

MARKET UPDATE

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Japanese yen slides as report pegs Amamiya as BOJ governor

The Japanese yen fell to an over three-week low against the dollar on Monday after a report said that Bank of Japan Deputy Governor Masayoshi Amamiya - who is a proponent of ultra-loose monetary policy - will take over as the bank's governor.

The Nikkei newspaper reported that government sources said Amamiya was in consideration to replace incumbent governor Haruhiko Kuroda later this year, with a formal announcement to be made later this month. Kuroda's term ends in April.

The yen fell on the report, as markets saw the move as a potential extension of the BOJ's ultra-accommodative stance. The currency sank 0.5% to the dollar, and was trading close to 132, also coming under pressure from stronger-than-expected U.S. payrolls data.

Expectations of the BOJ potentially relaxing its ultra-loose policy came sharply into focus in recent months after the central bank unexpectedly widened its strict yield curve control measures. This pushed up bets that rising inflation will force the bank into further tightening policy this year.

Oil prices edge up as IEA's Birol talks up China demand outlook

Oil prices inched up on Monday after falling 8% last week to more than three-week lows as concerns that slower growth in major economies may limit fuel consumption outweighed signs of a demand recovery in China, the world's top oil importer.

Brent crude futures rose 32 cents, or 0.4%, to \$80.26 a barrel at 0700 GMT, while U.S. West Texas Intermediate (WTI) crude futures climbed 22 cents, or 0.3% higher, to \$73.61.

Last Friday, WTI and Brent slid 3% after strong U.S. jobs data raised concerns that the Federal Reserve would keep raising interest rates, which in turn boosted the dollar. The stronger greenback typically reduces demand for dollar-denominated oil from buyers paying with other currencies.

While recession fears dominated the market last week, on Sunday International Energy Agency (IEA) Executive Director Fatih Birol highlighted that China's recovery remains a key driver for oil prices.

Asia FX slips, dollar firms as hot payrolls spur rate hike fears

Asian currencies sank on Monday, while the dollar rose as stronger-than-expected U.S. payrolls data brewed concerns that the Federal Reserve will be able to keep raising interest rates for longer, while worsening Sino-U.S. ties also weighed.

The dollar rose to a near one-month high against a basket of currencies, with the dollar index and dollar index futures up 0.1% each. Data on Friday showed that U.S. nonfarm payrolls unexpectedly surged in January, pointing to a strong labor market despite increased economic headwinds.

The reading shows that the Fed has enough economic headroom to keep raising interest rates, with the central bank having signalled as much last week. This scenario bodes poorly for Asian currencies this year, as the gap between local and U.S. interest rate narrows.

The Japanese yen was among the worst performers for the day, down 0.5% after a Nikkei report indicated that Bank of Japan Deputy Governor Masayoshi Amamiya was in consideration to lead the central bank after incumbent governor Haruhiko Kuroda.

Amamiya is a proponent of the BOJ's ultra-loose monetary policy, and his appointment as governor is widely expected to result in an extension of the bank's yield curve control measures.

The Chinese yuan fell 0.1% and was closing in on the 7 level against the dollar once again, as investors feared a potential worsening in U.S.-China ties after the shooting down of a suspected Chinese spy balloon off the coast of South Carolina. China condemned the move and claimed the object was a meteorological balloon that had accidentally drifted into U.S. airspace.

Risk-heavy Southeast Asian currencies were particularly rattled by the prospect of more U.S.-China tensions, as well as the strong payrolls reading. The Indonesian rupiah sank 1.1% even as data showed the country's economic growth raced back to pre-pandemic highs in the fourth quarter.

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