

MARKET UPDATE

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Asian stocks draw massive foreign inflows on softer dollar

Emerging Asia ex-China stocks received massive inflows in January, with investors expecting the U.S. Federal Reserve to slow down the pace of its rate hikes and as the dollar weakened against regional currencies.

Data from stock exchanges in Taiwan, India, the Philippines, Vietnam, Thailand, Indonesia and South Korea showed that foreigners purchased a net \$8.8 billion worth of regional equities in January. They had sold \$57.2 billion in regional equities last year.

Also, China's decision to reopen its borders fuelled hopes that the region's factory activity and exports would be more potent this year, aiding their profits.

Taiwan and South Korea witnessed their biggest monthly purchases in at least two years, with net inflows amounting to about \$6.6 billion and \$5 billion, respectively.

Dollar stuck as traders assess Fed outlook before CPI

The U.S. dollar hovered near the middle of recent ranges versus major peers on Thursday as investors digested comments from a slew of Federal Reserve officials, while crucial consumer inflation data loomed next week.

Meanwhile, the risk-sensitive Australian dollar rallied against a backdrop of gains for U.S. equity futures and a more hawkish Reserve Bank. The New Zealand dollar also advanced.

Moving to a federal funds rate of between 5.00% and 5.25% "seems a very reasonable view of what we'll need to do this year in order to get the supply and demand imbalances down," New York Fed President John Williams said at a Wall Street Journal event.

Williams's comments followed Chair Jerome Powell's sticking by his interest rate outlook on Tuesday, when he reiterated that a process of "disinflation" was underway.

The dollar index, which measures the U.S. currency against six rivals, slipped 0.13% to 103.32, pulling away from the one-month high of 103.96 it touched on Tuesday at the peak of a rally following Friday's stronger-than-expected jobs report. At the same time, 103 has provided a firm floor all week.



Asia FX weakens on hawkish Fed comments, inflation readings awaited

Most Asian currencies fell on Thursday, while the dollar steadied on hawkish comments from a slew of Federal Reserve officials, with focus now turning to upcoming inflation readings from China and the U.S. for more cues on the global economy.

Risk-heavy Southeast Asian currencies were the biggest decliners for the day, with the Thai baht and the Indonesian rupiah losing about 0.2% each.

The Japanese yen moved little against the dollar, as investors kept to the sidelines ahead of a widely anticipated unveiling of candidates for the next Bank of Japan Governor.

Broader Asian currencies ticked lower as fears of more U.S. interest rate hikes were rekindled by Fed officials this week. The dollar steadied against a basket of currencies, with the dollar index and dollar index futures trading flat on Thursday.

Overnight, Fed Governor Christopher Waller and New York Fed President John William called for more interest rate hikes in the coming months, given that inflation is likely to remain elevated due to strength in the jobs market. This followed a warning by Fed Chair Jerome Powell that even though inflation was easing in the country, more rate hikes were likely warranted.

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