

MARKET UPDATE

23/02/2023

Asia FX edges higher, Korean won surges

Most Asian currencies rose on Thursday, recovering a measure of recent losses as the dollar saw some profit taking, with the won appreciating sharply even as the Bank of Korea held interest rates after 18 months of hikes.

The South Korean won rose 0.6% and was the best-performing Asian currency for the day, even as the BOK held interest rates at 3.50%, pausing a rate-hike cycle that began in late-2021.

But BOK Governor Rhee Chang-Yong signalled that the bank could raise rates higher to curb runaway inflation, which is trending close to levels seen during the 1998 Asian financial crisis.

The BOK's pause comes amid weakening economic trends in South Korea, as a slowdown in Chinese demand and rising inflation weighed on local economic growth.

Broader Asian currencies advanced, with the dollar seeing some profit taking. The dollar index and dollar index futures fell about 0.2% each but remained near seven-week highs.

Gold Fields sees lower 2023 production on Chile project delays

South Africa's Gold Fields (NYSE:GFI) said on Thursday it expected lower gold production in 2023 due to a further three-month delay at its Salares Norte project in Chile.

Salares Norte, whose initial target to produce its first ore in the first quarter of 2023 was earlier moved to the second quarter, now expects to come online in the final three months of the year.

Gold Fields said COVID-19 and severe weather were causing the delays at the project, which is expected to produce at least 450,000 ounces of gold per annum in the first seven years of operations.

"In addition to these challenges, ongoing skills shortages faced by the main contractor at Salares Norte have resulted in further delays, with first gold now expected to be achieved in Q4 2023," the miner said in a statement.

The company's gold production is now expected to be within the 2.25 million ounce to 2.3 million ounce range this year, down from 2.4 million ounces in 2022.



Dollar retreats as investors come to terms with higher-for-longer U.S. rates

The dollar ceded some ground on Thursday as markets warmed up to the idea the Federal Reserve is likely to stay on its aggressive rate-hike path, after minutes from its last policy meeting reinforced the central bank's hawkish rhetoric.

Nearly all Fed policymakers favoured a scale down in the pace of interest rate hikes at the U.S. central bank's last policy meeting, minutes from the Jan. 31-Feb. 1 FOMC meeting showed on Wednesday.

However, they also indicated curbing unacceptably high inflation would be the "key factor" in how much further rates need to rise.

The dollar retreated from its multi-week highs against some of its major peers in Asia trade, after a broad gain in the previous session, following the release of the minutes.

The euro rose 0.13% to \$1.0618, away from its roughly seven-week trough of \$1.0598 hit in the previous session.

The Aussie gained 0.26% to \$0.6823, having similarly slid to a near seven-week low of \$0.6795 on Wednesday, further pressured by a miss in forecasts for Australian wage growth last quarter.

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