

MARKET UPDATE

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Dollar steady on higher-for-longer rate outlook; yen wobbles

The dollar was set for its fourth straight week of gains as investors braced for U.S. interest rates to be higher for longer, while the yen was volatile, with incoming Bank of Japan Governor Kazuo Ueda saying it was appropriate to keep ultra-loose monetary policy.

Data overnight showed that the number of Americans filing new claims for unemployment benefits unexpectedly fell last week, underscoring a still-tight labour market and a resilient U.S. economy.

Strong U.S. economic data and hawkish rhetoric from Fed officials this month have resulted in the dollar erasing its year-to-date losses as investors digest the prospect of the Fed staying on its monetary tightening path for longer.

The dollar index, which measures the U.S. currency against six other rivals, was at 104.54 on Friday, hovering around the near seven-week high of 104.78 it touched on Thursday.

Oil up on possible Russia cuts

Oil prices extended gains for a second session on Friday as the prospect of lower exports from Russia offset rising inventories in the United States.

Brent crude futures rose 66 cents, or 0.8%, to \$82.87 per barrel by 0715 GMT. West Texas Intermediate crude futures (WTI) rose 62 cents, or 0.8%, to \$76.01.

The benchmarks ended about 2% higher in the previous session on Russia's plans to cut oil exports from its western ports by up to 25% in March, which exceeded its announced production cuts of 500,000 barrels per day.

"Higher-than-expected U.S. crude oil inventories continue to challenge the oil demand outlook, but expectations for lower Russian production have an offsetting impact," said Yeap Jun Rong, a market strategist at IG.

U.S. inventories are at their highest level since May 2021.

U.S. crude stocks rose by 7.6 million barrels to about 479 million barrels in the week to Feb. 17, data from the U.S. Energy Information Administration said. [EIA/S]



Asia FX weakens amid Fed uncertainty, tepid BOJ outlook

Most Asian currencies sank on Friday as markets awaited more cues on U.S. monetary policy from an inflation reading later in the day, while the incoming head of the Bank of Japan also espoused a somewhat dovish outlook.

The yen was flat as Kazuo Ueda, who will take over as the BOJ governor in April, said in a parliamentary testimony that the central bank will largely maintain its ultra-accommodative policy in the near-term, citing a weak economy.

While Ueda hinted at an eventual end to the bank's strict yield curve controls, he said that interest rates needed to remain at record-low levels to facilitate economic growth.

Data showed on Friday that Japan's consumer inflation hit an over 41-year high in January, although Ueda attributed the recent spike in inflation to supply-side issues.

Still, rising inflation has weighed heavily on the Japanese economy in recent months, and puts more pressure on the BOJ to tighten policy. Foreign traders also piled into Japanese bonds over the past week amid bets of an eventual tightening in policy.

Broader Asian currencies retreated, while the dollar remained steady amid continued uncertainty over U.S. monetary policy. The Chinese yuan fell 0.2% and traded at 6.9 against the dollar, while the Thai baht led losses in the region with a 0.3% decline. Both currencies were the worst performers in Asia for the week, down 0.8% each.

Most other regional units were also set for weekly losses, pressured by rising Treasury yields.

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