

MARKET UPDATE

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Dollar soars to six-week high on hawkish Fed speak

The U.S. dollar surged to a six-week high in early European trade Friday, after strong U.S. economic data and hawkish comments from Federal Reserve policymakers pointed to more interest rate hikes.

Data released Thursday pointed to a resilient U.S. economy, as the number of Americans filing for unemployment benefits declined unexpectedly last week, while producer prices accelerated in January.

This followed on from retail sales rebounding sharply in January after two straight monthly declines and consumer inflation coming in stronger than expected earlier in the week.

“The data provides ammunition for the Fed to remain in hawkish mode and for the market to continue to price two to three more 25bp Fed rate hikes by the summer,” said analysts at ING, in a note.

The apparent strength of the U.S. economy has seemingly provided room for the Federal Reserve to continue its campaign against inflation with more aggressive interest rate hikes.

Russian rouble slides past 75 vs dollar to near 10-month low

The Russian rouble fell past 75 to the dollar on Friday, extending a recent weakening trend sparked by embargoes on Russian oil products and the steady recovery of imports, which has raised demand for foreign currency.

At 0706 GMT, the rouble was 0.4% weaker against the dollar at 75.15, falling to 75.2525 earlier in the session, its weakest mark since April 25.

It had lost 0.1% to trade at 79.99 versus the euro and shed 0.3% against the yuan to 10.90.

The Russian currency may face further headwinds as EU leaders discuss a new batch of sanctions against Russia over its actions in Ukraine, with politicians, military leaders and Russian banks expected to be targeted.



Asian stocks rattled by hawkish Fed speak

Most Asian stock markets fell on Friday and were set for weekly losses as hotter-than-expected U.S. inflation data and more hawkish signals from the Federal Reserve drove up concerns that interest rates will keep rising.

Technology-heavy bourses were among the worst performers for the day, with Hong Kong's Hang Seng index, South Korea's KOSPI and the Taiwan Weighted index down between 0.4% and 0.8%.

The Hang Seng was also the worst performer in Asia this week, down 1.5%.

China's Shanghai Shenzhen CSI 300 and Shanghai Composite indexes fell 0.5% and 0.2%, respectively, even as government officials declared a "decisive victory" over COVID-19, citing a low fatality rate. The announcement comes nearly two months after the country ended its zero-COVID policy.

But recent economic indicators from China showed that certain facets of the country were still struggling to recover from the impact of the pandemic. To this end, the government has rolled out a slew of stimulus measures to support growth.

Broader Asian stocks also fell as U.S. producer price index data read higher than expected for January, coming in line with a red-hot consumer price index reading for the month. The readings drove up fears that the Fed will maintain its hawkish rhetoric and drive interest rates higher.

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