

MARKET UPDATE

20/02/2023

Dollar steady as robust U.S. data keep Fed hawks in control

The dollar was on the front foot on Monday, supported by a strong run of economic data out of the United States that traders bet will keep the Federal Reserve on its monetary policy tightening path for longer than initially expected.

The greenback firmed slightly against most major currencies in Asia trade, sending sterling 0.06% lower to \$1.2035. Against the Japanese yen, the dollar stood near a roughly two-month high at 134.11.

The Aussie rose 0.17% to \$0.6890, having fallen close to 0.6% last week.

Trading is likely to be thin on Monday, with U.S. markets closed for Presidents' Day.

A slew of data out of the world's largest economy in recent weeks pointing to a still-tight labour market, sticky inflation, robust retail sales and higher producer prices, have raised expectations that the U.S. central bank has more to do in taming inflation, and that interest rates would have to go higher.

Oil prices rise after sharp weekly losses

Oil prices rose on Monday, recouping a measure of recent losses, although pressure from concerns over rising interest rates and deteriorating demand persisted ahead of more indicators from the Federal Reserve on the path of monetary policy.

Crude prices were nursing steep losses from the prior week, as hotter-than-expected U.S. inflation and hawkish comments from some Fed officials ramped up fears of more policy tightening.

Rising interest rates are expected to stymie economic activity this year, which in turn could fuel a slowdown in oil demand.

Brent oil futures rose 0.3% to \$83.41 a barrel, while West Texas Intermediate crude futures rose 0.5% to \$76.90 a barrel by 21:44 ET (02:44 GMT). Both contracts slumped around 4% last week.

Focus this week is now squarely on the minutes of the Fed's February meeting, due on Wednesday. The central bank had maintained its hawkish rhetoric during the meeting, with the minutes largely expected to reflect as much.

Asia FX moves little, dollar steady

Most Asian currencies moved little on Monday, while the dollar steadied as markets awaited more signals on monetary policy from several Federal Reserve speakers and data sets due later in the week.

Regional currencies were still reeling from hotter-than-expected U.S. inflation data from last week, which saw fears of more monetary policy tightening by the Fed return to the fore.

The dollar rose slightly against a basket of currencies, retaining most of its gains made last week amid strong inflationary signals and hawkish comments from Fed officials.

The dollar index and dollar index futures rose less than 0.1% each, and were trading at six-week highs.

Focus this week is on the minutes of the Fed's February meeting, which is expected to shed more light on the central bank's hawkish rhetoric on Wednesday. Fed officials, including Atlanta Fed President Ralph Bostic and Cleveland Fed President Loretta Mester, are also due to speak this week.

Important Note: The information found on Ausprime platform is intended only to be informative, is not advice nor a recommendation, nor research, or a record of our trading prices, or an offer of, or solicitation for a transaction in any financial instrument and thus should not be treated as such. The information provided does not include any specific investment objectives, financial situation and needs of any specific person who may receive it. The past performance is not a reliable indicator of future performance and/or results. Past Performance or Forward-looking scenarios are not a guarantee of future performance. Actual results may differ materially from those anticipated in forward-looking or past performance statement

