

MARKET UPDATE

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Stocks shrug off rates risk as U.S. consumers spend

Asia's stocks rose on Thursday, with investors choosing to cheer strong U.S. retail sales data as good news for earnings rather than worry about it being likely to support interest rate rises.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 1.5%, its best session in more than a month, with tech stocks up 4% in Hong Kong. (HK)

Japan's Nikkei rose 0.7%. European futures rose 0.5%.

The mood nudged the greenback from six-week highs against the yen, yuan and kiwi, though only by a little bit as bond and currency markets have been more focused on rates implications.

Benchmark 10-year Treasury yields, which rise when bond prices fall, hit their highest since early January, before falling back slightly to 3.786%. [US/]

U.S. retail sales increased by the most in nearly two years in January - up 3%, against expectations of a 1.8% rise - as Americans spent freely despite higher borrowing costs.

Dollar retreats from six-week high; data deluge eyed

The U.S. dollar edged lower in early European trade Thursday, handing back some of the previous session's gains after better-than-expected U.S. retail sales pointed to more interest rate hikes by the Federal Reserve.

At 02:00 ET (07:00 GMT), the Dollar Index, which tracks the greenback against a basket of six other currencies, traded 0.2% lower at 103.675, after hitting a near six-week high of 104.11 in the previous session.

U.S. retail sales rebounded sharply in January after two straight monthly declines, rising 3.0% on the month compared with December's 1.1% fall, data showed Wednesday.

This, adding to the stronger than expected U.S. consumer inflation earlier in the week, was seen as largely cementing the case that the Fed still has further to go in tightening rates.



Asia FX muted as markets weigh China optimism, rate hike fears

Most Asian currencies moved little on Thursday as China outlined more spending measures to boost economic growth, although sentiment was constrained by concerns over rising U.S. interest rates, following stronger-than-expected economic data.

The Chinese yuan rose 0.2% as the People's Bank said it will undertake more measures to shore up economic growth, including increased lending and support for the property market. Separately, China's state planning body and finance ministry also said they will roll out policies to boost spending and unlock consumer savings that were built up during the COVID-19 pandemic.

The measures helped spur some optimism over a Chinese economic recovery, after recent data showed a middling rebound in inflation and manufacturing activity despite the recent lifting of anti-COVID measures.

A recovery in China also bodes well for broader Asian economies, given the country's role as a major trading partner for the region. Other China-exposed currencies also advanced slightly on Thursday, with the Singapore dollar and Philippine peso up 0.1% each.

Still, gains in most Asian currencies were limited as overnight data showed U.S. retail sales grew more than expected in January. The reading, coupled with strong inflation data for the month, drummed up concerns over more hawkish measures by the Federal Reserve in the coming months.

The dollar fell against a basket of currencies on Thursday, amid some profit taking after strong gains this week. The dollar index and dollar index futures both fell about 0.2% each in Asian trade.

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