

MARKET UPDATE

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Dollar retreats as Powell sticks to usual Fed playbook

The dollar eased on Wednesday after Federal Reserve Chair Jerome Powell showed little sign of a hawkish pushback against a resilient labour market in the United States, raising hopes that interest rates may not rise much further.

In a question-and-answer session before the Economic Club of Washington on Tuesday, Powell acknowledged that interest rates might need to move higher than expected if economic conditions remained strong but reiterated that he felt a process of disinflation was underway.

The U.S. dollar struggled to recover its losses in Asia trade on Wednesday, after slipping in the previous session as Powell spoke.

Sterling rose 0.02% to \$1.20525, rebounding from Tuesday's one-month trough of \$1.19615.

Similarly, the euro was last marginally higher at \$1.0730, after falling to \$1.06695 in the previous session, its lowest since Jan. 9.

Asia FX muted amid disinflation talk, RBI supports rupee

Most Asian currencies moved little on Wednesday as traders digested less hawkish than expected comments from Federal Reserve Chair Jerome Powell, while the Indian rupee advanced as the Reserve Bank vowed more interest rate hikes.

The rupee was among the better performers for the day, rising 0.2% after the RBI hiked interest rates as expected, but ducked market expectations for a potential pause to its current rate hike cycle.

The central bank still posited a strong economic outlook for the Indian economy and forecast that inflation will trend lower in the coming months, albeit at a slower pace.

Broader Asian currencies kept to a tight range as recent comments from the Fed's Powell painted a mixed picture for monetary policy. While the Fed Chair noted that the U.S. economy was certainly experiencing disinflation, he also warned that strength in the jobs market and stubborn inflation could invite more interest rate hikes by the central bank.

Oil steady on subdued dollar, traders await more inventory data

Oil prices were little changed on Wednesday amid subdued movements in the dollar, and as investors waited for more inventory data for more clues on demand trends.

Brent crude futures rose by one cent to \$83.70 a barrel at 0405 GMT, after gaining 3.3% in the previous session.

U.S. West Texas Intermediate (WTI) crude futures climbed by 15 cents to \$77.29, after jumping 4.1% in the previous session.

Oil benchmarks are expected to retain support after Federal Reserve Chair Jerome Powell sounded less hawkish on interest rates than markets had expected, while the latest data showed U.S. crude inventories fell despite earlier expectations of a climb.

"The improved risk sentiment in the aftermath of Fed Chair Jerome Powell's comments, along with a weaker U.S. dollar, seem to be tapped on for some upside in oil prices, after seeing a lacklustre performance since end-January," said IG's market analyst Yeap Jun Ron

The dollar index was down slightly on Wednesday, extending losses after Powell's comments on Tuesday, making oil cheaper for those holding other currencies.

With less aggressive interest rate hikes in the United States, the market is hoping for the world's biggest economy and oil consumer can dodge a sharp slowdown in economic activity or even a recession and avoid a slump in oil demand.

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