a cumulative 400 basis points in 2022 to curb inflation and had also defended the currency against further depreciation to the greenback.

ING said in a note that the Reserve Bank of Australia will have to raise rates by at least another 50 basis points in the coming months to curb rising price pressures - a scenario that favours the Australian dollar.

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