

MARKET UPDATE

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Oil prices dip, but eye positive week on Chinese demand bets

Oil prices fell slightly on Friday as traders weighed the prospect of more economic headwinds from rising interest rates, although renewed optimism over a rebound in Chinese demand put prices on course for strong weekly gains.

Crude markets logged wild swings in recent sessions amid a series of mixed cues. While better-than-expected Chinese business activity data offered upward momentum, this was offset by hawkish signals from major central banks and signs of stubborn inflation across the globe.

Brent oil futures fell less than 0.1% to \$84.45 a barrel, while West Texas Intermediate crude futures fell 0.4% to \$77.89 a barrel by 21:22 ET (02:22 GMT). Both contracts were set to add between 1.5% and 2% this week, their second consecutive week of gains.

Optimism over China was the biggest boost to prices this week, as the country's composite purchasing managers' index (PMI) grew at its fastest pace in over a decade in February after Beijing relaxed most anti-COVID measures earlier this year.

The results of a private survey reiterated this notion of a recovery on Friday, with the Caixin services PMI rising more than expected in February.

Dollar set for first weekly loss since January as Fed path eyed; crypto slides

The U.S. dollar eased from a 2-1/2-month high versus the yen on Friday and looked set for its first weekly loss since January against major peers as traders tried to gauge the path for Federal Reserve policy.

The yen, though, which is particularly sensitive to U.S.-Japanese long-term interest rate differentials, threatened to extend its recent losing streak to seven weeks, even as it gained strength on Friday with 10-year U.S. yields retreating from a nearly four-month high close to 4.1%.

Cryptocurrencies took a beating as the crisis engulfing Silvergate worsened, with industry heavyweights including Coinbase (NASDAQ:COIN) Global and Galaxy Digital dropping the lender as their banking partner.



Asia FX muted amid Fed jitters, Chinese yuan outperforms for the week

Most Asian currencies were muted on Friday amid growing concerns over the path of U.S. monetary policy, while the Chinese yuan was among the best performers this week on a string of strong economic readings.

The yuan rose 0.1% and was set to close the week nearly 0.8% higher.

A private survey showed on Friday that Chinese service sector activity grew at a faster-than-expected pace in February. The reading comes after government data showed this week that China's business activity expanded at its fastest pace in over a decade, cementing a post-COVID recovery in the country.

Gains in the yuan spilled over into other China-exposed currencies, with the South Korean won and the Australian dollar both set to close the week higher.

A recovery in China bodes well for countries with a large trade exposure to the Asian giant and could help improve the prospects for Asian economies this year. Friday's positive data also came ahead of a meeting of high-level Chinese officials, which begins on Saturday.

But most other Asian currencies kept to small ranges on Friday, as U.S. Treasury yields surged overnight after a drop in weekly unemployment claims indicated resilience in the jobs market. The dollar also steadied on Friday against a basket of currencies, with the dollar index and dollar index futures falling 0.1% each.

The greenback was set for small weekly losses.

Overnight comments from Federal Reserve officials offered some clarity on where U.S. interest rates could peak this year, with Atlanta Fed President Raphael Bostic backing a 25 basis point hike during the March meeting.

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